



**ADAPTING  
SOCIAL PROTECTION  
& JOBS TO  
AN ACTIVELY  
AGING WORLD**



**WORLD BANK GROUP**  
Social Protection & Jobs

# WHY COUNTRIES NEED TO SUPPORT ACTIVELY AGING SOCIETIES

Demographic change is increasingly shaping our future. Globally, people above the age of 65 already outnumber children under 5 and over two-thirds of them live in less developed regions of the world. By 2050, there will be 1.25 billion people over 65 in less developed regions, around 757 million more than in 2020. As a result, 1 in every 6 persons globally will be above the age of 65 and in some developing regions, it will be 1 in every 4.

Global aging is a triumph of development made possible through rapid increases in life expectancies and falling fertility. It brings new opportunities but also challenges for governments, individuals, households, communities, and economies. Countries need to address these challenges; they also have to adapt their policies and programs to fully reap the societal and economic benefits of aging. In recognition of these trends, the United Nations has designated 2021-2030 as the Decade of Healthy Aging.

The World Bank Social Protection and Jobs (SPJ) team is engaging with countries on various aspects of societal aging through policy, technical assistance, lending, and analytical work to help them manage the aging transition. Their ability to adapt will determine their future prosperity and social stability. This engagement is vital, given the relevance and urgency of the aging agenda to the 2030 Sustainable Development Goals and the World Bank's Human Capital Project.

Based on wide-ranging research and broad consultations, the World Bank has developed 10 key points on aging to promote dialogue with policy makers, practitioners, and populations in client countries.



# TEN KEY MESSAGES ON AGING TO PROMOTE DIALOGUE WITH POLICY MAKERS, PRACTITIONERS, AND POPULATIONS

1



Developing countries are already, or will be, experiencing faster societal aging at much lower income levels than developed countries and need to prepare for it.

2



Young developing countries should take advantage of their young populations while also preparing for the inevitable aging that will affect their societies. They can learn from the successes and missteps of older countries.

3



Societal aging is the result of increased life expectancy, but the pace of demographic change poses real challenges for economic growth, labor markets, fiscal balances, inequality, and the well-being of societies and older people themselves.

4



Despite these challenges and the fear of rising costs, societal aging should not be viewed simply as a liability. Policy and societal adaptation can help mitigate risks and create new opportunities by realizing potential and inclusivity within and across countries.

5



Aging societies need a fundamental re-think of their work, social protection, care, and other policies to build, use, and protect their human capital across the life course.



6



Societal aging is not only about older people; policy and behavioral changes are needed across the life cycle.

7



Older people are not a homogenous group. Policies need to acknowledge the diversity in their needs and their economic and social contributions.

8



Social protection and jobs policies and programs will play an important role in an aging world. This includes promoting universal old age income security; facilitating more productive, flexible and in some cases longer working lives; building multiple channels of lifelong learning; developing long-term care systems; adapting social protection delivery systems to better meet the needs of older people; and integrating with health care and other social services.

9



Responding to actively aging societies will require fundamental shifts in the financing of social protection and job systems. A robust response will need to be innovative, adaptive, and attentive to efficiency and distributional issues.

10



Aging is a cross-cutting phenomenon that requires multisectoral approaches to promote healthy and productive longevity, gender equity, inclusive growth, and societal well-being.

# HOW COUNTRIES CAN ADAPT TO SOCIETAL AGING



## **Broaden the narrative around societal aging**

The traditional narrative around aging is framed largely around risks to economic growth and public finances, shrinking working age populations, the need to provide services and benefits to a growing older population, and risks of rising inequality and social tensions. While each of these risks is real, framing aging only as a challenge ignores the opportunities that societal aging can present and the potential to mitigate risks. This is also not just an agenda for older developing countries. Younger countries also need to prepare early for the demographic transition.<sup>1</sup> Timely policy action can turn global aging into a source of inclusive economic growth. It can also improve outcomes for all, e.g., through labor migration across countries at different stages of demographic transition.

## **Shifting the narrative involves adopting a more holistic approach to aging**

- ▶ Viewing older people as individuals first, and not solely as economic agents. This means protecting older people's rights, including countering age-based discrimination and abuse, and addressing social isolation.
- ▶ Recognizing and valuing the economic and social contributions of older people as workers, caregivers, volunteers, sources of financial support to their families, and as repositories of social capital and norms. This requires moving from a narrative focused on dependency and frailty among older people to a richer characterization of their roles in societies.

<sup>1</sup> South Asia is a regional case in point—young now, but, within the next 40 years, projected to have a share of 65+ population on par with the aging East Asia and Pacific (EAP) region and converging with Europe and Central Asia (ECA) and the Latin America and Caribbean region by the end of the century.



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- ▶ Acknowledging older people's diverse and continually changing needs, abilities, and preferences and building flexible policies accordingly.
  - ▶ Looking at perennial SPJ challenges through an aging lens and adopting a lifecycle approach to societal aging by considering “cradle to grave” policies and behaviors.
  - ▶ Emphasizing that the right policy mix and institutional support can turn societal aging into a source of new market opportunities, employment, and innovation.

### Four principles to shape inclusive and productive aging societies

A whole-of-society response to societal aging can be guided by four principles:

- ▶ Provide **choice** for aging people through policies and practices which maximize individual agency in work, retirement, living and care decisions. Choice may also, in some cases, be accompanied by behavioral nudges which encourage socially desirable choices by individuals.
- ▶ Promote **defaults** that protect those who fail to exercise choice and encourage socially desirable outcomes, such as default opt-ins or auto-enrollment for pension schemes.
- ▶ Maintain **flexibility** in policies, programs, and markets to allow them to adapt to demographic change, changing patterns of health, living arrangements, social preferences, and incomes, and reflect the diversity among older people and across the life cycle.
- ▶ Practice **empathy** toward older people, including eliminating age-based discrimination, promoting autonomy, dignity and equal access to services and opportunities, and valuing their social and economic contributions to society.



## **Adopt a cross-sectoral and gender-informed approach**

The multidimensional nature of aging also requires cross-sectoral thinking and collaboration between government agencies, civil society organizations and development partners to create positive synergies and virtuous circles of reform. This can be challenging for governments and for civil society and development partners who often tend to work in sectoral siloes. Key areas for enhancing cross-sectoral collaboration on aging include health, macroeconomic and fiscal policies, education, finance, migration, gender, poverty, climate change, age-ready cities, and public-private partnerships. It is also imperative to develop comprehensive policies that allow individuals to overcome socioeconomic disadvantages that they may have accumulated over the course of their life.

The cross-cutting theme of gender is especially salient in the context of aging societies. Women bear a disproportionate share of the informal care burden, have lower labor force participation at all ages and lower coverage by social security, are more likely to be financially excluded, and have higher life expectancies than men so are more likely to be alone and vulnerable in old age. SPJ policies that account for societal aging would incentivize female labor force participation, reform social security systems to be more inclusive of women, provide more robust financial protection to them, and invest in formal long term care systems, thereby reducing the care burden on women and increasing options for market work.



# HOW SOCIETAL AGING IMPACTS CORE AREAS OF SOCIAL PROTECTION & JOBS AND POLICY PRIORITIES TO MITIGATE THE IMPACTS



Table 1 shows the impact of societal aging on core areas of social protection and jobs. It also highlights the priorities for policy responses and linkages across domains. Reforms in one policy area inevitably impact other areas and may generate additional welfare benefits or unintended negative consequences. It is therefore important to acknowledge these linkages, including between pension and tax systems; between pensions, skills development, and labor force participation of mature workers; between migration, labor force, and long-term care; or between social services, childcare, and workforce participation of prime-age adults. Developing solutions that recognize these links is key to a coherent response to societal aging.



**TABLE 1. How societal aging impacts core areas of SPJ and policy priorities to mitigate the impacts**

Core area of SPJ	Impacts of societal aging	Policy priorities
<p><b>Labor Markets (LM) &amp; Skills</b></p> 	<ul style="list-style-type: none"> <li>• Decline in share of working age adults as traditionally measured</li> <li>• More older people working longer</li> <li>• Rise in years of healthy longevity increases work capacity</li> <li>• Longer working lives challenge skill development systems</li> <li>• Continuing employer and societal bias against older workers</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Enhance productivity of mature workers</b> through innovations, skills enhancement, information, and incentives</li> <li>• <b>Improve labor force participation rate (LFPR) of mature workers</b> in the formal sector through labor regulation, social security, tax, and other reforms</li> <li>• <b>Develop care economy</b> to give choice to informal caregivers, improve LFPR (especially of women), and create jobs</li> <li>• <b>Enhance labor migration</b> between countries at different stages of demographic transition, including skills enhancement in sending countries</li> <li>• <b>Develop systems of lifelong learning</b> and tailored active labor market policies to enhance worker skills and matching across the life course</li> <li>• <b>Develop the ‘silver economy’</b> that caters to older people’s preferences <b>and senior entrepreneurship</b> that capitalizes on older people’s skills</li> <li>• <b>Address age bias in work and society</b> through information, regulation, and incentives</li> <li>• <b>Build the evidence base</b> on mature worker LM behavior and productivity to mitigate biases and dispel myths (e.g., lump of labor fallacy)</li> </ul>
<p><b>SPJ Delivery Systems</b></p> 	<ul style="list-style-type: none"> <li>• Older people more likely to face inclusion challenges across the delivery chain</li> <li>• Greater technology reliance may increase disparities</li> <li>• Older people more vulnerable to shocks</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improve digital and financial inclusion</b> among older adults</li> <li>• <b>Develop one-stop services</b> and enhanced case management to meet multi-dimensional needs of older adults</li> <li>• <b>Ensure human-centered design</b> to improve the SP service experience of older people</li> <li>• <b>Refine adaptive SP delivery systems</b> to better service older people during shocks</li> <li>• <b>Improve efficiency in spending</b> and address critical gaps in the delivery chain</li> </ul>

Core area of SPJ	Impacts of societal aging	Policy priorities
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**Old Age Financial Protection**

- Societal aging impacts relevance and sustainability of pension systems
- Increased urgency to address the pension coverage gap
- Limited financial planning by younger cohorts increases late-life vulnerabilities

- **Blur the lines between the design and financing of contributory social insurance, and social assistance** considering rapid demographic transition and changing nature of work
- **Execute pension reforms** that improve intra- and intergenerational equity while balancing sustainability targets and adequacy goals
- **Provide flexible retirement policies** to maximize productive potential and boost growth
- **Expand informal sector pension coverage and adequacy** with innovative instruments and financing
- **Include cash-plus programs** for older people
- **Diversify sources of old age financial protection** (e.g., asset release)

**Long Term Care (LTC) and Other Social Services**

- Informal sources of care stretched by rising demand, declining fertility, migration and shifting living arrangements
- Formal LTC systems absent or nascent, disproportionately affecting women
- Rising challenges of social isolation and loneliness

- **Complement informal care with formal long term care systems** that prioritize aging in place
- **Promote a continuum of care** across LTC, health and social services, built around case management
- **Promote public stewardship** (including innovative financing) and public-private partnerships in delivery
- **Identify a suitable mix of care modes** (home-based, institutional, community-based) in light of social norms and financing capabilities
- **Combat social isolation** in partnership with communities and civil society
- **Promote cross-country migration opportunities** between demographically young and aging countries to enhance care workforce



# HOW THE WORLD BANK IS HELPING COUNTRIES ADAPT SOCIAL PROTECTION & JOBS POLICIES TO SOCIETAL AGING

The World Bank SPJ Global Practice is supporting countries as they navigate the demographic transition. Key areas of engagement include national ageing strategies, labor market and skills policies and practices, old age financial protection through social insurance and/or social assistance, social services and long-term care systems, and social protection delivery systems. These are not new areas of SPJ policy engagement but looking at them through a societal aging lens can provide fresh perspectives and entry points, and potentially increase the impetus for reforms.

The importance and urgency of the agenda suggests a need to broaden and deepen engagement in response to client country demand. The Bank can provide technical and financial assistance through a range of instruments to link reforms in these areas with societal aging-related reforms. These include, for instance, a whole-of-portfolio coordinated operational approach framed in country partnership frameworks, multisectoral instruments such as development policy operations, specific sectoral operations with cross-sectoral content, and multisector analytical and advisory work. This will also require deepening cross-sectoral collaboration to make the World Bank Group support more than the sum of its parts.





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