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## **SOCIAL AND ECONOMIC DIMENSIONS OF AN AGING POPULATION**

**The Policy Challenges of Population Ageing**

**Alan Walker**

**SEDAP Research Paper No. 108**

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# **THE POLICY CHALLENGES OF POPULATION AGEING**

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## **ABSTRACT**

This paper first questions the universal process whereby what should be welcome demographic change leading to societal ageing has been transformed into a crisis of the welfare state. It then focuses on five key policy challenges -- ensuring economic security in old age; maintaining intergenerational solidarity; combatting age discrimination; providing long term care in the context of changes in the family and residence patterns; and ensuring that older people experience full citizenship and are not socially excluded -- from a European perspective. Finally, it sets out a new policy direction, a strategy for active ageing.

## THE POLICY CHALLENGES OF POPULATION AGEING

Let me begin by thanking SEDAP, QSEP and the McMaster Centre for Gerontological Studies for their kind invitation to speak at this major event. Also I want to congratulate SEDAP on its tremendous programme of work over the past four years and wish you well in your bid for further funding. This lecture is intended to highlight the key policy issues that are raised by societal ageing or, as the conference theme puts it, 'moving towards an older society'. I think there are five main ones: ensuring economic security in old age; maintaining intergenerational solidarity; combating age discrimination; providing long term care in the context of changes in the family and residence patterns; and ensuring that older people experience full citizenship and are not socially excluded.

My research base is Europe and, specifically, the 15 Member States of the European Union, and that is the reference point for this lecture. It is a unique context in several respects, including most importantly for this conference, the fact that this regional bloc embraces the world's most extensive welfare states (in terms of the proportion of GDP spent on public welfare). Therefore, in the EU, the issue of population ageing is closely associated with the future of welfare states and the European social market model. Western Europe is a comparatively rich region of the world and relatively well placed to respond to the challenges of population ageing. Not so the developing countries in the south where the bulk of global ageing will take place over the next 20 years. Therefore I think that all of our research agendas should acknowledge the need for more research in

the south and a greater sharing of research expertise between the north and south.

There are three main parts to the lecture. First of all it questions the universal process whereby what should be welcome demographic change has been transformed into a crisis of the welfare state. This crisis mentality threatens not only the living standards of future pensioners but also the European model of development. Secondly the lecture focuses on the five policy challenges from a European perspective. Thirdly it sets out a new policy direction, a strategy for active ageing, which tries to make explicit the connections between pensions, employment, retirement, health and citizenship and to join them together in the policy process. This is essential if we are to move successfully towards an older society because, so far, the policy responses to the challenges created by population ageing have been piecemeal and strongly compartmentalised in traditional policy domains and ministries. Thus, for example, the answer to pension system sustainability has been sought almost exclusively in the design and operation of the first, second and third 'pillars' (Reday-Mulvey, 1990) without reference to the fourth, let alone other important and related issues, such as health. This has led to a tunnel vision that focuses on the micro-design features of pension systems while overlooking other contributory elements to quality of life and well-being in old age. In conclusion I will emphasise the challenges facing researchers in this field.

## **CRISIS: WHAT CRISIS?**

It is well known that, as a result of the unique combination of declining fertility and increasing longevity, the world is ageing and, with Japan, the EU has the highest proportion of older people in its population. In the EU the rate of population ageing differs between Member States and, especially, between regions (European Commission, 1998). The growth in the numbers of very elderly people is particularly marked and concentrated. So far so good, but the simple demographic fact of population ageing is the subject of huge distortions and sometimes outrageous claims concerning the future impact of population ageing that have coloured much of the European, and global, debate about ageing. Highly misleading data are frequently presented and policy conclusions drawn from them as if they follow naturally. However this mainly economic line of reasoning is too simplistic: population ageing is not the key with regard to policy responses to ageing societies.

First of all it must be remembered that increasing longevity is an indicator of social and economic progress: the triumph of science and public policy over many of the causes of premature death which truncated lives in earlier times. The EU should take pride in the fact that its model of development has allowed increasing numbers of citizens to reach advanced old age and to do so in relative economic security. Therefore we should not despair at the emergence of more balanced age structures but recognise that this unique phenomenon presents challenges to policy and practice in all sectors of society.

Secondly there is not a simple linear relationship between demographic change and the demand for spending on social protection, still less with the levels of such spending. For example crude age dependency ratios are usually projected to imply increasing tax burdens on the population of working age and the necessity to abandon pay-as-you-go (PAYG) funding. However that pessimistic scenario rests on the classic economic suspension of reality ceteris paribus, which freezes present arrangements regardless of how far into the future the projections are being made. It takes on the appearance of a biological law but, in fact, is a crude economic construction. On the one hand it assumes that those over a certain age do not contribute to production, yet many older people do so, either directly as workers or, more often, indirectly, for example in the form of child care (11 per cent of unpaid childcare in the EU is provided by those aged 60-69 and 6 per cent by those aged 70-79, and these age groups spend 19 and 16 hours per week respectively on this task). Older people obviously contribute directly to national and local taxes. On the other hand, the assumption that all of those of working age are 'productive' is both erroneous and ageist. Nonetheless this crude construction is accepted uncritically and used to legitimate predictions about the negative impact of population ageing on the economy. These assertions by economists are not supported by empirical data or sophisticated economic analysis. For example research by Schulz and his colleagues has shown that relatively small increases in economic growth rates have the potential to substantially moderate any negative effects of demography (Schultz, Borowski and Crown, 1991). There is a growing literature that questions the prevailing emphasis on raising national savings rates and avoiding government intervention in financial and labour markets, and which

shows that increasing private saving does little to raise investment (Barr, 2000; Schulz, 1999).

In fact the main issue for pension funding is not population ageing per se but its combination with changes in birth rates, the structure of employment and the practice of retirement. In a very short space of time there has been a major restructuring of the life course in most EU countries resulting from the truncation of employment prior to pension ages (Kohli, et al, 1991; Walker, 1997, 1999a). In some EU countries this was a trend openly encouraged by public policy. Thus, paradoxically, as longevity has increased, the age at which people exit from economic activity has fallen. Since the 1950s there has been an average increase in longevity in the EU of around 10 years and a parallel decline in the age of final labour force exit of the same magnitude. As Esping-Andersen (1996) has put it, Europe has 'doubled pension benefit years and cut contribution years by around 25 per cent'. The realisation that early exit created problems within employment as well as social protection (and that its benefits in terms of reducing youth unemployment were, at best, only partial) has led most EU governments to abandon or curtail its encouragement (see below).

There is still a strong early exit culture in several EU labour markets, especially France and Italy, but a new demographic twist is beginning to change attitudes among employers and trades unions as well as policy-makers. Because of the decline in fertility the workforces of the EU are ageing and there are some current as well as more predicted shortages of young labour market entrants.

It is not demography, on the demand side, that is the main issue pensions but the growing insecurity of labour markets, the restructuring of the lifecourse, the decline in the full-time male manual worker on which most pension systems were based, and the changing nature of the family (especially the decline in fertility). To the extent that some EU welfare states are faced with financing problems these are the product of the increasing obsolescence of assumptions underlying social protection on both the demand and supply sides. On the one hand there is the growing incompatibility between the gender and life course models implicit within pension and general social protection systems and the changing socio-economic structure, while on the other, there is the reluctance of politicians to sustain the levels of direct taxation required to fund welfare spending which is high in global terms. Although, in practice, those EU welfare states that have raised taxes primarily from citizens rather than capital have been able to sustain high levels of universal provision (Scharpf, 2000; Scharpf and Schmidt, 2000).

While demography (in the form of crude population ratios) should not be the main issue in the pension debate, nonetheless it figures prominently in the crisis mentality that has gripped some policy makers and which appears to be driving their desire for root-and-branch pension system restructuring. This crisis climate has been amplified by international economic agencies such as the IMF (2000) and World Bank (1994; Holtzmann and Jorgenson, 1999) which have occupied leading roles in promoting pessimism about population ageing and the prospects of intergenerational friction (Walker, 1990). This is despite the flimsy basis of dependency ratios and the complete absence of evidence of a weakening of

the generational contract, even in the USA where the most concerted attempts have been made to undermine it (Bengston and Achenbaum, 1993). While the impact of this pressure from global agencies is negligible on the reforms that have taken place so far in most EU countries, it is having a strong influence on the discourse on pensions and may, perhaps, determine the future direction of pension reform. Its impact on the pension systems of central and eastern Europe has been massive (Ferge, 2002).

Similar points could be made about the demand for formal health and social care services. Ageing is not the main issue but, rather, health status and a range of social factors as well, especially family relationships: marriage patterns, fertility, household composition and living arrangements. For example we know that those living alone tend to make greater use of formal services than those living with others (partly because of the correlation between advanced old age and living alone). In certain instances there is a more direct connection between health in old age and the demand for formal services, including acute episodes such as stroke and long term impairment such as dementia. Cognitive impairment is one of the main reasons why older people enter long term institutional care. The prevalence of moderate or severe cognitive impairment rises steeply with age - from 2.3 per cent in those aged 65 to 74, to 7.2 per cent in those aged 75 to 84, and to 21.9 per cent in those aged 85 and older. Undoubtedly dementia causes acute problems for family carers and there is a need for special measures to support the care of this group. In general, however, it is not population ageing that is the main issue for policy but changes in the labour market and the family.

## THE POLICY CHALLENGES

### 1. Ensuring Economic Security in Old Age

Although Western Europe has a range of different welfare regimes and pension systems - for example with regard to the role played by the first three pillars - overall it has a remarkable record in promoting economic security in old age when compared with other parts of the developed world, including the USA (European Commission, 1993). This should be borne in mind during discussions about the future of pensions because they are, in large part, also about the future of the European model of social protection and the alternatives being promoted by various interested parties (World Bank, 2000). Despite the global superiority of the EU's social protection systems, when the EC Observatory looked at this issue in the early 1990s it highlighted three deficiencies of pension provision in the EU and there is no evidence to suggest that these have been overcome.

First there is a persistent problem of poverty in old age in all EU countries though it is small in some of them. The range is very wide and, with one exception (the UK), it is greatest in those countries with the least developed pension provision. (Though, it must be emphasised, that even the least well-developed social protection systems of Southern Europe are more successful in tackling poverty than that of the USA). Second there are big variations in the levels of pensions in different EU Member States, as measured by their replacement ratios (Walker, Guillemard and Alber,

1993). For example the level of benefits for men in the bottom fifth of the income distribution ranges from 10.5 per cent of average earnings in Greece to 44.2 per cent in Belgium. (The same pattern is evident for women, though the benefit levels are even lower.) Third, in most Member States there are substantial inequalities among pensioners resulting to some extent, from the design of the pension systems. The two major divisions are based on age and gender. On one hand older pensioners tend to have lower incomes than the more recently retired and, in some countries, are excluded from pension provision. On the other hand, older women are more likely to be poor than older men. With the exception of the Nordic citizenship model, the work-testing element of the majority of the EU's pension systems tends to exclude more women than men. The intersection of these age and gender effects means that very elderly women are among the most deprived and excluded groups in the EU (Walker, Guillemand and Alber, 1993).

In other words, there is still a substantial task facing Europe's pension and wider social protection schemes to eradicate poverty and reduce inequalities. Over the last decade, however, the pressure for pension reform that has built up has come chiefly from the macro-policy level rather than from the recipients or potential recipients themselves. The main issue of almost universal concern to policy makers and the media is the growth of pension costs and, in particular, their fiscal implications. In some extreme cases this concern is expressed in highly pessimistic rhetorical references to the so-called 'burden' of population ageing. Yet, despite the alarmist rhetoric surrounding population ageing and the fact that pension reform is underway everywhere in the EU, the measures

taken so far to reduce future pension costs are, for the most part, rather modest adaptations to existing systems. There are six main kinds of reform, all of which are top-down responses to the budgetary pressures of EMU and to pre-empt the costs associated with population ageing.

- i. Eight Member States are raising the legal age of retirement - Austria, Germany, Greece, Italy, France (by raising the number of contribution years), Portugal, Sweden and the UK. In three cases this reform consists of raising the retirement age of women to bring it in line with that of men.
- ii. Most countries except Greece, Ireland, the Netherlands, Portugal and the UK, are introducing greater flexibility in the age of retirement and are promoting gradual or partial retirement. With the exception of Spain, all EU Member States now allow the combination of a pension and income from work.
- iii. There are measures to restrict the pension formula. The most common reform is the extension of the contribution period for pensions by tying the amount of the pension to the length of contribution (mainly Italy and Sweden, but to some extent Austria, France, Finland, Denmark, Germany, Portugal, Spain and the UK). In some northern countries (Denmark and Finland) new forms of income testing have been introduced on the cumulative total of income from the different pillars. Several countries have altered their methods of financing pensions - chiefly to reduce the role of contributions, while increasing that of taxes (Portugal and Spain)

and, most significantly, by adding a funded element (Finland, Sweden and, most recently, Italy).

- iv. There is the curtailment of pre- or early retirement policies (Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands and Spain).
  - v. Reductions in the levels of pensions, usually by means of changes in the methods of calculation by price-indexation instead of wage-indexation. Wage indexation has been abolished or substantially reduced virtually everywhere.
6. Encouraging a more mixed pension system. Especially in southern Europe governments are trying to reduce reliance on the first pillar (compulsory public schemes) by stimulating supplementary ones, both occupational and private, as a way of introducing elements of funded financing in parallel with pay-as-you-go (PAYG).

On the basis of these institutional reforms - there can be little doubt that pension expenditure has been stabilised. However the mood for reform is nowhere near being assuaged. There is a new conventional wisdom among policy makers in Europe that further change is required to ensure financial sustainability (European Commission, 2000). Certainly there are still strong pressures for pension reform coming from international economic agencies and from vested interests in the private pension world (see, for example, OECD, 1998; World Bank, 2000).

In all this clamour for reform the voices of current pensioners do not seem to be audible but, regardless of which direction is chosen by the Member States, there are current generations of pensioners living in poverty in all countries. Somewhere in the pension reform agenda their needs have to be addressed.

### **Contrasting Approaches to Pension Reform in the EU**

There is no doubt that pension reform is high on the policy agenda of both the EU Member States and the Accession Countries of Central and Eastern Europe. So far in the EU the reform programme has been relatively modest, with one exception, the UK, which pursued a neo-liberal policy of privatisation in the 1980s and 1990s. But several EU governments are promoting the growth of funded private pensions. In Central and Eastern Europe governments, under pressure from the IMF and World Bank, have privatised their pension systems (Walker, 1990; Ferge, 2002), which as the EU is enlarged will have implications for all Member States. However the UK experience provides warning signs against the dangers of an unbalanced approach to pension provision. Private funded schemes have a role to play in pension systems, but the dangers arise when they are given a central role where they can act as an engine of social exclusion (Ferge, 1997). These problems are likely to increase rather than decrease as the late modern working life is characterised by economic insecurity for a majority and gross insecurity for up to 40 per cent of the working population. Many women in particular will be unable to accrue adequate pension rights through private funded schemes. In fact the principle of risk-pooling under social insurance - modernised to minimise exclusions

and to maximise the sense of individual ownership - seems even better suited to today's labour market than it was when such schemes were first introduced in Europe.

In contrast to the UK's neo-liberal model of sustainability based on residualisation of the public pillar of pension provision and privatisation, the new Swedish pension system seems to offer a more promising compromise between PAYG and individually funded pension entitlements. Sweden (like Italy) has developed the notional defined contribution (NDC) PAYG system to deal directly with demographic and labour participation changes. It links pension benefits more closely to contributions and discourages early retirement because workers automatically receive lower benefits if they retire early. In the NDC PAYG system wage earners pay contributions based on a fixed contribution rate and the value of these is credited to their individual notional accounts. Thus 2.5 per cent of the total 18.5 per cent pension contribution is saved in a separate premium reserve system. This 'defined contribution' (and partially funded) formula co-exists with basic protection for those unable to build up sufficient contributions and supplements will also be paid to those who are entitled to low contributory pensions (Palmer, 1998). This hybrid system is also being implemented in Latvia and China also has an NDC scheme (in urban areas). However such schemes are not favoured by the international economic agencies because there are no funds and, therefore, no significant impact on financial markets.

## **Harmonisation of European Pension Systems?**

The variation in pension regimes in the EU has been noted already and social protection is governed by the subsidiarity rule (which states that responsibility should lie with national or regional authorities in preference to European ones). However, recently a process has started that will inevitably lead to greater correspondence between and, possibly, harmonisation of pension systems. In terms of securing the future for old age in Europe this development is highly important. The 2001 European Council in Goteborg endorsed three broad principles for securing the long term sustainability of pension systems: safeguarding the capacity of systems to meet their social objectives (adequacy); maintaining their financial sustainability (financial sustainability); and meeting changing societal needs (modernisation). The Councils in Stockholm and Goteborg called for the application of the open method of coordination to the area of pension policy and this was agreed at the Laeken Council, as were the following eleven common objectives for Community pensions policies:

### **Adequacy:**

- i) the need to prevent poverty and social exclusion among older people,
- ii) the maintenance of living standards after retirement,
- iii) promotion of solidarity within and between generations.

### **Financial sustainability:**

- i) achieving a high level of employment,
- ii) incentives for the participation of older workers,
- iii) reform of pension systems to support sustainable public finances,
- iv) achieving a fair balance between the active and retired populations,
- v) reviewing the management and regulatory framework for funded pension schemes.

Modernisation:

- i) making pension systems compatible with modern labour markets in terms of mobility, flexibility and security,
- ii) taking account of the changing role of women in society,
- iii) greater transparency and adaptability in pension systems.

Having agreed common objectives the open coordination reporting process will, inevitably, lead to a greater alignment between the different systems. This is a process that could help to secure the future of old age in Europe, providing that the enlargement of the EU does not undermine it.

## 2. Maintaining Intergenerational Solidarity

Harmonious relations between the generations are an essential building block for a cohesive society. It is an issue that is as central to all societies and world religions. As you know very well, the main source of health and social care is the family and this depends on the operation of inter- as well as intra-generational solidarity. Given their great importance it is surprising that policy makers pay so little attention to relations between the generations. This neglect must be reversed because there are important changes taking place in the family that challenge intergenerational solidarity.

The main changes in families in this century are: growth in one person households, decline in adult mortality, smaller family sizes, increased proportions of families spanning two, three or more generations and increased numbers of older people, who either live in institutions, alone or with their relatives or children (Haskey, 1996). We know that birth cohorts

age differently and it is widely predicted that the boomer generation will present a radically different approach to ageing compared with previous generations. Certainly cohort membership is a good indicator of the structure of caring relationships within families and the pressures on family carers created by increasing multiple role occupancy in middle age.

Research in Europe continues to show substantial intergenerational solidarity at both micro and macro levels. At the same time increased longevity has altered the relationship between generations and, where there are intergenerational caring relationships, these have been extended and in some cases made more intense. This ageing of the older population is also resulting in a functional separation of age cohorts in retirement, with those over 85 being more likely than younger groups to suffer from disablement (33 per cent are unable to go outdoors compared with 8 per cent of the whole 65 plus group), poverty and isolation. Within families there are fewer second and third generation family members to care for older relatives in need. Today children might share several decades of life with their parents as adults and have children themselves. Four-generational families have become common (Lago, 2000). In the UK nearly everyone has a living parent or a child, many people have both of these. Close to three-quarters of the population, with the exception of those in their fifties, are part of three-generational families. Many mothers with children younger than 18 receive help from their own mothers, and half of mothers aged 50 and over receive help from their eldest child, which makes intergenerational exchanges of help fairly common.

Women live longer than men and because of this the relationship between mothers and daughters is longer and more durable than many other parent child relationships: one-quarter of women born in 1930 still had mothers living when they reached the age of 60. Women are more likely than men to live to know their great and even great great grandchildren. Because of this women are more likely than men to be involved with family members across several generations. According to Hagestad (1985), cultural and demographic changes have depleted clearly defined expectations for intergenerational relationships and roles. Families have to create their own expectations in these relationships. Supportive services and legislation can play important roles in freeing women from excessive care giving responsibilities and ensuring that they have the chance to pay more attention to their personal life space and autonomy.

It is argued that personal communities are more important to older people than they used to be (Phillipson *et al.* 2000). Old age has changed from living with kin to a norm of living alone or with partner. Friends play a large part in providing assistance and support. The role of the family is still central in older people's lives but the experience of it is different from the 1950s community studies of Townsend and Young and Willmott. The younger generation engages with older people sometimes after long periods of living separate lives, whereas previously mothers may have expected to have a lot of influence over the life course of the younger generation.

It is essential not to regard changes in intergenerational relations as a purely cultural phenomenon or as the exercise of agency without reference

to the social and political context. Political ideology can be seen as a critical determinant of intergenerational relations and of their future prospects.

Here we must turn to the macro-level social contract on which modern welfare states are based: there is a generalised obligation on those who are young and fit enough to be economically active to make provision for those too young or too old to join them in wealth creation. In turn these workers were led to expect that future generations of producers would reciprocate their sacrifice and ensure their well-being in times of need. Thus in the welfare state, the ethical principles of intergenerational solidarity were embodied in social policy, but, in addition, under the guidance of Keynesian theory and practice, they were regarded as sound economics as well. This was because Keynes allocated a key role to the public sector not only in attempting to flatten out economic booms and slumps but in maintaining economic efficiency by keeping wage costs low by spreading risks throughout the community and across generations. Both Beveridge and Bismarck favoured this intergenerational solidarity.

In the UK and other European welfare states the social contract is primarily a public pensions contract through which resources are transferred between the generations via taxation and social spending. In fact most welfare states originated in pension provision for older people and, in all EU and OECD countries today, they are the main beneficiaries of social expenditure. Moreover most western public pension systems are to some extent pay-as-you-go, wherein the current employed generations pay some or all of the pensions of the retired. In Scandinavian countries

social care provision also forms part of the social contract between generations and it has an important gender dimension in enabling women to enter employment without having to carry excessive domestic caring responsibilities.

Although public transfers are only one of the four pillars on which retirement income is founded they are the largest one in the majority of EU and OECD countries. The proportion of the gross income of retired households deriving from social security (insurance and social assistance) ranges from over 80 per cent in Sweden and Germany to around 50 per cent in Canada and the US. Of course the social contract on which these transfers are based is not like any normal contract in that it is unwritten and is imposed by the state on those in employment rather than being freely negotiated and is heavily sanctioned by the work ethic. Thus there is not a direct exchange between the generations involved, the relationship between them is operated by the state. The essence of this contract was clearly expressed by one of the main architects of the post-war welfare state, (William Beveridge, 1942, p 6): 'Social security must be achieved by cooperation between the State and the individual. The State should offer security in return for service and contribution'.

Evidence from a 1992 survey of public opinion in all twelve of the then EC countries showed that the social contract between generations remained remarkably resilient, despite current economic conditions. Across the EU as a whole some four out of five of the general public supported the idea of an intergenerational pensions contract (in Denmark it was 90 per cent). There was a slight tendency for those aged 15-24 and 25-34, across the EU

as a whole, not to be as strong in their agreement as older age groups. However these younger age groups were more likely than the older ones to agree slightly, so the overall consensus on the importance of intergenerational solidarity was maintained (Walker, 1993).

At the same time it must be said that we detected quite a high level of pessimism among the general public about how far the pensions contract will be honoured in the future. Thus when asked whether people will get less pension for their contributions in the future just over one half of the public in the EU said yes. Perhaps this is not surprising, given the pessimistic nature of the debate about population ageing in most EU countries. Nonetheless it points to considerable doubts about whether the pensions contract will be maintained in its current form (the pessimists comprised more than three-quarters in France and three-fifths in Belgium, Denmark and the Netherlands). When the question was repeated in 1999 pessimism had increased even further - from one half to nearly two-thirds (Walker, 1999b). People were also pessimistic about the ability of the welfare state to continue to grow and be able to take care of older people better than now. In 1992 two-thirds of the EU's general public were pessimistic about the future of the welfare state and, by 1999 this proportion had increased to over four-fifths (Walker, 1999b).

Looking to the future what is required is a new intergenerational settlement in which it is recognised that ageing societies need fundamental adjustments in resource distribution and thinking. Rather than seeing generations as competing for welfare it is more helpful to adopt a life-course perspective, such as that proposed by Daniels (1998) in his concept

of the 'prudential life-span account'. This approach allows for the development of guidelines for distribution and redistribution between the life-stages under the assumption that everyone can expect the same treatment over their life-course. In the long run, not only would immediate inequalities be compensated, but also the 'prudent' allocation of resources over the life-span would maximise general well-being. This sort of approach would facilitate a more open and active management of resource distribution between the generations than is presently the case. It would also allow the long-term generational impact of policies to be better integrated in decision making. Furthermore the importance of the social contract must be reaffirmed and the younger generations continuously educated about its advantages. It is obvious that there will be greater readiness to pay for pensions and health care for older generations if there is a certainty of future reciprocation. This also means that there should be investment in young people too, for example in educational training, so as to prevent unemployment and create a sound economic base on which to build for retirement.

Underlying these changes would be a realignment of economics and ethics in which the obligation of the current generations of workers towards pensioners would be seen as a key goal of economic policy - an essential feature of a good society - not an encumbrance. But for this sort of transformation to take place politicians have to first recognise the importance of intergenerational solidarity and how it may be undermined by the individualisation of social protection. Even if it proves necessary to further modify public pension contracts on grounds of generational

prudence, it is essential that this be done in a climate of open debate and persuasion, not one of alarmism about the burden of older people.

### 3. Combating Age Discrimination

Information on the extent of age discrimination in different EU countries has emerged only recently. Ageism stems from a negative view of ageing and old age. There is no doubt that age discrimination is widespread and, in the context of ageing societies, it represents a huge challenge that must be overcome for both social and economic reasons. Social, because it creates stigma, social exclusion and the denial of full citizenship. Economic, because if older people are discriminated against purely on the grounds of age they are denied the chance of making an economic contribution. At the heart of this policy issue is the age/employment paradox in which increasing longevity is coupled with a decline in the age of final exit from the labour market. Now, in all EU countries, there is a lengthening 'limbo period' between the age of labour market exit and pension age, a phenomenon which policy makers in several countries have only recently begun to address.

Early labour force exit has been the dominant characteristic of the labour market experience of older workers in the EU over the last 20 years. In some countries, as I have noted, public policies have openly encouraged older workers to leave the labour market, particularly at times of high youth unemployment. Indeed there was a tendency for policy makers to regard early retirement as a cure for youth unemployment. This did not prove to be the case as there is hardly any evidence of age substitution in

employment. Also, in the EU, there is little public support for the idea of people in their 50s giving up work to make way for young people (Walker, 1993).

Policy makers in most EU countries have been until recently reluctant to recognise - in law or policy - the existence of age discrimination. Although an EU directive on Equal Treatment means that anti-age discrimination legislation must be introduced by all Member States by 2006. An extraordinarily high proportion of citizens in all EU countries believe that older workers are discriminated against with regard to job recruitment (79 per cent), promotion (62 per cent) and training (67 per cent). Moreover there were hardly any differences between age-groups: both young and old believe that discrimination against older workers is commonplace (Walker, 1993).

Age discrimination permeates all sections of society and may take a patronising and apparently compassionate form as well as the more obviously negative one (Scrutton, 1990). There is now good evidence in the UK that some health services are rationed by age - access to dialysis and by-pass operations for example. We know too that social services have traditionally operated with a hierarchy that puts children at the top and older people at the bottom. Age discrimination has been called the last unrecognised discrimination (McEwan, 1990) and its existence challenges us all.

The prevention of age discrimination is, of course, a matter of social justice. But, in an ageing society, this imperative is reinforced by the need

to respond to the ageing of the workforce. Recently the focus of research has shifted from documenting examples of discrimination to searching out good practice in the employment of older workers (Walker, 1997). Models of good practice may then be used as guidelines for employers on how to successfully manage ageing workforces and, hopefully, to prevent age discrimination (Walker, 1999b).

#### 4. The Provision of Long-Term Care

Most older people are relatively fit, healthy and able to look after themselves or to do so with only minimal assistance. Moreover if help is required it usually comes first from the family (female kin in particular). In the majority of EU countries the state plays a minor role in the care of older people, either as a direct provider or as a funder of care. But the need for care is rising and various changes in family composition and behaviour are restricting the supply of informal carers. This raises a number of crucial policy challenges.

Chief among them is the extent to which the family will remain the primary source of care for older people. All of the evidence shows the central role of the family in the care of older people but, nonetheless a perception has arisen that the family is less willing to care for its relatives than it used to be. In our EU-wide research in the early 1990s we found that this view was prevalent among older people themselves: one third agreed strongly and one third slightly that families are less willing to care for older relatives than they used to be (Walker, 1993). This finding is of the utmost importance because it points to a worrying perception among

senior citizens, even if there is no objective evidence to support it. Or, at least, there is no evidence of a reduction in willingness to care but, as a result of the changes taking place in family structure and composition, it is less able to care in some circumstances.

The objective evidence about social contacts between older people and their families shows that there are frequent face-to-face interactions. In the EU, on average, nearly four out of five older people see a member of their family at least once a week. Nearly three out of four see a friend at least once a week. So the idea that older people have been abandoned by their families is a myth. However an increasing proportion of older people are living alone - varying from a low of 17.5 per cent in Ireland to a high of 49.3 per cent in Denmark. Also some older people have no surviving relatives and there is a significant minority who suffer from loneliness. In fact, in Europe, there is a preference on the part of older people for separate dwellings, coupled with continued family interaction - intimacy at a distance.

The main policy challenge in Europe with regard to long-term care is how to fill the care gap left by the unique combination of increased longevity and declining fertility? It is not realistic to expect the family to shoulder the sole responsibility for care, even in the still family-based care systems of Southern Europe. The fear that providing support to families will weaken their commitment to care and result in a massive burden on the public finances has led some policy-makers to ignore the obvious fact that the family is changing rapidly and requires new forms of support if it is to continue to provide the bulk of care to older people. At the moment in the

EU there are major variations between countries in their provision for long-term care, for example in the field of home care.

What is required then is an expansion of long term care support, in the community, to enable care to be shared between the family and the formal sector. The most effective form of support is likely to be multi-skilled community workers who are capable of both basic nursing and social care tasks, thereby overcoming the common barrier between health and social care. Methods of paying for this expansion of long term care are likely to be country specific. Thus, there are different models based on taxation (Scandinavia) and social insurance (Germany). The German long term care insurance system and the proposals from the Royal Commission in the UK are designed to share the costs between the individual and society. But whichever model predominates in particular EU countries it is likely to include some element of risk pooling.

##### 5. Enabling Full Citizenship in Old Age

Lastly I turn to the policy challenges presented by the new politics of old age - the main question here is what roles should older people occupy in older, more age-balanced societies? The challenge is to develop new roles and statuses and new attitudes commensurate with our new more age-balanced societies.

The most significant political challenge in the EU is heralded by the growth of pensioner power - pensioners' parties have been formed recently in Belgium, Denmark, Germany and Portugal and there are

pensioner action groups in most countries. Also there has been an increased recognition of the rights of service users and carers which presents a considerable challenge to providers in the health and social services fields. For example one of the most contentious current issues surrounding the long term care of older people is whose voice should prevail in determining the provision of care? Of course for most younger adults this sort of question does not arise, they are used to deciding for themselves what is in their own best interests. But in the care of older people a practice has developed whereby they become, in effect, the clients of professionals or quasi professionals and these groups may decide which sort of care is appropriate for them, sometimes in discussion with informal carers. Despite the best efforts of professionals, this may have the effect of disenfranchising older people from making crucial decisions about their own lives.

This raises one of the most important and difficult challenges facing policy makers and service providers: how to create a more equal and effective partnership with the citizens they serve? Of course the answer to this question has profound implications for the meaning of citizenship to older people and their carers and, in particular, how much power and autonomy they are able to exercise in making decisions about their own needs and the sorts of services they require. This means that health and social care providers will encounter increasing demands from more vociferous and more active older people - all of the gray panther-style activities in EU countries have been in response to cuts in social services. The language of user involvement is becoming an increasingly familiar part of health and social services but there is still a big challenge to move beyond

involvement to empowerment and, in particular, to empower the most isolated and vulnerable older people (Barnes and Walker, 1996).

Looking beyond the health and social services, ageing societies demand that policy makers explore new ways of involving older people in decision-making (there are plenty of examples in EU countries, see Naegele and Walker, 1999) and new roles to ensure that continuing opportunities are available for participation and self-fulfilment. This also requires a recognition by policy makers of the contribution already being made by older people to families, to communities and to wider society. They are essential elements in social cohesion, social capital and social solidarity. If policy makers fail to respond to this new agenda it is likely that older people themselves will become more active politically, and demand changes.

## **A STRATEGY FOR ACTIVE AGEING**

In the final main section of this lecture I want to outline a way to meet these policy challenges without undermining the welfare state: a comprehensive strategy for active ageing. I believe that this is a critical policy for the future of European welfare states: if the EU cannot achieve a policy linkage between the key elements of pensions, employment, health and social care it will not succeed in preserving the essential core of the European social model.

The ideas underpinning active ageing can be traced back to the 1960s but, in the 1990s, a new concept of active ageing began to emerge under the

influence of the WHO, which, not surprisingly, emphasised the vital connection between activity and health (Butler, Oberlink and Schecter, 1990, p.201) and the importance of healthy ageing (WHO, 1994; see also WHO, 2001). Given the link with health and the European context in which it was developed, this approach to active ageing has focussed on a broader range of activities than those normally associated with production and the labour market, and has emphasised the participation and inclusion of older people as full citizens (see for example Walker, 1993, 1994). The thinking behind this new approach is expressed perfectly in the WHO dictum 'years have been added to life now we must add life to years'. The concept of active ageing advanced here suggests a general lifestyle strategy for the preservation of physical and mental health as people age rather than just trying to make them work longer. The essence of the emerging modern concept of active ageing is a combination of the core element of what in the US is called productive ageing but with a strong emphasis on quality of life and mental and physical well-being (European Commission, 1999; Cabinet Office, 2000). The WHO (2001, 2002), for example, sees active ageing in terms of health, participation and security, that is, in the broad sense, used here. Active ageing is not exclusively about prolonging working life and, therefore, it looks beyond the fourth pillar. Rather it is a comprehensive way of organising participation across the lifecourse.

### **The Potential for Active Ageing**

To illustrate the potential for active ageing in Europe I will examine briefly how it could make an impact on the key issues of pensions, employment,

health and social care, and citizenship.

## **Pensions**

There is enormous potential in an active ageing approach to pensions to both improve the levels of pensions for those on low incomes, and to reduce the overall cost of public pension systems without having to undergo a wholesale reconstruction of established pension systems. What is required is the abolition of age barrier retirement and its replacement with a more flexible approach to retirement (a flexible decade of retirement is one possible model, Walker and Schuller, 1993). Public pension systems must facilitate this flexibility by creating partial retirement options and enabling additional contributions to purchase enhanced pensions. Tax systems will also require adjustment to ensure that they facilitate employment. In short, as the European Commission (1997) has argued, social protection systems, including pension systems, must be made more employment-friendly.

## **Employment**

This brings me to the demand side of the pensions equation. It is time to move the debate beyond pension scheme design (which pre-occupies many experts and vested interests) and focus on expanding the funding base and ensuring that pension systems are not a barrier to this.

Reversing the trend towards early exit will require major changes in behaviour and expectations in the labour market – a cultural change in

fact. To achieve this policy requires a more active approach, for example in combating age barriers, changing employer behaviour, providing incentives to extend working life and enable flexible employment and retirement. In culture necessary to encourage and enable people to work longer.

## **Health and Social Care**

The potential for active ageing can also be illustrated with reference to health and social care. A policy of active ageing that embraces the whole age range offers opportunities not only to add life to years, in the WHO's words, but also to contain health and social care costs.

There is a critical interrelationship between health and activity: on the one hand poor health can determine activity (for example, it is a major factor in early retirement) while, on the other hand, activity can be an important contributor to health (Butler, Oberlink and Schecter, 1990). It is important, therefore, that any active ageing strategy is sensitive to this relationship and aims to recognise and prevent ill-health and disability rather than assuming that everyone can be equally active. For example, if measures are taken to extend working life by raising pension ages without action on the impact of employment on health then the result will also be exclusion and an increase in the take-up of disability pensions

Poor health is related to age and, in turn, is a cause of large productivity differences among older workers. Paradoxically employment is both a major cause of ill-health and an important source of health gain, in terms

of activity, self-esteem and social contact (Wilkinson, 1996). Unless the ill-health-producing aspects of employment are negated, the active ageing option will not be open to all on an equal basis. Put more positively: if the health of workers is maintained then they will be more willing and able to extend their working lives.

### **Active Citizenship**

A concept of active ageing which extends beyond the labour market has the potential not only to reduce social protection costs and add to the quality of people's lives but it can also contribute to meeting some of the demand for social support that an ageing population entails.

There is a common, ageist, tendency to assume that inactivity in old age is the norm. This is far from being the case and the available evidence shows that older people are relatively active. However this declines with age and, among those aged 80 and over, there is a small minority who are severely isolated and excluded. This requires a strategy to include those experiencing or at risk of isolation and loneliness, which are key triggers of depression in old age. In turn depression is a major cause of morbidity and poor life quality and affects more older people than dementia (Heikkinen, 1995; Keogh, 1996).

There have been extensive actions in the EU Member States in recent years to encourage the active participation of older citizens in the policy processes at local, regional and national levels. Advisory groups and councils of older people have been established in most countries (Walker

and Naegele, 1999). Sometimes, as in Denmark and Sweden, these organisations have a statutory responsibility and are able to exert real influence on the policy making process. Sometimes they are more tokenistic and unrepresentative of the older population. Nonetheless these organisations have been important catalysts for political participation on the part of older people and they could be strengthened as part of a broad strategy on active ageing.

Older people play key roles, as volunteers, in many voluntary associations and groups. This contribution is often ignored in negative assessments of the impact of population ageing, as is its potential to contribute to the supply of social support. Nonetheless there is a considerable amount of latent volunteer potential among economically inactive older people and their inclusion in such activity would contribute both to their own well-being and to meeting social needs. For example the Retired and Senior Volunteer Programme (RSVP) in the UK has 6,000 volunteers engaged in a wide range of activities from gardening for frail older people to assisting GPs and listening to children read in schools. In order to tap this potential measures are required which support voluntary activity in later life, to valorise volunteering in general and to inspire older people to take part.

## **THE IMPORTANCE OF RESEARCH TO POLICIES ON AGEING**

Before concluding I want to emphasise the critical role of research in providing an evidence-base for policy responses to population ageing. This is not to deny the place of basic science and the other functions of research but, if we are to respond to the challenges I have highlighted and

ensure that policies are effective, there must be more policy-oriented research on ageing. Much of the public debate about societal ageing and the so-called 'burden' of old age, lacks sound research evidence and, as a result, is often exaggerated and misleading. This places a heavy responsibility on us, as scientists, to 'tell the truth to power'. However, in general, we are very poor at communicating our findings to policy makers and the public, usually preferring the pages of journals read only by other scientists to reaching a wider audience. Therefore, as well as pursuing high quality science, we must do better at translating and communicating our research findings, particularly to the policy community. Also, as researchers, we have to recognise the holistic nature of the ageing process and break out of our disciplinary straight-jackets when the research topic demands it - as many topics do in the ageing field. Internationally too I think that researchers must find ways to collaborate and overcome the tendency for research to be narrowly nationalistic.

Let me mention briefly three European initiatives that are trying to respond to this research challenge.

- i. The UK Growing Older Programme
  - a multi-disciplinary social sciences research focussed on extending quality life.  
<http://www.shef.ac.uk/uni/projects/gop/index.htm>
  
- ii. The UK National Collaboration on Ageing Research
  - aimed at encouraging interdisciplinary research on ageing.  
[www.shef.ac.uk/ukncar/](http://www.shef.ac.uk/ukncar/)

- iii. The European Forum on Population Ageing Research
  - designed to prioritise research on ageing and encourage inter-disciplinarity.  
[www.shef.ac.uk/ageingresearch](http://www.shef.ac.uk/ageingresearch)

## CONCLUSION

The main policy challenge facing the EU Member States and other developed societies is to recognise, in policy and practice, that their societies are ageing. This requires not panic reactions but fundamental adjustments to the ways in which older people are regarded within both families and formal institutions. Specifically, it requires policy responses to the five challenges I have highlighted.

First, the economic challenge is to devote increasing resources to pensions, health and social services, while maintaining a fair age distribution of resources. A huge effort is required here to prevent dependency, ill health and social exclusion. Secondly, the intergenerational challenge is the need to promote and nurture healthy relations between the generations (partly by meeting the economic challenge) and this should become an open policy objective - at both local and national levels. Thirdly, there is the need to reduce and eliminate age discrimination whenever it occurs. Fourthly, the challenge of long-term care is one of establishing an effective partnership between service providers and older people and their families. But this requires additional resources for long-term care and for measures to encourage user involvement. Fifthly, the political challenge to the

whole of society is to regard older people less as passive objects - voters, patients, recipients of care, research subjects and so on - and more as potentially active participants.

The answer to the challenges of an older society is a concerted strategy on active ageing focussing on the whole of the life course. This strategy should be comprehensive, flexible, preventative, participative and flexible. It must represent a balance of rights and obligations. This means a multi-dimensional approach operating at both individual and societal levels, but in an integrated way. As far as individuals are concerned they have a duty to take advantage of lifelong learning and continuous training opportunities and to promote their own health and well-being throughout the life course. As far as society is concerned the policy challenge is to recognise the thread that links together all of the relevant policy areas: employment, health, social protection, social inclusion, transport, education and so on. An active ageing strategy demands that all of them are 'joined up' and become mutually supportive. The danger that this sort of approach will become coercive (Moody, 1993) can be avoided if policy takes an enabling and facilitating role and is responsive to age, gender, race, culture and other differences. An active ageing strategy should be 'ageless' in the sense that it should cover the whole of the life course. This does not mean denying the realities of ageing, but active ageing is concerned with how everyone ages and not only with older people. Therefore, as we move towards older societies, we need to radically re-think what ageing means at all levels of society.

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