



United Nations

Department of
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Social Affairs

Leaving No One Behind In An Ageing World

World Social
Report 2023

EXECUTIVE
SUMMARY



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Population ageing is a defining global trend of our time. People are living longer, and more are older than ever before. Spectacular improvements in health and survival and reductions in fertility have driven this momentous shift, which has begun or is expected to begin soon in all countries and areas. This change brings both challenges and opportunities as countries strive to achieve the Sustainable Development Goals (SDGs).

In 2022, the world marked the twentieth anniversary of the adoption of the Madrid International Plan of Action on Ageing. To commemorate this landmark, the *World Social Report 2023* explores the economic and social implications of the ageing of the human population. It builds on the Plan of Action's framework for national policies to create equitable, inclusive societies for people of all ages, providing recommendations to put the rights and well-being of older persons at the centre, across the life course.

Population ageing is an inevitable result of the demographic transition towards

longer lives and smaller families. While the shift towards older populations is largely irreversible, collective actions and policy decisions shape its path and consequences. Postponing critical measures that allow societies to benefit from and adapt to population ageing would impose high social, economic, fiscal and health-related costs, for both current and future generations. By contrast, with appropriate foresight and planning, Governments can manage the challenges from population ageing while enhancing opportunities for all people to thrive and ensuring that no one is left behind.

As elaborated in this report, population ageing needs to be widely understood as more than just a set of discrete concerns mainly for one group of people who have advanced beyond a given age. Ageing touches all parts of economies and societies, from health care and education to employment and taxation. Each stage of life can contribute to or detract from well-being at older ages.

AN AGEING WORLD IS A SUCCESS STORY

Population ageing signals our extraordinary collective success in improving living conditions for billions of people around the world. Better sanitation and medical therapies, greater access to education and family planning, and strides towards gender equality and women's empowerment have all contributed to, and in some cases benefitted from, the steady move from high to low levels of fertility and mortality. These advances have ushered in an era where rapid population growth is slowly coming to an end, accompanied by a gradual but permanent shift towards older ages. Over several decades, both the number and population share of older persons have risen globally, while the number and share of children and youth have begun to shrink. By 2050, the number of persons aged 65 years or older is expected to double, surpassing 1.6 billion.

Currently, population ageing is furthest along in Europe and Northern America, Australia and New Zealand, and most of Eastern and South-Eastern Asia. In most countries of those regions, the proportion of older persons – by convention, those aged 65 years or older – exceeds 10 per cent and in some cases 20 per cent of the total population. Most parts of sub-Saharan Africa and Oceania (excluding Australia and New Zealand) are still in an early stage of this transition, while most countries in Central and Southern Asia, Western Asia and Northern Africa, and Latin America and the Caribbean are at an intermediate stage.

Declining mortality throughout the life course has driven the increase of life expectancy at birth in most countries and globally. Greater longevity has accompanied a narrowing of the age range in which most deaths occur. In the past, death was common at all ages. Many children died from infectious diseases, for example, and women frequently perished in childbirth. In most countries today, "premature death" before age 60 or 70 is relatively rare.

Greater global life expectancy reflects underlying improvements in health. In countries with available data, the number of years lived in good health has climbed, accounting for most of the increase in years lived overall. Statistical averages hide broad disparities in life expectancy, however, including by sex and socio-economic status. In almost all societies, women live longer than men on average, and the rich longer than the poor. These differences stem partly from poor nutrition and exposures to environmental and occupational hazards that are more common among men and people with limited income and education.

In 2020, the World Health Organization and the United Nations designated 2021–2030 as the Decade of Healthy Ageing. Its purpose is to promote strategies, grounded in solid evidence, that support well-being among older people. It advocates for developing and maintaining functional abilities, recognizing that these depend on each individual's intrinsic capacity, the surrounding environment and interactions between the two. The Decade builds on the Madrid International Plan of Action on Ageing and aligns with the timing of the Sustainable Development Goals.

POPULATION AGEING BRINGS ECONOMIC REWARDS AND CHALLENGES

Levels of economic production and consumption vary over the life course. Typically, people in the middle phases of life produce more than they consume, generating a surplus to provide for their dependent children and others who rely on them for support and contributing towards economic security for themselves at older ages. The demographic transition includes first an increase and then a decrease in the share of working-age people in the total population. The initial increase occurs following a sustained reduction in fertility, which lowers the portion of children and youth in the population. The subsequent decrease in the relative size of the working-age population is driven by rapid growth in the proportion of older persons.

When the share of working-age people is growing, countries have a window of opportunity to jumpstart more rapid economic gains. Reaping this “demographic dividend”, however, depends on maintaining or expanding investments in education and health, and on generating opportunities for productive employment and decent work as rapidly growing numbers of young people enter the workforce.

While consumption and production patterns change as people age, older people make important economic and social contributions at all stages of the demographic transition. Many continue paid employment. Within families, older people often provide financial support to other family members or assistance with childcare. Standard demographic indicators – such as the old-

age dependency ratio – do not account for these factors, however (box 1). Further, many older people still encounter obstacles that limit their contributions. Age-based discrimination in the labour market, for instance, undercuts their full participation in the economy.

Older persons should have the option of continuing to work for as long as they desire and are able to do so. Nevertheless, the ability to work and generate income wanes sooner or later at advanced ages. As populations grow older, questions arise around how to support rising numbers of older people in the face of escalating pension, health-care and long-term care costs, particularly if equitable and sustainable systems are not in place to distribute resources among age groups.

The means of financing goods and services for older persons differ across countries. In more developed regions, public transfer systems, including pensions and health care, provide over two thirds of the consumption by older persons. In less developed regions, older persons tend to work longer and rely more on accumulated assets or family assistance. Countries at all stages of population ageing should take proactive and forward-looking measures to adapt and innovate in their labour markets and pension and health-care systems to ensure that support for older persons is both adequate and fiscally sustainable.

Lower fertility opens doors for families and societies to invest more in the education of children. Higher levels of personal savings in anticipation of a longer life can spur capital accumulation, increased productivity and faster economic growth. This period can continue as long as the savings are invested productively.

BOX 1

FINDING BETTER WAYS TO MEASURE POPULATION AGEING AND AGE-RELATED DEPENDENCY

There are different approaches to measuring population ageing and levels of age-related dependency. Two commonly used measures are: first, the size of the population aged 65 years or older as a proportion of the total population, and second, the old-age dependency ratio. The latter compares the size of the older population to that of the working-age population. By defining age groups in a chronological and static manner, however, the old-age dependency ratio does not consider changes over time in the health and activity levels of older persons or their diverse capabilities. In addition, by including older persons but omitting children and young people in calculating the ratio, the measure provides an incomplete picture of age-related dependency over the life course.

Some alternative measures could remedy these shortcomings. The total dependency

ratio, for instance, includes both younger and older age groups. Another measure, the economic old-age dependency ratio, reflects not only the age distribution of a population but also variations over the age range in levels of labour income and consumption. Another set of indicators shifts the focus from the time elapsed since birth to the time remaining until death.

Some studies have demonstrated that the need for health care and social support at older ages is often closely linked to a person's remaining years of life. Where life spans are increasing, analyses and forecasts of ageing-related social and economic costs that are based on the expected time until death can provide relevant and useful information about the likely fiscal impacts of ongoing demographic changes.

PATHS TO OLDER AGES ARE UNEQUAL

Although the improvements in health and survival that drive the growth of older populations have been broadly shared, not everyone benefits equally. Many of today's older persons are in excellent health. Others live with multiple ailments or severe disability. Some are economically active and enjoy income security, but many live in poverty. Population averages conceal the vast inequalities and diverse needs and abilities of older people.

Inequality starts early in life. Without policies to prevent it, disadvantages reinforce one another throughout peoples' lives, leading to gaping disparities at older ages. Education and employment consistently emerge as primary determinants of health and economic outcomes at every stage of life, including at older ages. Moreover, health and employment are closely intertwined. Poor health can negatively affect employment opportunities, while the type of work that people do, the conditions in which they work and whether they have a job in the first place impacts their physical and mental health.

This report highlights the importance of country-specific conditions and policies to reduce inequality throughout people's lives, guided by some broad parameters. In general, countries with comprehensive social protection systems and universally accessible essential services, including for education and health care, have been much more successful at mitigating income inequality and reducing poverty at older ages than those without such sys-

tems. In both developed and developing countries, older persons are more likely to live in poor households than working-age people. Nevertheless, the gap in levels of poverty between older and working-age populations is much larger in developing regions where social protection systems and services are less well established and often far from comprehensive.

Inequalities evolve over the life course and vary from one generation to the next. Today's youth are healthier and better educated than prior generations. Moving forward, they are expected to be healthier and to live longer on average. Education levels are likely to continue increasing despite disruptions caused by the COVID-19 pandemic. At the same time, young people today face great uncertainty and economic insecurity in the transition to adulthood. Profound changes in the world of work are affecting job stability and disrupting income security.

Growing disparities in the labour market will likely result in higher levels of inequality as people age. For most countries with available data, income inequality has risen from one 10-year birth cohort to the next at almost all ages in both developed and developing regions. This rise may spur widening disparities in health and life expectancy among future cohorts of older persons. Moreover, widespread informal employment and the increased prevalence of other precarious forms of work threaten access to adequate pensions and other social protection benefits, putting economic security at risk for large numbers of older persons. Without remedial action, there is a significant risk that standards of living at older ages will become increasingly unequal.

GENDER DISPARITIES DRIVE UNEQUAL AGEING

Poverty levels at older ages are typically higher among women. Lower levels of participation in formal labour markets, shorter working careers and lower wages compared to men leave many women struggling with greater economic insecurity later in life. Given women's longer life expectancies, older women are more likely than older men to be widowed, less likely to remarry and more likely to live alone – three features that can exacerbate economic insecurity.

Women also bear the brunt of deficiencies in caregiving. The unequal distribution of care and domestic work within families curtails women's working lives and constricts pension incomes. In the labour market, women make up most caregivers, working in both the informal and formal sectors of a poorly regulated care economy where workers typically earn low wages. At the end of their lives, older women are more likely to need long-term care because they live longer and are at greater risk of age-related disabilities than their male counterparts.

Gender equality requires rebalancing care duties within families and adopting family and labour policies that enable women and men to manage both domestic responsibilities and market employment. Such changes will foster women's labour force participation, strengthening the productive capacity of economies as populations grow older. Yet increased participation in the labour market will not be sufficient

on its own. Substantial improvement in women's economic security throughout the life course, including at older ages, depends on eliminating gender disparities in education and ensuring access to decent work for both women and men. Bringing care work more consistently into the formal economy would create decent jobs and expand employment opportunities for women.

LONG-TERM CARE NEEDS ARE SOARING

Demand for long-term care is soaring in many countries as the population of older persons grows larger, especially at ages 80 and higher. Traditionally, co-habiting family members, usually unpaid women and girls, met the care needs of older persons. Intergenerational co-residence is declining in both developed and developing countries, however. Care models that rely exclusively or primarily on families are increasingly inadequate.

So far, public spending in most countries has not been sufficient to cover the growing demand for long-term care. The average expenditure by countries of the Organisation for Economic Co-operation and Development (OECD) was 1.5 per cent of GDP in 2019, down from 1.7 per cent in 2017. Insufficient funding means caregivers are undervalued, underpaid and inadequately trained and often work in difficult conditions. A shortage of well-trained caregivers leads to poor quality care. Many countries, even wealthy ones, continue to rely on informal services by paid or unpaid caregivers.

The COVID-19 pandemic exposed existing weaknesses in health care for older persons, especially long-term care, and demonstrated how such weaknesses can aggravate inequalities. Poor quality and underfunded systems of care, insufficient provisions for care at home, low wages and precarious conditions for paid care workers, and a lack of reliable protocols to prevent COVID-19 transmission within health facilities contributed to a heavy death toll among older persons. The crisis underlined the imperative for fundamental reforms of long-term care.

Those who deliver unpaid or poorly compensated care to older persons provide critical services. Yet their contributions are not adequately recognized. Governments can close this gap by developing integrated long-term care strategies that build on appropriate regulation, training and support for caregivers and mechanisms such as accreditation and monitoring to ensure quality. Instituting compulsory public insurance can free individuals from burdensome out-of-pocket costs for long-term care. Promoting formal employment for care workers and improving their working conditions can help meet the demand for quality care. Rethinking approaches to long-term care will benefit not only today's older persons and those who care for them but also future generations of older persons and their caregivers.

LEAVING NO ONE BEHIND IN AN AGEING WORLD REQUIRES POLICY ACTION NOW

This report highlights two sets of actions to build societies for all people at all ages.

The first set can be taken throughout people's lifetimes to promote labour market participation and increased productivity, uphold good health and prevent poverty. The second set consists of policies to reduce inequality and promote economic security at older ages in a fiscally sustainable manner, taking into account both pensions and health care.

ADDRESSING THE ROOT CAUSES OF DISADVANTAGE AMONG OLDER PEOPLE STARTS AT BIRTH

Giving every person an equal chance to grow older in good health and with economic security begins with promoting equal access to opportunities from birth. All children should be able to develop and advance their capabilities, including through quality education and health care. Education should not stop after childhood or young adulthood, given rapidly evolving technologies and labour markets. Opportunities for continued learning and skills development throughout the life course help workers to adapt to shifts in labour demand, to use new technologies more effectively and to increase their productivity over time.

Improved education can raise labour productivity and reduce poverty and inequality but only when coupled with realistic prospects for decent work. Job creation matters but so does the quality of the work. Employment in the informal sector is often characterized by low worker productivity, limited access to social protection programmes and marginal contributions to public revenues. At the same time, decades of wage stagnation jeopardize the ability of low-wage workers to save for old age.

Increasing investment in the institutions of work – from regulations and employment contracts to collective agreements, labour inspection mechanisms and comprehensive social protection systems – will accelerate pathways to formalization, boost productivity and, above all, strengthen the social contract in an ageing world. Formalizing large informal sectors will take time, however. Throughout this transition, countries should progressively extend the coverage of social protection systems to all workers in the informal economy.

The world of work begins at home. Reducing the burdens of domestic care work, which fall disproportionately on women and impede their equal participation in the workforce, should be a central objective of employment and social policies. From parental leave to investment in public childcare services and dependent child tax credits, policies can foster the equitable sharing of unpaid care work and promote equal opportunities for women in the paid workplace.

Population ageing also reinforces the impetus for international investments so that countries with large working-age populations, including many in Africa, can attract much-needed capital. Such capital flows can boost labour productivity and wages and foster more rapid economic growth worldwide. Realizing the historic opportunity created by a rapidly growing pool of workers and a large market size also calls for transformative economic and structural reforms to encourage foreign direct investment and technological diffusion. In tandem, countries must invest in raising educational levels and ensuring

that school curricula cultivate skills that people can use to gain a secure footing in the labour market.

IMPROVING THE LIVES OF OLDER PERSONS CALLS FOR ADEQUATE PENSIONS

Countries at advanced stages of population ageing may struggle with concerns about the sustainability of public expenditures, particularly for health care and pensions. Yet some proposed pension system reforms intended to ensure fiscal sustainability can, when applied across the board, negatively affect income security among low-income earners.

Most public pension systems have not kept up with changes in employment patterns, especially the growing insecurity of low-paying jobs. COVID-19 and earlier crises have exposed the risks of cutting public transfers across the board. This report proposes measures to improve sustainability while maintaining or increasing the role of pensions in reducing inequality. It also warns against shifting the financial risks associated with pension funds onto individuals or moving away from collective risk-sharing.

Countries without comprehensive social protection systems should focus on extending pension coverage, providing adequate benefits and financing public pension systems to reach target 1.3 of the SDGs.¹ Although there is no one-size-fits-all route to increased pension coverage, three actions can help to ensure the financial well-being of all older persons. The first is to encourage private savings and

¹ The aim of target 1.3 is “to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”.

improve financial literacy. The second is to introduce or expand tax-funded pension schemes so that all older persons maintain a basic level of income security. The third is to strengthen the institutions of work, as discussed in the previous section.

A critical factor in extending pension coverage and guaranteeing adequacy is funding. In most countries, it is possible to increase public revenues without intensifying the tax burden on low-income workers or the middle class. With an understanding of how population ageing may impact different categories of taxes, Governments can adopt forward-looking reforms to prepare for and address foreseeable fiscal pressures. For many developing countries, a top priority should be to improve their capacity for generating tax revenues, including by promoting transitions from informal to formal employment, combating tax evasion and strengthening tax administration. Such efforts need to be supported by effective and inclusive international cooperation on tax issues.

As populations age, all countries will face the challenge of providing adequate pensions and care for older persons while ensuring the long-term fiscal sustainability of current support systems. In this context, the fact that future generations of older people may be more unequal and economically insecure must be considered. Pension systems must be fiscally viable yet reforms weakening their redistributive power will jeopardize the well-being of growing numbers of older persons. If such reforms are seen as ineffective, they may also undermine the capacity of States to maintain pension systems.

It is also important to put inequalities across age groups and generations into

perspective. Although these certainly require policy attention and action by Governments, discussions of sustainability and fairness to future generations should be cast in the broader context of the large and persistent divide separating rich and poor today, both within and among countries.

PUTTING AGEING AT THE CENTRE

As this report goes to press, the world continues to suffer from destabilizing shocks with profound impacts on health, economic prosperity and social welfare. After more than two years of the COVID-19 crisis, the war in Ukraine is upending a fragile social and economic recovery. Multiple humanitarian crises are erupting amid rising costs of living everywhere. Climate change looms large, inflicting severe and unprecedented droughts and floods, further stressing the global food supply and threatening the survival of many.

The *World Social Report 2023*, including its analysis and review of policy options to address population ageing, is intended to provide world leaders with information and policy guidance as they chart a path forward and renew commitments to achieving the SDGs. Rebuilding after multiple crises and advancing implementation of the 2030 Agenda for Sustainable Development hinge on wide-ranging and comprehensive policy responses at the national and multilateral levels. Leaders of all countries should recognize that these need to give a central emphasis to managing the challenges of population ageing while making the most of its opportunities.



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