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EMERGING ISSUES IN THE ECONOMICS OF AGING

Jack Habib

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EMERGING ISSUES IN THE ECONOMICS OF AGING

Jack Habib

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Abstract

The worldwide economic difficulties of recent years have resulted in considerable hardship for elderly populations in both the developed and underdeveloped worlds. In light of these difficulties, a major challenge facing gerontologists is to isolate the consequences of short-term economic conditions from the more basic consequences of population aging and related structural factors. This paper, based on a lecture delivered at the 13th Congress of the International Association of Gerontology, argues that advocates for maintaining expenditures and advocates for reducing expenditures on the elderly have both taken an unbalanced view of the relevant factors.

The paper also addresses the long-range adjustments implied by population aging. The author suggests the restoration of fertility rates as a policy goal that needs to be reconsidered. This, however, will require fundamental societal rearrangements so as to reconcile the conflict between female labor participation and fertility.

Despite current trends to the contrary, the author stresses society's need to ultimately consider extending employment opportunities well beyond current retirement age norms. This change may require a reallocation of leisure time over the life cycle, investments in productivity in the later years, opportunities for job shifts, and more flexibility on the part of older workers in accepting job relocation and training.

In the still developing world, basic economic development remains a major imperative for raising the standard of living of the elderly. The paper discusses the critical need to establish the rate of change in traditional family structures, the degree to which families provide for the elderly, and the extent to which they need to be supplemented

by public support systems.

The paper calls for a strategy of research, education and practical experimentation that will help promote the long-term adjustments required in an aging society. Rather than accepting the inevitability of reduced social welfare expenditures and reduced labor force opportunities for the elderly, it recommends enhancing the commitment to the broad-based structural changes that will enable society to accomodate the new human life cycle, the new demands of women, and the new age structure.

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Introduction

The reference to economics as the dismal science would seem appropriate in light of recent developments.

1. In many countries, a sense of crisis shades the discussion regarding the ability to sustain public systems of support for the elderly.
2. The extraordinary levels of unemployment in the decade of the 1970s have been accompanied in many developed countries by dramatic declines (ranging from 20%-50%) in the labor force participation of males ages 60-64 and by more recent attempts in several countries to induce those ages 55-60 to leave the labor force. Thus, opportunities for older workers are in sharp decline, despite the warnings and pleas of many gerontologists (UNESCO, 1985).
3. Poverty among the elderly in developed countries is still common and is increasing; the shopping bag ladies and the homeless have become more and more common on the streets and in the metro systems of major cities.
4. As government retreats, there is a call for the expansion of family responsibility. Yet most gerontologists predict that the decline in the ratio of potential caretakers to elderly, the possible lengthening of the period of disability, and the rise in female labor force participation will create a crisis in the ability to maintain even present levels of family support.
5. As reported by the World Bank, the developing world has been particularly affected by the recession of the 1980s, and

clearly, the elderly in those countries have been affected as well. The overall rate of growth in per capita income between 1980-85 was half that of the developed world, and most regions experienced declines in living standards with Africa, the scene of cataclysmic economic collapse and mass starvation, the hardest hit (IBRD, 1984).

It is important to note that our economic difficulties may have been generated in part or aggravated by new economic theories that have become dominant in policy circles and may or may not be justified in the longer run. Thus, while economists have been part of the search for solutions, the final analysis may reveal them to be part of the problem.

The role of the gerontologist is to help sort out which aspects of these trends may be attributed to the process of population aging and which may be associated with more short run economic conditions. In the area of public expenditures, for example, major new projects such as the EEC study of the consequences of changes in the age structure are now bearing fruit (UNESCO, 1985). This study points to a ratio of about 3 to 1 between per capita public expenditures on the elderly and on children, replicating earlier findings in the U.S. (Clark and Spengler, 1980; Sheppard and Rix, 1977). However, when these ratios are applied to the age structure changes expected up to the year 2000, the implied increase in public sector expenditures is small. The relative economic status of the elderly in a cross-cultural framework is also being intensively studied, and important progress has been made in understanding the status of sub-groups such as women, the very old, and minorities (LIS, 1985).

While the data base has indeed been expanding rapidly, we have

not, as economists, been equally careful contribute information to the public debate. We seem to be continually surprised by that which should have been expected. Is it not to be expected that as a group's share in the population rises, its share of public expenditures will also rise? Is it not to be expected that as pension systems mature their cost will increase in relation to GNP or public budgets? Is this not the inevitable result of decisions to nationalize private savings for retirement and the process of private intergenerational transfers? Can we nationalize an industry and then complain that the public sector has to pay the wage bill? In an aging society the taxes required to finance pensions will increase, but they need to be viewed in relation to the reduction in taxes required to finance public expenditures on children as their population share declines. Very seldom does the discussion on Social Security make these links.

The unbalanced critique of expenditures on the elderly may have also engendered an unbalanced response by advocacy groups for the elderly who fear that giving an inch may mean amputating an arm or leg. It is difficult, for example, to justify the position that the elderly should be exempt from the declines in living standards experienced by the broader society.

While we have to continue to study the problem of allocating existing resources, I believe that as economists and gerontologists, we need to shift our attention to mechanisms for mitigating some of the pressures both to reduce expenditures and to force older adults out of the labor force.

Long-run Adjustments

The aging process involves the nexus of four independently significant yet interrelated changes: changes in fertility, in life-expectancy, in women's labor force participation, and in the age structure. Societal institutions and particularly the organization of production have not yet caught up with these changes, thereby creating inherent contradictions and a state of disequilibrium that will eventually yield to a new set of norms and productive relations. As economists and gerontologists, we can help facilitate and ease the process of adjustment.

There are two thrusts that I feel deserve greater emphasis.

The first is the need for a renewed interest in fertility in the developed world. Below-replacement fertility rates can have severe consequences for dependency ratios. Indeed, the dependency ratio is expected to increase considerably in Europe after the year 2000. In addressing the factors that affect fertility, we must reconcile our concern with equality of opportunity for women with the need for higher fertility rates. That some progress along these lines may have been made is reflected in the fact that the highest rates of increase in labor force participation for women in the last decade have been among women with young children. In the long run, however, two underlying factors may prove critical: at home - the acceptance by men of more household responsibility; at work - the adjustment of the demands of the working world on both men and women to the needs of the two-earner couple with two-to-three children.

Whether or not fertility patterns change, and no matter how the age structure develops, there remains the imperative of accommodating the new human life cycle. We need to proceed much more vigorously

to explore schemes to redistribute non-market activity over the life cycle rather than bunching it all at the end, realizing that benefits may accrue to all age groups. Correspondingly, we will be able to expand employment opportunities in the last quarter of life. While such a redistribution enhances the need for investments in maintaining lifetime productivity, it also creates opportunities to do so.

The measures needed to maintain the productivity of workers in an extended work life include investment in knowledge updating and the promotion of career shifts and job adaptations that reflect the comparative advantages of older workers and that counteract the wear-and-tear of working at the same job for extended periods.

In addition, we may have to re-adjust attitudes with respect to the prerogatives associated with seniority. Rigidity in reassigning or dismissing workers who are no longer suitable to particular jobs contributes to demands for mandatory retirement for all elderly workers. Moreover, if one takes the Israeli kibbutz as an example of a framework in which work opportunities are maintained in later life, one finds that the intergenerational support for that policy is in part based on the willingness of the elderly to relinquish their claim to specific positions - to step aside, and not uncommonly, to assume what outsiders at least would view as lower status roles. The destigmatization of downward job mobility in the later years may be a further contribution to providing employment over the extended life cycle.

Opinion is divided as to whether we will face a labor shortage or surplus in the years ahead. The outlook appears to vary regionally, with labor shortages already an issue in the Soviet Union and some

other Eastern Bloc countries (UNESCO, 1985). Yet, even under conditions of surplus, the adjustments described remain important, and increased labor force participation in the later years can be used to economically support opportunities for periods of retraining and leisure over the life cycle.

The emphasis on market roles in these remarks should not be construed as denying the importance of the role of the elderly in the informal support system, or what economists refer to as home production. In contrast to the clear implications of an aging population for growth in public-expenditure needs, the total need for informal support may not increase. The greater care needs of the elderly may be offset by the decrease in the care needs of children. Moreover, the total supply of informal support may increase. While there are fewer supporters per elderly parent, there is more elderly parent-time per adult child or grandparent-time per grandchild. As recent studies have suggested, the elderly as a group are net providers rather than recipients of care from their families. It should also be remembered that in an aging society the age structure of children shifts toward the teenage group. This change may further reduce informal support needs for children, and children in this age group may be an important potential informal resource.

A fuller understanding of the resource needs and potential of an aging society requires a broad view of the balance of informal caring and exchange (Habib, 1985).

The Developing Countries

The rapid aging of the populations of developing countries has been emphasized by earlier speakers and will be a continuing concern at this congress. There are two contrasting interpretations of this process. One emphasizes that the elderly continue to share in the fate of the general population through their employment in the rural economy and through extended family ties. Thus, general economic and particularly rural development is preferred over special programs of assistance. The second interpretation emphasizes incipient processes of family break-down as particularly influenced by the urban migration of the young, who often leave the elderly behind (International Center for Social Gerontology, 1984).

There is certainly little question of the bitter fate of the elderly in famine-stricken countries. We need to better document that fate and the consequences of physical deprivation and family disruption for the aging adult population. At the same time, the alleged disruption of family-caring patterns in developing countries must be subject to the same kind of critical and empirical scrutiny that has served to challenge the myth of family disruption in the developed world.

There is also a clear need for intensified research on the economic implications of population aging in developing regions. In this context, a question should be raised regarding the nature of the age-related productivity curve when given levels of life expectancy are achieved at much lower levels of per capita income than was the case in developed economies.

The policy discussion on this issue has been marked by the same

ambivalence as in developed countries. At what point and to what extent should state systems designed to supplement the role of the family be introduced? There is no simple answer. A frequent recommendation has been to adopt policies of support for the family to maintain or strengthen its role. The rapid diffusion of cash attendance allowances even in developing countries reflects this thrust. Yet such programs could prove to be very inefficient ways of addressing the need, if most of the support goes to families who would have otherwise provided the care. Thus, an important agenda item shared by the developed and the developing world is the evaluation of cash incentives to families and the clarification of how they relate to other community service programs. A research project on the economic and social consequences of aging populations in developing regions has been initiated by the United Nations Population Division (United Nations, 1984).

A Strategy for Addressing these Issues

It will not be possible to address the questions posed here without a radical shift in research strategies, changes in our educational programs, and a reorientation of practices and policy agendas.

There are several directions to be considered. Much can be learned from existing cross-cultural variations in the organization of the labor market and in cultural norms, as well as from some of the specific innovative programs adopted that can help us to understand the feasibility of the required adjustments. Documentation of these successes is needed. Beyond exploring these "natural" examples, there

is a need for a new era of social experimentation, similar if not greater in magnitude to that conducted by economists over the last fifteen years in the area of income-maintenance programs or health and social service systems for the elderly. The third component of an overall strategy is an accelerated program of research into life-enhancing technological advances that will mitigate the effects of impairment, extend the capacity for learning in later years, adapt jobs to the skills and interests of older workers, and the like. Economists have much to contribute in the design of public policies that will promote such technological advances.

Rather than accepting the inevitability of reduced social welfare expenditures and reduced labor force opportunities for the elderly, we must enhance our commitment to the broad-based structural changes that will enable us to accommodate the new human life cycle, the new demands of women, and the new age structure of society. The lot of the elderly in the developing countries is closely linked with the policies adopted in the developed world. A developed world that has lost its sense of optimism and control over its future will be ill-prepared and unwilling to contribute its share to the struggle for subsistence that is still the preoccupation of much of the world's elderly.

While there is room for optimism, it must be backed by a lot of hard work. Conventional approaches to generating, supporting, and even conducting research may not be adequate to ensure the sustained development of this agenda and thus, new mechanisms will be required.

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סבינלאומי פורום בינלאומי פורום בינלאומי פורום

סוגיות חדשות בכלכלה של הזיקבה

ג'ק חביב

פב-11-86

ג'וינט ישראל
מכון ברוקדייל לגרונטולוגיה
והתפתחות אדם וחברה

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המכון

הוא מכון ארצי למחקר, לניסוי ולחינוך בגרונטולוגיה והתפתחות אדם וחברה. הוא נוסד ב־1974 ופועל במסגרת הג'וינט האמריקאי (ועד הסיוע המאוחד של יהודי אמריקה), בעזרתן של קרן ברוקדייל בניו־יורק וממשלת ישראל.

בפעולתו מנסה המכון לזהות בעיות חברתיות ולהציב להן פתרונות חילופיים בשירותי הבריאות והשירותים הסוציאליים בכללם. אחד מיעדיו הוא להגביר שיתוף הפעולה של מומחים מהאקדמיות והממשלה, עובדי ציבור ופעילים בקהילה כדי לגשר בין מחקר לבין מימוש מסקנות מחקר הלכה למעשה.

סידרה בינלאומית

המאמרים מציגים מימצאי מחקר והשקפות מקצועיות של מומדים אורחים בחו"ל, של אנשי אקדמיה בארץ ושל חברי סגל המכון המאמרים בסידרה מציגים דיונים החורגים מעבר להקשר האמפירי הישראלי, או עוסקים בסוגיות מושגיות ומתודולוגיות בעלות ענין בינלאומי כללי. בכך משמשת הסידרה במה שבה נבחנים בפרספקטיבה בינלאומית ההלכה והמעשה של נושאי ההזדקנות.

המימצאים והמסקנות המוצגים הם של המחבר או המחברים וללא כוונה ליצג את אלה של המכון או של פרטים וגופים אחרים הקשורים למכון.

סוגיות חדשות בכלכלה של הזיקנה

ג'ק חביב

הוצג בישיבה המדעית של המליאה, בקונגרס ה-13 של
האגודה הבינלאומית לגרונטולוגיה

13 ביולי, 1985
מלון הילטון, ניו יורק

תקציר

הקשיים הכלכליים אשר התעוררו בשנים האחרונות ברחבי העולם גרמו למצוקה רבה בקרב אוכלוסיית הקשישים, הן בארצות המפותחות והן בארצות הבלתי-מפותחות. לאור הקשיים הללו, עומד בפני הגרונטולוגים אתגר מרכזי: להפריד את התוצאות הנובעות מן התנאים הכלכליים לטווח הקצר, מן התוצאות הבסיסיות יותר של הזדקנות האוכלוסייה וגורמים מבניים הקשורים בכך. במאמר זה, המבוסס על הרצאה שניתנה בקונגרס ה-13 של האגודה הבינלאומית לגרונטולוגיה, נטען כי הן אלה הסבורים שיש להמשיך ברמת ההוצאות הציבוריות הנוכחית, והן חסידי הצמצום בהוצאות, לוקים בראייה בלתי-מאוזנת של הגורמים העיקריים הקשורים בנושא.

המאמר עומד גם על השינויים מרחיקי-הלכת המתבקשים עקב הזדקנות האוכלוסייה. המחבר מציע לבחון מחדש את הרעיון להציב שוב את הגברת הילודה כיעד מדיניות. אולם, הדבר יצריך שינויים בסיסיים במבנה החברתי, שינויים אשר יוכלו ליישב את הקונפליקט הנוצר בין השתתפות נשים בכוח העבודה לבין הגברת הפרייון.

בניגוד למגמות הרווחות כיום, מדגיש המחבר את הצורך להביא בחשבון הארכת אפשרויות תעסוקה הרבה מעבר לנורמות של גיל הפרישה המקובלות כיום. שינוי זה עשוי לחייב חלוקה חדשה של זמן הפנאי על פני החיים, השקעה בפיריון העבודה בגיל מאוחר, יצירת אפשרויות למוביליות תעסוקתית וגמישות רבה יותר מצידם של עובדים קשישים, והסכמתם לשינויי תפקיד ולהכשרה מחדש. בארצות המתפתחות, הפיתוח הכלכלי הבסיסי הוא עדיין בגדר הכרח לצורך העלאת רמת חייהם של הקשישים. המאמר דן בצורך הדחוף לעמוד על שיעור השינוי החל במבנה המסורתי של המשפחה, על המידה שבה דואגות המשפחות לקשישיהן, ועל המידה שבה הן זקוקות להשלמה ממערכת התמיכה הציבורית.

המאמר ממליץ לנקוט באיסטרטגיה של מחקר, חינוך וניסוי מעשי, אשר בעזרתם ניתן יהיה להגיע לשינויים מרחיקי-הלכת הדרושים בחברה מזדקנת. במקום לקבל כעובדה בלתי נמנעת את צמצום ההוצאות עבור השירותים החברתיים

ואת הגבלת אפשרויות העבודה לקשישים, תומך המאמר בחיזוק ההתחייבות לבצע את
השינויים המבניים הנרחבים אשר באמצעותם תוכל החברה להתמודד עם מחזור
החיים החדש, עם דרישותיהן החדשות של הנשים, ועם המבנה הגילי החדש.

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