Investing in an Ageing World:

Shifting debates from costs to investments

HelpAge International

HelpAge International is a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.

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Front page photo by P Vera-Sanso and CLPHRS, Chennai. It shows an older man operating a cycle rickshaws that provide a livelihood and inclusive, affordable transport.

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Executive Summary

Our world is ageing and, in some countries and regions, rapidly. The fact that people now live longer, in better health, and generally in better conditions than ever before is a remarkable success story. But what opportunities and challenges does this bring?

> *The coming decade is projected to see a momentous 1 billion older people worldwide. That figure looks to exceed 1.5 billion by 2030, rising to around 2 billion by 2050 – accounting for more than a fifth of the world's population. Most of that increase will take place in the developing world, where, by 2050, 8 out of 10 of the world's 60-plus population will live.*

The current and, we would argue, short-sighted debate posits older persons as a burden, potentially responsible for pushing already overstretched national health and care services to the limit. Yet the social and economic contributions older persons make to their families, communities and wider society are frequently overlooked. Reflecting this focus, a vast amount of research has been carried out into the assumed foreboding consequences of demographic ageing – especially in terms of dependency ratios and financial structuring – with policy makers' and government's preferred response being to raise the retirement age and reduce pensions.

This report presents an alternative picture. It brings together new work that reconceptualises the "costs" of ageing. It aims to shift the debate from one that is narrowly defined by financing and expenditure to one that focuses on social investment and long-term planning – in short, arguing for more of a positive approach. Its central tenet is that the best outcomes can be achieved if policy makers and governments adopt a life-course approach, recognising older persons as a valuable resource even (and perhaps especially) in their later years, as well as acknowledging their lifelong contributions to their families, communities, and wider society. A life-course approach is vital, since it is the accumulation of advantages throughout a person's life that offers the best chances for older age.

> *…evidence indicates that older persons' contributions to working-age family members (such as adult children and grandchildren) make them net contributors not only to their households but also to the micro- and macro-economies they engage in.*

When viewed from this perspective, there is a great deal that policy makers and governments can do now to influence outcomes over the coming decades if they adopt proactive investment strategies and promote healthy ageing. By this, we mean opening up opportunities for older persons to fully participate in all aspects of life by improving their health, by making community infrastructures more age-friendly, and by providing sufficient and reliable flows of income that allow persons to stay productive. It is this perspective of investment that we wish to discuss. Enhancing capabilities by ensuring access to health, education and decent work – across the life-course – can make an enormous difference to wellbeing and income security in old age.

Investing in an Ageing World approaches demographic ageing from a decidedly more in-depth analysis of the key issues, both for societies and the public policy professionals who seek to devise sustainable and equitable strategies. To gain insights into the opportunities and challenges that lie ahead, this report has enlisted specialists in four fields: the social, political and economic topics of interest; income security for ageing societies (that is pensions); health and social care; and urban and built environments. The authors have put forward key considerations and ideas based on academic discourse and practical evidence of what has worked in different contexts.

Setting the stage

Chapter 1 gives a broad perspective on the current state of affairs on population ageing, and challenges some common assumptions and hypotheses about the negative implications of changing national demographic profiles. In short, it investigates in depth the claims of an impending "demographic winter". It outlines overwhelming evidence which suggests that proactive policies and strategies could go a long way to overcoming deficits in past and current institutional configurations. It refers to lessons and institutional innovations honed in the construction of national welfare state systems by developed economies in the 20th century.

Many "younger" countries are reaping the benefits of the oft-cited first demographic dividend. But to what extent can policy makers and stakeholders take full advantage of this and the second demographic dividend? That question would appear to be as much a matter of political will as of fiscal space – the two being closely linked. What is certain is that if countries are to take advantage of this second demographic dividend, policies to tackle immediate issues around people's capacity to contribute to long-term productivity and investment gains are essential elements of reconciling demographic change with economic concerns.

> *Ignoring the positive outcomes of increases in life expectancy by implicitly assuming that additional years are necessarily unproductive and thereby burdensome to society skews the real accounting of people's contributions in later years.*

There is widespread debate about how best to resolve the discordance between existing and potential policy decisions and population ageing. Concerns of adverse dependency ratios and potentially catastrophic pressures on financial resources from rapidly increasing pools of officially "dependent" population groups remain at the forefront of the debate. However, evidence indicates that older persons' contributions to working age family members (such as adult children and grandchildren) make them net contributors not only to their households but also to the micro- and macro-economies they engage in. Reducing disincentives to participation in the formal economy through a mix of social protection guarantees (notably at the end of a person's economically active life) and equitable taxation policies could help create institutional trust and capacity, which in turn foster strong foundations on which to build stable economic and political futures.

Chapter 1 explores the premise that security in later life (in coordination with other life-course protections) ranks among the most fundamental strategies for safeguarding such aspirations and the fostering of economic and political stable environments. Inequalities over the life-course have a cumulative effect towards the end of an individual's life, when people generally have less capacity to remedy things through their own means (whether engaged in the formal or informal sector). Governments have a window of opportunity now to invest in and lay stable and equitable foundations, in line with their overall development goals, to protect individuals who have not yet entered their later years.

The chapter concludes by calling for comprehensive social investment policies that promote personal resilience in old age alongside the provision of enabling environments that boost community resilience. These should deliver improvements in physical, social and institutional infrastructure, focusing on lifelong learning, access to information and communications technology (in a broad sense), social and physical safety, civic freedom, and access to key services such as health and employment.

There is also a need to develop progressive taxation systems that incorporate the best of both income and consumption approaches in order to ensure equitable and sustainable development and protection into old age. Policy makers should be wary of applying simplistic solutions to complex problems, and avoid the pitfalls of instigating generational cleavages and conflicts when allocating scarce resources.

Income security in later life – financing social protection

Chapters 2 and 3 address one of the most pressing issues of population ageing nationally – pension systems. The discourse on pensions is as broad as it is complex, but we focus on analysing current debates related to the provision of old age income security. We present an alternative, and increasingly recognised, view of income security in later life as an essential aspect not only of individual autonomy and wellbeing but also an integral component of social, cultural and political cohesion. Such concerns are paramount to the process of sustainable and equitable governance and policy making. Different authors first investigate pensions as essential investment opportunities, and then the financing framework for expanding pension coverage.

> *…move beyond the notion of income security in older age as merely (re)distributing financial resources to segmented groups…*

Chapter 2 challenges perceptions of pension systems as additional "costs". It proposes adapting viable notions of pensions as strategies to manage existing and future "costs" associated with ageing populations. A critical issue is whether the state should place the entirety of the financial costs of old age on informal social protection networks (individuals, families or communities) or whether it should design and implement mechanisms to distribute risk and costs across society as a whole (formal social protection systems). Pooling risk in this way mitigates propensities towards poverty and inequality, leading to a range of positive outcomes.

The authors argue that it is constructive to move beyond the notion of income security in older age as merely (re)distributing financial resources to segmented groups to one of a larger network (for example family and community affiliations) providing sustainability and cohesion. The key policy priority should be to improve the reach and protective capacity of pension systems in order to guarantee old age security to all individuals and families independently of their previous work status and socio-economic position. The recent experience of several Latin American countries with the creation and expansion of non-contributory benefits is relevant to other countries facing similar challenges: expanding old age protection is feasible and brings positive outcomes. It also shows that there are a range of policy design alternatives that countries must consider according to their needs and possibilities.

Recommendations from this chapter include a call for policies to break the reproduction of cumulative disadvantages over the life-course through expanding non-contributory pensions as well as including redistributive elements within contributory systems. Governments need to find ways to provide income security in older age for informal workers (who comprise the majority of the economically active population in many countries) and those engaged in unpaid care work (mostly women).

Chapter 3 focuses on how to manage the costs of expanding pensions. All governments, regardless of size or capacity, have to invest in pensions to some extent, both in terms of actual resources and policy design. However, there are very real challenges to even modest frameworks, especially where options to extend coverage are encumbered by low revenue bases, as is the case for many low- and middle-income countries. This chapter explores strategies available to governments and policy makers that can allow them to build pension systems over time and sustain them in the context of population ageing.

Fundamental to such strategies is the commitment to long-term outcomes over short-term obstacles.

> It may be noted firstly that 'retirement' is a very limited option in countries lacking significant pension provision, and secondly that wealthier countries may now be following the less wealthy in the trend to increasing labour force participation at advanced ages... This needs to be recognised in policy frameworks…

Recommendations from this chapter call on governments to implement universal protection at a basic level, increasing the adequacy of the pension and lowering pension ages over time. Each country should reflect not only on its national economic capacity but also on its prevailing social and perhaps even cultural environment and ambitions. It is within this perspective that the diverse and extensively studied options for detailed design of schemes come into play. These include choices (among others) as to contributory or non-contributory models, defined-benefit, defined contribution or flat-rate benefit formulae, and funded or pay-as-you-go financing schedules, together with choices on the proportion of public as opposed to private provision.

All of these choices affect the redistributive characteristics of the system as a whole and also, to some extent, the way in which risks are shared among stakeholders. Finding an optimal balance within the constraints of the national political economy, and reflecting issues such as intergenerational equity, is likely to be a long-term and dynamic process.

Incorporating health and social care systems

> *"Relationships between population ageing and health spending are neither as direct nor as straightforward as is often assumed…"*

Just as social protection systems can be seen as an investment in the future rather than just a present-day cost, so too can policies designed to improve quality and coverage of health and social care. Chapter 4 explores issues around the convergence of health and social care systems in the context of demographic change, focusing on low- and middle-income countries. It reviews the literature on health and social care costs and highlights three variables which must be considered when projecting future costs. Such an exercise includes not only the growth in numbers of older people, but also the overall health of populations and the potential expansion or compression of morbidity at older ages.

Links between population ageing and health spending are neither as direct nor as simple as is often assumed, and there can be considerable divergence from the pattern of spending across countries. Linkages can be substantially influenced by appropriate interventions and policy choices.

> *There is an urgent need to reorient health services towards non-communicable diseases and the health needs of older adults, as part of a strategy of promoting lifelong health.*

Population ageing is increasingly linked with periods of living with chronic health conditions, which has implications for, among other factors, rising costs of care. Most care is provided by family members, and the critical question is how the rising costs of this care should be distributed between informal and formal services. It is also the case that many people will grow older without significant long-term care needs; clearly, older people in better health are more likely to represent a social and economic resource rather than a burden. It is therefore important to identify interventions with potential to have a substantial and cost-effective impact on older people's health and functional status

As Peter Lloyd-Sherlock rightfully notes, "There is an urgent need to re-orient health services towards non-communicable diseases and the health needs of older adults, as part of a strategy of promoting lifelong health". This would be the best way to reduce the healthcare costs of ageing populations but only as part of a broader strategy to promote lifelong health. Other recommendations include the need to rebalance health service expenditures to support better preventive services for people of all ages, as well as training of primary healthcare staff in geriatric care, and closer integration between health and social care services.

Urbanisation and later life

> *Attributing isolation, dependence and poverty on frailty, old age or failing family values ignores the fact that it is socially constructed policies and processes which create these circumstances…*

Chapter 5 focuses on the twin processes of urbanisation and ageing. Urban planning policies have a major impact not only on the wellbeing of older persons but also on the technological and environmental aspects of urban life that could enable people in their later years to remain fully active in social, economic and political life. Urban and built environments are spaces of opportunity and interaction; they can maximise greater economic opportunities and social freedom if they are adept at incorporating individuals across the life-course and not only in their 'prime' years, fostering greater opportunities and capacities for all into later life.

Recognising and enhancing older persons' social, economic and political inclusion will benefit all citizens. This chapter focuses on the opportunities and constraints that urban areas represent for disadvantaged groups living in low- and middle-income countries. It cites stereotypes in research on urbanisation, which tends to focus on youth, only mentioning older persons in the context of being a drain on resources, exclusively (and mistakenly) defined by frailties, vulnerabilities and dependencies.

Attributing isolation, dependence and poverty on frailty, old age or failing family values ignores the fact that it is socially constructed policies and processes which create these circumstances which reflects a common view among policy makers and urban planners that all workers are aged between 15 and 60. Policy makers must recognise the interdependencies that underlie social and economic structures, and the central role of older persons in the social and economic functioning of their families and communities. They need to do more to acknowledge and facilitate older persons' actual and potential contributions to urban life.

Recommendations from this chapter focus on the need to engage older women and men at all stages of policy planning, research and design. This is vital in order to address the pervasive ageism in research on urbanisation and other crucial policy areas, and there are many ways of tapping into older persons' knowledge to uncover the nuances of their situation and contribute to more effective policy solutions for all age groups in society. There is also a need to redirect urban investments towards eradicating poverty, inequality and marginalisation, reflecting the view that while cities may serve to deepen poverty and inequality, for many people – and given the right mix of policies and development strategies – they also offer the best chance of escaping poverty.

Conclusion

There is no 'one size fits all' template for strategies to invest in an ageing world – that would be both untenable and undesirable. Instead, national, regional and international policy makers and their constituents must have the freedom and desire to innovate solutions that are best suited to their own circumstances and resources.

At this juncture, it is worth reminding ourselves just what is possible. Just as many countries made major advances throughout the 20th century – whether by creating a national health service and other services prevalent in the advanced “welfare state’s”, or the remarkable progress achieved early in the 21st century through the Millennium Development Goals – so too can they make a massive difference to income security and the wellbeing of all people at different stages of the life-course, by acting now to achieve the most favourable outcomes in future. With appropriate social and economic investment, people in their old age will have the potential to contribute not just to their own wellbeing but also to sustain greater economic and social prosperity for society as a whole.

Setting the stage: from costs to investment

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The coming decade is projected to see a momentous 1 billion older persons worldwide, with more than 900 million at the onset of the Sustainable Development Goals (SDGs) in 2015. That figure looks to exceed 1.5 billion by 2030, rising to approximately 2 billion by 2050 – nearly 21.5 per cent of the world's population (HelpAge International 2015). For every 1 second that passes today, two people celebrate their 60th birthday globally. Most of this increase is expected in the low- and middle-income countries, which, by 2050, will be home to 8 out of 10 of the world's 60-pluspopulation. Furthermore, the proportion of those aged 80 years and over is increasing at a faster rate than the 60-plus population as a whole. United Nations (UN) projections suggest that the number of centenarians in the world will rise from just under 0.5 million in 2015 to 3.4 million in 2050.

These figures should, however, be taken in context. This is the story of remarkable human success – we live longer, in better health, and, generally speaking, in better conditions than ever before in human history. As much has been pointed out in previous reports on the issue. However, this development is not uniformly distributed and substantial variation exists globally, with advancement in one part of the world impacting, often lagged, development elsewhere. On the whole, however, even rapidly ageing and aged societies have improved enormously, despite associated challenges. It would be remiss, given such issues, to focus solely on the challenges of demographic change; it is also crucial to consider those factors that have enabled this enormous success. With these projections taken into consideration, recommendations for today's demographically "younger" countries are a fruitful and optimistic approach, rather than, say, merely focusing on demographic and economic projections pointing out dramatised problems to be avoided. Indeed, as Herrmann, Scholz, et al. (2015) argue, not taking into consideration the demographic changes in development planning would be a consequential omission, undermining the implementation of the 2030 Agenda on Sustainable Development and progress towards the SDGs entailed therein. This is not to say that the urgency or seriousness of demographic ageing is to be downplayed. Public awareness of the emerging and economically and socially taxing scenarios is indeed a powerful tool in the cache of advocates for change and reform; however, we caution that policy makers must be steadfast and ensure that the discussion is countenanced with consideration regarding the entirety of the debate. That is, instead of a focus on problem mitigation, what policy leaders should rightfully explore are the opportunities and benefits – both on individual and societal levels – that meeting these challenges will entail economically and socially, not to mention politically.

The 20th century has seen phenomenal increases in longevity and in our understanding of challenges and opportunities linked with population ageing. Certainly, the rising share of older persons will bring its own challenges (for example in terms of pensions, health and social care and infrastructure), but governments also need to embrace the positive aspects of longevity and to see older persons as a potential resource. Older persons will need help, especially towards the end of their lifetime, but in the right circumstances they also contribute to the community and society at large. As lifetime expands, these positive contributions expand as well. Furthermore, cohort differences in education, nutrition, working and living conditions, healthy lifestyles and so forth, will likely result in an increase in active contributions by older persons, not a decline. Simultaneously, the prevalence of debilitating conditions such as dementia will lessen (see, for example, Matthews et al. 2013). While the lack of capacity to measure these issues precisely hampers the ability to balance positive and negative impacts of demographic change, globally it is more likely the case that the positives will outweigh negative where policies enable this to occur. Indeed, it seems prudent to consider the potential benefits of delayed reduction of consumption at later years and a shift in consumption profiles which may drive further economic growth especially for industries catering to such elasticity. The growth of technology-based solutions globally marks a clear example of innovation meeting the needs of demographic change. Greater social policy efforts are required to improve the wellbeing of older persons globally, and to make welfare provision more sustainable.

The following chapter addresses many of the top-level issues related to demographic change in general, and for developing contexts in particular. In as much as there are no roadmaps to follow, this chapter works to provide a foundation of considerations for steering the following chapters which are more adapted towards the specific issues of income security in the way of pensions, health and long-term care, and the emerging area of urbanisation and later life. It begins with a discussion of demographic ageing – its drivers, implications for society and economies, and the narratives surrounding it. Following this, we turn to an examination of more specific issues including resource mobilisation, governance, and migration – pointing out lessons from demographically older country cases. We round off with a look at active ageing and policy recommendations. Readers interested in the specific areas of pensions, health and long-term care, and urbanisation may turn directly to those chapters as necessary.

Demographic ageing – success of the ages

In order to situate the importance of demographic ageing into a new perspective of proactive engagement and sustainable, fair, systemic actions, it is constructive to take into consideration the numerous issues that are in play for policy makers. There are no ready-made templates to guide comprehensive systems able to sufficiently address the coming transitions; in as much we can only present an outline of some of the key underlying issues in the debate regarding demographic ageing.

It is important that policy makers across the world – from regions currently in the midst of their ageing to those still at the beginning of their windows of "demographic opportunity" – do not shy away from concerns regarding how to (i) best fund and finance growing numbers of individuals living into later life, (ii) address limitations of public pension and healthcare systems, (iii) support the development of inclusive labour rights, and (iv) tackle issues of intergenerational justice. This chapter, and indeed this publication, aims to couch these concerns in structured optimism. It argues that taking steps today, with the assistance of evidence from those countries that have experienced similar scenarios already, can lead to a productive and smooth transition for both development and sustainable, equitable protection for all persons into their ever-increasing later years of life. A discussion of social protection systems is an inescapable part of the solution, especially for older persons. Social protection systems are means of insurance and redistribution that safeguard citizens against the unanticipated risks of both market and life-course events (Kohli 1999). They are a set of *ex ante* risk-pooling policies given unknown risks for current, let alone future, members. They are, in the simplest of terms, how societies stabilise themselves to grow and prosper.

It is unsurprising that many developing countries are advised based on particularly negative expectations of the "burden" that their ageing members are expected to bring. While certainly useful for consideration, what is needed is a less alarmist outlook – posing the potentials and opportunities of these developments, and highlighting some potential misinterpretations of demographic measures in the current debates. At the same time, we want to emphasise the perspective of investment, particularly in *non-financial* terms – strengthening society's capabilities to develop by providing resources to those in the later years of their lives presently and into the future. While the current state of affairs will soon be matters of the past, the past should be seen as a point of reference rather than a situation *ad infinitum*. It is not uncommon for previous assumptions to be based on, understandably, worst-case scenarios.

What is driving population ageing?

In simple terms, demographic transition is largely driven by the postponement of mortality and increased longevity whichis true across most of the world. For developed countries and regions, evidence points towards a growth in life expectancy of approximately 3 months per year, or about 10 years for every 40 (Vaupel 2010). The drivers of this are manifest – medical advancements, improved education, greater public hygiene, healthier nutrition and lifestyles, improved working and living conditions, and technological development contribute principally to the unprecedented lengthening of the average lifespan. These developments are important not only for explaining longevity, but also the dramatic declines in infant mortality. These advances have been a victim of their own success, however, and the downside is that ageing populations within the current framework of social protection often entail more pressure on resources, public or private, particularly on pensions and healthcare.

To many, this extension of life can evoke anxious scenarios on the current state of affairs, including, for instance, the bankrupting of health systems or longer and less generous pensions benefits. However, such anxieties are often right for the wrong reasons, and an ounce of prevention, as the saying goes, is worth a pound of cure. As Peter Lloyd-Sherlock has rightfully pointed out in Chapter 4, "Even where they do exist, international correlations between population ageing and health spending may be misleading" (p.76). Indeed, it is becoming increasingly apparent that the "obvious" outcome of population ageing ,exploding healthcare costs, is exaggerated (Lis 2015).

In this vein, it is not uncommon to overlook the idea that new cohorts of older persons are, and will continue to be, a more powerful resource. With appropriate social and economic investment, older persons have the potential to contribute not just to their own wellbeing, but the sustainability of greater economic and social prosperity for society as a whole. Central to this is the idea of active and healthy ageing – the process of opening up opportunities and participation for older persons and improving the quality of life.[1]

Active ageing means ageing in good health and as a full member of society – being more fulfilled in jobs and social engagements, more independent in daily life, or more engaged as citizens. This cannot happen successfully without assistance from government, as final guarantor of wellbeing, at national, local, and community levels. This involves policy measures such as increasing financial security, promoting age-friendly infrastructures and weaving these ideas into the social fabric of our societies. Of course, there will always be people who cannot be as active and, or productive as others: governments cannot simply force active contributions from all regardless of circumstance. Policies can create the environment that enables those who want to be active and support those who cannot.

The active ageing agenda has progressed to become an expressed concern of policy makers as early as 2002 forming the basis of the Madrid International Plan of Action on Ageing (MIPAA), at least for Europe in its Regional Implementation Strategy. Out of the 10 MIPAA commitments, at least four have direct relevance to the active ageing strategy:

- Commitment 2: To ensure full integration and participation of older persons in society;
- Commitment 4: To adjust social protection systems in response to demographic changes and their social and economic consequences;
- Commitment 5: To enable labour markets to respond to the economic and social consequences of population ageing;
- Commitment 9: To support families which provide care for older persons and to promote intergenerational and intra-generational solidarity among their members.

[1] As the World Health Organization (WHO) argues: "active" refers to continuing participation in social, economic, cultural, spiritual and civic affairs, not just the ability (or a necessity) to be physically active or to participate in the labor force (WHO 2002).

From dependencies to opportunities – a change of perspective on data

The break with the young-old dichotomy is critical for internalising the necessity for policy development; much of that transformation requires our understanding of some of the components that perpetuate rather arbitrary divisions of society. It is important to bear in mind that the impending demographic shift, and the policies needed today to prepare for tomorrow, also largely concern the working-age population of today's world. Supporting the current economically active age groups as well as investing in younger generations, especially in terms of education and job creation will attenuate the future cost for, and further develop the potentials of, ageing societies. Sustainable social policy should be targeted at all age groups, not simply those currently considered old.

> *Ignoring the positive outcomes of increases in life expectancy by implicitly assuming that additional years are necessarily unproductive and thereby burdensome to society skews the real accounting of contributions in later years.*

To take a common reference point for discussions of the impacts of demographic ageing, we may consider the current debates in the advanced economies of Europe as an example of the predominant concerns common in much of the discourse – "dependency". Many European countries expect an increase in old-age demographic ratios (OADR), while child demographic ratios (CDR) decline as birth rates remain low and/or decrease.[2] This, however, does not level out the effect of increasing longevity, as total dependency ratios (TDR – the ratio of the population below 15 plus above 65 to those aged 15 to 64) appear to climb dramatically.[3] It is often taken at face value that a shrinking working-age population (relative to those it is expected to support) cannot afford the increasing numbers and proportions of older persons in the future. Taking Germany as an example, most evidence suggests that the old-age demographic ratio will double in the next 50 years. Future generations, the children of today's working-age cohorts, so the narrative goes, will be unwilling and, or unable to shoulder that burden thus raising the spectre of intergenerational fairness. The rather simple solution to this burden, advocated in most, if not all, of these countries, is the development and adoption of measures to reduce the *expected burden* on their welfare systems via a combination of austerity and increases in revenue generation. Such policy recommendations are primarily based on standard statistics such as age dependency ratios, and it is precisely these standard definitions that deserve critical reflection.

Ignoring the positive outcomes of increases in life expectancy by implicitly assuming that additional years are necessarily unproductive and thereby burdensome to society skews the real accounting of contributions in later years. Issues surrounding "active ageing" come into play here, however equally it is important to keep in mind that increases in productivity are ignored by dependency ratios. This is a rather large piece of the sustainability puzzle – not least as gains in productivity have been found to increasingly accrue not to the public at large. Furthermore, ignoring changing cohort compositions, and the increase in life expectancy itself (for example by fixing age boundaries at 65) further distorts accurate representation of what societies – and hence policy makers – may expect from the future.

To begin with the latter, Sanderson and Scherbov (2005) have demonstrated that traditional old-age dependency ratios constitute only one perspective of many on demographic data, and one that is clearly over dramatising threats. Policy makers do not need to artificially constrain their options. To take this arguably less dramatic view of the

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[2] The OADR is taken as the ratio of those above 65 to those aged 15 to 64 (the working-age population), while the CDR is taken as the ratio of the population below 15 to those aged 15 to 64. The term old age dependency rate is replaced with old age demographic rates mainly to avoid the misleading implication that all old people are dependent.

[3] It should be noted that such age groupings are themselves arbitrary cut-off points and are subject to variation.

so-called "prospective age", it is not the population aged 65-plus that is related to the working-age population, but rather the population with a given *average remaining lifetime* of a certain number of years. Such considerations have been topics of debate since at least the 1970s (see especially Cain 1981; Ryder 1975). They have now taken on a more immediate importance. "Old age", in this view, is indexed to increasing life expectancy, rather than fixed at a certain number of years since birth. Indicators of age are not neutral and are time variant (d'Albis and Collard 2013). The human condition is a continual evolution of circumstance; an individual who was 55 in 2005 cannot be compared equally with someone who was 55 in 1935. When entry into age groups is allowed to reflect changes in mortality/life expectancy, following d'Albis and Collard (2013), "the share of elderly individuals within the total population has not increased much and has remained stable in these countries" at around 20 per cent.[4] The old-age dependency ratio itself is thus misleading as it ignores the increase in life expectancy. Taking the average remaining lifetime as an indicator for population ageing in general results in a much less dramatic scenario.[5] This is not to say that the current situation of demographic change is not at a critical stage. In the current framework of occupational, family, and social protection policy, failure to respond with both norm and system change does pose the very real risk of a self-fulfilling prophecy.

An important shortcoming of both approaches stems from the fact that the composition of age groups changes over time. This has already been mentioned with regard to old age. Considering those aged 65 and over today are, generally speaking, healthier and "younger", it is important to note that "dependency" also changes over time. Additionally, the composition of the *working-age* population also changes over time. As labour force participation rates of women and overall productivity increase, for example, it becomes clear that the denominator of the calculation, not only the numerator, is subject to variation. These changes are not precisely predictable, but some aspects are obvious. Accelerating rates of precarious labour patterns, fractionalised and diminishing collective bargaining arrangements, disjointed international employment protection legislation, and rampant informality in labour markets, for instance all contribute to an uncertain menu of outcomes for tomorrow's older persons. This is so for both developed and developing states alike.[6] For the latter, policy and structural change may be both relatively easier and critical given the rate of demographic change. Many of the policies seeking to mitigate the "greying of the world" may, in fact, do more harm than good, and a fair amount of such reaction is a result of over dramatising long-term projections. Even a 100 per cent increase in the next 50 years seems less dramatic when expressed as an approximate increase of 2 per cent per year. Such a perspective seems all the more manageable in light of dramatic technological advancements, improved health, better education, improved working conditions and the like – resulting in an overall increase in productivity. Hence, investment in all age groups should be taken into consideration, at best in a life-course perspective.

Dependency

One of the central problems facing policy makers is that while dependency ratios have been widely cited and are generally useful in so much as they provide quick and readily comprehensible and comparable metrics, they should not be considered the be-all and end-all of understanding demographic change. This, as with the issue of age boundaries mentioned previously, is part and parcel of the issue – ageing is not only massively variant across life-courses and different socio-political and economic contexts, it is also a social construct. It may be expedient to establish cut-off lines of which ages contribute and which

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[4] Data is for the USA, Australia, Austria, Canada, Denmark, France, Iceland, Italy, Norway, Sweden, Switzerland and the UK (d'Albis and Collard 2013).

[5] Of course, each indicator has strengths and weaknesses. For example, the burden placed on pension systems might be underestimated using the prospective age approach, as this view does not take into account pension spending (or any other productive activity). But as far as, for example, health or productivity is concerned, this approach seems favourable.

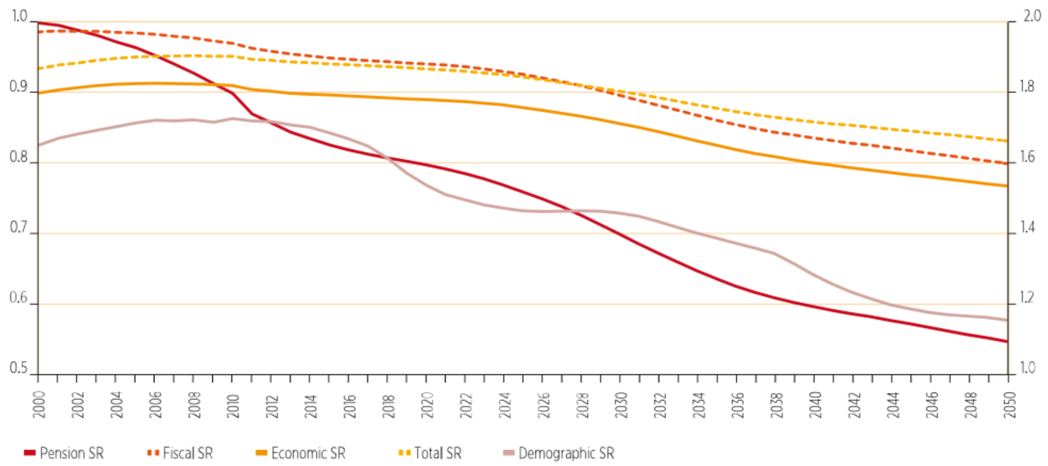
[6] As an example, for the German pension system, future cohorts of pensioners will likely have lower entitlements due to increasingly precarious working careers, increasing proportions of the self-employed (largely devoid of formal entitlements), reductions in pension benefits, and increasing ages of eligibility. These factors all contribute to less "dependency" and "burden" in the pension system, but at the cost of exposing those future cohorts to increased and privatised financial insecurity.

do not, but it is less so when considering what resources are actually in play and which benefits the "unproductive" bring to the table.

If one changes the parameters of consideration, the picture of burden becomes less pernicious – the contributions of older persons are frequently omitted from public debate. The work of the National Transfer Accounts (NTA), pioneered by Lee and Mason and others, has done much to generate a more comprehensive view of changing economies in relation to demographic transitions; however, even this evidence must be taken in context of the underlying assumptions used. The NTA accounting framework, for instance, omits contributions made by unpaid household labour – an issue which the proponents of this approach equally acknowledge. While obviously necessary given a variety of methodological bases, such omission obscures the true contribution of older cohorts.

Consider the commonly held assumption that older persons at retirement age become burdens, erroneously positing that this arbitrary cut-off point depicts the reality of the situation facing most, if not all, societies. As Gál and Vargha (2015) illustrate, alternative dependency ratios illustrate that the dependency of ageing is not as drastic as has been widely touted (Figure 1) . The visibility of pensions as public transfers makes up a large part of the reason why older persons are seen as dependent – whereas the true size of resources devoted to the other main 'dependent' category (children) goes largely unaccounted for (Gál, Szabó, and Vargha 2015; Gál and Vargha 2015). Taking Slovenia as an example, it is evident that taking all activities and contributions into account (Figure 2), the presumption of older persons as a burden is not supported empirically (Sambt, Donehower, and Verbič 2016). Similar studies bolster these findings (Kohli, 2015), with cross-national comparisons monetising the net contributions of older persons showing *positive net transfers* from older to younger cohorts well into the later years of life (Litwin et al. 2008).

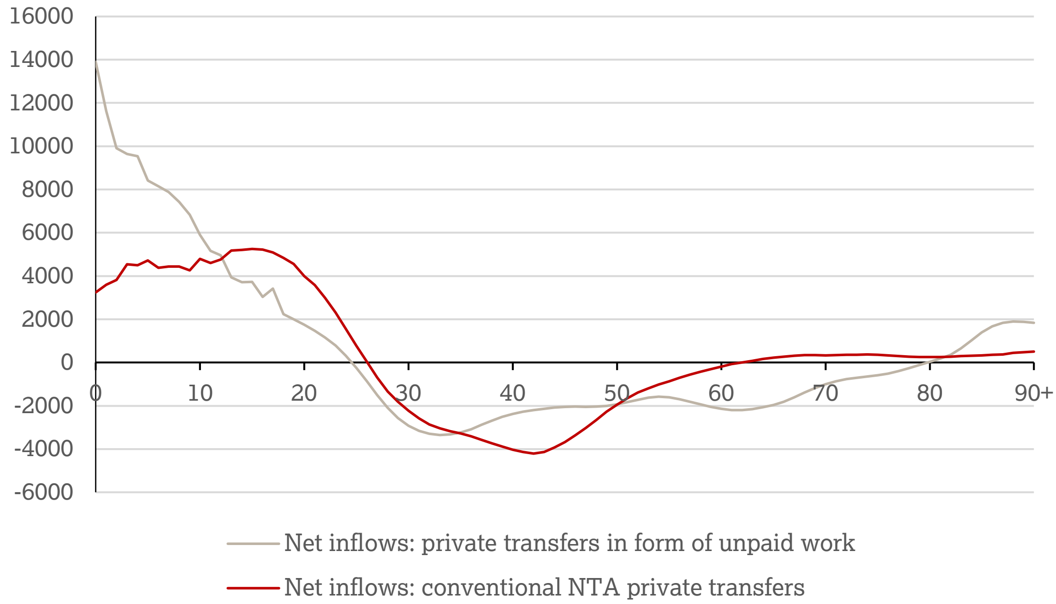
Figure 1: Projected support ratios - Hungary 2000



Source(s): Gál and Vargha 2015

Notes: Support ratios –: Right axis: Demographic (dependents/ working-age population). Left axis: Pension (contributors/beneficiaries); Fiscal (weighted taxpayers/ weighted beneficiaries); Economic (weighted workers/ weighted consumers); Total (weighted producers (all labour)/ weighted consumers (all consumption)

Figure 2: Net private transfers by age – NTA market-based results supplemented by household production transfers for Slovenia, 2004



Source(s): Sambt et al. 2016

It is clear that, in general, cohort composition is dynamic and, as such, changes over time. As Börsch-Supan has rightfully pointed out, one's life biography is a direct link to the disadvantages faced in later years (Börsch-Supan 2014). Medical advances, better education, hygiene, and so forth, all continue to alter biographies; future cohorts of people aged 65 and over are likely to be even healthier and have more resources for active and productive lifestyles compared to older persons today.

These are not naturally occurring phenomenon; it will require deliberate use of policy decisions to foster such outcomes. If instituted before the need is acute, even if their share increases, the "burden" and "dependency" placed on society by succeeding cohorts will (all things equal) be much lower on account of their likely healthier and more productive capacities. Meanwhile, the capacity of working-age groups also increases. Simply counting "heads" is inadequate for long-term policy considerations; policy makers can "invest" into future relations between generations by improving health, education, hygiene, nutrition, working and living conditions, and technological progress.

Defining age

Such views of dependency are rooted in policies which have evolved to address work and personal life choices over the course of many years. These policies, and the views they have come to represent, are in many ways representative of how society has come to understand ageing before the current and coming era of demographic ageing. The very definition of ageing remains a core variable in many, if not all, issues related to dealing with demographic ageing which is not limited to any region or society. Age, and how society has decided upon defining and measuring it, represents an intrinsic challenge to adaptive policy. Stepping outside our own political-economic skin is a complicated but necessary exercise. In setting an assignment of age, it is important to consider the distinct difference between social, psychological and biological aspects of human ageing (Künemund and Kohli 2002). We shall briefly examine each of these in turn.

Social age can be conceptualised as an assignment – social surroundings define "old" and "young" by counting years from birth or fixing age boundaries. Thus, in many aspects, "how old are you?" is a relative question. A professor of philosophy at the age of 35, for instance, will be regarded as "young" within his occupational context, while an athlete at the same age will be regarded as "old". It may be that the same person is regarded as old in one context but young in another. Such parameters change over time and differ between cultures. Calendar age is used as a point of reference, but still does not accurately measure human ageing itself.

The same applies to *psychological* aspects of age –experiences, knowledge, and wisdom; while there exists a correlation, no causality can be determined. There is simply no set number of years that result in becoming “wise”, unfortunately. This is also true of *biological* aspects of age – growth and decline, morbidity or frailty. The extreme example of Progeria – a genetic condition resulting in accelerated ageing – makes this readily apparent. This is not an exercise in polemics, countries across the world institute many policies based on habitualised standards which are counterproductive to social, economic, and political adaptation – the case of mandatory retirement policies mark one such example. As Box 1 illustrates, however, alternatives are equally complex issues. While somewhat more readily applicable to higher income countries for instance where employment is largely in the formal sector, the issues in Box 1 help focus attention on ageing in differing regulatory contexts. Where the age of retirement may not be as relevant for countries with high levels of informality, qualifying age limits for cash transfers in older age will be important.

Individuals age uniquely, and the older individuals become, the more diverse they become too. Genetic factors, nutrition, tobacco and alcohol use, working and living conditions and so forth, all shape the differences in lives. In most aspects of everyday life, we remain at risk of overlooking the underlying inconsistency – namely, using the wrong measurement instrument for human ageing. Innovations allowing accurate definition and measurement of cognitive, physical, and even social age, for instance, will greatly improve fitting appropriate policy measures with life outcomes.

Box 1: Why age boundaries?

If we accept that chronological age is at best an imperfect substitute for measuring old age, then we may also assume that age limits and boundaries could therefore be regarded "ageist" and should be abolished. This is a matter of great concern when one considers the ramifications of their propagation in development contexts. Are such constructions inappropriate in order to, for example, distribute pensions? Our answer is "no", they are not, at least not in general. The justification for that answer, however, becomes convincing only if we again look at the totality of effects, intended and unintended, positive and negative.

In the life-course perspective, age limits and boundaries – once established – do not discriminate between individuals, as is the case with, for example, sexism, racism or nationalism. Chronological age markers have the advantage that individual deficits or advantages are, at least superficially and generally, irrelevant. Age limits clearly constitute "social age", by making reference to the calendar, most frequently based on assumptions of the psychological or biological aspects of age. Disregarding individual characteristics and circumstances, counter intuitively, supports equal treatment of individuals. Thus, introducing, changing or abolishing age limits and boundaries opens avenues for alternative inequalities between individuals. Arbitrarily removing public coverage of medical procedures, say for hip replacements, due to a chronological addition of one year would be highly controversial; however, abolishing existing regulations might have even more dramatic consequences.

Age limits do serve a purpose, despite their unintended by-products. As Künemund (2015) summarises, at least five purposes can be distinguished: (1) protection; (2) guidance; (3) legitimation; (4) rationalisation and (5) disciplining. For example, age limits may protect individuals (for example children and alcohol) or society (children not being allowed to drive cars). They allow for planning ahead – individual retirements, the number of teachers needed next year, or the amount of pensions to be paid. Regulations, like the institutionalised life-course, provide orientation and allow for social predictability, computability, and calculability (and the associated coordination of biographies, careers, succession, etc.). They legitimate withdrawal from work – having met the societal norm of a "completed" work life – as well as dismissal (without the necessity to prove individual incompetence or failure). They may be economically rational, especially where individual proof of capabilities is costly or prohibitive (for example comprehensive employment examinations). From a labour market perspective, age limits may also provide conceivable parameters by which to persist in labour market participation, as the end of a working life is a foreseeable event (while an unknown end may be demotivating). Furthermore, abolishing age boundaries may result in (even further) increases of social inequalities – for example, when some individuals have the resources to retire early, while others (especially those with lower life expectancies) must remain in the labour market.

In short, age limits and boundaries limit freedom of choice, but this loss of freedom facilitates coordination, short- and long-term agenda planning and (as do social institutions in general) provide security and dependability, regardless of race, class and gender. Thus, while it is key to remain aware that age boundaries are generally speaking arbitrary constructs, policy makers must keep in mind that extreme measures (for examples dissolution of age boundaries) may have massive unintended side-effects and negative consequences for society and welfare. And as age limits treat all individuals equally, these are a very effective and efficient starting point to distribute social pensions.

Demographic dividends

Whereas the current advanced economies have progressed to some extent through their transitions in a relatively ad hoc manner, with some now struggling with the results of their success, for example, ("hyper-ageing" Japan), developing states have the opportunity to make use of their "windows of opportunity", or the so-called first demographic dividend.[7] As the costs of children are reduced by sheer numerical absence, and as older persons make up a smaller share of the population reliant on resources from the current generation, working-aged people are able to contribute to larger amounts of economic growth. Although we would argue that this argument is lacking insofar as it fails to take into account the current and future productivity of the non-working age population, the focus on investment may be considered. If the resources of this productive labour of the working-age population can be invested into the physical and human capital of all age groups in a sustainable way such as on education and health, there is a good possibility of generating a secondary moment of growth – the second demographic dividend (Westley 2012).

Public programmes are at the heart of creating sustainable levels of security into later years but also across the life-course. Investments in today's human capital, for instance, may bear rewards in the future but only where the institutional and system capacities are present to make use of such investments. While a decline in fertility is seen as the primary catalyst for economic growth, the debate remains open as to which factors and causal pathways exist. Cuaresma et al. (2014), for instance, argue that education, and particularly women's education, has accounted for the lion's share of economic growth driving gross domestic product (GDP). Thus, there is evidence that female education is a key contributing factor in setting off the fertility decline needed to trigger the first dividend, with the combination of career prospects and low fertility reinforcing phenomena.

Capital accumulation, both physical and human, is a critical driver of income growth across countries –the two should be seen as complementary components of development. Recommendations for greater, particularly female, incorporation into the labour market through decent work opportunities and greater educational attainment should be taken as seriously by policy makers as investments in *physical* infrastructure. Disregarding the productivity enhancing effect of education may lead to falsely attributing economic growth simply to decreasing youth dependency. In turn, human capital is as much a matter of education and labour market participation as it is a matter of cognitive functioning and health. Investments in prenatal and postnatal health, as well as sexual reproductive health and adolescent wellbeing may combine to reduce the probability of demand for treatment in later life. The point here is not a focus on policies which value gender or age based on economic gains, or to compel labour market activity. Rather, the equalisation of opportunities beyond simple legislation should remain at the forefront of adaptive change. Gains in human capital must be monitored and driven to avoid exacerbating inequality. Additionally, structural barriers faced by many men and women can nullify the potential of human capital investments. It is equally important to recognise and address counterproductive and detrimental power relations which can inhibit, for instance, access to education and health services. As fertility rates vary across income groups, it is imperative that investments in education and human capital are not allowed to accrue only or disproportionately to the youth of well-off households with the private means to accommodate such investments. Additionally, it is important to remain attuned to the how gender, race and ethnicity, and age intersect within income classes.

The first demographic dividend should also be recognised for an attendant "female dividend"; as more and more women move into formal employment and prepare for careers (Basu and Basu 2014), the working-age population will grow in addition to the rise in the numbers of youth (ideally enabled by the "education effect" noted previously). However, this will in all likelihood be heavily reliant on whether women are willing and able to decrease their fertility (e.g. Coale 1973; Dribe, Oris, and Pozzi 2014); in many cases, this ability is a function of societal norms towards the roles of both women and men. It is imperative that governments make available the sexual reproductive health options to enable women and men to manufacture their own lives, inclusive the financing mechanisms and donor commitment to achieve those rights. As much was made clear in

[7] The demographic dividend postulates that due to falls in mortality (at both ends of the age spectrum) and decreasing fertility rates, societies experience a one-time opportunity to reap exceptional productivity from a working-age population that has relatively low levels of dependencies at both the younger and older ends of the population age distribution (Mason 2005; Mason and Lee 2006).

the consensus established at the 1994 Cairo International Conference on Population and Development (ICPD 1994). In addition, there is room to consider that the decreasing loss of labour to disease will also further enhance Africa's ability to exceed expectations. More barriers to labour market participation may be shed as urbanisation and modernisation increase, and as women's labour market participation is normalised across both sexes (Basu and Basu 2014). This in turn reflects the necessity of more jobs and not just increased access to existing labour market activities. It is important to be critical to ensure that the quality of employment available is complimentary to wealth creation including savings and investment opportunities for low income workers, especially female workers closing the gap with their male counterparts.

The promise of social protection brings with it the obligation to ensure structures are developed to accommodate those promises. A rather fortuitous side-effect of social protection extension is the development of monitoring systems that are borne out of these activities. This of course is also reliant on the capacity of government to fulfil its basic function of administration – one of which is evident in the spread of Single Registry Systems (SRS). SRS allows a government to consolidate the massive amounts of targeting and beneficiary information into a single database to smooth registration and delivery, as well as validation of, recipients. To the extent possible, a single official identification number for administration purposes, across the life cycle, is a requisite for successful systems –such as tax numbers or social insurance identification codes. Such administrative necessities allow for greater formalisation of the labour market and enterprises and are part of the menu of policies that policy makers should consider. The promise of pensions in old age is a universal means of encouraging individuals to voluntarily register and "buy in" to efforts to guarantee mass registration. In lieu of the unique range of factors which enabled the advanced welfare states of Europe and elsewhere to hone the administrative capacity of their taxation systems, emerging welfare systems will require alternative drivers. Incentivising current and future taxpayers in low- and middle-income countries to support government investments in the capacity to protect their long-term interests, such as retirement, may provide a powerfully subtle means of eliciting formalisation and tax compliance, as well as better resource management.

Lessons from developed welfare states

Assuming that developing states are willing and able to capture the benefits of their demographic transitions, it will be necessary to look into future planning to make the most of those returns. What then can be learnt from the advanced welfare states?

Many European countries have introduced measures and policies to reduce the effects of the suspected increases in dependency ratios which – as we have argued above – are probably misleading. Pension systems have received the bulk of attention, although healthcare and health services seem to make up a growing share of concern. The central aims of old-age pension systems have traditionally been the avoidance of poverty and the maintenance of living standards and quality of life in old age (EC 2012). Today, financial sustainability has increasingly become the focal point of discussion. Instead of focusing on investment in future productivity and contributions, official pension ages have been raised, public pension levels have been reduced, and the relevance of private savings and occupational pensions has been strengthened. As such measures coincide with on average reduced public pension entitlements due to unsteady careers, increasing unemployment and self-employment, low-income jobs/ It is expected that these reforms and concomitant changes will result in increasing old-age poverty and notably exacerbated social inequalities among older persons themselves (Fachinger and Künemund 2014; Zaidi 2015). A focus on the bottom line is not a substitute policy for ensuring that systems fulfil their essential purpose.

> *Inequalities emerge via the raising of pension age eligibility, affecting individuals with different life expectancies unevenly. In many instances, this leads to perverse redistribution from poor people in favour of the rich.*

In addition, shifts from defined benefit towards defined contribution pension plans in both public and private pension systems further increase individual uncertainty about social security in old age, as is the case with shifts from public to private pensions. The economic crises – and especially the Euro-crises – have highlighted the advantages of the “generational contract”, where current working-age groups provide the resources for current pensions. In the hypothetical case of a “Euro crash”, as an economy, of whichever country in whichever currency, recovers, contributions and pensions will continue to be paid despite the fact that individual savings will most likely be lost. The same logic applies to inflation. Public pensions linked to wages or prices entail spending power remaining stable during the retirement phase, while most private pensions do not take into account spending power (Fachinger et al. 2013). The higher the proportion of these types of old-age incomes in the individual pension mix, the less secure the standard of living will be over time.

Inequalities in income notwithstanding, further issues emerge as the result of seemingly exhaustively planned reforms. Inequalities emerge via the raising of pension age eligibility, affecting individuals with different life expectancies unevenly. In many instances, this leads to perverse redistribution from poor people in favour of the rich (Whitehouse and Zaidi 2008). Recent evidence in the United States confirms that the gains of longevity (the so-called longevity gap) have gone disproportionately to those in the highest-income brackets – a widening of life expectancy between the ‘haves’ and ‘have nots’ is now past point of conjecture (Bosworth, Burtless, and Zhang 2016). Adoption of healthy lifestyles and advances in medical technology and methods do not by themselves benefit all – a fact illustrated by the near doubling of longevity of individuals 50-plus between the richest and poorest. Simply put, inequality within the generations must be attended to if inequality is to be addressed.

Poor living conditions and healthcare services, strain or stress at work, unhealthy lifestyles and so forth, all contribute to lower life expectancies among the more disadvantaged members of society. For these persons, life expectancy rises much slower, if at all, than those of the more privileged strata. In such a situation of asymmetric life expectancies and rising pension ages, these disadvantaged groups contribute relatively more and more to the pensions of those with higher life expectancies. Consequently, many current policies promote a systematic redistribution of resources within the public pension system that actually contradicts the idea of solidarity via redistribution within the welfare system.

Further issues arise between increasing the labour force participation of those beyond 55 (as put forward, for example, by the Lisbon Agenda) and the increasing demands for healthcare activities and grandparenting, as these demands may interfere with employment for this age group. Compromises between employment and care may be more fruitful than simple adjustments to retirement age. Taken together, we may conclude that current policies – at least partly driven by exaggerated anxieties – may unnecessarily obfuscate the scope for development (Herrmann 2012). This also becomes obvious if we look further at the major issues of intergenerational relations and active ageing.

Social protection and good governance

Today’s developing states face a daunting but achievable task. With the coming years expected to bring about continued austerity and declining budgets (see Ortiz et al. 2015), and donor countries expected to increasingly withdraw and reallocate their budgets to more technical goals such as capacity building and technical advice, policy makers in the developing countries will need to consider how best to accomplish the ambitious goals set out in the SDGs as well as regional and national agendas. If one point is clear, it is that no small amount of attention must be devoted to system-building and, in particular, nationally owned systems of social protection. This process of state-building is as fundamental as it is complex. Fortunately, current and future governments have an impressive amount of research at their fingertips and evidence from the experiences of more developed states –

albeit in different contexts. Protection of individuals in later years, and not by coincidence, forms a core part of such state-building – politically, socially, and economically.[8] Legitimate and responsive governance is essential for adequate levels of tax effort in developing states and high-income states alike. Precisely because it is the individual that must trust the collective state to act in the interests of all.

Tax mobilisation

Tax compliance in developing countries is typically low, and informality a significant challenge for the development of adequate domestic resources is one means to ensure the future wellbeing of ageing cohorts. Capable and responsive institutions are key drivers of citizen participation. For citizens to entrust the state, the capacity of the state must be credible. For institutions to be received as credible in their work, citizens must be aware of the competency of institutions to facilitate such demands (Rothstein 2010; Rothstein, Samanni, and Teorell 2010). However, many states are mired in patterns of clientelism and sub-par commitments to the public welfare – working against the interests of sustainable and equitable systems of social protection and reducing incentives to formalise. While the 2015 Addis Ababa Third International Conference on Financing for Development marked an important step in addressing the international need for sustainable financing for development, an inter-governmental solution at the level of the UN, emphasis on private financing sources and movements to relieve the debt and borrowing limitations on developing countries remain.

Labour frameworks

The changing nature of employment patterns and household structures in developing states necessitates institutions that enable individuals to participate fully in economic life. Such considerations and protections are increasingly pertinent in light of the so-called 'fourth industrial revolution': a turn towards cyber-physical systems, with workers "increasingly segregated into 'low-skill/low-pay' and 'high-skill/high-pay' segments" (Schwab 2016). How governments plan for this new and dynamic mode of production will have significant ramifications for inequality both within and between generations as economies develop and adapt. Greater female participation in the labour market, is a key issue for many countries , however, this transition will also result in labour moving out of the home. While developing states are not likely to follow European experiences lock-step, it is still likely that labour may move into the social protection system to compensate for this shift (Huber and Stephens 2001), replicating those services traditionally provided by female labour but generally unaccounted for. For many older female workers, the migration of their adult children in search of better employment opportunities does not necessarily translate into income security for them. Adult children who encounter insufficient wages mean that their older parents are left to work and care for young children with no one to care of them. This situation illustrates the multifaceted nature of shifts in work-life dynamics and social protection. However, such shifts, adequately managed, can be particularly beneficial for development. Emerging economies are at a fortuitous juncture in time where the strategic implementation of modern technologies and practices can enable many to incorporate state-of-the-art social protection systems at a fraction of the time and resources it has taken in the advanced economies. However, the foundation for those systems must be present for inclusive growth to be realised.

Governance

States make a difference. The massive efforts put into promoting market-based mechanisms is a significant achievement. However, this has often been at the expense of both populations and the environment. In particular, poverty and inequality remain pervasive and growing issues that policy makers should not shirk. The "political determinants of poverty", suggests Piketty, "are more important than pure economic determinants" (Piketty 2015). The role of the state, as competent arbiters of social and market priorities, is imperative to the success of development policy. The role of good

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[8] The policies of Otto Von Bismarck are a testament to how the development of policies aimed at providing security in later life can marry citizens to the purpose of state-building, and how governments can develop greater trust in their capability while accumulating massive amounts of resources (in the case of pension contributions, but also general taxes) to invest into their economies (Arza and Johnson 2006).

governance is one of the most important factors in ensuring that market economies are used as tools for development rather than pursued as panaceas in and of themselves.

States must make use of progress in governance to create the foundation for social institutions that protect both today's and tomorrow's cohorts into their ageing years, not least as funding from donors is likely to decline precipitously in the future across the globe. Such a decline is a mixed blessing; the presence of donor-funded programmes has come to be regarded by some as foreign programmes that impede development of institutionalised values by recipient governments or their constituents. However, official development assistance (ODA) can be instrumental in covering the start-up costs to establishing comprehensive social protection systems and sustainable structures of financing and benefit delivery. States should look towards shifting the responsibility of social protection from non-state entities such as non-governmental organisations (NGOs) and charities, which "deflect the attention of the recipients of public services" away from the state and shift reliance towards extra-national actors – relying on "donor babies" instead of legal entitlements from current and future governments (Kuss 2015: 13).

The introduction of social pensions in Tanzania mainland demonstrates the potential (Box 2):

- **Respect and self-respect:** Whereas today old people in need are indeed a burden if they cannot fully contribute to family and community production, they are sometimes mistreated or even killed (e.g. Miguel 2005), having something to contribute and reciprocate enhances both respect and self-respect. In addition, pensions (especially if received regularly) represent an incentive for the family and the community to eschew the language of burden regarding recipients as their status as continuous income sources moves them to the realm of stability. This argument, of course, also applies to other groups at risk – for example, people with albinism (e.g. Uromi 2014).
- **Intergenerational support:** Regular income allows older persons not only to reciprocate, but also to initiate an exchange and to support family members, which again improves respect and self-respect. As the literature on intergenerational relations shows pensions do not "crowd out" family solidarity. To the contrary, available research suggests that although substitution may take place in various settings, the opposite effect – crowding in – has more plausibility: pensions support older persons and thus the family, which in turn improves the quality of intergenerational relations within the family with the likely result of even stronger family solidarity (Künemund 2008). This will not only affect the oldest generation, but may help to improve the education of the young generation and furthermore the socialisation of future generations as they witness the contributions made by older persons and reciprocal respect from other generations.
- **Enterprise formation:** In South Africa pensions may have "knock-on effects which affect the wellbeing of the household and communities in which elderly people live" (Lund, 2002: 692), for example, in small enterprise formation of family members. It is not solely the income of older persons, but also the income of those engaged in market activities providing goods and services, which in turn contributes to community development and resilience.
- **Access to health services:** The exchange made possible by social pensions does not necessarily involve solely family members: it may also enable the purchase of missing services on the market. This will allow the local community to offer services which again helps to develop local markets and encourages small businesses to start up. It also allows older persons to pay for medicine and hospitals for themselves and family members. This improves not only health of the older persons concerned but also relieves other family members from the care role and, more generally, supports the development of healthcare systems in the country.
- **Income-smoothing:** Closely related, a steady and reliable flow of resources allows for future planning and long-term engagement for pensioners, their families, and service providers.
- **Social cohesion and loyalty:** At a civic level of development, protection from the uncertainties of life following the conclusion of employment, state commitment to protection has the subtle ability to cement the bond between citizen and state. Bismarck

was keenly aware of this prospect at the advent of the German welfare state, evident by discussions at the time of inception.

The additional financial resources provided by a pension including increased self-respect and appreciation by family and society, better health and education, social cohesion and identification with the society, all contribute to boosting active ageing and the second demographic dividend. In many ways, the aforementioned effects mutually reinforcing and multiply in the community.

Public pensions become indispensable, and urgently so in response to declines in family capabilities in the provision of care for family members during the transition from rural to

> ***Box 2: Tanzania protecting citizens into later life***
>
> Following an extensive period of consultation and feasibility studies, the semi-autonomous island of Zanzibar signed into law the provision of a universal non-contributory pension (UP) in April 2016. A direct outcome of the example set by the Kwa Wazee pension initiative, the benefit should cover all of the island's 70-pluspopulation at 20,000 Tanzanian Shillings (TZS) which is approximately $9 US per month. This covers all citizens past the age of eligibility, regardless of income.– There is some push to extend the scheme to the mainland. This turning point puts the small island next to its East African neighbour Mauritius, which provides a non-contributory universal pension to all residents who meet the minimum residency requirements (12 aggregate years for citizens after the age of 18, and 15 aggregate years for non-citizens since age 40) at the age of 60, increasing incrementally to age 100.
>
> While small in relation to the number of older persons who could potentially benefit from income support from the government, the scheme goes far in promoting and protecting the rights of older persons to dignity in later life. In addition to the TZS 1.65 billion set out for the UP, the government also plans on delivering on its promise to provide its older citizens with "free medical care, and free transport in both public and private commuter buses… and a decent living for the elderly centres" (Yussuf 2015).
>
> In early December 2015, the country's incoming government announced the establishment of the Ministry of Health, Social Development, Gender, Older People and Children: thereby providing for the interests of older persons within a legal framework to allow the continued engagement of the needs of citizens into their later years to be heard formally in government (HelpAge International, 2015). Such movements illustrate the proactive steps policy-makers can take to prepare current and future governments for future demographic ageing.

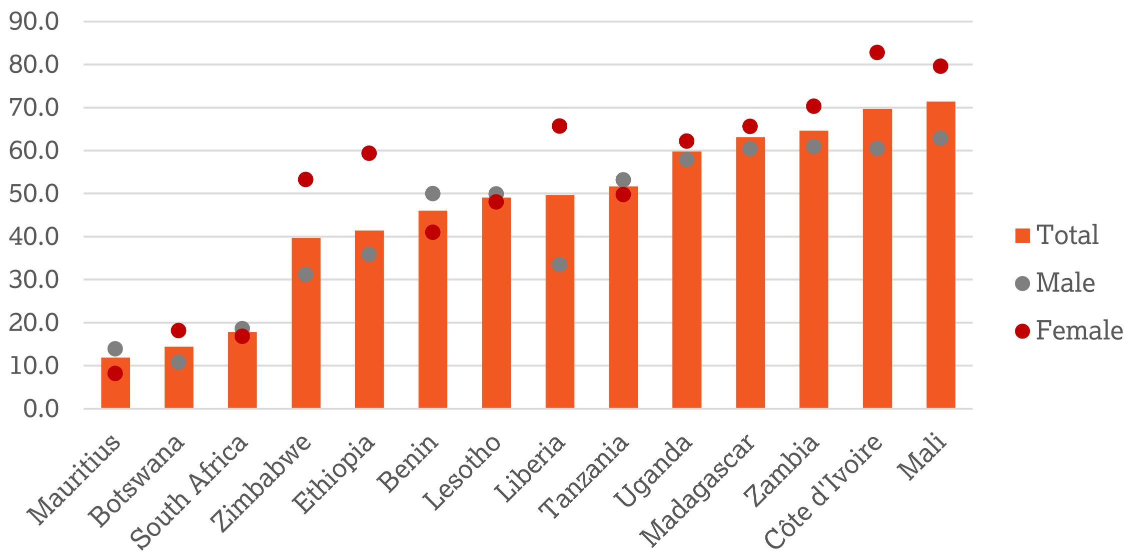
industrial societies and the corresponding migration from rural areas to cities (see Adamchak et al. 1991; Attias-Donfut 2000). The trend towards universal social protection (cf. Barrientos 2013a; von Gliszczynski 2015) should not only continue, it should intensify. Instead of reducing social security for fear of a dramatised demographic future, we should now be investing in the future to create societies in which we would like to live, age, and find meaning and purpose.

Formality

States must take an active role in facilitating the environment to nurture both entrepreneurship, that is with increasing workers also comes increasing entrepreneurial leaders, and employment, with guarantees enshrined in enforceable rights. Enlarging the formal sector will be a massive undertaking across the developing world. In 2007, Kenya, for instance, reported 79.1 per cent of workers employed in the informal sector (Figure 3). Policy makers must focus on those policies that develop multiple synergies for development and national self-reliance.

Informality is an acute obstacle in the generation of the financial space to finance and fund programmes to protect older persons in the future which in turn foster the capacity of working-age individuals to pursue investments in human capital, for example, freeing up of household finances to invest in education. These efforts work in tandem with interests seeking to ascertain and remedy the amount of resources lost to tax evasion, discretionary funding, capital flight, informality, and so forth. What is more, shifts to formality benefit both the firms who shift and the public coffers, enabling greater resources to be used for public purposes. Boly (2015) finds that in the case of formalisation of firms in Vietnam, those firms that switched from informal to formal enterprise status had tax payments 4.5 times higher than those that remained informal, though still had relatively lower probability of tax payment than firms that were formal from the outset. Switching firms also paid their employees 63 per cent more than those remaining in the informal sector (even controlling for other factors) and also decreased the probability of casual labour.

Figure 3: Share of persons employed in the informal sector in total non-agricultural employment (%) – Total and by gender



Source(s): International Labour Organization Laborstat (2015)
Notes: Author's calculation.

It must be noted, however, that the majority of informal workers are not based in firms, but are heavily concentrated in the category of own account workers. Formalisation is different for an informal sector firm than it is for an own-account worker. Previous attempts to formalise labour via entrepreneurial activity have often led to weakening of formal social protection structures in attempts to push theoretically tenuous models of development and behavioural economics. What is needed more often than not is not deregulation and retrenchment of social protection policy, but increased state responsibility for ensuring inclusive and equitable formal employment. This is particularly pertinent for women who make up the lion's share of own account workers (Chen 2012). Innovation in coordination between public institutions and the private sector, to enable workers to formalise in ways which ensure security over the life course and into their later years, is a key area for policy makers to steer towards.

Resource mobilisation

How policy can successfully incentivise firms, and thereby labour, to begin in and/or shift to formal markets is and will remain an issue which must be met with the right combination of incentives, oversight, and enforcement techniques. Legal frameworks may be useful avenues to explore in terms of creating the institutional capacity to tax. Creating a functional and transparent legal framework for companies to operate in, and encouraging them to operate in full view, will also foster the mechanisms by which to account for such activity for the purposes of taxation (Besley and Persson 2013, 2014). This can be seen in the functionality of, for instance, transparent and credible financial reporting statements, which allow domestic and international investors to operate with confidence. Thus, financial markets – crucial for investing pension funds – are also essential components for both revenue generation and redistribution, which can in turn foster attachment to formal employment markets where the certainty of beneficial returns to taxed income/labour over the life-course is credible and enforceable.

Equally important is the use of exemptions by governments to attract investment or stimulate particular behaviour – albeit with varying degrees of success. In the United States, for example, the resources given up by the state in terms of exemptions and credits can be enormous sums of money once accounted for, as taxable resources not collected on are equal to public resources given (e.g. Howard 1999). As such, the use of exemptions, and alterations to policy in general, should be used with care. While some exemptions may bring about beneficial outcomes, it is paramount that taxes be designed and allowed to perform their functions without creating "holes" in their fabric of the system. This can be extremely counterproductive; the misuse of VAT exemptions for poverty alleviation is one such example.

Ultimately, the manner in which social protection is delivered impacts on the capacity and propensity for citizens to attach themselves to the state, which in turn fosters the ability of the state to generate the resources it needs to maintain its commitments and develop economically. The very act of freeing older citizens from financial stress and political constraints may reinforce the confidence and engagement in policy processes that form the bedrock for stable governance (Campbell 2003a, 2003b). According to Mettler and Soss (2004), "Some policies actively encourage or discourage demand making". (Mettler and Soss 2004:63). As both taxation and redistribution are rule-based processes, they help foster state development and can encourage workers to participate formally and actively, in turn spurring savings and investments and contributing to the fiscal health needed to sustain an ageing society.

The ability to collect taxes is as important as the social learning to comply with taxation, which in turn is a function of the ability to trust governments to use public resources equitably and for the greatest common good (Besley and Persson 2013). As states increase their capacity to monitor, collect and enforce tax revenues (assisted by systematised identification of labour activities such as tax ID registration), they have tended (in the case of wealthy states) to move away from trade taxes towards labour income. This operates in tandem with greater public capacity to hold governments accountable through electoral democracy and greater universal democratic participation has historically led to higher probability of levying both income taxation policies (Aidt and Jensen 2009) as well as compulsory and universal social protection (Kim 2008).

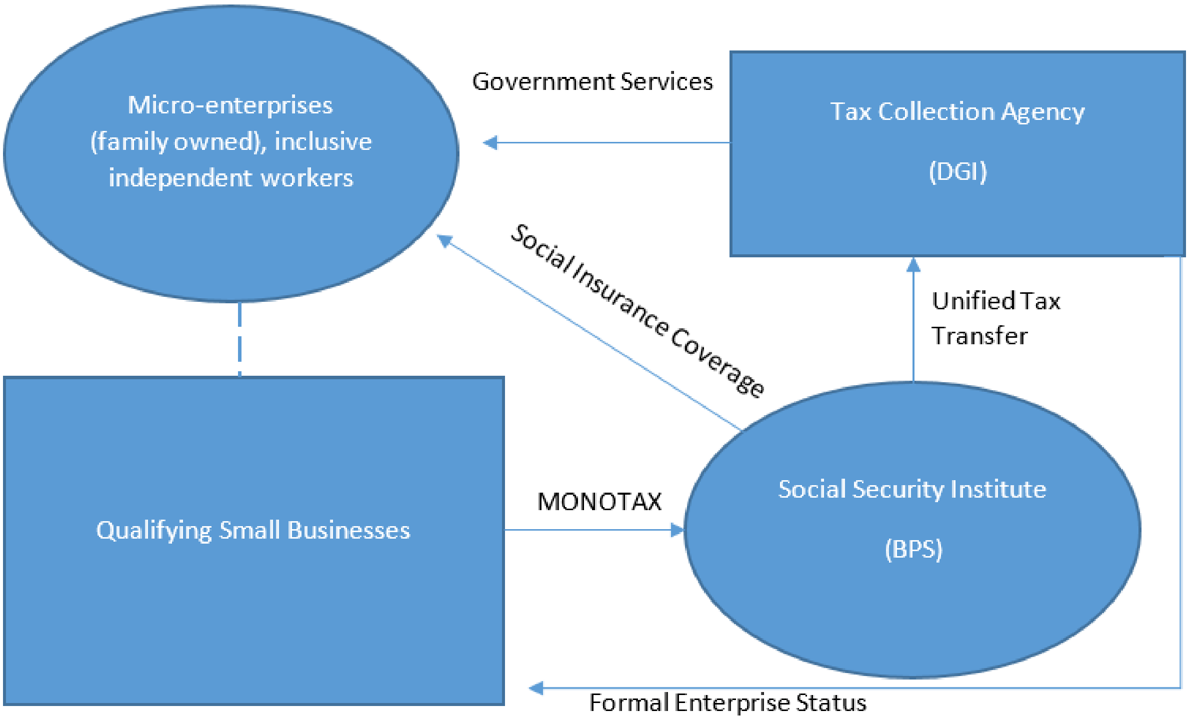
Thus, the manner in which policy promotes formalisation and develops the capacity to harness the financial power of well-run tax systems has very real downstream impacts on the options available as systems mature and on the social contract itself. Many systems remain unacceptably regressive and impede development of social contracts into real and tangible norms of reciprocity between citizen and state. Care must be taken to examine and monitor tax system strategies including adjusting corporate tax rates, property taxes, and strengthening systems of automatic information exchange to tackle tax avoidance and evasion by transnational corporations and economic elites.

> "*By lowering the barriers to formality, governments may not only encourage greater participation in revenue aggregation, but also discourage the establishment of future informal firms.*"

The choice of how to encourage firms and labour to pursue formalisation remains a matter of experiment, though encouraging steps have been seen in Latin America, particularly in the case of Uruguay's MONOTAX. The MONOTAX (see Figure 4) is a simplified tax administration innovation whereby informal firms can register to pay a single (unified) tax that is collected not by the tax administration but by the social security administration, the Social Security Institute, which is then transferred to the tax authorities after a share has been deducted for social protection. This unified tax substitutes ordinary taxes and employee contributions for qualifying taxpayers. Importantly, the design of the scheme provides a simple method for extending social security to otherwise unprotected labourers and for current resource mobilisation, while at the same time formalising firms and employees. While issues remain as to eligibility and application, such innovations are a promising step towards making use of domestic resources and fostering compliant behaviours.

By lowering the barriers to formality, governments may not only encourage greater participation in revenue aggregation, but also discourage the establishment of future informal firms. As informal firms often trade between themselves to lessen the probability of detection and possible fines, increasing the costs of informality by reducing the pool of available firms to deal with may have knock-on effects. Furthermore, formality is not a dichotomous state , that is. many informal workers are engaged in formal employment at one time and/or may transition between these states fluidly.

Figure 4: Uruguay MONOTAX Structure



Source(s): Durán-Valverde; (Overseas Development Institute 2015)

Formal firms should place greater emphasis on strengthening tax oversight and enforcement to curb and/or eliminate tax evasion – this is especially so for extractive industries. While countries have numerous tax instruments at their disposal, care should be taken to pursue tax policies that are not counterproductive or compromise the overall goals of social protection and wellbeing. Developing progressive taxation systems that incorporate the best of both income and consumption approaches will be key in ensuring equitable and sustainable development and protection into old age. However, policy makers should remain aware of the limitations of each approach and maintain oversight of the overall impact of the tax and benefit system.

One thing remains imperative: any potential benefit to society is a function of sufficient political space to develop the fiscal space into meaningful progress. Institutionalising policies under a human rights approach embodied in enforceable entitlements protects citizens across the life-course and into their later years by safeguarding social rights from fluctuations in political fortunes (Zwane 2015). Participatory governance and redistribution of resources for public welfare are symbiotic relationships – greater accountability and citizen participation is associated with positive government spending (Horn 2015; Olson 2006), which in turn pressures governments to allocate resources more conscientiously (Rothstein 1999). Investing in an ageing society entails concomitant development of political agency and accountability.

Migration and state capacity

One issue which is likely to remain a major area of debate for governments globally is the matter of transnational economic and conflict-related migration. While the causes of refugee flows are far beyond the scope of this chapter, the enormous displacement of younger, working aged persons cannot be understated – especially were reliance on and promotion of remittance behaviour is touted as a means of preferable poverty reduction. Remittances mark a massive resource flow for impoverished communities; however, it should be noted that transfers from economic migration to other states represent the results of productive labour that are only partially, if at all, transferred to their countries of origin. The variation of percentages sent back to countries of origin means that not all gain uniformly from the remittance mode of resource exchange. Additionally, remittances do not necessarily accrue to all impoverished family members in recipient countries, making them chance measures of poverty alleviation and, given the impossibility of guaranteeing receipt or quantity, far from the formal social protection framework needed to achieve the SDGs or comply with the joint ILO and World Bank call for social protection floors. Furthermore, migration and economic wellbeing in later life rely on a critical component for social protection – namely portability of rights and transfer of resources.

It is in the interests of both sending and receiving countries to pay due attention to the effects which such massive shifts of productive labour entail for social protection in both contexts. Given the evidence that migration to wealthier, particularly European countries, in recent years is a function of the financial ability of migrants to pursue this goal., Domestic stability may encourage potential emigrants, higher-income and better-educated, to remain in their countries and contribute to their development (Cummings et al. 2015). However, reliable systems must exist to foster such a desire. The impact of demographic transitions in poorer countries, which traditionally supply migrant labour to receiving countries, may thus entail that the future of migration (according to Fargues (2011)) may very well include working-age individuals with less ties to their countries of origin than previous generations. That is, as the incidence of child dependencies lessen and/or are not present (such as single individuals with smaller family networks), future immigration patterns to wealthier countries will have different cohort compositions than their predecessors. This may play out in particularly vexing ways for remittances to families that no longer exist in those host countries, thereby affecting funding based on this financing source. In other words, remittances should not be considered a long-term solution to development even to the extent it currently and recently has.

Emerging economies world will need to harness the lost productive human resources which have looked north for political, social and economic security – i.e., the mass migration of many to high-income countries such as Europe. According to Basu and Basu (2014), economic migration within spatially contiguous or proximally near labour markets may be more beneficial than routes leading to distant geographic and cultural landscapes. With more productive labour remaining regionally located, African countries, for instance, may stand to benefit much more than, say, European or other Western countries which restrict not only opportunities but also later life social protection while maximising tax incidence from this labour. Similar policy incentives can be witnessed in ASEAN states as well.

These changing patterns of employment and production frameworks can benefit from ageing populations where they are encouraged and supported to do so. The caring economy, in particular, will likely face the largest demand in the coming decades. Policy makers can, where necessary, find ways to optimise this emerging market and profit from those investments.

Intergenerational relations

Intergenerational equity is an issue that often comes to the fore in debates on the proper mode of funding and financing public services for persons in their later years, and one area in particular, garners the lion's share of this debate – pensions. While this has already been mentioned previously in this chapter, and will be addressed specifically in chapters 2 and 3, it is useful to draw out here the centrality of pensions as one of the primary locations of debate between the generations. More specifically, we engage the issue here to draw out the argument that the perpetuated narrative of 'burdens' on younger generations, as noted previously, masks the benefits which are associated with social protection into later years.

It is often argued that both longer working lives and reductions in public pensions are in the best interests of successive generations, increasing social security contributions while at the same time reducing the expected financial burden. That is, for every one year of working life extended and retirement age deferred, the public coffers earn a year and saves a year of financial resources otherwise channelled to beneficiaries. The logic is rational, even without inflating angst: life expectancies are increasing with concomitant increases in the number and share of older persons. Nevertheless, the effects of welfare system retrenchment, where it exists, and the failure to institute such services, where they are in their inception phase will impact all generations. These effects may increase inequalities both between and within generations – not least as inequalities of outcomes are compounded at later years.

> *The outcome of this process of substitution is not less family solidarity in general, but rather an increase in the quality of private intergenerational relationships.*

Pensions, as possibly the most apparent policy consideration for persons in later years, provide an all-too-clear example of the potential for intergenerational discord. Reducing pensions will likely affect those who must rely on public pensions more severely than those with more, and more diversified sources of, income. A reduction in public spending for older persons – pensions or services – will probably imply heavier responsibilities for the family: this will be the case especially for families with fewer economic resources who cannot simply buy services that are not available in the market – especially where markets for those services are few and far between. This may increase the necessity for upward private financial transfers, healthcare, and even co-residence, which in turn may affect the abilities of younger cohorts to participate in the labour force, old-age provisions, childcare, and so on. As families are an important source of generational integration and the onward transmission of societal norms, the consequences may impact further generations in unpredictable ways. From here it becomes evident that relations between generations will be affected as well.

Historically, the more developed welfare states have changed intergenerational relations within the family dramatically. For example, when older persons do have enough financial resources of their own, there is less need to provide them with private financial transfers – resources that might otherwise be transferred to other segments of the family network. In addition, older persons tend to prioritise the needs of younger generations over their own, entailing that their consumption, and hence the income used to facilitate this, is a function of the consumption needs of younger family members, often grandchildren. This mechanism alone may be identified as a process of substitution: with a growing level of pensions, the private transfers from adult children would be expected to decline. However, at the same time, we find that the level of private services increases, and older persons are not a burden but rather a resource. Research emerging from China, for instance, suggests that the New Rural Pension Scheme (NRPS) has enabled recipients to live more independent lives with greater autonomy, while allowing adult children to choose whether to co-reside. What is more, multiplier effects for local economic development are reported as recipients substitute formal (paid) service consumption for their care and other needs (Cheng et al. 2015), reflecting similar evidence from the Philippines (Knox-Vydmanov, Horn, and Sevilla 2016a). Conversely, and when it is the level of public services that increases, we might expect that the family might provide more of other services – for example, emotional support. Such support is difficult if not impossible to quantify; however, it stands that the existence is irrefutable.

> *Income security in old age entails that persons have sufficient resources and are therefore not forced by necessity to rely on their families.*

The outcome of this process of substitution is not less family solidarity in general, but rather an increase in the quality of private intergenerational relationships. Increased financial security also reduces a prevalent condition in many cultures: the "burden of gratitude" – in so much as being able to reciprocate also reduces the stress of accepting help offered by children (Lewinter 2003). It enhances self-respect and independence by placing older persons in a position where they are able to maintain their social status by being able to contribute to their adult children, while at the same time allowing participation in market transactions. Income security in old age entails that persons have sufficient resources and are therefore not forced by necessity to rely on their families – interactions focused on intimacy and closeness have the potential to develop. This effect has long been recognised in the literature on co-residence ("intimacy at a distance"; see Rosenmayr and Köckeis (1961b). In sum, in addition to reduced social inequalities, the expansion of the welfare system does not crowd out family solidarity in general (see Künemund (2008) for a discussion of theory and evidence).

Life-course considerations

The persistence and impact of social and economic circumstances accumulate over a person's lifetime, culminating in their social and economic position in old age. Human development must therefore be promoted across the life-course, building resilience at all stages of life to enable people of all backgrounds and abilities to live a better life in old age. Childhood vaccination programmes, for instance, are considered important and provide an excellent basis for lifetime protection against infectious diseases. Adult vaccination is on the other hand, in general, an undervalued intervention in public health policies in many countries. Nutrition represents another crucial factor for maintaining better health into old age; thus, education towards healthy nutrition is a social investment that should be instituted as early as possible and continued throughout life. Healthy life-style promotion at the individual level must be supported with macro-level policy to promote healthy options for consumers. More effective communications on the positive effects of healthy lifestyle (regular participation in sport or exercise), healthy nutrition, balanced diet, and caloric restriction, especially in those items that contribute to development of diabetes, cardiovascular disease and cancer, can be considered a strong investment in promoting active and healthy ageing. On the supply side, greater attention is needed to provide healthy options which lessen the cognitive burden of making healthy choices.

Such investments will not completely avoid all future eventualities of later life, and are certainly not to be confused as substitute policies for those who are currently negotiating, or on the cusp of, the realities of wellbeing in their older years. However, they do provide an additional brake on negative outcomes of "business as usual" policy frameworks. And, of course, knowledge alone would not make the difference – people of all ages need to have sufficient resources and social as well as physical environments that enable them to live healthy lifestyles or have access to healthy nutrition. Social inequalities need to be taken care of in all age groups.

Active ageing

Perhaps one of the least obvious advantages to an ageing world is the opportunity to appreciate the nuances of life-course prevention, in addition to protection. While the latter is key to ensuring that the state takes on its role of guarantor of protector against a backdrop of increasingly complex and changing political economic forces, the former brings to light the gradual preventative activities which both citizen and government can engage in to lessen the burden of demographic change. This has been oft termed active ageing (Walker 2009; Walker and Maltby 2012),*successful ageing* (Rowe and Kahn 1987, 1997) or active and healthy ageing (Zaidi 2015; Zaidi et al. 2015). Active ageing can, in some regard, be seen as a reciprocal engagement on the part of the individual, with the encouragement and support of the community, to prepare for a longer life.

The United Nations Commission for Social Development brings to the fore a rather similar set of ideas of empowerment, which is defined as "the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes" (Narayan-Parker 2002). This is an active engagement which must be "promoted through people's effective engagement in economic, social and political life, and the provision of adequate resources and assets" (ibid.). Thus, active ageing strategies should be geared towards empowerment of older persons, and the costs incurred should therefore be considered investments, though possibly in an unconventional sense.

While the term "active ageing" has occasionally been used to refer to continued labour force participation, it is clearly a restrictive definition from our perspective. In synthesising the vast, largely descriptive literature available, we use the definition of active ageing as referring to: "the situation where people are able to live healthy, independent and secure lives as they age and thus continue to participate in the formal labour market as well as engage in other unpaid productive activities (such as volunteering and care provision to family members)" (Zaidi et al. 2012). In this respect, it is important to capture not just the activities, but also the self-sustaining nature of independent living. It is also essential to assess not just how countries and subgroups fare in terms of the actual experiences and potential of active ageing among older persons, but also to factor in the capacity and enabling environment for active ageing. Gender disaggregation is essential in fully understanding active ageing experiences and its potential.

In particular, we emphasise that various forms of activities and social engagements play a key role in extending quality of life in old age – a fact that is widely ignored both in the discussion of the demographic burden and also in the discourse of intergenerational equity. In particular, it is time and money that enable older persons to be productive, so that reductions in free time and old-age income – or adverse concerns regarding their future development – will have an impact on the contributions older persons will be able to make.

Operationalising active ageing

Studies have shown that older persons are indeed active and productive to a remarkable degree, not only within the family such as caring for children and other older persons but also in their communities with schemes like neighbourhood watch, social clubs, religious activities, and volunteer work – particularly in civil society. These productive activities have been increasingly emphasised as early as the 1980s, when the idea was to provide a counterargument against the negative stereotypes in the generational equity debate. While room remains for the precise measuring of all aspects of this productivity, many early studies have provided approximate estimates regarding the value of these activities and analysed the correlates and prerequisites (Coleman 1995; Hank 2010; Herzog et al. 1989; Künemund 1999). The latest work contributing to the empirical measure of active and healthy ageing comes from the Active Ageing Index (AAI) Project.[9]

The AAI provides an assessment of the untapped potential among older people using 22 indicators that are grouped in four domains: employment, social participation, independent living, and capacity for active ageing.[10] The latest findings underline one important

[9] The Active Ageing Index (AAI) is a joint initiative developed at the European Centre for Social Welfare Policy and Research (ECSWPR) and the University of Southampton, in collaboration with the UN Economic Commission for Europe (UNECE), the European Commission and the AAI Expert Group (for the latest analytical report see Zaidi and Stanton (2015). It is a quantitative measure that monitors progress across European countries with respect to active and healthy ageing of older populations (in most instances referring to the 55+ age group).

[10] In comparison, a rights-based framework for active ageing is emphasized by the International Longevity Centre(see: Bárrios 2015), extending the WHO 2002 framework by one additional pillar: lifelong learning. Also, it

phenomenon: active ageing during old age has become a reality for many people in the current generation of older Europeans. The affluent Nordic and Western European countries stand out as top-performers. Sweden tops the ranking among EU countries, followed by Denmark and the Netherlands, while the United Kingdom comes fourth. These high positions can be attributed, in large part, to the policies that sustain employment levels among older workers who are reaching retirement and also the provision of income security and an enabling age-friendly environment for the retired population.

Using the AAI, we can see where social investment policies and institutions have started to ensure that older persons enjoy an active and healthy life. For example, the pension systems in Nordic countries provide strong incentives for older workers to extend their careers. Good access to healthcare and financial security in the Netherlands facilitates independent, healthy and secure living for older persons.

> *The cost for managing ageing actively is also cheaper than the passive management of older [persons] left marginalized and dependent fully on the state or family.*

Likewise, the pro-family culture of Italy promotes care provision for grandchildren, while the *fit2work* initiative in Austria has been helping to maintain and improve older persons' employability and avoid premature withdrawal from the labour market due to sickness and work-related illness.

The lower-income central and eastern European countries as well as Greece have faced a greater challenge and need to address how they can make their policies supportive and sustainable. The evidence shows that active ageing also has an important non-financial component. There are examples that show this: the United Kingdom and Denmark are seventh and tenth respectively in the ranking of 28 EU countries for the social participation domain, and they could learn from Ireland and Italy, which have much higher scores in this respect. The fact that very few countries, however, score consistently at the very top for each individual indicator suggests there might be trade-offs and different priorities when it comes to active and healthy ageing across these countries. This is an aspect of policy innovation and adaptation which developing states must take notice of – there is no template and variation is the rule, not the exception. For those policy makers looking to navigate the astonishing rate of increase in their older populations, in the SDG era, it is important to take note that policies will reflect the societies they evolve in.

Concerns can be justifiably expressed that adopting and implementing comprehensive policies for active and healthy ageing will be expensive – too expensive for poorer countries in the current times of economic crisis and against the backdrop of a fragile recovery. In fact, this is not the case – and such assertions may misunderstand the concept of social investment. As Zaidi (2015) argues, "active ageing strategies based on social investment principles prevent the loss of valuable expertise, preserve the wisdom of older people and strengthen society's human and structural resilience. The cost for managing ageing actively is also cheaper than the passive management of older [persons] left marginalised and dependent fully on the state or family" (Zaidi 2015).

It is clear that the AAI evidence could be used most effectively as a toolkit by policy makers seeking to devise evidence-informed active ageing strategies. However, it can also be argued that a greater understanding of the context of data sourcing and application is also necessary for the usefulness and transferability of the active ageing evidence generated. The difficulties of determining the effectiveness of evidence-based policy making must also be understood in the context of the economic and political volatility of particular countries and, possibly, different traditions across nations in applied and academic research.

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emphasizes the importance of four types of capital for the potential of older people: health capital; knowledge capital; social capital; and financial capital.

International comparison has made obvious that opportunities, necessities, and constraints for active and healthy ageing differ across different contexts, partly because value judgements and enabling environments are not comparable. Regardless, the evidence for European countries cited here illustrates that older persons are not merely passive recipients of welfare. To the contrary, they have the potential to contribute productively to society in numerous ways and further investments in this respect will generate greater synergies between the societal and individual goals of active and healthy ageing.

Activity should never be mandatory, as some individuals may not be able to participate. However, supporting active ageing by, for example, sufficient and reliable pensions, accessible and affordable health and social services, and creatively designed infrastructure, must be understood as social investment in its own right. This is a perspective that has become increasingly recognised (for an overview, see Merrien 2013). The multiplier effects of these investments for growth and sustainability in various aspects of society are finally emerging and will no doubt continue to emphasise the multitudinous benefits of holistic system-building, not only for developing regions but in the developed world as well. Horizontal partnerships are needed, by joining up different areas of policy making including but not limited to labour market, social protection, health and social care. At the moment, many operate in silos and thus miss out on synergies and in realising desired outcomes (Zaidi 2014).

Furthermore, additional knowledge is required to address the question of how the benefits of an active ageing strategy can be made available to all on an equal basis. It is important to ensure that the benefits are shared and do not solely accrue to those already advantaged by better education and more resources at their disposal. For example, what active ageing policies are required for those who have physical and mental health limitations? Furthermore, there is a need to support mutual learning by identifying which policies and strategies are effective in different settings, by comparing different policy regimes and their outcomes.

Summary

The 20th century has observed phenomenal increases in longevity and in our understanding of challenges and opportunities associated with ageing. This is the story of remarkable human success, as we live longer, in better health, and on average in better conditions than ever before in human history. Certainly, this rising share of older persons brings its challenges, in terms of resources required for pensions, health and social care and infrastructure. At the same time, we need to embrace the positive aspects of longevity and to acknowledge the contributions of people in their old age. Older people will certainly need support, from the state as well as from their families, but in the right circumstances they also contribute massively to their families, communities and societies.

To achieve this, greater efforts are required by policy makers around the world, not just to ensure wellbeing for people in their old age but also to make our social and economic systems sustainable. This chapter has emphasised the perspective of investment rather than the costs in addressing the challenges linked with population ageing, by arguing that a change of paradigm is needed – from considering older people as dependent to older people as constituent parts of society. This can only be achieved through strengthening of society's human and structural capabilities. The social investment policies required will need to be identified with the assistance of evidence from those countries that have experienced similar scenarios already. These policies – once given priority and implemented at early stages of lives – can lead to a productive and smooth transition for both equitable and sustainable protection for all persons into their later years of life.

With appropriate social and economic investment, people in their old age will have the potential to contribute not just to their own wellbeing but also to sustain greater economic and social prosperity for society as a whole. Central to this is the idea of active ageing – the process of opening up opportunities and participation for older people by improving their health, by making age-friendly the communities in which they live, and by providing sufficient and reliable flows of income to allow for their participation and productivity –

rather than raising retirement ages and reducing pensions. It is this perspective of investment that we want to bring to the discussion.

For future generations of older persons, we must reduce exposure to experiences that harm human development and instead enhance individual capabilities across the life-course. To achieve this, an empowerment approach is required that emphasises lifelong health, education and training. A greater emphasis on active ageing discourse throughout the life-course will empower people to contribute to their own development and to that of their society. Such an approach will also contribute to better future relations between "old" and "young" generations by improving health, education, hygiene, nutrition, working and living conditions, and technological progress for people of all ages.

An important point in this respect is that lower-and middle-income countries do not become any poorer by implementing social investment policies that improve the lives of their citizens. Rather, the process enhances the development of these countries and strengthens society's human and structural resilience to deal with the economic and social challenges arising from ageing. Early interventions result in more savings, for example, by reaping benefits of longer working careers and reduced expenditures on health and care costs. These benefits most likely outweigh the expenditures made, say, towards better education, health and employment opportunities during the working life. This will especially be the case if we create structures that enable those who want to be active to contribute, and do not force those who do not want to (or cannot) be active.

The key point is that country-level economic development does not automatically offer mechanisms of social investment. Instead, specific priorities are required for promoting the contributions of older people. Two high-income countries – Norway and Sweden, for instance – progressively invested in education, healthcare, employment and training, and social security throughout the life-course long before they became "high-income countries". Likewise, beneficial human development practices in middle-income countries such as Sri Lanka are relevant to countries at a similar stage of economic development and to emerging economies. In Sri Lanka, for example, long-term investments in education and health have generated a cumulative lifetime advantage for many older people, offering lessons to other South Asian countries such as India and Pakistan.

While the exploration herein may fairly come across as overly focused on high- income countries for many readers, it is hoped the points drawn out will remain of use for those looking to push inclusive and sustainable development regardless of levels of development. As such, greater research is needed to compile and communicate those best practices existent and emerging across low- and middle-income countries. Such evidence is needed not only to provide guidance for policy makers and stakeholders operating within similar political-economic environments, but also to shift the learning process and enable those in higher income countries to modify their systems to fit their needs. While the previous MDGs were explicit in their focus on the developing world, notably limited to less developed and least developed nation states, the current SDGs priority is a truly global effort in need of global solutions.

Concerns will and do arise that an adoption of active ageing strategies will be expensive – particularly for poorer countries, those in the midst of economic crisis, fragile recovery, or austerity. In fact, this is not the case, and such voices underestimate the potential of social investment. Active ageing strategies based on social investment principles prevent the loss of valuable expertise of older persons and strengthen society's human resilience. The costs of managing active ageing are cheaper than the passive management of older persons left marginalised and fully dependent on the state or family.

Recommendations

It is important to distinguish between policies for today's generation of older persons and policies required for future generations. Today's older persons need protection as well as opportunities, bearing in mind variations in frailty and special needs. For future generations of older persons, a general policy approach would be to reduce exposure to lifetime experiences that harm human development at various stages of the life-course. To achieve this, an enabling approach that supports human development might be preferable, one that emphasises employment security, education and training opportunities and access to health and care services. Comprehensive social investment policies are required that promote *personal resilience* alongside the provision of enabling environments that boost *community resilience*.

- Improvements in physical, social and institutional infrastructures are required; in particular, lifelong learning, access to information and communication technology (in a broad sense), social and physical safety, civic freedom and access to key public services such as health and employment are critical.
- The strengthening of social protection is essential, so as to provide greater opportunities for savings during working life and security during old age. Recently, many countries have placed a strong emphasis on basic non-contributory social pensions, which have helped attain income security for older people. The contributory schemes should continue to play their role in supplementing pension through income replacement mechanisms.
- A rather simple solution of austerity to address the challenges linked with population ageing, as advocated in most countries, is out of place. The development and adoption of measures to reduce the expected burden on national welfare systems by a combination of spending cuts and increases in revenue generation can be counterproductive.
- Ageing is not only massively variant across life-courses and socio-political and economic contexts, but it is also a social construct. However, we cannot simply re-model the construct as it is woven into societal institutions, structuring expectations as well as life-courses in many ways which have not yet been completely understood. Rather than following simplified calculations and dramatising figures, we need to have an interdisciplinary and international weighing up of arguments to avoid negative outcomes of hasty reforms, and thus create the kind of sustainable societies in which we would all like to live and grow old.
- Early and mid-life interventions must be emphasised as their effects are long-lasting and justify the investment expenditures made. For instance, childhood vaccination programmes are considered important and provide an excellent basis for lifetime protection against infectious diseases. Nutrition during early and mid-life is another crucial factor to maintain good health into old age: thus, education towards healthy nutrition is a social investment that must start as early as possible and continue throughout life.
- Investments in today's human capital, for instance, will reap rewards in future, but only where the institutional and system capacities are present to make use of such investments. In addition, human capital is as much a matter of education and labour market participation as it is a matter of cognitive functioning and health.
- Education alone may not ensure sustained higher participation in the labour market when opportunities are not readily available. Creation of new and varied formal and adequately paid employment opportunities – whether by direct government action or indirect fostering of entrepreneurial activities – is an absolute requirement.
- Social protection in later life is intimately intertwined with economic, social, and political factors. System design is paramount, and the political commitment to finding the fiscal space is critical for sustainable and equitable policies that look beyond short-term horizons. Policy makers must foster the economic and social environments that nurture security across the life-course – commitments to later-life protection have exhibited valuable knock-on effects across a variety of political, social, and economic concerns.

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The role of redistributive pension systems

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Much of the debate on the future of pension systems in an ageing world has been dominated by an emphasis on the fiscal costs of population ageing. While population ageing poses real challenges to the sustainability of many pension systems, any analysis of the present and future fiscal costs of a pension system needs to be weighed against the "costs" of inadequate old-age protection.

This is particularly important for assessing pensions in countries in the global South. For many of these, old-age protection systems remain underdeveloped and coverage is low and unevenly distributed. In these countries one of the key policy challenges now is how to expand old-age protection with a pension structure that is equitable and affordable to guarantee economic security in an ageing context. This can benefit older adults but can also provide a mechanism to share the costs of old age more equitably between older persons, their families and wider societies.

This chapter begins by outlining the core function that pensions play in providing economic security in old age. It then moves on to explore how old age-related risks not only affect older persons themselves but also have impacts on other family members. It also highlights the relevance of old-age security for every generation and emphasises how later life outcomes are linked to experiences earlier in life. The chapter studies the case of Latin America, where recent policies in many countries have expanded basic old-age protection.

Pension systems and old-age risks

One of the primary objectives of pensions is to provide economic security in old age (Barr and Diamond 2008:25). This is done via a regular stream of income that is provided from a given age, and usually guaranteed until the end of an individual's life. But pension systems do more than provide economic security. They facilitate the transition from employment to retirement, help employers manage their workforce, and contribute to individuals' planning for the timing of work and retirement , as well as a predictable and stable life-course) (Kohli 2007). Indeed, in countries with well-established pension systems, retirement has become a "normal" life phase.

It should also be noted that pensions are not the only mechanism capable of ensuring economic security in old age, and in some contexts – especially where pension systems are limited – families can provide substantial financial support to older persons. Nevertheless, pensions do have important distinct characteristics – not least that the income is predictable and guaranteed, and that it is received by the older person as an entitlement. These characteristics can have an important influence on the dignity and autonomy of older persons when they receive pensions (see Box 3 and Chapter 1).

Box 3: Pensions, autonomy and dignity

Being financially dependent on children or others can have a negative impact on the dignity, empowerment and autonomy of individuals as they reach old age. Qualitative studies assessing the income security of older people often describe how they find it shameful or "awkward" to ask for support from children, especially when these children also face precarious livelihoods (Knox-Vydmanov, Horn, and Sevilla 2016b; Sony et al. 2014). Similarly, a lack of independent income from which to contribute to family and community activities and support systems can weaken an older person's social network. As one 70-year-old pension recipient in rural Zambia reflected: "If you have only dust in your hands, then friends are far; when they are full, they come closer" (Knox-Vydmanov 2009).

In this context, pension income has been found to have a profound impact on the autonomy of older people. A study of a pilot social pension in Tanzania found that the scheme had significant impact on dimensions of psychosocial wellbeing, including stress, anxiousness and feelings of loneliness (Hofmann et al. 2008). Similarly, a study of the "*70 y más*" social pension in Mexico found that the scheme was associated with significant reductions in depressive symptoms among recipients, and a reported increase in household decision making including household spending (Salinas-Rodríguez et al. 2014).

The way in which different kinds of pension schemes are designed, and how they are financed, varies substantially across countries. One approach, often called "consumption smoothing", is a core element of all contributory pensions. Put simply, this is the process whereby an individual pays contributions for a pension when they are younger – thereby reducing their consumption – in order that they have the right to an income-related pension benefit, which increases their consumption in old age.

Most public pension systems include at least some element of redistribution, either between generations or between those higher and lower in the income distribution, or both. This can be done in various ways. Within a contributory pension scheme, the benefit formula can be developed so that the scheme pays a higher percentage of past earnings to lower-income workers. Similarly, tax-financed social pensions or minimum pensions can provide a minimum level of protection for older persons without adequate contributory pensions. The progressivity of the tax structure from which these benefits are financed also matters for their net distributional impact.

The mix of consumption smoothing and redistribution, as well as insurance, within pension systems varies significantly, and tends to be an indicator of the extent to which different policy objectives are prioritised. This chapter is mainly concerned with the implications of redistributive mechanisms within pension systems. Redistributive elements like social pensions are particularly relevant in less developed countries that suffer from high levels of inequality and poverty, and relatively low rates of affiliation to contributory social security schemes.

Intergenerational and life-course aspects of pensions

Within policy debates on the sustainability of pensions, there is a tendency to describe and assess the value of pensions primarily in terms of their benefits for one demographic group: older persons. One common consequence of this frame of analysis is that it often leads to a focus on intergenerational fairness, and the extent to which pensions can support one generation at the expense of another. Such analysis, however, often overlooks the complex ways in which pension policy has implications for persons of all ages. An exploration of the intergenerational and life-course dynamics of old-age income security helps to reveal these implications.

An important starting point to understanding the intergenerational dynamics of pensions is to recognise that the economic risks of old age do not only affect older persons, but also their families and wider kinship networks. Lost income from an older family member or increased medical expenses can all affect the budget of a whole household, while old age can also result in greater caring responsibilities for younger family members, usually women. Younger members of low-income families, who often already suffer from work insecurity and low earnings, may find it hard to meet the growing demands for economic support and care from their older relatives. As Esping-Andersen notes in his analysis of ageing and equity in the developed world, "Contemporary historiography confirms that the emergence of mandatory public pensions was as important for the young as for the old, a form of risk sharing not only against the risk of one's own longevity but also against the risk of one's parents' longevity and the imperative of supporting parents financially through an extended old age" (Gosta 2009:163). Kohli (2007) also suggests that one of the reasons why the public generational contract remains legitimate among people of all ages may be that "pensions free the young from the obligation of supporting their parents (and possibly grandparents and great-grandparents), and even more important, that they can rely on these older generations in times of need" (Kohli 2007: 268).

While family support to older persons often has its limits, there is extensive evidence that it is substantial in contexts where pension coverage is low. In many developing countries, private transfers are the main source of income for older adults, including monetary support, assets, as well as in-kind transfers of clothing, shelter and care (UNFPA 2012). For example, in Myanmar – a country with an extremely limited pension system – children are reported as the main source of support for 61 per cent of older persons aged 60 and over (Knodel 2014). The presence of pension income not only helps to relieve this economic pressure but can also provide a boost to household income, particularly for lower-income households. There is also evidence regarding the impacts that pensions have on younger family members, including impacts on nutrition, education and child labour. A study of the old-age grant in South Africa, for example, found that girls in households with older persons receiving a pension were 3–5cm taller than girls in other households due to a boost in their nutrition (Case 2004). Pensions can also make an important contribution to reducing the income poverty of children, as in the case of Georgia's tax-financed universal pension (Kidd and Gelders 2015).

Understanding the impacts of pension policy also involves exploring the interactions between an individual's life at younger and older ages. Early life experiences have an effect on later life outcomes. Social stratification and inequality are processes that unfold across the individual life-course (Lynch and Brown 2011). Thus, childhood and old age are just two moments in the lives of the same person. It is not about distinct social groups, but about different stages in one's own life, and this has implications for the way in which we think about the generational contract.

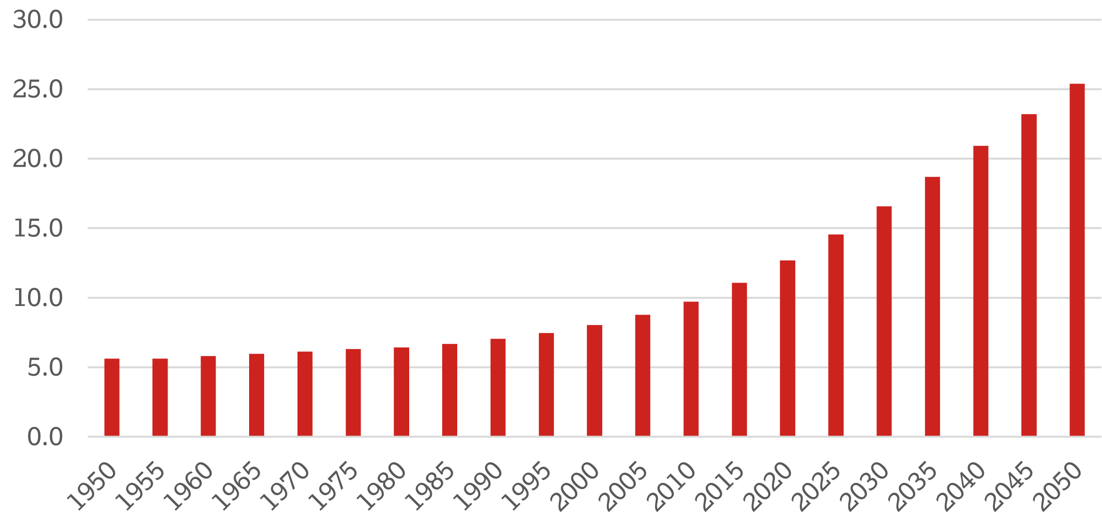
In contributory pension systems, the benefit that each worker receives at retirement age is linked to the work pattern earlier on. Benefits therefore reflect the result of cumulative advantages and disadvantages experienced throughout an individual's life. The risks that each one faces are also linked to life experiences. For instance, low-qualified workers are often more likely to work in the informal sector, which in turn translates into low, or no, pension entitlements in the future. Women who leave the workforce to take care of family also have greater difficulties to meet the contribution records often required to obtain a pension.

Eligibility and benefit rules in the pension system are essential to determine the extent to which the inequalities faced throughout an individual's life are reproduced or mitigated at older ages. Pension systems can contribute to at least partly compensating for cumulated disadvantages through redistributive mechanisms such as social or minimum pensions. Hence while intergenerational fairness is an important consideration, any analysis of this issue should also recognise the role that redistributive pension systems play in addressing wider socioeconomic inequalities.

Expanding pensions: experiences from Latin America

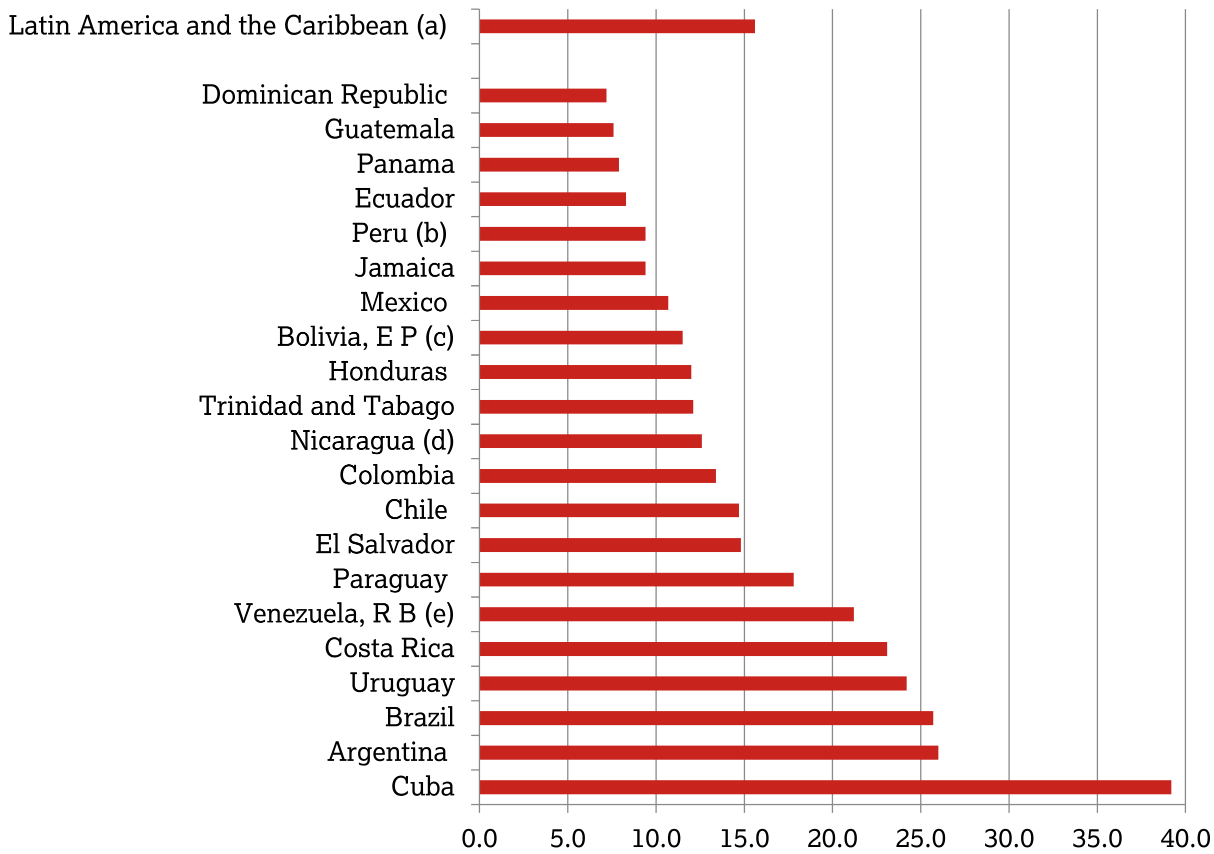
Latin America is a particularly relevant region when exploring the function of redistributive pension systems. The region is one of the most unequal in the world and is also set to experience rapid population ageing in the coming decades. In 2012, the share of people aged 60 and over in the total population was about 10 per cent. By 2050 it is expected to increase to 25 per cent (UNFPA 2012: 118 and Figure 5). Despite similarities, Latin American countries vary in both their current population structures as well as in the level of development of their social protection systems. This is reflected in the differences in public social spending across countries: in Argentina, Brazil and Uruguay, for instance, public social spending as a percentage of gross domestic product (GDP) is well above public social spending in Panama, Guatemala and Dominican Republic (Figure 6). This has implications for the social protection needs and policy responses in each case.

Figure 5: Ageing in Latin America: population projections. % of the population aged 60 and over



Source(s): CEPAL 2016

Figure 6: Public social spending in Latin America as % of GDP, latest available year



Source(s): ECLAC 2014

Notes: Data corresponds to period 2012-13 in all countries, except for Jamaica (2006-7); Argentina, Brazil, Nicaragua, Panama and Trinidad y Tobago (2008-9); and Cuba, Dominican Republic and Uruguay (2010-11).

(a) simple average; (b) preliminary data; (c) Estado Plurinacional de Bolivia / Public social spending corresponds to spending by the non-financial public system without national firms; (d) no data for social security; (e) República Boliviariana de Venezuela.

But beyond differences, most countries share a pattern of high income inequality and a stratified access to formal work and social security. In a number of countries in Latin America, including Bolivia, Mexico, Paraguay and Peru, among others, less than half of the employed population is affiliated to the contributory social security system, which implies no right to a contributory pension in the future. With the exception of Argentina, Brazil, Chile and Uruguay, which have wide-ranging pension systems, in most other Latin American countries less than half of older adults receive a contributory pension (IADB 2015). The problem is particularly severe among the population with lower incomes who are more likely to have informal jobs with no access to social security. In some countries, the coverage gap is reduced via the implementation of non-contributory pensions.

When older adults have no pensions and no personal savings, or when the benefits they receive are too low, they usually need to continue working through old age or rely on support from their family for economic subsistence. Indeed, in countries where pension coverage is limited or benefits are low, many older adults do not really retire and instead continue to work after the legal retirement age. But working is not always an option for older adults facing health problems, which tend to increase with age.

Growing older without a pension has been common for older adults in many Latin American countries for a long time and continues to be so for many of them. From roughly after the turn of the century, however, coverage issues acquired a more prominent place in government agendas and several countries developed policies to offer a pension benefit to unprotected older adults (Table 1, see also Rofman, Apella, and Vezza (2013)). These policies, which differed in design and outcomes, contributed to increased old-age coverage rates, especially in countries like Bolivia, Mexico and Ecuador, where a large number of new non-contributory pensions were offered.

Table 1: Non-contributory pensions and coverage expansion programmes in Latin America

Country	Scheme and introduction year	Age of eligibility	Targeting
Argentina	2005 - Pension Moratorium (Moratoria Previsional)	60 (women)	Argentina
	1948 – Non-contributory pension program (Programa de Pensiones No Contributivas - Asistenciales)	70	Means-tested
Bolivia, Plurinational State of	2008 - Renta Dignidad (Renta Universal de Vejez) (previous system established in 1997: Bonosol)	60	Universal
Brazil	1993 - Rural Pension (Previdência Rural) (reforms previous system)	55 (women) 60 (men)	Brazil
	1996 - Continued Payment Benefit (Benefício de Prestação Continuada) (previous system: RMV)	65	Means-tested
Chile	2008 - Basic Solidarity Pension (Pensión Básica Solidaria) (previous system: PASIS)	65	Means-tested
Colombia	2010 - Colombia Mayor (previous system established in 2003: PPSAM)	54 (women) 59 (men)	Colombia
Costa Rica	1974 - Non Contributory Pension Regime (Régimen No Contributivo de Pensiones)	65	Means-tested

Ecuador	2003 - Pension for Older People (Pensión para Adultos Mayores / Bono de Desarrollo Humano)	65	Means-tested
El Salvador	2009 - Universal Basic Pension (Pension Básica Universal)	70	Means-tested
Guatemala	2005 - Economic Contribution Programme for Older People (Programa de Aporte Economico del Adulto Mayor)	65	Means-tested
Mexico	2013 - Pension for Older Adults (Pensión para Adultos Mayores) (previous system established in 2007: "70 y más")	65	Pensions-tested
	2001 - Pension Programme for residents of Federal District (Programa de Apoyo Alimentario, Atención Médica y Medicamentos Gratuitos para Adultos Mayores de 70 años residentes en el Distrito Federal)	68	Universal for residents in Mexico city
Panama	Special Programme for Economic Assistance of Older Adults "120 at 65" (Programa Especial de Asistencia Económica para los Adultos Mayores, "120 a los 65")	70	Means-tested
Paraguay	2011 - Pension for Older Adults (Pensión Alimentaria para Adultos Mayores)	65	Means-tested
Peru	2011 - Pension 65 (Programa Nacional de Asistencia solidaria "Pensión 65")	65	Means-tested
Uruguay	1919 – Non Contributory Pension (Pensión No Contributiva)	70	Means-tested
Venezuela, Bolivarian Republic of	2011 - Gran Misión Amor Mayor	55 (women) 60 (men)	Means-tested

Source(s): Elaborated based on CEPAL (2015), HelpAge International (2015) and Rofman et al. (2013).

In Bolivia, close to full coverage was achieved with the universal pension *Renta Dignidad*, established in 2008 to replace *Bonosol,* first launched in 1997. In Mexico, a universal pension introduced in Mexico City in 2001 was followed by a social pension for rural areas and small villages (*70 y más*) that progressively extended to the rest of the country and recently reduced the eligibility age to 65 (Willmore 2014). It is estimated that non-contributory pensions now cover more than half of the population aged 65 and over in Mexico – well above the coverage rate for contributory benefits, which only reach 26 per cent of older adults. Similarly, in Ecuador, non-contributory pensions covered 44 per cent of older adults by 2014, thus complementing the low coverage rates of contributory pensions (23 per cent) (IADB 2015).

Among countries with broader contributory pension systems like Argentina, Brazil and Uruguay, old-age pension coverage now situates between 84 and 90 per cent. These are countries that tend to have higher per capita income and lower informality than average. But while Brazil and Uruguay already had high pension coverage rates a decade ago, in Argentina there was a substantial increase in the share of older adults receiving a pension in the past decade (from 69 per cent to 90 per cent between 2005 and 2014 for urban areas; see IADB (2015)). This was mainly the outcome of the "Pension Moratorium", a programme that involved new facilities for informal workers and everyone without sufficient contribution records to obtain a pension (Arza 2012).

The fact that pensions were expanding in a number of Latin American countries while ageing processes and the global economic crisis pushed in the opposite direction in the developed world may look puzzling. But in most Latin American countries, a positive macroeconomic environment created fiscal space to finance new pension programmes, while a new political context encouraged policy agendas that prioritised addressing some of the old and new problems of old-age protection. Indeed, GDP growth rates averaged 3.4 per cent in the region between 2000 and 2013 (Cecchini and Vargas 2014:115), and the tax pressure increased in a number of Latin American countries over the past decade (OECD 2015). On the other hand, the cost of most social pensions is relatively low, with a budget that rarely involves more than 1 per cent of GDP, and often less than that (HelpAge International 2015b).

The social impacts of pensions are well known. Pension benefits, both contributory and non-contributory, have been a key policy for the reduction of old-age poverty worldwide. In Latin American countries that have widespread pension systems, old-age poverty rates are particularly low. A clear case is Brazil where, thanks to wide coverage in urban and rural areas and a benefit equal to the minimum wage, the poverty rate for older adults is 3.4 per cent. In contrast, in countries such as Paraguay, El Salvador, Dominican Republic and others, where the pension systems are less developed, poverty rates among older adults are much higher (CEPAL 2015a).

Redistributive components of pension systems like non-contributory pensions are particularly relevant to informal and lower-income workers. Those benefits also have a gender dimension. Given that women are overrepresented among older populations and are more likely to lack sufficient contribution records to get a retirement pension, they particularly benefit from non-contributory pensions. The case of Mexico is illustrative: while only 17.7 per cent of older women (aged 65 and over) receive a contributory pension (compared to 35.6 per cent of older men), 56.9 per cent of them receive a non-contributory benefit (compared to 47.3 per cent of men). This pattern is also found in other countries: in Chile, for instance, non-contributory pensions cover 31.8 per cent of older women and 17.7 per cent of older men (IADB 2015).

The expansion of non-contributory pensions followed a wide range of designs across Latin America. In some cases, the new benefits emerged as part of cash transfer programmes targeting poor families. In other countries, coverage expansion was achieved by making access to pensions easier for informal workers (as in Argentina), or through tax-financed means-tested benefits for older adults without a pension (as in Chile). This shows that there are several policy design options to increase pension coverage in less developed countries, but it also shows that the pension mix needs to include a non-contributory component. Pension programmes that link benefits to past contributions tightly cannot, on their own, offer adequate old-age security to those with life-course biographies of informal work and low earnings. In order to break the reproduction of socioeconomic inequalities and guarantee old-age protection for all, it is necessary to enhance the redistributive role of the state.

Chile provides an interesting experience in this respect. In 2008, Chile passed a pension reform that created a tax-financed solidarity pension for older adults in the poorest 60 per cent of the population, thus complementing the private pension system of individual accounts established in 1981. More recently, a Pension Commission created to evaluate the need for further reforms released a report which proposed (among other measures) strengthening the solidarity pillar by increasing benefit levels by 20 per cent and expanding eligibility to the poorest 80 per cent of the population (SSA 2015).

The expansion of pension benefits to previously uncovered older adults can contribute to improve the distribution of coverage in Latin America, against the traditional pattern of stratified access to old-age protection. Indeed, in several countries, contributory pensions are concentrated among workers in the middle- to high-income groups. Thus, the expansion of benefits to previously uncovered individuals can help to reduce those inequalities. However, an issue of benefit adequacy remains in most countries. Social pensions are often low and insufficient alone to meet an older person's needs. Hence recent policies need to be regarded as a first step towards more inclusive pension systems – as a starting point rather than a completed path.

Summary

Population ageing is increasing the demands on social protection systems. Pension benefits, health and care services have become even more relevant as more people live longer lives. However, in most developing countries, social security coverage is still limited, and the needs of a growing population of older persons are not adequately met.

Pensions are essential not only to promote income security in old age but also for poverty alleviation and redistribution among the population as a whole. Contributory pension systems have played a remarkable role worldwide to secure an income in old age, especially (but not only) in developed countries. In Latin American countries such as Chile, Argentina, Brazil and Uruguay, contributory pension systems have long been the key component of old-age protection. On the other hand, non-contributory pensions are of crucial importance to reach full coverage of older adults, and are particularly relevant in developing countries where high socioeconomic inequality and informal work prevail and a large share of the population is not covered by contributory pensions. These two approaches (contributory and non-contributory) must work in tandem, and with broader macroeconomic policies, to ensure the adequacy and sustainability of economic security in later life for all.

Pensions are important for older persons but also for their families. By offering economic security in old age, pension systems relieve sons and daughters of the pressure to take full responsibility for economic support to their parents when they grow old. Pensions also facilitate intra-family transfers between older and younger members of the family and can provide a regular and secure source of income. While intergenerational equity discourse has often focused on how the costs and benefits of pensions are shared between generations (emphasising the higher costs for the working population in an ageing context), the broader impact of pensions for entire families as well as for the reduction of inequalities within generations also needs to be considered.

In most developing countries, a key challenge today is to guarantee economic security to a population of older adults that is growing fast. In the context of low and unevenly distributed levels of pension coverage, a key policy priority should be to improve the reach and protective capacity of pension systems. The recent experience of several Latin American countries with the creation and expansion of non-contributory benefits is relevant to other countries facing similar challenges. It shows that expanding old-age protection is feasible and brings positive outcomes. It also shows that there are a range of policy design alternatives that countries must consider according to their needs and possibilities, based on the achievements and limits of these experiences.

While this chapter has focused on the non-contributory and redistributive components of pension systems, enhancing equity in old-age protection as a whole naturally also involves making contributory pension systems more equitable. Experience shows that even when it may be politically difficult to make all reforms at once, an incremental process of institutional development and welfare expansion can bring important improvements. Thus, new pension benefits for uncovered older adults, as implemented in some Latin American countries, create new social policy beneficiaries, and with them new expectations and demands. That could be a first step in a process of building a more extensive social protection system to guarantee old-age security to all individuals and families independently of their previous work status and socioeconomic position.

Recommendations:

- Design pension systems considering the working patterns of various groups of the population in each country, without assuming that life-long formal work will be the norm.

- Incorporate policies to break the reproduction of cumulative disadvantages over the life-course, including non-contributory pensions as well as redistributive elements within contributory systems.
- Guarantee basic old-age security for all, including individuals who are not affiliated to a contributory pension system, such as informal workers and people, mostly women, providing unpaid care for others.
- Secure stable public pension budgets and set clear rules for eligibility to avoid discretion in benefit allocation, enhancing rights-based benefits.
- Avoid restrictive targeting for non-contributory pensions and, depending on fiscal space, aim at universal or pension-tested programmes.
- Secure the regularity of payments and adequate benefit indexation to maintain the purchasing power of benefits and their protective capacity.
- Avoid segmentation between contributory and non-contributory pensions by developing an integrated and equitable pension system design that incorporates both.
- Improve benefit adequacy in countries where non-contributory pensions and minimum pensions are still low and insufficient to meet the basic consumption needs of older adults.
- Implement policies to reduce labour market informality and improve tax collection to finance adequate pension benefits and coverage expansion.
- Connect pensions to other services that are essential in old age, especially access to healthcare, medicines and long-term care.

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Towards an appropriate financing framework

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> *The policy of any country in relation to the financing of pension provision must serve the essential purpose of the pension system – namely, the avoidance of poverty and the maintenance of dignity in old age.*

The purpose of pension provision – the assurance of income in old age allowing people to avoid poverty and maintain dignity – can too easily be overlooked in the face of the challenge of managing the complexities of the financial arrangements. These are necessarily extremely long-term in nature, and characterised by annually rising benefit amounts, driven notably by increasing longevity, almost everywhere in the world.

In times of austerity, this has led to a sense of alarm, and in turn has tended to push economic policy making – in relation to social protection generally and pension provision specifically – in a direction that rather negates its fundamental objectives.

One approach to rebalancing the finances of pension systems has been to suggest that a solution lies, in a broad sense, in savings – the setting aside of resources for future consumption by older persons. This perspective links closely with that of social provision seen as a central component of a nation's investment in its human capital.

It should be seen, however, as an incomplete perspective. Firstly, it is a notable tendency that the approach to saving for pension needs is presented as one of individual responsibility, drawing attention away from a challenge that is in truth collective and must ultimately be addressed accordingly. Secondly, it tends to undermine the challenge of addressing today's need to ensure sufficient provision for the daily needs of those who are now in old age.

Given an estimate of the per capita resource requirement for the old-age segment of a country's population in proportion to that for the younger segment – and relatively straightforward benchmarks exist for this purpose – it is relatively simple to estimate the proportion of the current national product that should be allocated to that part of the population.[11] It is fundamentally the purpose of the national pension system, defined in the broadest terms, to accomplish that resource allocation.

Schemes are, at the same time, designed to meet national needs – it is a common observation that no "one size fits all" solutions exist. That stands to be done in a way that, for each country, reflects not only the national economic capacity, but also the prevailing social, and perhaps even cultural, environment and ambitions. It is in this perspective that the diverse and extensively studied options for the detailed design of schemes come into play. These include choices, among others, as to contributory or non-contributory models, defined-benefit, defined contribution or flat-rate benefit formulae, and funded or pay-as-you-go financing schedules, together with choices as to the proportional combination of provision through public and private channels. All of these choices affect the redistributive characteristics of the system as a whole, and also to some extent the way in which risks are shared among the stakeholders, notably in relation to the sharing of costs in the event of adverse financial conditions. Finding an optimal balance, within the national political economy – and reflecting issues such as intergenerational equity – is likely to be a rather long-term process, and is certainly a dynamic one, which should be responsive to developing economic and demographic environments.

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[11] ILO Convention No. 102, for example.

In the following sections, these issues are explored somewhat further, and some summarised pointers offered for the building of outline policy frameworks.

The role of pension schemes and systems

Pension schemes – or perhaps at the national level, pension systems – have a quite specific purpose, namely: to provide people with income in old age that allows them a decent living standard and protect(s) them from poverty.

> *In countries with relatively informal patterns of work, the more urgent need is generally seen to be the avoidance or alleviation of poverty for the vulnerable, in particularly older persons.*

This is the formulation adopted by the Social Protection Committee of the European Union (EU) for the purpose of its most recent report (European Commission 2015b). The social and economic climates in different countries, and at different times, may influence considerably the relative weights placed on the promotion of decent living standards or the avoidance of poverty; nevertheless, this statement of purpose stands as a clear and concise definition of the two-pronged objective. It is worth noting that in finalising its report, the Social Protection Committee included in an annex comments from a range of interest groups; a number of these drew attention to the importance of dignity in old age and as an element in judging appropriate living standards (European Commission 2015a). The preceding Chapter 1 has looked at the widest range of social issues framing the provision of pensions, not least this particular topic.

The question of the level at which provision should be made is complex, and heavily dependent on the context. However, countries generally have established poverty lines, with varying levels of robustness, and these provide at least a first-level guideline. In those countries with relatively formal employment systems, pension schemes have developed on a more-or-less earnings-related basis, with a target level of provision set for a life-long contributor as a proportion (typically around 40 or 50 per cent) of "earnings" defined in some way (ILO 1952, 1967). In countries with relatively informal patterns of work, the more urgent need is generally seen to be the avoidance or alleviation of poverty for the vulnerable, in particularly older persons. But even here, it is important to retain the longer-term ambition of providing for a decent, and reasonably equitable, standard of living (see, for example, Cichon and Hagemejer (2007)).

It is important also to keep in mind the diversity of the group labelled "older persons". To the extent that this is equated with the notion of "retirement", it may be observed that we are dealing with an evolving perspective. For statistical and policy purposes, it is convenient – possibly unavoidable – to group the population into categories below or above a fixed dividing age (an issue explored in much greater detail in Chapter 1). For many countries, and for many years, the division has been made at age 65; in light of recent demographic trends, however, the need is increasingly well-understood for a perspective that is more dynamic, in terms of flexibility and responsiveness.

In addition, and specifically, schemes and systems need to recognise the needs of older women – partly because women tend in a broad sense to be disadvantaged by the ways in which pension schemes are designed and administered (see Chapter 2); and partly because increasing longevity highlights the growing numbers of women who outlive their husbands, and for whom widows' pension benefits – if provided at all – are often inadequate. The question, too, as to whether systems provide adequately, or at all, for older persons in need of long-term care stands increasingly to be considered in the light of overall financing systems for old age provision.

Box 4: Working to older ages

The latest estimates for EU countries (The 2015 Pension Adequacy Report) indicate that the expected costs of pension provision across the Union are fairly rapidly reaching stability. Legislation on age of eligibility increases are particularly important. For many years it seemed a difficult proposition to secure acceptance of such change, especially (as, for example, in the UK) where women, having been entitled to pensions from a significantly earlier age than men, faced deferment of their entitlement under gender-equalisation provisions, and further deferment for cost-balancing reasons. At the same time, pensionable ages in a range of developing countries have tended to be, apparently, relatively low, at least for the limited numbers of workers accruing rights in formal, contributory schemes. The result is a relatively high level of labour market participation beyond legislated pensionable (or, not necessarily identical, retirement) ages. This may be seen as a global phenomenon, even if driven by different factors – the need of individuals in developing countries, in the face of inadequate pension provision, to keep working, and in developed countries the capacity of many (albeit not all), in the light of improving health trends, to work to later ages. Based on the somewhat limited statistics that are available, the following table shows – for a number of countries selected simply to represent a range of income levels – the changes in both the remaining expectation of life at age 60 and the labour force participation rates for those (on a combined male and female basis):

Table 2: Life expectancy and labour force participation at advanced ages

Country	Life expectancy at age 60		Labour force participation at ages 65-plus %	
	1990	2013	1990	2010
High Income				
Spain	22	25	2.6	2.0
United Kingdom	20	24	5.5	8.6
United States	21	23	11.7	12.3
Middle (L, U) Income				
Brazil (U)	18	22	20.3	22.6
Ghana (L)	16	17	55.7	52.3
Mauritius (U)	17	20	10.3	9.6
Sri Lanka (L)	19	20	20.2	19.4
Low Income				
Cambodia	17	24	30.7	53.6
Nepal	15	17	50.3	54.8
Tanzania	16	18	64.1	67.2

Source(s): WHO - Global Health Observatory; ILO: World Social Protection Report 2014-2015, Statistical Annex

The table suggests diversity rather than consistent patterns, but does show sharp differences, not only between countries at different income levels but also between countries with or lacking long-established pension systems. Most dramatically, however, *it may be noted firstly that "retirement" is a very limited option in countries lacking significant pension provision,* and secondly that wealthier countries may now be following the less wealthy in the trend to increasing labour force participation at advanced ages. Hence it is to be expected that labour market participation will, in the future, continue into relatively advanced ages; this needs to be recognised in policy frameworks as, now, a more-or-less permanent structural feature of labour markets. Anecdotally, it seems that the trend towards later retirement ages is gradually gaining recognition and acceptance even among those facing deferral of their pension expectations.

Hence the financing of pensions – at appropriate levels of benefit – is inevitably a major element in the economic calculus of any country, albeit that the quantitative range between countries is wide, and we return to this perspective in the following section. The mobilisation of the necessary finances is thus a critical element of economic policy formulation. However, the tendency in this process to focus on the purely financing aspect of pension schemes – for reasons perhaps suggested in the following section – can have unwelcome results.

In this regard, particularly, it is worth remarking on the extraordinarily long time perspectives that are relevant here. Consider, for example, the social protection system in the UK, for which (and following the remarkable reformulation of the social protection system following the principles set out in the Beveridge Report (Beveridge 1942)) the first earnings-related contributions were collected in 1948; of those contributors, a number are still alive today to draw the benefits to which their contributions gave entitlement. In other words, the first financing cycle of the system is (in some sense) not yet complete. For the promoters, designers and assessors of pension schemes, planning within a time horizon of several decades is thus quite usual; while for policy makers, responding to political imperatives and cycles measured in quinquennia, this is effectively an eternity. The resulting disconnect may be seen, particularly in the very recent period of global financial uncertainty, to have resulted in the loss of political focus on the objective purposes of pension (and wider social security) provision.[12]

Financing pensions – the wider perspective

The varied issues surrounding the financing of pensions may be seen in rather different colours by different participants. In particular, a pension system is likely to be seen by individuals as, primarily, a savings arrangement, whereas from the national or whole-membership viewpoint, the most relevant view is one of a framework for income redistribution. Each perspective will naturally place the focus on the most relevant characteristics – for example, in relation to savings, the parameters of rate of return and security will come to the fore.[13]

To begin, we note that any indication of overall costs is necessarily "dynamic", in the sense of changing over time, possibly with considerable rapidity. This applies with particular force in the case of newly established schemes, when the number of enrolments of working individuals is high, but the number of those as yet drawing benefits tends to be low. In these circumstances, the annual costs build up naturally but rapidly from one year to the next, and it is essential that this feature is properly allowed for in the financial planning. While it may be relatively straightforward for planners to keep this in mind at the outset, it may be seen as one of the hazards of large-scale pension management that this dynamic may become uncomfortable at times of restraint, not to say austerity, in the future.

It has accordingly been seen as one major advantage, among a number of others, that the long-term costs of pension provision may be met over time in a rather flexible way.

Subject to a minimum level of financing sufficient to meet each individual year's costs – the concept of "pay-as-you-go" (PAYG) or "paygo" financing – it is seen in a wide range of circumstances to be advantageous to commit a higher level of financing in the early stages, which can be invested in such a way that the income, or drawdown of the investments, can be used to offset contribution demands in future years. This is the concept of "funding" of pension schemes and systems that is to be found in a variety of flavours, often characterised (but perhaps not very rigorously defined) along a spectrum from "no" through "partial" to "full" funding.

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[12] For a detailed public presentation of these issues, see, for example, the Special Report on Pensions in the issue of The Economist of 7th April 2011.

[13] See, in particular, the International Social Security Association (ISSA) guidelines regarding the investment of social security funds (e.g. ISSA (2014).

A good deal (although not all) of the expertise needed to manage the accumulated investment funds of pension schemes, effectively and on a long-term basis, is to be found in commercial entities, most obviously insurance companies transacting life and annuity business. The operations of such funds, nevertheless, have profound implications for national economic and financial planning, if only on account of their volume (typically) in relation to the overall size of national economies. Some indicative examples are explored in Box 5, later in this Chapter.[14] In addition, the pattern of pension provision in certain countries has traditionally relied fairly heavily on so-called occupational schemes, organised at enterprise level and sponsored by the employers of the working individuals who are the prospective future beneficiaries.

Views differ as to how appropriate it may or may not be to organise large-scale pension provision in this way, given that: (a) the expenses of managing the funds privately may be considerable; (b) the fall in the values of invested assets seen in relation to a global economic downturn such as that seen in the years following 2007-8 may have seriously undermined the actual pension benefits available to large numbers of pensioners globally; and (c) the dominance of invested pension funds in national economies may have the potential for significant impact on economic policy making. In the present context, however, it is important to note that, in such schemes, the manner in which the long-term interests of the scheme members are properly secured must be addressed differently from a publicly financed scheme. It is generally held in this light that while for public schemes the choice or weighting of a PAYG versus funded approach to financing may be made in accordance with wider priorities, for "private" schemes a funded approach is essential.

For such reasons, the interplay between public sector and private sector financial perspectives is generally intricate, and brings a distinct tendency to focus on financial issues and techniques at the expense (when added to the political aspects noted in the previous section) of an adequately needs-based assessment.

The issue of funding of pension provision also entails the assessment of the financial status in terms not only of income and expenditure, but also of assets and liabilities. In the (common) case that a scheme or system is less than fully funded, the comparison of assets and liabilities may be interpreted as showing the scheme to be carrying long-term debt. It is possible for this to be "capitalized", by way of an actuarial present-value calculation, to represent a so-called "implicit pension debt", typically of large magnitude in relation to national GDP.

It is argued that the existence of the implicit pension debt has a significant impact on the financial management of a national economy, because the debt must be paid down from future tax receipts (in effect, therefore, by future generations), and thus on national credit-worthiness, as argued (for example) by Kane and Palacios (1996).

However, this viewpoint by no means commands universal agreement. Barr, for example, points out that a similar argument could be made in relation to a country's future obligations in relation to health and education, but in general is not seen to be an appropriate way of managing an economy (Barr 2002). While national accounts are increasingly formulated and interpreted in a framework of "flows" (income and expenditure account) and "stocks" (capital account),[15] what matters fundamentally is the ability of the country to finance the income needs of its older persons on a year-by-year cash flow basis.

Long- and short-term perspectives

In this section, we explore some of the ramifications, in the context of financial management of pension provision, of the extreme long-term character of such schemes.

[14] Using figures tabulated in the *World Social Protection Report 2014-15*(ILO 2014).

[15] The standard framework of National Accounts has been developed under the auspices of the IMF, and details can be found at www.imf.org, but an extension, which is of increasing interest in the context of pension provision and the need to address intergenerational concerns, is the framework of National Transfer Accounts (NTA), currently being explored by the National Transfer Accounts Project – see www.ntaccounts.org/,

We may remark, firstly, that it is undeniably in the nature of pension schemes that the costs, measured in nominal money terms (although not necessarily in real-value terms) increase year-by-year. This is the case globally, in more and less economically developed countries alike. For most countries or schemes, the following are major (but may not be the only) factors driving annual cost increases:

- Increasing numbers of beneficiaries, both in absolute terms and as a proportion of the total population from which they are drawn;
- Increases to the benefit amounts (expressed in euros, dollars or other monetary units) paid on average to each individual, by reason of general inflation – so-called "cost-of-living" adjustments;
- Increasing longevity, and hence the number of years for which pension benefits are paid to a typical individual.

The balance between these various elements naturally varies from one scheme to another, and in particular is likely to reflect widely differing patterns as between developed and developing countries. Nevertheless, it is probable that the first two will have been taken consciously into account at the design stage of any scheme, whereas (until fairly recent years) the rapid increase of longevity at advanced ages was poorly observed,[16] and inadequately reflected in analytical work. However, this factor has now assumed a dominant place in global pension policy making.

In times of austerity, this has led to a sense of alarm, and in turn has pervaded economic policy making in relation to social protection generally and pension provision specifically. Such a negative view has, perhaps, been given concrete form – and transmitted in both technical and popular discourse – by the attention paid to the conceptual framework of implicit pension debt and its supposed impact on national credit-worthiness.

In a number of countries, one approach to the need, also supposed, to rebalance the finances of pension systems has been to legislate for more or less rapid increases in the statutory retirement ages. Table 2 above presents some aspects of this trend.

A second approach has been to suggest that a solution lies, in a broad sense, in savings – the setting aside of resources for future consumption by older persons. This perspective is certainly appropriate, and aligns quite precisely with our overarching theme that these forms of social provision should be seen as central to a nation's investment in its human capital (see, for example, Cichon and Hagemejer (2007)).

It is important, however, to fill out this perspective. There is a tendency, perhaps increasing, to present the matter of savings and investment for retirement as one of individual responsibility. This is, in itself, unsatisfactory in at least two ways. Firstly, the adoption of an approach that may be rational for each individual in a society does not lead, in combination, to an approach that is rational at the whole-economy level;[17] individuals can, of course, set money aside for future consumption, but an economy cannot simply "save" for the future, and can transfer wealth to the future only on the basis of productive investment. Secondly, the essential problem to be solved is collective in nature, being the securing of livelihood to the ageing part of the population, and should properly be addressed in collective terms. In addition, however, it is important to ensure that provision through a pension scheme should enable those who are pensioners *today* to meet their day-to-day consumption needs; in other words, a perspective based on savings and investment should complement, but not replace, one focusing on current cash flow needs.

[16] Note that the way in which general life expectancy statistics are compiled means that simplistic analysis may result in improvements at advanced ages being disguised by improvements in, say, perinatal mortality.

[17] This is an instance of the "fallacy of composition", extensively discussed in economic literature.

Benchmarks exist (possibly, but not necessarily linked to poverty lines) to indicate the relative resource requirements of those in older age in proportion to those of "working" age, and it may be seen as the essential function of each country's pension system (which may have multiple components, operating, for example, in the public and private sectors) to allocate the relevant proportion of national resources on a yearly basis. On the basis of such benchmarks, it is a relatively simple matter to estimate the proportion of national resource, in terms of GDP, which must be redistributed. If, furthermore, pension provision is treated, largely or wholly, as a governmental responsibility, it is equally straightforward to estimate the proportion of the national budget that should, ideally, be devoted to such provision. The figure may be (apparently) large – 25 to 30 per cent of the budget or even more would not be untypical in wealthier countries. This percentage does, naturally, vary widely between countries, and those which have relatively "young" population profiles have referred to the advantages of a "demographic dividend" in relation to their economic planning. This perspective has been explored, notably, by UNFPA; the commentary in, for example, the *State of World Population 2014* highlights the crucial need to invest the financial/economic dividend in social provision. However, in any country that admits the responsibility to keep its elderly population at a reasonable level of sustenance, the associated level of (long-term) cost is inescapable at the whole-economy level. Box 5 presents the results of such calculations, purely on an indicative basis and current demographic patterns, for the same range of countries as presented in earlier.

The financial design of schemes and redistributive issues

> *…for less economically developed countries, it is of particular importance that the mechanism of benefit provision should be straightforward and appropriate to the prevailing conditions of life and work.*

So far, the discussion has said nothing of – and is indeed independent of – the classification of pension systems as defined-benefit or defined-contribution, contributory or non-contributory; moreover, the dichotomy between funded and PAYG systems has relatively little bearing on the broad picture of long-term costs. These are design features which impact the distributional aspects of cost and provision, and to some extent the distribution of certain types of risk, the significance of which is noted in Chapters 1 and 2.

It may be noted that, for less economically developed countries, it is of particular importance that the mechanism of benefit provision should be straightforward and appropriate to the prevailing conditions of life and work. Typically, this will lead to a scheme design that provides largely or entirely flat-rate pensions. Such a design fits well the conceptual framework of the Social Protection Floor (ILO 2012). From a financing point of view, a flat-rate design is necessarily redistributive (and may have the characteristics of a social insurance arrangement),[18] and in this regard shares at least some similarities with defined-benefit, earnings-related schemes.

From a technical point of view, while costings and assessments are made using standard (actuarial) techniques, applicable to schemes of all types, the protocols tend to reflect their origins in the design of schemes and systems that are based on formal earnings – wages and salaries. Some shift in perspective is often needed to ensure the proper addressing of the challenges of predominantly informal economies, and management of an analytical effort tending (traditionally perhaps) to focus with somewhat undue weight on these technicalities, at the expense of attention to the larger picture. This dimension of pension system design does, however, provide the crucial scope for the alignment with each country's economic capacity, and its social and cultural preferences regarding redistributive livelihood support of older people; and possibly also the distribution of certain kinds of risk. The aspects of political economy and intergenerational equity come

[18] For a helpful characterisation of social insurance, see the overview of Wilkie's paper to the Royal Society (Wilkie 1997).

into play here, and highlight the divergence between more and less developed economy perspectives.

Box 5: Hypothetical resource allocation to older people

The table below presents an estimate of the proportion of the national product, and of the government revenue, on the hypothesis that the pension system will effectively make an allocation such that an elderly (over-65) individual receives on average 40 per cent of the allocation of an individual below that age. For each of the countries shown in the middle- and low-income categories, the proportions of those in the older age category will certainly increase over the coming decades, towards those of the high-income countries, with corresponding implications for the trend of proportional costs, however expressed.

Table 3: Hypothetical calculation of government revenue allocation to the elderly population

Country	GNI per capita, US$ current	Proportion (%) of population aged 65 and over	Hypothetical resource allocation to older persons	Government revenue, excluding grants	Hypothetical allocation to older persons as a proportion of government revenue
	2014	Latest year	% of GDP	% of GDP	%
High Income					
Spain	29440	18.8	8.5	20.8	40.8
United Kingdom	43430	17.8	8.0	35.8	22.3
United States	55200	14.8	6.5	18.3	35.5
Middle (L, U) Income					
Brazil (U)	11530	7.8	3.3	24.3	13.5
Ghana (L)	1590	3.4	1.4	19.4	7.2
Mauritius (U)	9630	9.6	4.1	23	17.7
Sri Lanka (L)	3460	9.3	3.9	12	32.8
Low Income					
Cambodia	1020	4.1	1.7	13.2	12.7
Nepal	730	5.5	2.3	17.4	13.1
Tanzania	920	3.2	1.3	12.6	10.4

Source(s): World Bank Databank; UNFPA Data; Author's calculations (columns 4 and 6)

Summary

> *...it is advantageous to view provisions by way of social protection generally and pensions specifically in terms of an investment in each country's social and economic fabric...*

The policy of any country in relation to the financing of pension provision must serve the essential purpose of the pension system – namely, the avoidance of poverty and the maintenance of dignity in old age. The pension system, at the broadest level, may be seen as the mechanism by which the appropriate proportion of national product in any period is made available to the elderly sector of the population, in order to achieve that objective.

Typically, in "mature" economies, the proportion of national product actually devoted to pension provision may be in the region of 10 per cent of GDP, and in those economies (as represented by the EU or the OECD – e.g. OECD (2013)), projections indicate that this proportion appears, after some years of increase, to be stabilising.[19]

If this level of resource is presented in terms of the annual government budget, the proportion is likely to be large, often representing the largest single element of budgetary provision. It should be noted that provision does not have to be made through tax financing alone, and in a number of countries, the major role is taken by private pension schemes. However, the cost of private management of pension provision and funds can be deceptively high, and many would argue that – in suitable conditions – public provision is optimal in terms of efficiency and effectiveness.

In a number of aspects, it is advantageous to view provisions by way of social protection generally and pensions specifically in terms of an investment in each country's social and economic fabric – to be understood primarily in a collective, rather than an individual sense. This perspective provides an appropriate framework for the treatment of contributory pension schemes as savings vehicles, in broadly collective terms.

From the point of view of those countries with less fully developed economies, the current level of provision needed is likely to be far below the longer-term proportion of national product (often viewed as a current financial advantage represented as a "demographic dividend"), and the major policy challenge is to plan a transition from "here" to "there". The tools that come naturally to financial planners, including the conceptualisation of implicit pension debt, and the demand that pension provision creates competition in budget planning for "fiscal space" and tends to promote a limited, instantaneous focus, which may be rather unhelpful in the longer-tem perspective.

Within the broad picture, the mechanisms of pension systems and schemes make use of a wide range of options – contributory or non-contributory, defined-benefit versus defined-contribution or flat-rate provision, pay-as-you-go versus funded financing models, and so on – that allow for the overall design to be aligned with national capacity (notably in financial terms) and objectives. It is important to ensure, however, that in addressing the relevant technicalities, one does not lose sight of the long-term objectives of provision, and the associated need for appropriate resource allocation in the long term, failing which the logical outcome is implicitly the acceptance that a significant proportion of the national population must always live in poverty.

For many developing countries, given that their pension systems have yet to approach demographic maturity, the need is for models that are robust and sufficiently straightforward to facilitate effective implementation and administration. Typically, such systems may rely to a large extent on a flat-rat benefit provision, with limited (or no) contribution requirement, and PAYG, tax-based financing. Such systems fit well into the

[19] The case of Greece, however, offers a range of insights. For that country, this choice of the measure to target for stability presents a harder challenge, not only because of actual cost increases in money terms, but also because of the severe annual *decrease* in the measured GDP.

conceptual framework of the (nationally defined) Social Protection Floor, not least the perspective of an investment-oriented social protection system. They are intrinsically redistributive, and thus share a range of characteristics with defined-benefit arrangements of the kind seen as "traditional" in more developed economies. A number of specific challenges stand to be addressed; these include the need to seek both gender-equitable outcomes and, to the extent possible, intergenerational equity.

In summary, our aim here is to present in outline the underlying financing principles in a way that may be seen to have universal application and to emphasise the importance of addressing the relevant challenges – which are considerable – in a perspective that fully respects the basic objectives of pension provision and their ongoing, long-term nature.

Recommendations

The policy framework within any country – but particularly those which are, as yet, less economically developed – should reflect to the greatest extent possible a basis of principle and practice of which the following elements are likely to be of major importance.

- Keep in mind *both* the purpose (adequacy) and cost (sustainability) of pension provision.
- Keep in mind the "big picture" – the proportion of national product that needs to be allocated through the pension system *as a whole* to the elderly population segment, in particular in terms of long-term targets and, where relevant, how to manage any demographic dividend.
- Note the extreme long-term nature of the challenge, in relation to which:
  - While there can never be a "final" solution, meaning that policy must always track demographic and economic progress…
  - … the financial challenge can be managed in the long term and does not necessarily demand resolution "instantly" or within an unduly short period;
  - It is important to avoid as far as possible the tendency to short-term analysis, which may be encouraged, for example, by too heavy a reliance on perspectives of fiscal space or implicit pension debt.
- Scheme design choices include:
  - Contributory versus non-contributory participation;
  - Finance on the basis of PAYG versus funding (full or partial);
- Benefit provision may be on the basis of flat-rate, defined-benefit, defined-contribution or notional defined contribution (or any combination of these).
- Responsibility for benefit provision and administration may be public, private or shared.
- All of these choices contribute to the extent of redistribution, progressivity and risk-sharing among the participants/stakeholders in the system, and the tailoring of the system to national capacity, ambitions, social and cultural preferences and so forth.
- The different design choices lead to different challenges, but these *should not* override the foregoing policy imperatives.
- It is important to keep in mind especially gender and equity issues (including intergenerational equity).

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Managing the “cost” of population ageing

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This chapter reviews available evidence on actual and potential economic costs associated with population ageing in low- and middle-income countries. It pays particular attention to costs related to health and social care. The first section explores links between ageing, changing patterns of population health and care dependency. The chapter goes on to show that relationships between population ageing and health spending are neither as direct nor as straightforward as is often assumed, and that they can be influenced by appropriate interventions and policy choices. The main cost of long-term care is shown to fall mainly on female family carers, raising issues of gender justice and highlighting the need to develop more comprehensive systems to support family care. The chapter provides examples of suitable, cost-effective interventions, including improved control of conditions such as hypertension and reorienting primary health care services so that they can serve as a focal point for integrated health and social care at the community level.

Demographic ageing, care dependency and population health

Table 4: Old-age dependency ratio: population aged 70-plus as ratio of population aged 20-69. Medium variant projection.

	2015	2025	2035	2045
China	8.2	13.3	20.2	32.0
Ghana	4.0	3.9	4.5	5.6
India	5.8	7.3	9.5	12.1
Mexico	7.3	9.2	12.8	18.5
More developed regions	18.6	24.1	30.2	33.8
Less developed regions	6.6	8.7	11.7	15.3

Source(s): (UN Population Division 2015)

By 2015, the percentage of the global population aged 60 years or over had increased from 8.5 per cent in 1980 to 12.3 per cent and is projected to rise further to 21.5 per cent by 2050. Two-thirds of the world’s older persons live in LMICs and their numbers are growing faster there than in the developed regions (United Nations 2015). This will lead to growing challenges of health problems associated with later life, as well as care dependency. Table 4 provides an indication of the potential capacity of different societies to meet these challenges. The old-age care dependency ratio is a function of the total number of people aged 70 or over (assumed to be dependent) to the total number aged 20 to 69 (assumed to be supporting the dependent group). These assumptions are in themselves problematic, in the face of growing evidence that relationships between age and dependency are considerably more nuanced (Gietel-Basten, Scherbov, and Sanderson 2015) as well as those noted previously in this report (e.g. Chapter 1).

> “*…the effects of population ageing on health and social care burdens are less obvious than is often claimed, and can be mediated by a range of different effects, including good policy design.*”

Setting this important reservation to one side, the dependency ratio data suggest a rapid increase in the "burden" of old-age dependency in LMICs over the next 30 years. This is especially apparent for China, where the ratio of over-70s to adults aged 20 to 69 will quadruple. At the same time, LMICs are seeing rapid increases in the prevalence of non-communicable diseases (NCDs), including cardiovascular disease and dementia (Murray et al. 2015). It is estimated that between 2015 and 2050, the number of people with dementia will increase by 227 per cent in upper-middle-income countries, 223 per cent in lower-middle-income countries, and 264 per cent in low-income countries (ADI 2015).

Taken together, rapid epidemiological change and apparent increases in dependency ratios suggest that population ageing will represent a major economic challenge for LMICs. The remaining sections of this chapter critically examine this assumption. They demonstrate that the effects of population ageing on health and social care burdens are less obvious than is often claimed, and can be mediated by a range of different effects, including good policy design. As part of this, the chapter identifies some "best-buy" interventions for LMICs to meet these complex challenges.

Population ageing and health and social care costs in LMICs

It is often assumed that there is a close link between population ageing and overall levels of health expenditure. For some decades there have been concerns that rapid population ageing in LMICs will place unmanageable pressures on their developing healthcare systems, by generating a:

> *...morbidity burden [that] can quickly overwhelm fragile and often underfinanced health infrastructures already unable to meet fully the prevention and treatment needs of a younger population with relatively low-cost, easy to prevent, easy-to-treat illnesses (Bicknell and Parks 1989).*

These concerns echo debates in developed countries, which, in their more extreme form, make apocalyptic predictions about population ageing and collapsing health and welfare systems (Peterson 1999). More recent studies of health spending in LMICs also refer to inevitable and irreversible consequences of population ageing (Basakha et al. 2014).

Comparing across high-income countries, there is some evidence of a correlation between levels of population ageing and health expenditure as a share of GDP (Bloom et al. 2015). However, the same study finds no observable effect for LMICs. Table 5 presents data for total per capita health spending and the percentage of population aged 60 and over for selected LMICs, with France as a high-income comparator. Although there is a broad relationship between lower spend in younger populations and higher spend in older ones, there is also considerable divergence from this pattern. For example, spending in Brazil is more than double that of China and Thailand, despite having a lower level of population ageing. Likewise, spending in India is around a fifth of Mexico's, despite their similar demographic profiles. This indicates that the effects of population ageing on health spending are less direct or inevitable than sometimes asserted. Indeed, a recent OECD report asserts that "technology and relative prices remain the most important drivers of public health and long-term care spending growth across all countries" (Lorenzoni et al. 2015).

Table 5: Data on total per capita public and private health spend and population ageing for selected countries.

Country	Health spend US$ppp (2013)	% of population aged 60-plus (2011)	Country	Health spend US$ppp (2013)	% of population aged 60-plus (2011)
France	4,334	25.2	Mexico	1,061	9.6
Thailand	658	15.8	India	215	8.9
China	646	15.2	Ghana	214	5.3
Brazil	1,454	11.7	Nigeria	217	4.5

Source(s): UN Population Division (2015); World Bank (2015)

Even where they do exist, international correlations between population ageing and health spending may be misleading. Population ageing is generally associated with higher levels of national wealth, and comparative studies that also factor in this effect find that ageing itself has a more marginal influence on health spending (Van der Gaag and Preker 1997). In low-income countries, the gap between demand and provision is large for all age groups, indicating that health services are not closely linked to changing levels of need. In these cases, the prospect that population ageing will lead to a healthcare cost explosion is remote.

Another key determinant of national health expenditure is the organisation and financing of healthcare services, including the deployment of cost containment strategies (Moreno-Serra 2014). Particularly in LMICs, improving the balance in health service provision between less cost-effective curative care and more cost-effective preventive services can play a critical role in mediating any ageing effect (WHO 2008). This issue is especially important in the case of common NCDs and is returned to below.

> *…spending is heavily concentrated in the last years of an individual's life, regardless of their age at death, and so is more influenced by overall levels of mortality than by the average age of the population.*

Comparisons of health expenditure between different age groups consistently show higher levels for older persons (De La Maisonneuve and Martins 2013). For example, a survey of five Asian countries found that persons aged 75 accounted for 3.4 times more health spending than those aged 25 (Ogawa et al. 2009). Similarly, data on private health spending by households in LMICs demonstrate higher levels for those households containing older persons (Brinda et al. 2015). Again, these findings would appear to indicate a simple relationship between population ageing and health expenditure. However, spending is heavily concentrated in the last years of an individual's life, regardless of their age at death, and so is more influenced by overall levels of mortality than by the average age of the population (Felder, Meier, and Schmitt 2000; Hyun, Kang, and Lee 2015). Indeed, the costs of dying may be lower for older persons than for younger persons if they receive less treatment as a result of ageist bias (Lawler et al. 2014).

Although health spending tends to be higher in the final year of a person's life, there is considerable variation in the relationship between chronological age and health and functional status. Table 6 compares the prevalence of functional limitations for older persons in six LMICs. It shows that the proportion reporting no limitation varied from 20.3 per cent in Mexico to 1.9 per cent in the Russian Federation. Levels of prevalence of high blood pressure among people aged 50 and over in the same countries ranged from 78 per cent in South Africa to 33 per cent in India (Lloyd-Sherlock et al. 2014).

Comparisons over time show that many high-income countries have achieved considerable progress in improving the health status of their older populations (Ikeda et al. 2011). Robust longitudinal data do not permit similar comparisons for most LMICs, although there is some indication of recent improvements in age-specific health status in China (Feng et al. 2013). Taken together, these different studies indicate considerable scope to improve the health status of older people at a given age. This can be achieved through specific interventions or through the promotion of a wider social and economic environment that is conducive to good health in later life. Improvements to age-specific health status can reduce any additional health and care costs associated with population ageing.

Table 6: Functional limitations for population aged 70-plus, 2007-10 (% of total population).

	Any disability (%)	Difficulty moving around (%)	Difficulty with self-care (%)	Difficulty with cognition (%)
China	85.4	40.4	19.7	68.0
Ghana	88.1	63.4	35.8	74.3
India	97.3	72.5	36.3	80.7
Mexico	79.7	54.3	31.3	54.6
Russia	98.1	85.6	56.4	74.7
South Africa	86.0	51.7	24.8	67.6

Source(s): He, Muenchrath, and Kowal 2012.

As older populations in many countries become healthier, life expectancy in old age tends to increase. This then raises the question as to whether added years of life are experienced in relatively good or poor health. The compression of morbidity hypothesis posits that the onset of disease occurs at increasingly older ages, so that more years in old age are experienced in good health (Fries 1980). For example, the average age of stroke among older persons in developed countries has increased since the 1980s (Bonita et al. 2004). All things being equal, this should reduce pressures for health spending on older populations. Conversely, the extension of morbidity hypothesis posits that the onset of disease does not occur at older ages, but that people survive for longer periods of time once they develop these conditions. For example, rates of stroke survival have increased in developed countries, although many survivors experience ongoing health problems and disability as a consequence of stroke (Feigin et al. 2009). This will potentially lead to rising health expenditures on older people.

> “*…the weight of current research suggests that the direct overall impact of population ageing on health spending is likely to be quite small.”*

Detailed analysis for US data provide more evidence of an extension of, rather than a compression of, morbidity in later life. In other words, rising life expectancy is mainly due to longer periods of survival with a disease or functional limitation, rather than a later onset of that condition (Crimmins and Beltrán-Sánchez 2010). Similarly, the gap between life expectancy and healthy life expectancy in developing regions has widened between 1990 and 2013 (Table 7). For example, women born in developing countries in 1990 would experience on average 8.63 years of unhealthy life in 1990, rising to 9.63 in 2013. This reflects a somewhat paradoxical effect. Older populations are becoming healthier, but this leads to higher rates of survival with chronic illness, which in turn means that each person will experience more years with disease during their lifetime. As will be seen in the next section, this extension of morbidity can be potentially countered by policies that delay the onset of disease in later life, particularly the prevention and management of NCDs.

Table 7: Life expectancy (LE), healthy life expectancy (HLE) and the difference between them (years).

	1990			2013		
Country	**LE**	**HLE**	**Difference**	**LE**	**HLE**	**Difference**
Global male	63.01	55.40	7.61	68.80	60.59	8.21
Global female	67.68	58.51	9.17	74.29	64.13	10.16
Developing regions male	61.40	54.04	7.36	67.30	59.47	7.83
Developing regions female	64.89	56.26	8.63	72.28	62.65	9.63

Source(s): Murray et al. (2015).

Taken together, the weight of current research suggests that the direct overall impact of population ageing on health spending is likely to be quite small. This does not mean that there will not be significant changes to overall patterns of population health. Population ageing is associated with longer periods of survival with chronic health conditions and with higher rates of prevalence of some NCDs, notably dementia (WHO 2011). Rather than driving up health spending, the main impact of ageing will be a shifting of priorities. This is particularly relevant for poorer countries, where the main focus of health provision remains on maternal health and infectious disease.

Long-term care costs are often treated as a separate issue from expenditures on mainstream health services to older people (Colombo et al. 2011). To some extent, this reflects and reinforces an unhelpful division between health and care, which occurs both organisationally and in the mind-sets of many policy makers. In fact, the two areas of expenditure are closely interrelated. First, the health status of an older population is likely to be closely associated with levels of functional independence. Consequently, interventions that improve the health of older persons will reduce their need for care, and vice versa. There is also interaction between care and health expenditure. For example, there is evidence that a limited supply of long-term care facilities and poor integration with mainstream health providers can lead to longer periods of hospitalisation for dependent older persons. A survey of hospital inpatients aged 60 and over in Rio de Janeiro between 2001 and 2007 found that 2,260 had been there for over a year. Among these, around a quarter were officially there due to a lack of family support (Romero et al. 2010).

Obtaining accurate data on the true costs of long-term care in LMICs is very difficult, since the vast majority of care is provided by family members rather than through formal care services. Consequently, the largest area of cost consists of opportunity costs to family carers, mainly women, who may be required to cut down on salaried work in order to care for an older person (Mayobre and Vázquez 2015; Mayston et al. 2014). Costs also include high burdens of stress and poor health commonly reported among carers (Prince et al. 2012). In the UK, the real value of informal caring was broadly estimated at £87 billion in 2007, compared to around £16 billion spending on long-term care by government (Featherstone and Whitham 2010). In LMICs, it is likely that real care costs will be skewed even more strongly towards family providers, given the very limited development of formal care services in most countries (Lloyd-Sherlock 2010). As such, the critical question may not be how much population ageing drives up long-term care costs, but rather, how these costs should be distributed. Specifically, whether such costs should be borne mainly by individual family carers or allocated more broadly, through publicly funded interventions. Given the preponderance of family caring, these interventions might focus on supporting informal care rather than seeking to establish a parallel set of formal services.

Assessing demand for care among older populations is equally challenging. Survey data on dependency among older people are increasingly available, but should be treated with caution. Care dependency is a complex, potentially subjective and possibly stigmatised concept. There is no specific or universally agreed definition of care dependency, nor are there agreed methods for assessing dependency in the field. Possibly as a result of varied definitions, understandings and methods, surveys of dependency can yield quite different results. Table 8 presents the findings of four separate recent studies for Mexico, which show considerable divergence.

Moreover, the intensity (and hence cost) of care dependency can be highly variable, ranging from a need for occasional assistance with light housework to round-the-clock care for demanding conditions such as Alzheimer's disease. Research across a number of LMICs has estimated that 34 per cent of older persons identified as care dependent suffer from dementia (Sousa et al. 2010).

While precise estimates of old-age care needs must be treated with caution, there are clear indications that rapid increases in the population of people at very old ages in LMICs are generating equally rapid increases in demand. This has occurred at the same time as the capacity or willingness of family members to provide care has come under pressure from a range of effects, including reduced fertility rates, increased migration, higher rates of female salaried employment, and changing cultural norms (World Health Organization 2015). The extent to which LMICs face up to this challenge will determine the extent to which older people themselves meet these costs, through unmet care needs, inadequate provision, impaired quality of life and premature death.

Table 8: Different estimates of care dependency among older people in Mexico, 2008-12.

Year	Source	Age range	Finding
2012	National Survey of Health and Nutrition	60-plus	27% report "some degree of dependency"
2008	10/66 Dementia Research Group	65-plus	Assessed "need for care" according to responses to open-ended questions. Care need reported for 8.2% in rural areas and 11.3% in urban ones.
2009	SAGE (World Health Organization)	70-plus	31.3% report "some difficulty with self-care"
2011	Encuesta de Opinión Pública	60-plus	Younger adults asked about parents aged 60-plus. Do they "need help with basic activities such as dressing, eating and bathing?" 21% report their mothers do; 15% their fathers do

Source(s): (Centro de Estudios Sociales de Opinión Pública (2011); He et al. (2012); Pérez-Cuevas et al. (2014); Sousa et al. (2010)

Strategies to improve lifelong health and reduce the costs of unhealthy ageing

Older people who are in better health and who can do more things for themselves are more likely to represent an economic and social resource than a burden. This chapter has already demonstrated large national variations in the health status of older populations. These variations occur for a wide range of reasons, including life-course effects that accumulate through into later life (Geronimus 1992). Ultimately, strategies to improve the health of older people, as for people at all ages, should be framed by the social determinants model, which emphasises the key role of socioeconomic effects and especially links between material deprivation and health inequalities (Marmot 2005). At the same time, there are a number of evidence-based and highly cost-effective interventions that have the potential to directly enhance older people's health and functional status. This chapter will focus on just one policy area: interventions to prevent and manage hypertension, the leading risk factor for mortality among older populations (WHO 2011).

> *…social protection schemes – such as well-designed social health insurance and social pensions – might reduce both the burden of illness in later life and the associated economic impacts on poor households…. combined with interventions to enhance health awareness and the local availability of suitable services.*

Many LMICs already have very high rates of hypertension. In South Africa, for example, 78 per cent of people aged 50 or over are hypertensive – the highest recorded rate for any country in history – while in Ghana, the equivalent rate is 66 per cent (Lloyd-Sherlock et al. 2014). In these countries, hypertension is now a generalised epidemic, no longer just a disease of the rich. Less-wealthy older people face greater barriers to seeking treatment and effectively managing conditions such as hypertension. This is particularly apparent in more remote areas of low-income countries, where limited health and transport infrastructure, combined with restricted personal mobility due to disability and frailty, represent a major economic barrier to accessing health services (Lloyd-Sherlock et al. 2016).

The relationships between poverty and poor health in later life often operate in both directions. Increasingly prevalent conditions such as hypertension have become major drivers of poverty in LMICs. A national survey in China found that 37 per cent of patients and their families fell below a US$1 a day poverty line within three months of experiencing a stroke (Heeley et al. 2009). This indicates that social protection schemes – such as well-designed social health insurance and social pensions – might reduce both the burden of illness in later life and the associated economic impacts on poor households. Despite this, social protection is unlikely to improve the health of poor older people unless it is combined with interventions to enhance health awareness and the local availability of suitable services. This can be seen in South Africa, where, despite an embracing pension system, low awareness of hypertension and low treatment efficacy rates contribute to very high rates of uncontrolled hypertension among poor people.

The main drivers of hypertension are poor diet, smoking and a lack of exercise. The challenges of addressing these underlying causes should not be underestimated and call for a major shift in attitudes, lifestyles and corporate responsibility in the food, tobacco and alcohol industries. Nevertheless, there are numerous proven, low-cost interventions to manage hypertension. For example, the World Health Organization (WHO) estimated that the cost of drug therapy to lower hypertension and raised cholesterol for an older person in South Africa for an entire year is just US$2 (Lim et al. 2007). This compares to the cost of acute stroke care, which is typically several thousand dollars (Pandian et al. 2007). Yet these hypertension services are not available to the vast majority of older people in LMICs (Lloyd-Sherlock et al. 2014).

There are two major barriers to improving the prevention and treatment of conditions like hypertension in LMICs. The first of these is the outlook of many politicians and policy makers, both globally and nationally, who still view investments in the health of older people as relatively expensive and unproductive. It has been estimated that hypertension and other NCDs accounted for only 3 per cent of total global health assistance between 2001 and 2008 (Nugent and Feigl 2010). In 2011, a United Nations summit on NCDs proposed ten global targets, including a 25 per cent relative reduction in hypertension, but no specific funds were set aside by member states to achieve these targets (NCD Alliance 2012). More worryingly, these targets focus on younger age groups rather than older people, who are most at risk of NCDs.

The second barrier to addressing hypertension is the established pattern of health services in LMICs. These services remain strongly focused on infectious disease and mother and child health, and are increasingly out of step with new demographic and epidemiological realities (Beaglehole et al. 2011). There is an urgent need to re-orientate health services towards NCDs and the health needs of older adults as part of a strategy of promoting lifelong health. The reluctance to address the effects of conditions such as hypertension on older people in LMICs represents one of the largest public health failures of modern times. With political support, modest improvements in hypertension control rates (such as a global target of 20 per cent control) are achievable. They would save the lives of millions of adults of all ages and generate major economic and social returns.

Integrating service provision, financing and responsibility for health and long-term care

Strategies to prevent and manage conditions such as hypertension should be developed as part of a more general reorientation of primary health care services in LMICs towards the needs of older adults. To date, in most LMICs these services remain heavily focused on other issues, such as mother and child health and infectious disease control (Prince et al. 2015). Few health professionals in these countries have adequate training in geriatric health (WHO, 2015).

In most LMICs, however, health services are becoming increasingly privatised and increasingly focused on curative interventions rather than health promotion or prevention (Hall and Taylor, 2003). This not only makes health services less accessible to poor older people but it also increases the overall costs of dealing with ill-health in later life. Without a significant change in the direction of health policy, many countries will see rapid escalations in health spending regardless of population ageing and without leading to enhanced health outcomes. Increases in the numbers of older adults simply throw these wider structural problems into sharp relief (Lloyd-Sherlock et al. 2012).

At the same time, the provision of long-term care remains a very low policy priority in most LMICs (Lloyd-Sherlock, 2014). Policy makers are not always aware of the speed at which population ageing is progressing and the multiple challenges this generates. Also, there is a pervasive view that in LMICs families are better placed to provide care than is the case in high-income countries and that there is therefore less need for policy interventions. In reality, the limited available evidence suggests that families struggle to cope, particularly without assistance.

In most LMICs, care provision for older people is left almost entirely to female family members. This can generate considerable costs and inefficiencies, such as limiting women's paid work and avoidable hospital stays (when family care is not available) (Prince et al. 2012; Romero et al. 2010). Typically, governments run small numbers of residential care homes, often targeting older people with no resources, but excluding those with challenging conditions such as dementia. For example, Brazil's federal government runs a single residential home, located in Rio de Janeiro, with a capacity of 300 people (Camarano and Mello 2010). At the same time, there has been a rapid growth in private sector residential services as well as nursing agencies offering home care. These new sectors are weakly regulated, if at all, raising concerns about the quality of care and the potential exposure of older people to abuse (Redondo and Lloyd-Sherlock 2010).

In resource-constrained settings, there are clear opportunities to promote new, cost-effective models of combined health and social care for older people (World Health Organization 2015). These would involve improving the geriatric training of primary healthcare staff and creating structures that enable them to function as bridging points between mainstream health provision and care in the community. There is evidence, for example, that education of family carers by local health workers can significantly improve outcomes. For example, a simple intervention offering support and education to carers of people with dementia in India led to improved well-being and health status for both the carers and their dependents (Dias et al. 2008). This intervention is now being replicated in a number of other LMICs, including Peru (Guerra et al. 2011). Likewise, local health workers are well-placed to assess when family care is inadequate and to offer additional support (such as limited home care services or respite care) when needed. A number of countries are now experimenting with these integrated models, including Costa Rica, which has established a scheme for 12,000 older people in poverty (Morales-Martínez 2015).

Summary

This chapter has shown that assumptions of increased health expenditure as a direct consequence of population ageing should be treated with caution. Links between population ageing and health spending are neither as direct nor as simple as is often assumed, and there can be considerable divergence from the pattern of lower spending in countries with younger populations, which rises in countries with older populations. These links can be substantially influenced by appropriate interventions and policy choices. For example, the balance between curative care and preventive services is characteristically tilted in favour of the former, with factors such as developments in technology and the organisation and financing of health services an important driver of rising health costs. In low-income countries, the demand by all age groups is rarely matched by adequate provision, which indicates that service provision is not closely linked to changing need.

Population ageing is increasingly linked with periods of living with chronic health conditions, which has implications for, among other factors, rising costs of care. The majority of care is provided by family members, and the critical question is how the rising costs of this care should be distributed between informal and formal services. It is also the case that many people will grow older without significant long-term care needs, and clearly older people in better health are more likely to represent a social and economic resource rather than a burden. It is therefore important to identify interventions with potential to have a substantial and cost-effective impact on older people's health and functional status.

Recommendations

Policy makers should consider the following as priorities when reorienting health and care services to promote lifelong health.

- Rebalancing health service expenditures to support better preventive services for people of all ages.
- Screening and management programmes to control conditions such as hypertension.
- Reorientation of primary healthcare services towards integrated health and social care.
- Training of primary health staff in geriatric care and support to their work as bridges between health and social care provision.
- Support to female family carers through a wider array of external services.
- Better regulation of private sector residential and domiciliary care services.

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Urbanisation and later life

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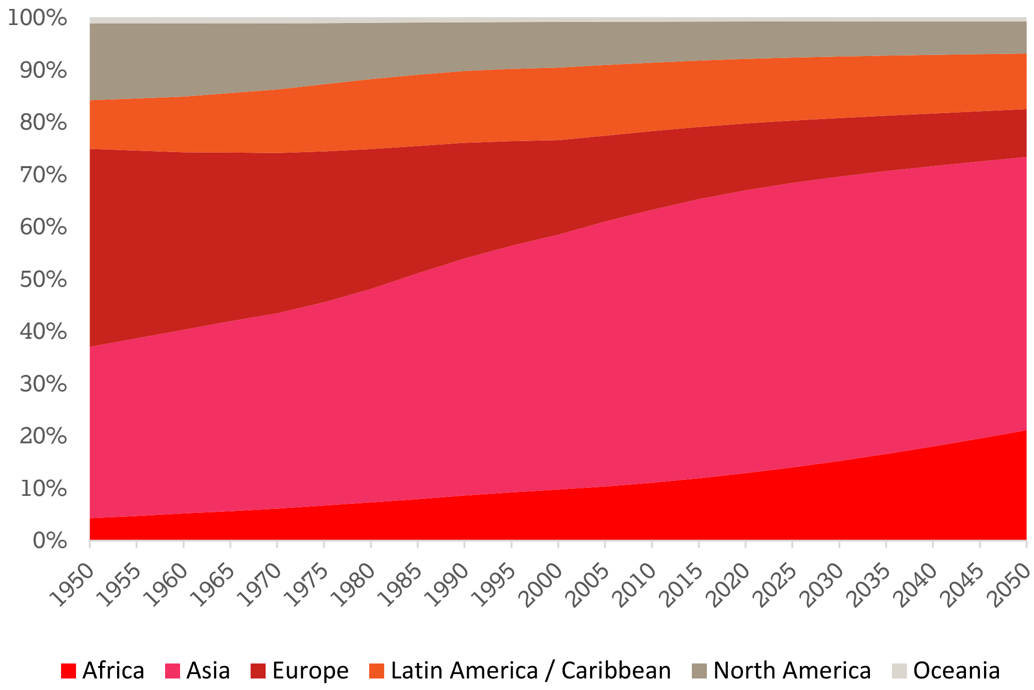
Increasing longevity and urbanisation are the two major trends facing development in the 21st century. It is widely accepted that urbanisation provides enormous potential for younger persons to secure greater economic opportunities and social freedom. What is less often recognised is that these potentials also apply to later life, increasing older persons' capabilities and the securing of their rights to dignity and self-definition. Yet there are risks of marginalisation, discrimination, deprivation and of the impacts of unsustainable development. The key question is not whether urban areas can afford to improve the lives of older persons but what prevents policy makers from realising the importance of intergenerational interdependence for development. This chapter will demonstrate that recognising and enhancing older persons' social, economic and political inclusion will benefit everyone. It does so by focusing on the opportunities and constraints that urban centres represent for less advantaged people living in low- and middle-income countries.

Urban growth

Today, over half of the world's population (54 per cent) is located in urban areas, of which three-quarters live in the urban centres of low- and middle-income countries (UNDESA 2014). Asia alone has more than half the world's urban population, with the majority of those in China and India; Africa's urban population is larger than that of North America. This is a critical point to recall, especially as the fastest-growing urban centres are located in Asia and Africa. Consequently, it is projected that, by 2050, two-thirds of the world's population will reside in urban environments. Africa and Asia will have increased their urban populations from 40 per cent and 48 per cent respectively to 56 per cent and 64 per cent (see Figure 7). In Latin America and in middle and later life in Africa and Asia, women now outnumber men in urban areas, and, with population ageing, urban centres are likely to become increasingly feminised (see Table 9). Female-headed households in urban areas are rising (Chant and McIlwaine 2015).

Figure 7: Distribution of world's urban population 1950-2050



Source(s): United Nations, Department of Economic and Social Affairs (UNDESA), Population Division (2015). World Population Prospects: The 2015 Revision, DVD Edition.

Table 9: Urban sex ratios by age in highly urbanised low- and middle-income countries (women to 100 men)

Country	20-29	30-39	40-49	50-59	60-69	70-79	80+
Argentina	98	101	104	111	121	145	223
Chile	99	100	103	107	114	133	187
India	86	89	88	88	101	125	146
Pakistan	88	92	96	95	97	106	89
China	90	95	93	95	99	105	126
Malaysia	106	116	108	109	106	106	93
Botswana	94	79	68	111	140	200	200
South Africa	97	90	95	124	136	171	256

Source(s): (UNDESA 2016)

Contrary to the profile of dense mega-cities, most urban-dwelling persons live in settlements with less than one million inhabitants; and nearly half live in urban settlements of less than 500,000 inhabitants (UNDESA 2014). Urban areas provide opportunities for investment, work and income generation but what determines their growth pattern is increasingly shaped by their role in the global economy and their inclusivity, equity and resilience (UN-HABITAT 2013b). To secure sustainable prosperity, urban areas must address the opportunities and implications of the two contexts that sharpen competition for investment and resources: under-regulated markets and decentralised revenue-raising and resource allocation (Cohen et al. 2003). These sharpen competition for investment and resources with the result that urban residents – irrespective of their placing on income and wealth scales – compete locally, nationally and globally for work, urban space and local resources. If not actively managed, the outcome is unequal access to housing, social and physical infrastructure (water, sanitation and transport), which negatively impacts on livelihoods and well-being (UN-HABITAT 2012) and exposes disadvantaged people to catastrophic climatic and anthropogenic impacts. This is especially the case for women as they are often the most affected by urban poverty (Chant and McIlwaine 2015; Satterthwaite and Dodman 2013; UN-HABITAT 2012:ix) and for whom infrastructural and housing inequalities deepen the constraints they face in earning an income.

Older persons, diversity of urban centres, and varying opportunities and pressures

Alongside the expectation that by 2050, 80 per cent of the world's persons aged 60 or over will be living in low- and middle-income countries, it is expected that 25 per cent of persons living in urban areas in these countries will be over 60 (UNDESA 2012). While a small majority of older persons in low- and middle-income countries live in rural areas (52 per cent), cities can have similar or significantly larger concentrations of older persons as compared to the national population (see Table 10). Shanghai, for example, attracts nearly double the rate of China's percentage of persons aged 60 or over.

Table 10: Proportion of persons aged 60-plus: national and city data

Country	% Age 60-plus	City	% Age 60-plus	Census Year
China	15%	Shanghai	27%	2014
India	8%	Chennai	9.8%	2011
India	8%	Mumbai	8.6%	2011
India	8%	Delhi	7.8%	2011
Egypt	7.7%	Cairo	8.1%	2006

Source(s): On China, English.news.cn, 2014; On India, Census of India, 2011; On Egypt, UNdata.

These distributions are the outcome of historical and continuing migration patterns, as well as urban centres' natural population growth; these in turn shape older persons' networks. Older urban dwellers may have lived all their lives in the urban centre in which they are located, or may be relatively new arrivals. They may have widely dispersed family networks, including relatives located in rural areas and a range of urban centres, or a very limited network. With sharpening economic competition, limited infrastructure and social security, chain migration, unbalanced urban sex ratios, rising female-headed households and increasing life expectancy, these family networks provide critical sources of mutual support between generations.

Stereotypes informing research and policy on older persons and urbanisation

> *…the field of evidence regarding older persons in urban contexts remains scant. As such, the current policy emphasis must be on the application of policies that embrace principles of inclusion in all aspects of social, political and economic life across the life-course, including later life.*

Research on urbanisation, urban centres and persons living within them generally fails to mention older persons, preferring to focus on youth in cities.[20] If mentioned, older persons tend to be cited as an aside, most often with the phrase "elderly and disabled" or "sick, elderly and disabled", and as an example of women's care burden. Research on older persons living in low- and middle-income cities is limited and skewed towards a focus on health, frailties, vulnerabilities and dependencies.[21] In these accounts, as with accounts of rural areas, older persons are often presented as passive victims, with unmet needs and limited social resources (Barrientos, Gorman, and Heslop 2003), rather than being presented as citizens whose rights are neither being protected nor promoted.

Underlying this sparse and skewed research are a number of erroneous stereotypes that shape both research and policy:

Erroneous stereotypes

- Older persons are frail and impaired.
- Older persons neither work nor provide care or economic support for others.
- Older persons have no role in the economy.

[20] This reflects a long-standing conceptual association between youth/modern/urban and old/traditional/rural that restricts what is thought to be "relevant" research in the urban context.

[21] This is also true of research on cities in high-income countries (Phillipson 2011).

- The participation of older persons in public life is negligible.
- The social networks of older persons have narrowed to the household and neighbourhood.
- Older people are abandoned in rural areas by the young people's migration to urban areas.
- The non-aged are fit, healthy, capable, and socially and economically active.

These stereotypes, along with the comparatively low proportions of older persons in low- and middle-income countries (barring China), have resulted in older persons being seen as a niche group. Such a view ignores many important factors:

- Everyone is liable to temporary or longer-term impairments.[22]
- Impairments are only disabling if they are made to be so.
- Persons can and often do work around their frailties.
- States are duty-bound to facilitate work-arounds.
- Universal design benefits everyone.

Currently, the field of evidence regarding older persons in urban contexts remains scant. As such, the current policy emphasis must be on the application of policies that embrace principles of inclusion in all aspects of social, political and economic life across the life-course, including later life. This needs to be supported by uncovering what older persons do, as well as the forward and backward linkages of what they do. What is required is not just better research by experts, but the active incorporation of older persons from all sectors of society as experts in the development of policy and knowledge creation. The latter would produce a stronger understanding of urbanisation and global economic processes and of older persons' participation within them in order to generate policies that meet older persons' rights as citizens.

> *… growing internal migration… to urban areas represents gains in agency, freedom and opportunity, migrants experience a host of vulnerabilities, often living in appalling conditions, without secure housing, social support or access to justice (ICPD 2014).*

To fulfil state duties to promote older persons' participation and well-being, the state needs a comprehensive examination of what it is that older persons do. This needs to be complemented by an understanding of what prevents older persons from doing more, or doing things as they would wish. This would not only uncover the impediments to older person's greater participation and social connectivity, it would also reveal the factors that keep a much wider section of the population churning in poverty by exposing the mutual interdependence between generations, some of which is discussed below. The paucity of knowledge in these areas and the strength of ageist assumptions that underlie foundational concepts about society and economy require the positioning of older persons as the experts on their lives and how their lives interconnect with the lives of others. It also requires a shift in how policy makers regard evidence; alongside expanding the collection and analysis of age-disaggregated data is the need to foreground exploratory qualitative research methodologies in order to expose the social and economic determinants of what is often passed off as the natural, normal or inevitable consequences of old age.

To generate urban policies, planning and design that facilitate older persons' participation in social and economic life, research needs to be undertaken into what older persons do and would do if urban environments were better planned.

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[22] Including injuries as minor as a sprained ankle or such daily encumbrances as pregnancy and carrying infants and loads.

Enabling/disabling environment

> *The concentration of persons, assets, critical infrastructure and economic activities in cities exacerbates the potential of natural catastrophes to cause unprecedented damage: heatwaves, extreme rainfall and drought-related shortages of water and food will increasingly test the resilience of infrastructure in these and other cities. The effects of shortfalls are likely to be felt mostly by the poor (Revi et al. 2014).*

Enabling social, economic and physical environments benefit everyone; disabling environments benefit no one – they turn capable persons into impaired persons, hindering the capacity of individuals, families and the next generation to thrive and limiting the capacity of urban areas to prosper. Central to creating an enabling environment is to develop policies that promote inclusion and equality across society by recognising and promoting the rights and contributions of older people and by building on intergenerational interdependence.

In recognition of role of governments in shaping urbanisation the United Nations General Assembly adopted the SDGs, which has set a new agenda based on the principle of 'leave no one behind'. SDG 11 requires governments to make cities and human settlements inclusive, safe, resilient and sustainable. By 2030 countries are to ensure access for all to adequate, safe and affordable housing and basic services and to enhance capacities for participatory, integrated and sustainable human settlement planning and management (UN 2015) and the Habitat III New Urban Agenda to which the signatories commit to adopting 'sustainable, people-centre, age- and gender responsive and integrated approaches' to urban development (UN 2016).

Urban poverty, slum settlements, urban design

> *How urbanization meets the needs and aspirations of urbanizing populations, particularly the poor, is therefore greatly dependent on the choices governments make regarding urban population growth, land, housing and infrastructure (ICPD 2014).*

While not all the urban poor are confined to slum settlements, with many of those residing outside such areas facing similar constraints; however, it is widely accepted that the deprivations of infrastructural, housing and security deficits that slum dwellers face make them especially vulnerable to a number of inter-locking risks, including health risks (Cohen et al. 2003). Despite the need for effective policies to address these risks, accurate assessments of slum populations are either unattainable or manipulated by governments (Mitlin and Satterthwaite 2013). We do know that the proportion of slum dwellers is significant: one in three people in the developing world live in slum settlements (UN-HABITAT 2013a) and nearly 40 per cent of the world's urban expansion is taking place in slums (UN-Water 2015). In sub-Saharan Africa, 62 per cent of the urban population live in slum conditions; the figure is 35 per cent in South Asia.

The key deprivations facing slum dwellers include severe water and sanitation deficits, overcrowding, precarious and non-permanent building construction, susceptibility to climate and environmental hazards, particularly flooding, insecurity of tenure, poor lighting and energy sources, lack of state protections (police, legal redress) and stigmatisation. These in turn impact on the health, livelihoods, and resilience of slum dwellers, including their opportunity to prosper. Furthermore, female-headed households suffer disproportionately from multiple shelter deprivations (UN-HABITAT 2008), including the 30 per cent of female-headed households headed by older women. Irrespective of the exact ratio of slum dwellers to non-slum dwellers among the urban poor, it is clear that "no city can claim to be prosperous when large segments of the population live in abject poverty and deprivation" (UN-HABITAT 2013b:xii).

> *…what is provided is generally designed for the "average" person – a young, fit person, unencumbered by ill-health, age, pregnancy, impairment, safety concerns, or with infants and/or young children.*

Planning and governance deficits and under-investment across urban areas can undermine urban sustainability to the detriment of cities overall. In November and December 2015 floods in Chennai, India's fourth largest city, amply demonstrates that it is the urban poor, especially people living in slums or informal settlements, who are typically the worst affected (Mody 2015). Unsustainable planning and enforcement measures and under-investment turned a natural weather phenomenon into what was officially declared "a national disaster". Top-down policies that encourage "tick-box" exercises, rather than genuine local engagement, are unlikely to secure sustainable and equitable development.

The Millennium Development Goal (MDG) target 7C was intended to halve the number of people without sustainable access to safe drinking water and basic sanitation. It has been critiqued on two grounds: (a) for targets that allow the harder-to-reach to fall by the wayside; and (b) for not promoting holistic thinking. The latter should have sanitation linked to faecal management and scaled up from improved individual access to city-wide solutions, while also relying on local knowledge, including user knowledge to design innovative and flexible solutions (Mitlin 2015). By 2015, the Joint Monitoring Programme, which monitors progress on the MDG targets, itself began to critique the MDG target indicator, noting:

> *A sanitation facility is considered improved if it hygienically separates human excreta from human contact, but this indicator does not address the subsequent management of faecal waste. Safe management comprises several stages along the 'faecal waste management chain', from containment through emptying, transport, treatment and reuse or disposal(UNICEF and WHO 2015:44).*

Those least well-placed to deal with poor services are the urban poor, who face them daily. Shortages of water, cumbersome and broken water pumps; heavy water pots for long-distance water transportation; broken, unlit and unpaved roads that are prone to flooding and to filling homes with sewage-laden water for several days each year are standard fare for slum dwellers. In addition, what is provided is generally designed for the "average" person – a young, fit person, unencumbered by ill-health, age, pregnancy, impairment, safety concerns, or with infants and/or young children. In other words, designers tend to imagine their users as the stereotypical active person: fit, young and male. Yet the necessary, unpaid work undertaken in slums to address infrastructural deficits is generally undertaken by women, children and older persons.[23]

In order to balance the need for slum dwelling households to compensate for infrastructural deficits while also earning incomes and educating children, older women increasingly take on a variety of essential work including fetching water, shopping, standing guard over flooded homes and cleaning homes of sewage-laden flood water, thereby freeing younger women to work and children to go to school. Even in contexts where some services are provided, their design and lack of maintenance can make them

[23]The conceptualisation of work as jobs "fails to capture the many kinds of work that have important human development implications – as with care work, voluntary work" (UNDP 2015:3)and unpaid domestic work.

unusable, forcing older persons to walk, queue and carry for longer distances than planners expect. Similarly, where shared toilets are provided, poorly designed and inadequate provision can combine with decreased mobility and ill-health to exclude older persons from water, sanitation and hygiene (Wilbur and Danquah 2015). Older persons adapt to discrimination and overcrowded, inaccessible or pay public toilets by reducing the size and number of their meals, using unhygienic alternatives for excreta disposal, and limiting their work and other activities in order to access toilets during non-peak times.

The knock-on impact of underinvestment, poor maintenance and non-universal design impinges on the rights of older persons. It impinges on their participation and well-being by reducing their capacity to earn and contribute to their own and their family's incomes and domestic work, concomitantly making them more prone to injury and ill-health. In the context of poverty and insecure work, injury and ill-health leave families with difficult poverty-deepening choices, including reducing paid work, cutting back on food, pulling a child out of education to care for the sick person or to deem that sickness and injury are the inevitable correlates of later life.

The integrated nature of urban life means that a wide range of economic and social policy objectives necessitate a focus on building equality, participation and rights enforcement (Chant and McIlwaine 2015) and for this, equity in resource allocation, according to need, across all social groups, as well as universal designs, are critical. Both are central to what has already been identified as the need for "holistic, integrated planning" for slum settlements that does not "negate or duplicate different groups' efforts to improve urban living conditions" (UN-Habitat, 2008: 211).

Universal design requires designers to meet users in situ to identify social, physical and economic obstacles to use and appropriate solutions. Each category of user excluded from effective input – be they child, adolescent, older person, physically impaired or encumbered person (including heavily pregnant women and those with small babies accompanying them, is being designed out of provision. It is crucial that all users are actively "designed in" to make service provision is truly universal.

Slum improvement or eradication strategies that include the removal of homes to drive streets through slums (street connectivity) and slum relocation or dweller resettlement breaks up vital social networks that disadvantaged persons depend on in the city. The destruction of social capital by "reshuffling slum communities" is a welfare loss that cannot be rebuilt easily and results in the low take-up and abandonment of resettlement sites (Barnhardt, Field, and Pande 2015). At the centre of reshuffling practices is the assumption that households, rather than networks, are the social units that planners need to consider. This fails to recognise the importance of social networks in confronting the chronic and acute economic and infrastructural deficits faced by those in low- and middle-income urban areas. The assumption that older persons are tied to the household in which they sleep, or keep their belongings, is erroneous.

Often, older persons will sleep in one dwelling and eat in one or more other dwellings. They may also rely on personal care from a relative living in another household. Equally, they may be providing care, advice, contacts, and financial and physical support to persons not living in their home. Breaking these relationships of mutual interdependence is actively disabling and impoverishing for everyone.

New strategies need to be identified to improve or resettle slums without breaking social networks. This will only be achieved with the active inclusion of the entire community in all aspects of the decision-identifying and decision-making process. "There is a need to reconceptualise resettlement as part of development rather than as the underfunded, top-down, poorly organized management of the down-side of development" (Patel, d'Cruz, and Burra 2002). It is critical to understand the importance of networks, their geographical spread, and the role that everyone, including older persons, plays in them. The geographical spread is likely to go well beyond the local community and necessitates good transport and communications networks.

To fulfil state duties to promote older persons' participation and well-being, the state needs to address equity and sustainability concerns, developing and implementing plans that ensure equal access to housing and physical and social infrastructure. This means redirecting resources to the needs of the urban poor and actively designing-in all users to ensure that provision is truly universal. It means acknowledging that plans and policies that focus on households to the exclusion of social networks can strip older persons and their families, relatives and neighbours of vital social capital, deepening their exposure to risk. It means supporting people's capacities to establish and sustain economic, social and political relations within and across localities. These are measures that will benefit everyone, not just older persons.

Box 6:Case Study: Kathmandu, Nepal

Recognising access to public toilets as a fundamental health right

"Where can I find the nearest public toilet?"

In 2012, WaterAid Nepal and the NGO Forum for Urban Water and Sanitation conducted a study of public toilets in Kathmandu District and found that there were only 61 public toilets for a population of four million people and not one was gender or impairment-friendly. In the July 2015 budget, the Nepal Government committed to the construction of 400 public toilets in the Kathmandu Valley.

The Kathmandu Declaration of the 5th South Asian Conference on Sanitation (SACOSAN) of the South Asian Association for Regional Cooperation (SAARC) countries emphasised that SACOSAN "recognize sanitation as a matter of justice and equity, with a power multiplier effect that unlocks measurable benefits in health, nutrition, education, poverty eradication, economic growth and tourism while also reducing discrimination and empowering communities, especially infants, children, adolescent girls, women, the elderly and people with disabilities, in rural and urban areas" (SACOSAN 2013).

In September 2015, the Right to Water and Sanitation was included in the new Constitution of Nepal as a Fundamental Health Right.

It remains to be seen whether the resources allocated and the design will make public toilets accessible for everyone.

Transport, distribution, mobility and access

Transportation and urban planners often see transport's primary function as facilitating economic growth, focusing on the needs of privileged consumers (car owners) and the movement of workers and goods. Older persons are seen as marginal to these concerns. It is also commonly thought that older persons are only interested in local travel – a consequence of the view that old age is defined by withdrawal from economic and social participation. Yet older persons are involved in economic and social networks that cross cities, link urban centres of different sizes, and connect rural and urban locations (Gerold 2013). They rely on these networks for their work, health, resilience and well-being, and are themselves active participants in other people's networks, especially those of younger relatives, who call on them to provide help when needed (sickness, childcare, harvest, help with domestic work and income generation) (Gerold 2013; Obrist 2006; Vera-Sanso 2014).

> *"Prioritising the needs of heavy road transport (cars, lorries and buses) has exposed those without protective, private transport (pedestrians, cyclists and motorcyclists) to what is described as the "neglected epidemic" in developing countries…"*

The role of older persons in transport provision needs to be recognised; for example, in India, older men provide low-cost transport facilities – including taking children to school, taking vendors to wholesale markets before city buses start their morning runs, and transporting manufactured products – especially in narrow, congested city streets.[24] The forward linkages include freeing women for economic activities, lowering family expenses and reducing business costs, including the wage bills of employees whose families use (cycle) rickshaws.

Prioritising the needs of heavy road transport (cars, lorries and buses) has exposed those without protective, private transport (pedestrians, cyclists and motorcyclists) to what is described as the "neglected epidemic" in developing countries – the prevalence of injury-related deaths (Gosselin et al. 2009). Injuries cause more than five million deaths a year in low- and middle-income countries – approximately equal to the number of deaths from AIDS, malaria and tuberculosis combined, and accounting for more than 90 per cent of the world's injury deaths. Estimates of those left with permanent disability or disfigurement are 50 times higher than injury deaths. Road traffic accidents, as the leading cause of death, causes a loss of approximately 3 per cent of GDP in low- and middle-income countries (WHO 2015a). "Injuries clearly contribute to the vicious cycle of poverty and the economic and social costs have an impact on individuals, communities and societies" (Gosselin et al. 2009:246). Younger men account for two-thirds of injury-related mortality and morbidity (Gosselin 2009:231) – a context that further deepens older persons' critical need for independent economic security and makes their economic and care work even more vital to families. The lack of road (and pavement) safety can also isolate older persons from friends, family and social and community infrastructure; narrowed networks, social isolation, difficulties accessing health and leisure facilities impact on older person rights, are detrimental to their health and wellbeing and can increase their exposure to risk.

One strategy to reduce road accidents, road congestion and associated pollution is to decentralise distribution systems. However, in modernising low- and middle-income countries, there are pressures to clear cities of informal distribution systems that, in high-income countries, have now become desirable alternatives lauded by inhabitants, tourists, formal sector retailers and urban planners. Localised retail, including street markets and mobile hawkers, should be encouraged to reduce journeys and provide work and access that benefit all people, irrespective of age. Yet these are under threat from plans to "beautify" urban areas, including via supermarkets and large-scale shopping malls, both of which cater to a small but vocal minority of urban inhabitants and investors. Planners need to resist such pressures to conform to questionable visions of the "modern" and instead cater to the bottom-up tendency towards localised mixed-use development that blends a variety of activities at the accessible street level (Okoye 2015).

P. Vera-Sanso

Popular street markets in Europe provide work, increases footfall for local shops and reduces car journeys to distant supermarkets.

[24] Despite the common view that rickshaw work is hard, it must also be recognised that rickshaws give the cyclist considerably more control over their work (in terms of hours, duration, rest periods, and who they take and where to) than does waged work.

P. Vera-Sanso and CLPHRS, Chennai.

Street markets under pressure from ‘beautification’ and investment plans that threaten livelihoods and access to local, low-cost food.

It is important to keep in mind that in addition to transporting goods to people, as opposed to bring people to goods, there is a critical need to also bring services to people as part of an integrated urban transport policy. Alternatives to the often erratic distribution of pensions and other cash transfers (involving repeat visits, long queues, and small bribes) are needed. South Africa, Kenya, Pakistan and India are transferring pensions and other cash transfer payments to older persons using e-payment systems through banks and local agents who use point-of-sale (POS) devices or mobile phones, as well as through bankless, mobile systems (HelpAge International 2012; HPN 2008). This is an overlooked area of urban planning which merits consideration. This has the potential to provide an age-friendly approach, as long as effective means are devised to deal with adverse developments – inaccessible banks or insecure mobile networks would not be an improvement. Current cash transfers that require older persons to receive money in their homes or draw it from specified local offices can trap them at their registered addresses, preventing them from visiting or moving to other households where they are needed or wish to move. In these circumstances, bureaucratic impediments are actively cutting older persons off from the opportunity to participate in their social networks, preventing them from giving and receiving support and care.

To support older people’s rights, promote their participation and enhance their well-being policy makers must consider various options including:

- Road-quieting;
- Pavement construction and maintenance;
- Adequate lighting;
- Road crossing times designed around encumbered and older walkers;
- Pedestrianised streets;
- Enforced driving regulations;
- Seat belts and helmets;
- Supporting decentralised distribution systems through mobile hawking, pavement vendors and street markets;
- Effective distribution of pensions and cash transfer payments that do not tie older persons to one locality.

These are measures that will benefit everyone, not just older persons.

Work, working environments and pensions

Informal employment, for example, all non-agricultural work that does not provide legal or social protection, now accounts for nearly two-thirds of the world's employment (Jütting and de Laiglesia 2009). It ranges from approximately 33 per cent in South Africa to 83 per cent in India (ILO 2013),[25] with women more likely to be informally employed than men. The informal sector, a category that does not cover all informal workers, makes a significant contribution to the economy; in West Africa, it contributes 50 per cent to gross value added and in India, 46 per cent (ibid).

While the statistics on older persons' work are sparse, and even more so for older urban workers, a regional conference on South Asia organised by the Institute of Economic Growth, in Delhi, in 2008, pointed to the dynamic relationship between older and younger persons' work and between men's and women's work (Alam and Barrientos 2010). In all South Asian countries there has been a shift of work from the youngest workers (aged 15–24) to workers in the 25–54 age band, and between 1980 and 2006 the number of older men (age 55-plus) working decreased while older women's work participation increased in India, Pakistan and Sri Lanka, though with declines witnessed in Bangladesh (Durr-e-Nayab 2013; Islam 2010; Rahman 2010; World Bank 2008). Typically, women, and particularly older women, enter the labour force to compensate for male unemployment and low wages – often due to age discrimination, which can start from age 40 and the loss of male incomes due to ill-health, death or desertion (Vera-Sanso 1995). Durr-e-Nayab (2010), in one of only a few studies which has collected data on older women's unemployment, finds that in Pakistan, 38 per cent of older women are unemployed, demonstrating that a greater number of older women wish or need to work than are able to secure it.

Countries with inadequate non-contributory pension coverage, prohibitive age-qualification thresholds, low value pensions and high levels of informal employment are likely to have significant proportions of older persons working. Low-value contributory pensions, as in the Nigerian civil service, also force retiring state sector workers to move from formal sector employment to informal work (Beedie 2014). In Nepal, 60 per cent of men and 34 per cent of women are still working after age 65 (Shrestha 2010); in Sri Lanka, 50 per cent of men work between age 60–69 as do 20 per cent aged of men over 70, while 14 per cent of women aged 60–69 work and 3 per cent of women over 70 work (World Bank 2008). In India, the workforce participation rate at age 60–64 is 52 per cent, 22 per cent at age 75–79, and over 11 per cent at age 80+ (Selvaraj, Karan, and Madheswaran 2014). These figures are likely to be underestimates as they rely on older persons being seen by those who design and fill survey questionnaires as fitting the social category of workers. It is the right of older persons to decide whether they work and what work is suitable for them. It is the state, as duty-bearer, that must ensure older persons have a real choice.

Larger urban centres offer older persons opportunities for work at a scale that is not found elsewhere.[26] As young persons stay in education longer and attain higher levels of certification and qualification, they vacate lower-paid, lower-status work, leaving these economic niches open to older persons. This can be seen in Chennai's slums, where child and youth labour has declined, education levels are rising and older persons are regular workers – all are indicative of an increasing dependence on the work of older persons. A 2007-8 household survey (N=800) of five Chennai slums found that twice as many women over the age of 60 were working than were girls aged 15–19, with more men over aged 60 working than were boys aged 15–19; overall, the proportion of 15–19-year-olds working was close to the proportion of working 70–74-year-olds (Vera-Sanso 2014). In Chennai, older persons work in all sectors of the urban economy, but are concentrated at the lower ends of the economic hierarchy. Such older workers frequently work as security for ATM machines, mobile phone shops, hotels, factories, shopping malls and apartments; as street

[25] These figures provide an order of magnitude; they include non-agricultural activities that occur in rural areas and have variable success at capturing home-based work and all workers in family businesses.

[26] In rural areas, older people tend to serve as a reserve work force, only given work during labour bottle-necks in the agricultural calendar(Vera-Sanso 2007).

vendors of vegetables, fruit and flowers; as cooks and vendors of snacks for the breakfasts and lunches of working households and school children; as cleaners and domestic workers in homes, offices and factories; as small-scale or low-paid construction workers; and as cycle rickshaw pullers.[27]

The amount of time older persons work, or seek work, varies per day; however, six or seven days per week is standard. Older street vendors appear to work the longest hours, starting for the wholesale vegetable and flower market at 4am and returning home from the street market after 9pm. Where older women work alongside younger relatives, they are deemed to be "passing time" or "helping out" in the younger relative's vending or other business and are unlikely to figure in census data as working (Vera-Sanso 2012). Yet far from being non-workers, these older workers are providing important low-cost services that link the rural to the urban and the urban to the global economy in a city whose population works in pharmaceutical, automobile, textile and IT companies for export. It is the right of older persons to decide whether they work and what work is suitable for them. It is the state, as duty-bearer, that must ensure older persons have a real choice through pension provision and support of older workers.

In addition to underpinning the urban economy, older persons' work supports their household and family networks (Beedie 2014; Vera-Sanso 2012), similarly with their receipt of pensions. In Chennai, the global fiscal crisis of 2008, combined with steep price hikes, forced many of the urban poor to strip back consumption, removing vegetables, protein and even whole meals from their diets. However, among these households, it was the self-employed in trade and retail who were better protected than wage workers in manufacturing and services. This was because they had control over how much they worked, and were able to extend their working hours – though this was not sustainable beyond a few months (Harris-White et al. 2013). Policies to remove or constrain street trading or old city centre workshops (Noritake 2009; Okoye 2015; Rajagopal 2001) in order to attract capital investment cuts into older persons' capacities to support themselves and contribute to their families, to withstand short-term crises and to participate in economic and public life.

To promote older persons' participation and well-being, policy must protect older persons' work, facilitate the development of meaningful work opportunities and provide a meaningful pension. This will enable older persons to choose whether and how much they work and will enable them to avoid the most demeaning and physically demanding work.

Summary

> *The young vs. old and expert vs. non-expert dichotomies must be abandoned.*

With their concentration of markets, services and resources, urban areas have enormous potential for realising the rights of older women and men. Yet the fundamental impediment to securing older persons' rights as citizens is a profound lack of knowledge about what older persons do and would do, were it not for the constraints that they face in their social, economic and urban environments. This lack of knowledge is rooted in ageist thinking about what defines later life, assumed to be frailty and ill-health, and what older persons need, assumed to be care and mobility aids. It is this ageism that turns possible, but not inevitable, impairments into disabilities and drives exclusion and marginalisation.

The realisation of older persons' rights in urban areas requires the breaking of ill-founded dichotomies that hinder understanding, fragment action, and stall progress. The young vs. old and expert vs. non-expert dichotomies must be abandoned. It is essential that older persons, and particularly those from more marginalised sections of the urban population,

[27] The transport labour market is age/sex segmented in Chennai: older men pull cycle-rickshaws, middle-aged men drive auto-rickshaws, and young men drive taxis. In smaller urban centres, where there are fewer opportunities for work, younger men flood the cycle-rickshaw market.

are engaged in policy planning, research and design. There are many ways in which older women and men can be engaged as researchers. Tapping into their knowledge can uncover the subjective realities of older persons' experiences and develop a nuanced understanding of the interlocking nature of poverty, discrimination and marginalisation, which affects older persons in different countries and settings. It can also contribute to the process of democratising knowledge (Mander 2008, 2010). In addition, accessibility audits have the potential not just to improve access but to challenge ageism, as they bring together a wide range of service users to identify the full range of access issues, covering environment, design, and social and economic barriers.

Blaming isolation, dependence and poverty on frailty, old age or failing family values ignores the fact that it is socially constructed policies and processes that create these circumstances. Policy makers must recognise the interdependencies that underlie social and economic structures, and the central role of older persons in the social and economic functioning of families and communities. Policies should do more to acknowledge and facilitate older persons' contributions.

Older citizens must be included in planning decisions to ensure that their economic interests are not displaced by those of powerful or younger groups whose rights and needs are frequently deemed to be more pressing. This occurs, for example, when street markets are removed or 'rationalised' by licensing a smaller number of traders than operate in a market, by excluding older traders by formal and informal means and preventing older persons moving into street trading and hawking from other forms of work. Until older persons are seen as having the right to work and as supporting themselves and others, planners and policy makers will continue to assume that workers are aged 15-59.

It is possible to reverse ageism and its impact. But doing so would require certain changes in approach.

First, it would require recognising the pervasive ageism in research, including data collection and analysis, policy, planning, implementation and hardware design. The dualist thinking that positions older persons as a category apart, who are inevitably frail, dependent, receivers that do not give or contribute, while younger generations are assumed to be capable, independent, carers, providers and do not depend on receiving from others (especially from older persons) is erroneous, particularly with regard to poorer households. This thinking impinges on the development of effective policies.

"…planning and designing for the "average" worker, slum dweller, transport user and so forth only serves to exclude the majority."

Second, it would require recognising that cities need not be centres of deep inequality where economic accumulation is generated by dispossession and appropriation. While "cities concentrate poverty… they also represent the best hope of escaping it" (UNFPA 2007:1), and it is the cities that have removed impediments to the full engagement of everyone that have "invariably enhanced overall prosperity" (UN-HABITAT 2013a:70). But often, it is precisely those who invest in multiple, yet frequently unacknowledged ways into generating urban prosperity that suffer the brunt of multidimensional deprivations (Chant and McIlwaine 2015). This applies as much to the older urban poor as it does to poorer women.

Third, it would require recognising that planning and designing for the "average" worker, slum dweller, transport user and so forth only serves to exclude the majority. This amorphous imagined 'other' tends to have the characteristics of a fit, young man, unencumbered by children or loads. This excludes older persons, women, children, people carrying children and loads, the sick and injured and those with more permanent impairments. Planning for, and "designing-in", older persons benefits all.

Recommendations

Realising older persons' rights as citizens and urban dwellers requires strategies to reduce the deprivations caused by poverty and to strengthen social networks while promoting independence, inter-dependence and well-being. Such strategies would contain the following elements.

- Enable local groups to engage with the state, and to network these associations across cities and at national level in order to 'enable them to support each other, learn about their own challenges and options through observations of others, and pressure the state for a substantive inclusive response' (Satterthwaite and Dodman 2013:233).
- Counter ageism in the media by vigorously disseminating information that emphasises the rights of older persons and their contributions to their families, communities and broader society.
- Design all services such that they 'leave no one behind'.
- Protect and facilitate older persons' livelihoods.
- Provide non-contributory pensions to older persons living in poverty so that they no longer have to choose between their health and earning a day's income, and enabling them to reject the most degrading forms of work available to them.
- Redirect urban investments towards eradicating poverty, inequality and marginalisation.
- Address road safety and road quieting issues to protect older persons and their families and provide accessible and affordable local and long-distance transport to enable older persons to fully contribute to and make use of their social networks.

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Conclusions

This report has set out some key considerations for policy makers as they grapple with the realities of an ageing world. In so much as it has focused on 'investments', it must be reiterated that such investments are those of a policy nature and ideational change rather than simplistic one-size fits all solutions. It has emphasised the benefits that an ageing population brings over and above the costs, which can be minimised with some creative, inclusive and joined-up policies. Policy makers in each country must work with international, regional and local stakeholders to assess how to best design and implement strategies to prepare for demographic changes while adhering to the principles of equitable and sustainable systems to protect people during their later years.

Globally, we can only meet the challenges of demographic ageing with a concerted and dedicated commitment to pursuing policies that look towards the long term. A life-course approach conceptualises the ageing process as a universal one, and acknowledges that advantages or disadvantages can accumulate over the course of a person's life. This is why it is vital to tackle poverty and inequality across and within age groups. Policy makers must be creative and look beyond current dichotomies of young vs old and expert vs non-expert and tap into the vast knowledge base that older persons have access to.

There is an array of tools available to policy makers and other stakeholders linked to the three key areas dealt with by this report: income security, health and social care, and urban and built environments. Income security is a fundamental and universal issue, which is only likely to become more important over the coming decades. Providing income security for older persons has proven benefits, not just for the individual in terms of greater independence and dignity but also for their family and wider community network.

Many countries are seeing impressive results from a combination of contributory and non-contributory pension systems, with many already embedding the foundation of social protection floors into their national strategies. These floors in turn foster environments of security and support, which give governments the space to adapt their national social protection systems to suit their citizens' needs under a universal guarantee to protect the rights of persons in older age.

“ *It is, ultimately, up to governments to enshrine such protection into legislation and guarantee the development and monitoring of those rights by the beneficiaries of public programmes.* ”

Policy makers must maintain a holistic view of social protection systems, of which pensions are but one component. Whereas restrictive targeting schemes may be appropriate for tackling issues at one end of the age spectrum, they may be less valuable for tackling disadvantage at the other (i.e. for people in older age). Moreover, universal non-contributory designs may be the logical choice where systems and institutional capacity to implement complex targeting and delivery strategies are simply not yet fit for purpose. Policy makers must consider the entire range of options, including possibly implementing recovery of benefits from higher-income beneficiaries who may have little or no need of universally available benefits. Such an option would, of course, likely necessitate a significant degree of investment into technical and professional capacity development in tax systems; the development of comprehensive registries and effective incentives for formalisation and compliance are key areas for concern for such revenue mobilisation.

Greater economic security not only relieves the real or perceived burdens of ageing in situations of high economic and political uncertainty, relaxing the stressors that create negative feedbacks, it also frees up the productive labour of both older persons and the working-age populations to contribute more to society in all areas of public life. It is, ultimately, up to governments to enshrine such protection into legislation and guarantee the development and monitoring of those rights by the beneficiaries of public programmes. Greater transparency and enforceable access to grievance and remedial actions should be seen as advantages to assist policy makers make further improvements to systems.

Curtailment of public spending for older persons (for example, as part of austerity programmes) not only affects individual recipients but also those aforementioned networks that must negotiate such added stress into their own day to day decisions – implying potential barriers to development initiatives and overall growth, all too often exacerbating or resulting in social discord.

While attempting to take full advantage of first and second demographic dividends, policy makers must be mindful of the lasting effects of their choices. For instance, while steps to reduce fertility and so bring about the first demographic dividend may succeed, they may also lead to difficult scenarios for future generations. Here the lessons from advanced welfare systems and economies can be instructive. Consistently, the situation of women across thematic areas has been cited as an immediate and pressing concern. Realising the enormous benefit of women's productivity and contributions to economic development and social cohesion is a goal that profits growth and society.

Empowering women in their early and working years to author the rate of fertility decline will both ensure sustainability of that decline and likely feed in to further policy formation, which can facilitate viable demographic and economic growth for years to come. Human and physical capital investments are key to this process, and evidence points to the enormous returns that such investments are likely to bring. As the primary caregivers in many countries, women (young and old) represent a tremendous resource. However, continuing informality and lack of more and more varied occupations should not be allowed to stifle any potential gains. While state support in the form of income security for older persons is invaluable for realising opportunities both for themselves and their younger family members, other forms of investment must work in tandem with these policies.

In many countries, investments in age-aware urban planning and neighbourhood continuity contribute to older persons continuing in employment and participating in social and other networks. As more and more older persons benefit from technological developments and continue to be economically active, policy makers must plan for future cohorts who will likely be healthier, more educated, and different in a multitude of ways than older persons of today. These benefits will only be realised with progressive and resolute policies to encourage active ageing, positive consumption and earning behaviours, and attachment to social protection systems. Such environments will come as a result of policies that shield individuals and families from negative events such as shocks.

Finally, we must remember what it is we mean by ageing societies and what it is that we are ultimately looking to manage in fair and sustainable ways. The success which the world has achieved in terms of lower mortality and longer lives comes with new challenges that will continue to drive the way in which social, political, and economic interactions develop. To move from narratives of impending fiscal crises at the hand of skyrocketing health costs on account of ageing populations, to a more considered tone of pro-active management of societal changes, will require resolve by policy makers and stakeholders alike. Public information must be couched in measured understanding of the evidence at hand rather than knee-jerk calculations. We will continue to live longer and healthier lives, and those lives will need to be augmented with new approaches to health and social care, embedded in a system of universal social protection and designed-in environments, which adapt to fit the needs of the new state of the world. Health and social care will need to be considered in a life-course perspective, with active ageing at all ages a common thread to ensure economical preventative solutions to otherwise costly acute care of aggravated conditions. The role of carers will need to be rethought and tooled up to meet demand, and in the process, deliver education and opportunity to many in the economies which develop around their growth.

Recommendations

As already noted, there is no 'one size fits all' template for adapting to the challenges and opportunities that demographic change brings. The following recommendations are designed to guide policy makers to pursue policies that adhere to the principles of universality and inclusivity.

General principles:

- Policy makers must accept the breadth of what demographic change entails. **The multitude of issues given at the beginning of this report represent the most obvious of issues; the interconnectedness of political economic considerations entails that stakeholders must be open to new ways of considering the challenges ahead and options for the immediate and long-term.**
- Welfare systems must be insulated from such pressures, both in terms of design and legislation. **Avoid simplistic solutions often driven by austerity programmes in the face of economic and political pressures.**
- Different cultural definitions of ageing must be recognised, and the variations of ageing across the life-courses acknowledged as a central issue. **The establishment of age boundaries and cut-off points should be considered with caution, informed by a debate over what does and does not constitute 'unproductive' activity, as well as what issues can be brought to the agenda by maximising political and economic inclusion.**
- Early and mid-life interventions will have long-term benefits and relieve system pressures in the coming decades. **Vaccinations, nutrition and education initiatives early in life must be considered as part and parcel of strategies for active and healthy ageing.**
- Investing in human capital is key to making use of demographic dividends. **Such investments should address present and past deficiencies that have led to current and future adverse impacts on disadvantage in later life. Protecting people in older years should be seen as a parallel investment in breaking the cycle of intergenerational poverty. Such investments must be developed to work with the often understated value of physical capital investments.**
- Policy makers must create new and varied employment opportunities for growing demand in the labour market to maximise increases in that demand. **Education alone, for instance, is a necessary but insufficient strategy to bring about maximal benefit for workers to create and sustain their own wellbeing – stakeholders across the political, economic, and legal spheres must work in tandem to establish and support employment which minimizes negative market risk while maximizing equitable economic growth.**
- System design is paramount, and political will is essential – there can be no *fiscal space* without the *political space* to promote its development. **Providing social protection for people in old age is a fundamental purpose of government; it can reinforce the citizen-state contract and may have multiplier effects for social and economic activities.**
- Tax and benefit systems must work towards a common goal of reducing inequality and universal coverage. **Tax and benefit strategies must work in tandem, recognising the knock-on effects that promises of fair and inclusive systems will have for both institutional support (e.g. confidence in government) and resource mobilisation (e.g. compliance with tax laws).**
- Informality must be reduced to meet the challenge of demographic ageing. **Policy makers should recognise the opportunities that adequate provision of income security and health and social care services will bring for local and national economic objectives.**
- Policies designed to promote positive coping behaviours in the face of shocks (individual and covariate) will have significant positive effects for economies and personal well-being.
- Gender parity is critical in maximizing political and economic development for both men and women. **The massive benefits which will flow from allowing women in later life the independence and autonomy to live out their lives will translate into greater economic and time use freedom for their kinship and community networks.**

Income security:

- Pension systems must be designed to respond to a variety of life-course risks in each country, without the assumption of lifelong (formal) employment.
- Policies should address and alleviate the impact of cumulative disadvantages over the life-course. Where appropriate, schemes incorporating redistributive elements may be preferable.
- Basic old-age security should be guaranteed, protecting all persons but especially those whose economic activities have largely been in the informal sector or those (mostly women) engaged in unpaid care.
- Targeting for non-contributory systems must be considered in view of the practicalities of implementation and the end goal. Tapered programmes (perhaps through tax systems) may provide more desirable options than ex ante targeting in some situations.
- Regularity and adequacy (e.g. indexation) will ensure the goal of social protection in later life.
- A variety of pension schemes should be considered; contributory and non-contributory pensions can complement each other, fostering equity and guaranteeing basic protection.
- Pension design should take into account the level of current and past engagement in the informal sector, recognising that future cohorts will have different employment biographies than past and current cohorts.
- Pension system planning should be joined up with other areas of social protection for persons reaching older years, particularly health and social care (see below).
- Policy makers should recognise that pensions and related policy areas have very long horizons, so should avoid solutions based on short-term analyses and projections.
- Responsibility for benefit provision and administration may be public, private or shared.

Health and social care

- Policy makers should look towards retooling their health budgets and expenditure outlays to better accommodate preventive services for all age groups across the life-course.
- Services that are designed for early detection of health issues in later life (such as hypertension) should be mainstreamed to head off costs before they occur.
- Systems must be designed to work together more closely; health and social care must be seen as two sides of the same coin in relation to older persons' health and well-being. Greater coordination of care services may have significant multiplier effects for the economy and productivity (especially where this leads to greater participation of women as carers in the formal sector).
- To this end, sufficient numbers of capable and qualified staff will be key to the provision of quality geriatric care and support, including delivery of integrated health and care services.
- Given that a substantial amount of care is currently provided by unpaid female family members, governments should provide support services that empower these workers, including capacity within the formal sector to relieve families and those female carers from obligatory activities.
- For private sector residential services, policy makers must ensure that the proper regulatory provisions and enforcement mechanisms are in place, including monitoring and grievance strategies, which give older persons themselves a voice.

Urban and built environments

- While this is still an emerging area of research for ageing, policy makers should take the initiative in the debate and tackle ageism in the media and popular culture with active campaigns to raise public awareness of the rights and contributions of older persons as the basis for age-friendly policies.

- Universal design principles in cities are critical for heading off issues associated with demographic ageing. The urban environment is the laboratory for inclusive design and planning and should be seen as an opportunity to invest in long-term strategies that will, over time, benefit urban residents and the social, economic, and environmental interactions in the future.
- Policy makers must consider the protection of livelihoods as part and parcel of their planning objectives, where possible maintaining and promoting active participation of older persons for as long as possible.
- Cities must recognise the benefits of improving and upgrading low-income areas rather than approach based on demolition and dispersal. Maintaining neighbourhood continuity and character with an eye on protecting the rights of older persons creates stable communities and promotes social cohesion.
- In many developing country contexts, road safety and quieting are immediate concerns. There is an urgent need to commit to organising comprehensive, accessible and affordable transportation options. Mobility and safety will continue to be priorities for urban planners and policy makers.

Notably, these recommendations are necessarily top-line. Individual chapters provide both the rationale and the arguments towards approaching the coming years of demographic ageing with a large degree of optimism. Policy makers must, however, put their policies into motion immediately to reap any benefits in the future. It is vital that short-term considerations and solutions do not override long-term goals and the need for robust system design and capacity. The design of tax and benefit systems, active ageing policies, human capital investment, and women's empowerment are all core areas of concern.

The younger workers of today and the near future will be the beneficiaries of the successes of today's planning if done appropriately. Ageing policy must work with those initiatives that direct time and resources to other stages of the life-course (including younger years and working life), and should be seen in the context of life-course eventualities. Around the world, many countries have succeeded in tackling the barriers to longer lives; now they must prepare for future successes without creating negative futures. Generating new, evidence-based research and data that is age- and gender-disaggregated will be key to getting this right. Technological advances and applications should support policy making that is appropriate to national and local contexts across the world.

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