

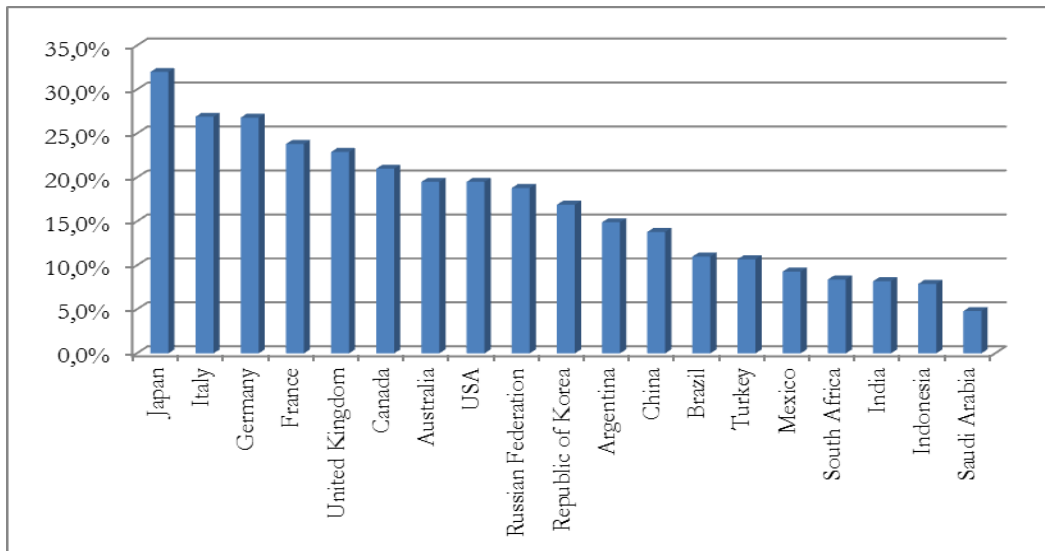
## ***“Silver Economy” and Ageing Society: an opportunity for Growth and Job Creation within the G20***

### **A. Foreword**

Every month, more than a million people turn 60 years old. According to the United Nations Fund for Population (UNFPA), in 2050 there will be more people aged over 60 than those under 15. In just 10 years there will be 1 billion people in this age-group in the world. **In the more developed regions, the population aged over 60 is expected to double by 2050**, whereas that of persons under age 60 will likely decline.

Within the G20, there are significant differences between countries with respect to ageing. Japan and Italy are the countries with the highest percentage of population aged 60 years and over (respectively 32% and 26.9%) (see Figure 1). However, **emerging economies are ageing at much faster rates**. For instance, in Turkey the percentage of people aged over-65 is expected to grow from 7.6% in 2013 to 10.2% in 2023 and 20.8% in 2050 (TurkStat, 2014). In China, the share of over-65 is expected to increase from 9.1% in 2011 to 15% in 2027 and 25% in 2050 (OECD, 2012). This process of **“ageing before adequate development”**, as it was defined by the OECD,<sup>1</sup> raises several economic and social challenges as the rapidity of this trend cannot be sustained by an appropriate welfare system. While it took about 150 years for Europe to go through the shift from predominantly young to predominantly old societies, currently the transition to older societies in the south of the world is happening much faster.

**Figure 1 - Population aged 60 years and over in the G20 countries, as a percentage of the total population (2013)**

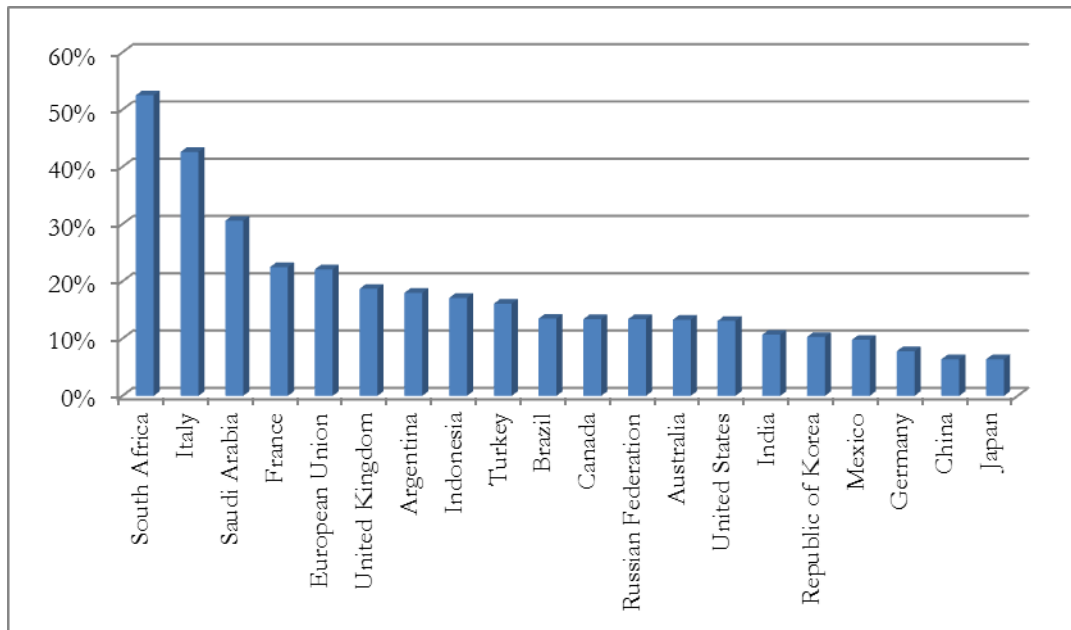


Source: United Nations

<sup>1</sup> OECD (2012), [“The Silver and White Economy: the Chinese Demographic Challenge”](#), preliminary version of chapter 6, in forthcoming report “Fostering resilient economies: demographic transition in local labour markets”.

At the same time, many G20 countries are facing increasing challenges to promote more productive and rewarding jobs and to tackle persistently high unemployment. As a recent report prepared for the G20 shows,<sup>2</sup> global economic growth is lower than expected, affecting jobs availability and their quality. A particular matter of concern is youth unemployment,<sup>3</sup> which has started to decline at the G20 level but remains at historically high levels in some countries. This is not only a European problem (in the EU the youth unemployment rate stands at 22,1% and in Italy at 42,6%), but also of other countries, such as South Africa (52,5%) and Saudi Arabia (30,6%) (Figure 2). Youth unemployment becomes an even bigger problem if we consider the high rate of the so-called “NEETs” (Not in Education, Employment, or Training), which amounted up to 20.1% of the population between 15 and 24 years in 2013 and to 26% in Turkey (Eurostat, 2014).

**Figure 2 – Youth unemployment rate in the G20 countries  
as a percentage of the labour force (2013-2014)**



Source: OECD-ILO-WB

Ageing population and high youth unemployment bring about economic and social consequences and should be jointly tackled because of their impact on future economic growth. On one hand, an **increasingly higher demand for health-care products and services** is likely to arise from aged people, potentially raising the costs of national welfare systems and posing at risk the sustainability of the public pension systems. For instance, on the basis of current demographic trends, **in the EU age-related public expenditure is expected to increase by 4.75% of GDP by 2060** (European Commission, 2009).<sup>4</sup>

<sup>2</sup> OECD, ILO and WB (2014), “[G20 labour markets: outlook, key challenges and policy responses](#)”, Report prepared for the G20 Labour and Employment Ministerial Meeting Melbourne, Australia, 10-11 September 2014.

<sup>3</sup> Youth unemployment is measured according to the United Nations classification as the share of unemployed people in the labour force between the age of 15 and 24 years.

<sup>4</sup> European Commission (2009), “[2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States \(2008-2060\)](#)”, European Economy, 2/2009.

On the other hand, these increasing needs might stimulate the creation of new jobs and skills. A forward-looking approach might allow to consider ageing as **a real opportunity for growth and job creation at the global level**. These ongoing trends are opening a window of opportunities arising from the so-called “**silver economy**”,<sup>5</sup> which consists of the design, production and sale of new and innovative products and services for greater quality of life in the old age and for the treatment of neurodegenerative diseases.<sup>6</sup> Within the “silver economy” **different types of industries** are included: wellness, assisted living, e-health, telemedicine and hospital equipment, but also new infrastructure requirements in terms of housing and urban architecture, just to name a few. **These sectors are technology and skill-intensive and therefore they are able to generate high value added**. It was estimated that the Silver Economy already involves 420 bn. € in the EU and could entail a much higher potential.<sup>7</sup> It could also provide a strong stimulus to economic growth: a survey on the US market revealed that domestic GDP could increase by 2.2% higher than current trajectory as well as 5 million additional jobs might be created by 2020 if investments are undertaken in the provision of such products and services.<sup>8</sup> Similar opportunities can be envisaged also in emerging markets: investments in this sector are being fostered through the creation of medical free zones and health tourism.

Alongside the provision of these innovative products and services, there are also **opportunities in the financial sector**. As public pensions are expected to become more and more expensive, the role of **institutional investors such as private pension funds** could play a determinant role in ensuring that people hoard complementary retirement savings and support the elderly health care needs. As pension funds manage the retirement savings of their members and are exposed to many risks (e.g. longevity risk, financial risk), they need to be adequately regulated and supervised, and have an adequate governance structure. The OECD Core Principles of Pension Regulation provide the regulatory framework for pension funds to manage the savings in the best interest of members. Pension funds could also raise additional resources who could be invested in long-term, growth enhancing projects, such as infrastructure<sup>9</sup> and innovation.<sup>10</sup> In fact, pension funds are major investors in a large number of developed economies, with assets representing over 60% of GDP in countries such as Canada, the Netherlands, the United Kingdom and the United States. The UK is the third biggest market in terms of pension funds and the fourth in terms of the ratio of pension funds to GDP (95.8%).<sup>11</sup>

The **emerging impact investing market** could also be a tool to foster a **silver economy approach**; impact finance encompasses non-financial goals, fostering investments with social and environmental impact, alongside with financial return. Sectors as health care and education have already experienced impact finance projects, while social impact bonds are a good example of an alternative funding model for a modern welfare state. In the impact investing market, financial intermediaries and institutional investors may play an important role in catalysing significant capital flows, while social firms are those who directly manage the projects. The recent Report of the **Taskforce on Social Impact Investments**,

<sup>5</sup> This definition was first given at the “Silver Economy Conference in Europe” on 17 February 2005, Bonn,

<sup>6</sup> OECD (2013), “[Addressing dementia – The OECD response](#)”.

<sup>7</sup> SilverSudoe (2014), “[The Silver Economy in Southwest Europe](#)”.

<sup>8</sup> Accenture and Oxford Economics (2011), “[New Waves of Growth – Unlocking opportunity in the multi-polar world](#)”.

<sup>9</sup> Subacchi, P., Pickford, S., Tentori, D., and Huang, H. (2014), “[Building Growth in Europe; Innovative Financing for Infrastructure](#)”, Chatham House Report.

<sup>10</sup> The role of pension funds as institutional investors, especially in infrastructure investment, should be guided by the G20-OECD High-level Principles of Long-term Investment Financing by Institutional Investors.

<sup>11</sup> Della Croce, R., and Yermo, J. (2013), “[Institutional Investors and Infrastructure Financing](#)”, OECD Working Papers on Finance, Insurance, and Private Pensions, No. 36.

**established under the UK's presidency of the G8,**<sup>12</sup> highlights several advantages for the welfare state that may result from adopting an impact finance approach.

Positive consequences could occur not only from the economic but also from the social point of view to support **social inclusion**, promote better **quality of life in the long term**, ensure higher employment rates and prevent potential labour shortages, as human resources are used more efficiently.

It is also worth mentioning that since 2002 **UN Member States have committed themselves to face the social and economic consequences of population ageing, endorsing the Madrid International Plan of Action on Ageing (MIPAA)**. The strategy adopted by Members of the **United Nations Economic Commission for Europe (UNECE)** within the European Region (MIPAA/RIS) highlighted that “In an ageing society, one aim is to further enhance the social, economic, political and cultural participation of older persons. [...] Older persons should therefore be recognized as a significant consumer group with shared and specific needs, interests, and preferences. Governments, service providers and civil society should take into account the views of older persons on the design of products and delivery of services.”<sup>13</sup> Companies would be also involved, considering the potential of products and services tailored to the needs of the elderly, while policymakers should promote ageing mainstreaming in the spheres of production, distribution, advertising and the selling products and services.<sup>14</sup> By acknowledging older persons as a group with considerable purchasing power and economic importance, an untapped potential of products and services could be released, contributing to the labour market and to economic growth.<sup>15</sup>

The fact that the economy, education and health policies addressed to an ageing population are policy fields strongly interconnected with the labour market, has also been observed within the transnational project “**Central European Knowledge Platform for an Ageing Society**”.<sup>16</sup> Economies in ageing societies have to rely on an ageing workforce and older consumers for generating wealth, i.e. companies have to be proactive in order to attract and keep older workers. Therefore, it is required to encourage employment, especially of particular groups of the society, such as women and older persons. Working conditions need to be adapted to the workers' needs (e.g. enhance possibilities for combining care-giving and learning with employment), life-long learning and healthy work-life balance promoted and multiple careers supported.<sup>17</sup>

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<sup>12</sup> Social Impact Investment Task Force – Established under the UK's presidency of the G8 (2014), “[Impact Investment: the Invisible Heart of Markets – Harnessing the power of entrepreneurship, innovation and capital for public good](#)”.

<sup>13</sup> UNECE (2002), “[Regional Implementation Strategy for the Madrid International Plan of Action on Ageing](#)”, commitment 2, para 14.

<sup>14</sup> UNECE (2009), “[Older Persons as Consumers](#)”, Policy Brief on Ageing No. 3.

<sup>15</sup> Ibid.

<sup>16</sup> CE-Ageing Platform, a project implemented from 2011 to 2013 through the CENTRAL EUROPE Programme co-financed by the European Regional Development Fund (ERDF), [www.ce-ageing.eu](http://www.ce-ageing.eu).

<sup>17</sup> Scoppetta, A., Macháčová, J., Moser, P. (2013), “[Green Paper - Central European Ageing Strategy](#)”, CE-Ageing Platform.