Fast Capitalism
Volume 8 • Issue 2 • 2011

ISSN 1930-014X
doi:10.32855/fcapital.201102.013

Aging in Europe: Implications and Possibilities

Jason L. Powell, Rebecca Steel

This article explores the relationship of old age and welfare in Europe. Indeed, foremost in European societies with developed welfare systems they aregoverned by concepts of risk and individualisation (Giddens, 1991). Alan Walkerand Gerhard Naegele (1999) convey the critical message that there is a pressingneed for governments and other agencies to respond to changing circumstances ofan aging European population. European political processes have becomepreoccupied with the fiscal support of the delivery of social services to an agingpopulation as this demographic shift alters the balance between those in work andpaying taxes, and those in retirement receiving benefits and consuming health care and social services.

Throughout the 1980s and 1990s European governments uniformly soughtto introduce market dynamics into the delivery of services by creatingquasi-markets that rely on internal commissioning and purchasing byproviders. In the United Kingdom for example, legislation required that localauthorities embark upon a phased program, directed by central government,of compulsory competitive tendering, with the strategy of decreasing the roleof local authorities and stimulating greater provision of services by the privatesector. This program, like its cousins elsewhere on the continent such as Franceand Germany, rested on the belief that a competitive market and a mixed economyof welfare inevitably provides services that are better and cheaper than thoseavailable through the public sector, the reasoning being that a protected publicbureaucracy is capable only of furnishing services that are limited, inflexible,and indeterminate and many users are unable to obtain the services theyrequire. For example, European governments assume that they can put inplace a mixed economy of welfare to meet the needs of their populations andto facilitate consumer choice among the various services. However, theintroduction of "choice" may in fact reduce the number of options availablebecause a reduction in public sector provisions may not be matched by thedevelopment of a diverse range of service options in the voluntary and privatesector (Phillipson & Powell, 2004).

Planning is necessary, particularly in light of the demographic changes. Thestatistical reality that Europe's population must inevitably age because thefertility boom in the late 1950s and early 1960s and the increasing expected average lifespan will greatly increase the number of older persons across theEuropean Union from 2020 forward. The spectre of an aging populationnecessitates the dismantling of the welfare state and the introduction of a greaterdegree of reliance on personal financial provision and privately provided carearrangements. These proposals are linked to ideological shifts during the latter partof the 20th century, and the concomitant reassessment of the social contractbetween the state and its population. As a result, "cradle-to-grave" principles ofpost-war social planning have been replaced by policies which encourage thosewith resources to make provision for themselves, with the less well off dependingon minimal state support. This exclusion has serious implications for the workingsof EU states, for over time the issues raised will test the stability and security ofhealth and political structures in all European countries.

In order to preserve the basic tenets of intergenerational solidarity and todevelop a more inclusive society, it will be necessary to find ways in which theviews of older people can be appropriately represented (Phillipson & Powell2004). Older citizens must have a greater "voice" in the decision-making processof welfare services provision. The point made by Walker and Naegelhe (1999)is a bold one that a new political economy of aging is needed to engender socialpolicy that rests on a broader view of what older persons need and the mannerin which they can contribute to and make a different society, rather than the currentpolicies that focus alone on pension arrangements and the provision of socialwelfare. New policies are needed to meet the requirements of the risk society.The politics of old age is not just about learning to live with an older populationand how to arrange the provision of services, but is more about rethinking thenature of modern society itself.

More specifically, in contemporary European society, risk is a broad concept that extends over a broad range of social practices that impinge on the experiences of older people. Current debates about older people and relationship to sexuality, crime, national security, food safety, employment and welfare are all underscored by risk (Phillipson, 1998). Awareness of the transnational nature of risk has led the United Nations to form its own Commission on Human Security. A recent report by the UN Commission suggests ways in which the security of older people, for example, might be advanced—from humanitarian strategies through to economic, health and educational strategies (Powell, 2006).

The Populational Structure of Europe

The population structure of Western European countries has changed since the turn of the 20th century. Whereas in 1901, just over 6% of the population were at or over current pension age (65 in the UK for men and women), this figure rose steadily to reach 18% in 2001 (Powell, 2011). At the same time, the population of younger people under age 16 fell from 35% to 20%. As European countries reach a relatively high level of population aging, the proportion of workers tends to decline. European countries, including France , Germany , Greece , Italy , Russia , and the Ukraine , already have seen an absolute decline in the size of their workforce. And in countries where tax increases are needed to pay for transfers to growing older populations, the tax burden may discourage future workforce participation. The impact on a Nation States gross domestic product will depend on increases in labor productivity and that State's ability to substitute capital for labor. Less developed countries can shift their economies from labor-intensive to capital-intensive sectors as population aging advances. Options for more European nation states may be more constrained. The 'rolling back' of pensions promises is just one symptom of a shift in European history: the 'graying of the baby-boom generation' (Phillipson 1998). The percentage of 60-year-olds and older are growing 1.9% a year. This is 60% faster than the overall global population. In 1950 there were 12 people aged 15 to 64 to support each one of retirement age. Currently, the global average is nine. It will be only four-to-one by 2050 (Powell, 2005). By then numbers of older people will outnumber children for the first time. Some economists fear this will lead to bankrupt pensions and lower living standards. It is interesting that in Germany this fear is becoming a battleground for political electioneering. For example, Germany has the highest population in Europe and the third oldest population in the world, which presents both critical questions on public finances to provide pensions and healthcare and an opportunity for innovations in the marketplace. Currently, aging has started to figure prominently in political discussions amongst political parties as they vie for the elderly vote. The current Merkel administration (2007-) has been criticized for increasing pensions while opponents talk about a "war of generations" requiring young people to pay for taxation for elder care (Powell 2011).

The trend has drawn further attention across Europe, where the working-age population will decline by 0.6% this in 2010. By 2025 the number of people aged 15 to 64 is projected to dwindle by 10.4% in Spain, 10.7% in Germany and 14.8% in Italy. But aging is just as dramatic in such emerging markets as China - which is expected to have 265 million 65-year-olds by 2020 - and Russia and Ukraine (Cook and Powell, 2007).

Using evidence from the UK, the percentage of people of working age, that is 16-64, will drop from 64% in 1994 to 58% in 2031 (Powell, 2005). As the number of workers per pensioner decreases there will be pressure on pension provision. This is evident now, in such areas of pensions and long term care, the retreat of the state made evident in the erosion of State Earnings Related Pay are forcing people to devise their own strategies for economic survival in old age (Phillipson 1998). Private pensions are slowly being introduced in order to prevent the 'burden' of an aging population. These are ways in which the State continues to rely on apocalyptic projections such as 'demographic time bomb' about aging populations in order to justify cuts in public expenditure (Powell 2005). Hence, the population of the UK, like that of other European countries, is ageing rapidly. There are only enough young people to fill one in three of the new and replacement jobs that will need to be taken up over the next decade. Older people take much of the responsibility for our social and civic life and for the care of children, the sick and the very old in the community. Yet the gap between wealth and poverty, choice and the absence of choice for older people is stark and growing wider

(Phillipson 1998). The UK government is at the time of writing seeking to promote a debate over what they envisage as a multi-billion pound deficit that will be found in care for the elderly in future.

The Social and Economic Challenges of Global Aging

Population aging strains social insurance and pension systems and challenges existing models of social support. It affects economic growth, trade, migration, disease patterns and prevalence, and fundamental assumptions about growing older. Older people's living arrangements reflect their need for family, community, or institutional support. Living arrangements also indicate sociocultural preferences—for example, some choose to live in nuclear households while others prefer extended families (Estes, Biggs and Phillipson, 2003). The number, and often the percentage, of older people living alone is rising in most countries. In some European countries, more than 40% of women age 65 and older live alone (Walker and Naeghele 2000). Even in societies with strong traditions of older parents living with children, such as in Japan, traditional living arrangements are becoming less common. In the past, living alone in older age often was equated with social isolation or family abandonment. However, research in many cultural settings illustrates that older people, even those living alone, prefer to be in their own homes and local communities (Gilleard and Higgs, 2001). This preference is reinforced by greater longevity, expanded social benefits, increased home ownership, elder-friendly housing, and an emphasis in many nations on community care.

Global aging will have dramatic effects on local, regional, and global economies. Most significantly, financial expenditures, labor supply, and total savings will be affected. Changes in the age structures of societies also affect total levels of labor force participation in society, because the likelihood that an individual will be in the labor force varies systematically by age. Concurrently, global population aging is projected to lead to lower proportions of the population in the labor force in highly industrialized nations, threatening both productivity and the ability to support an aging population (Krug, 2002).

Coupled with rapid growth in the young adult population in Third World countries, the World Bank (1994) foresee growing 'threats' to international stability pitting different demographic-economic regions against one another. The United Nations (2002) views the relationship between aging populations and labor force participation with panic, recognizing important policy challenges, including the need to reverse recent trends toward decreasing labor force participation of workers in late middle and old age despite mandatory retirement in Western countries such as the UK (Powell, 2005). Social welfare provisions and private-sector pension policies influencing retirement income have a major impact on retirement timing. Hence, a major concern for organizations such as United Nations and World Bank centers on the number of such 'dependent' older people in all developing societies.

Some have argued that the rise of globalisation exerts unequal and highly stratified effects on the lives of older people (Estes and Associates 2001). In the developed world, the magnitude and absolute size of expenditure on programmes for older people has made these the first to be targeted with financial cuts. In Third World countries, older people (women especially) have been amongst those most affected by the privatization of health care, and the burden of debt repayments to the World Bank and the IMF (Estes and Associates 2001). Additionally, globalization as a process that stimulates population movement and migration may also produce changes that disrupt the lives of older people. And one must not forget either that they may comprise up to one-third of refugees in conflict and emergency situations - a figure which was estimated at over 53 million older people worldwide in 2000 (Estes and Associates 2001).

Nation states with extensive social programs targeted to the older population — principally health care and income support programs — find the costs of these programs escalating as the number of eligible recipients grows and the duration of eligibility lengthens due to global pressures (Bengston and Lowenstein 2003). Further, few countries have fully funded programs; most countries fund these programs on a pay-as-you-go basis or finance them using general revenue streams. Governments may be limited in how much they can reshape social insurance programs by raising the age of eligibility, increasing contribution rates, and reducing benefits. Consequently, shortfalls may need to be financed using general revenues.

Different countries age groups have different levels of pace of growth. It is possible for the elements of production—labor and capital—to flow across national boundaries and mitigate the impact of population ageing. Studies predict that, in the near term, surplus capital will flow from Europe and North America to emerging markets in Asia and Latin America , where the population is younger and supplies of capital relatively low. In another 20 years, when the baby boom generation in the West has mostly retired, capital likely will flow in the opposite direction (May and Powell, 2007). Traditionally, labor is viewed as less mobile than capital, although migration could offset partially the effects of population aging. Currently, 22 percent of physicians and 12 percent of nurses in the United States are foreign born, representing primarily African countries, the Caribbean, and Southeast Asia (OECD 2007). The foreign-born workforce also is growing in most OECD countries. Over the next 10 years, the European experience will be particularly instructive in terms of the interplay of aging and migration (OECD 2007). Some pressure groups are now suggesting, for instance, that a rich city like London, that benefits from Ghanaian nurses in the National Health Service, has an ethical obligation to Ghana itself, to provide funds to support that country's health training system because the donot country is losing key personnel.

The life-cycle theory of consumption is that households accumulate wealth during working years to maintain consumption in retirement (Gilleard and Higgs 2001). The total of a country's individual life-cycle savings profiles determines whether households in that country are net savers or nonsavers at any point in time. A country with a high proportion of workers will tend to be dominated by savers, placing downward pressure on the rate of return to capital in that economy. Nation states with older populations will be tapping their savings and driving rates of return higher because of the scarcity of capital (Gilleard and Higgs 2001).

Retirement resources typically include public and private pensions, financial assets, and property. The relative importance of these resources varies across countries. For example, a groundbreaking study revealed that only 3% of Spanish households with at least one member age 50 or older own stocks (shares), compared to 38 percent of Swedish households (Walker and Naeghele 2000). The largest component of household wealth in many countries is housing value. This value could fall if large numbers of older homeowners try to sell houses to smaller numbers of younger buyers. How successfully this transition is managed around the world could determine the rise and fall of nations and reshape the global economy in the era of the post-credit crunch. Two key vehicles of growth are increases in the labor force and productivity. If nation states cannot maintain the size of their labor forces by persuading older workers to retire later then the challenge will be to maintain growth levels. That will be a particular challenge in Europe, where productivity growth has averaged just 1.3% since 1995. By 2024, growth in household financial wealth in the U.S., Europe, and Japan will slow from a combined 4.5% annual reduction now to 1.3%. That will translate into $31 trillion less wealth than if the average age were to remain the same (Cook and Powell, 2007).

Most of Europe's state-funded pension systems encourage early retirement. Now, 85.5% of adults in France retire from employment by age 60, and only 1.3% engage in employment beyond aged 65. In Italy, 62% of adults retire from full-time work by the age of 55. That compares with 47% of people who earn wages or salaries until they are 65 in the U.S. and 55% in Japan (Estes and Associates 2001).

Why the sudden attention to a demographic trend of global aging? In part, it is because the future is already dawning that global trends impact on state power. In South Korea and Japan, which have strong cultural aversions to immigration, small factories, construction companies, and health clinics are relying more on 'temporary' workers from the Philippines, Bangladesh, and Vietnam (OECD 2007). In China, state industries are struggling over how to lay off unneeded middle-age workers when there is no social safety net to support them.

What really has pushed aging to the top of the global agenda, though, are increasing fiscal gaps in part, due to the "global credit crunch" in the U.S., Europe, Japan, and elsewhere that could worsen as populations reach retirement age. While U.S. Social Security is projected to remain solvent until at least 2042, the picture is more acute in Europe. Unlike the U.S., where most citizens also have private savings plans, in much of Europe up to 90% of workers rely almost entirely on public pensions (Walker and Naeghele 2000). Austria guarantees 93% of pay at retirement, for example, and Spain offers 94.7%. Pensions and elder-care costs will increase from 14% of capitalist nations' gross domestic product to 18% by 2050 (Walker and Naeghele 2000).

As people live longer and have fewer children, family structures are also transformed (Bengston and Lowenstein 2004). This has important implications in terms of providing care to older people. Most older people today have children, and many have grandchildren and siblings. However, in countries with very low birth rates, future generations will have few if any siblings. As a result of this trend and the global trend toward having fewer children, people will have less familial care and support as they age (Bengston and Lowenstein 2004). Unless there is a fundamental shift in the views of 'Fortress Europe', Japan and other countries towards immigrants, and an overcoming of entrenched racial or racist attitudes towards migrants, some parts of the globe will be 'elderly heavy' while others will be 'elderly light'. Were migrants made more welcome in richer societies then one could envisage a space of carer flows, with more interactions and movements in either direction to the 'heavy' or 'light' end. Or, for example, one could have elderly relocation in the same way as Japanese elderly are relocating into Thailand into new forms of 'transnational households', in order to seek cheaper care systems for their retirement (Toyota, 2006).

As a consequence of the global dynamics of aging, the changing societies of the post millennium are being confronted with quite profound issues relating to illness and health care, access to housing and economic resources including the retirement experience and pension provision. If demographic trends continue to escalate by 2050 the number of older people globally will exceed the number of young for the first time since formal records began raising questions of the power of the nation state in the context of global aging, and raising further global questions of distribution of power and scarcity of resources to an (global) aging population.

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