Università
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LONGEVITY RISKS, AND OPPORTUNITIES

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Connecting the World Bank and Ca' Foscari, Venice, May 6, 2025

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LONGEVITY AND AGEING: RISKS AND OPPORTUNITIES

Longevity is a good thing: people live longer!

However, it brings with it a process of **“ageing population”,** which poses important challenges and risks in several domains:

- **RISK for the LABOUR MARKET.**

Change in the skills required by jobs (occupations that become obsolete), age bias in the recruitment of new employees etc.

- **HEALTH RISKS**

Health services and Care provision: pressure on public finances

- **RISK OF LACK OF RESOURCES**

Public Income provision and private saving (dissaving)

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LONGEVITY AND AGEING: RISKS AND OPPORTUNITIES

One neglected aspect is the risk of:

- **UNEQUAL AGEING**

All of these require the attention of policy makers and insurance/financial institutions

- **Ageing is a process starting early in life.**

The way people age can vary a lot, depending on their health, economic resources, social networks etc. This interaction shapes the choices of senior citizens: for example, people retire from work for a variety of reasons like taste for leisure, poor health, low work quality, financial incentives, necessity to look after parents or grandchildren

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Ageing

- Ageing brings with it also opportunities: “the Silver Economy” or even better the **“Silver Ecology”**

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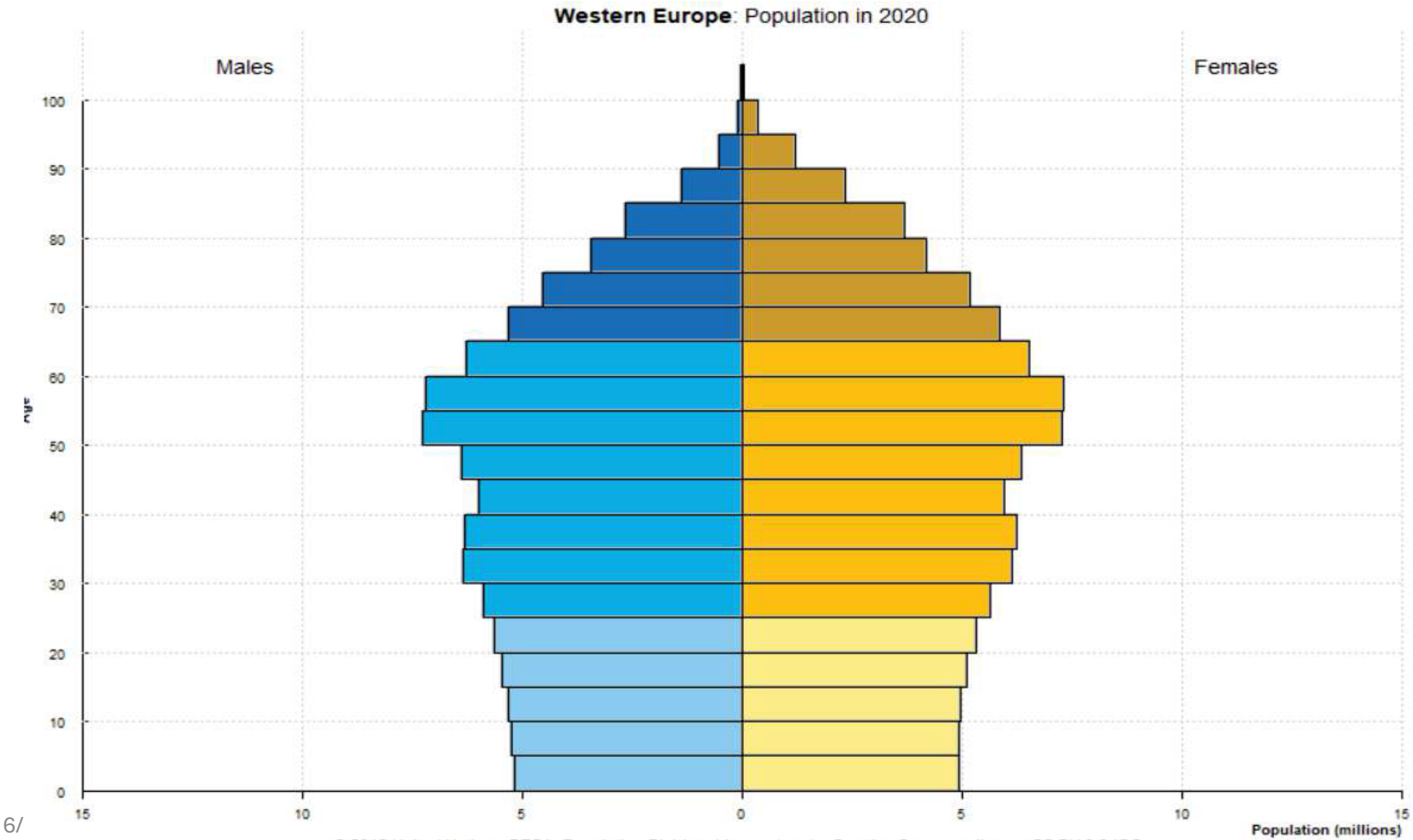
The Population Pyramid (Western Europe)



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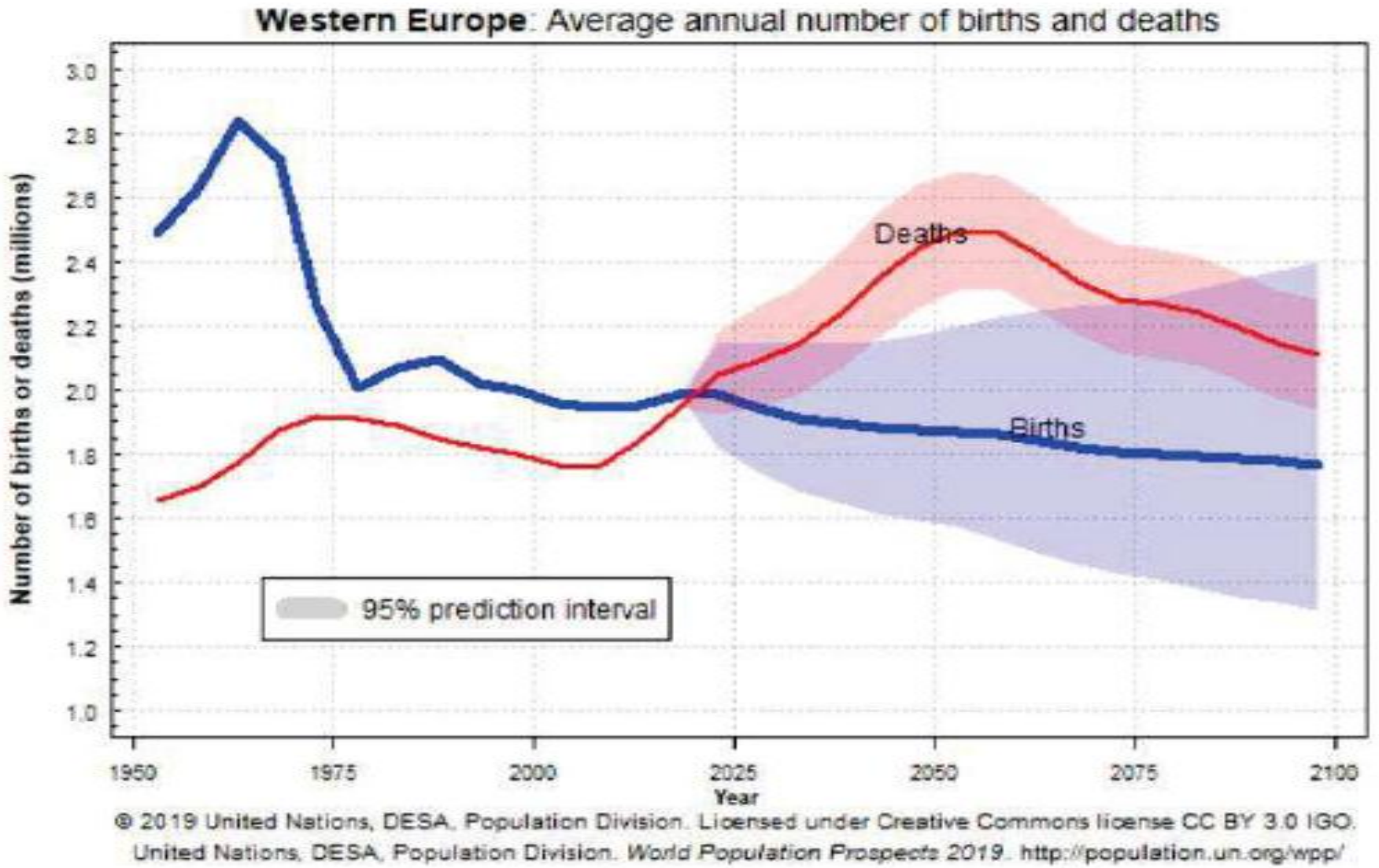
AGEING FROM ABOVE AND BELOW (Western



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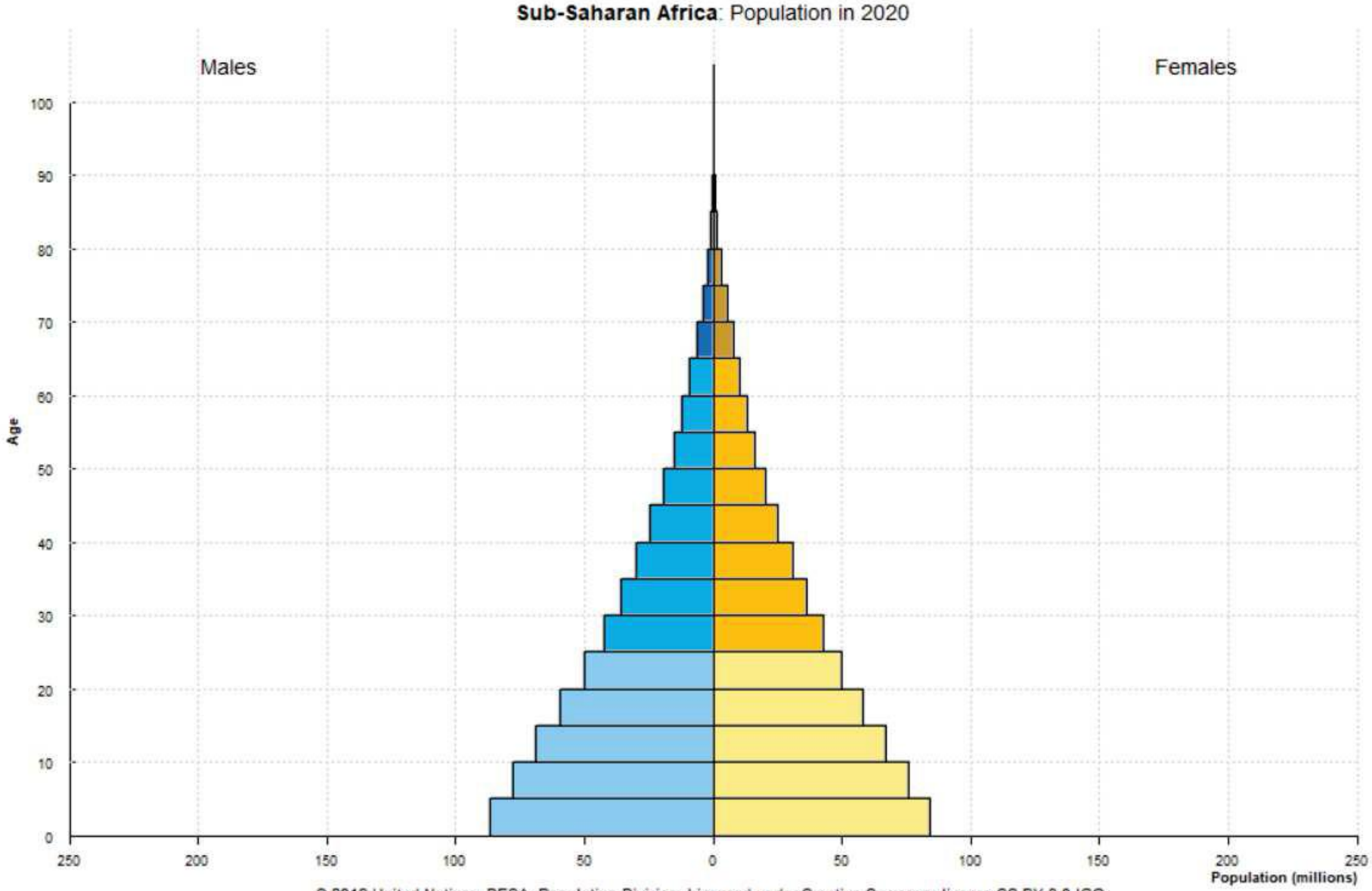
The Population Pyramid (AFRICA)



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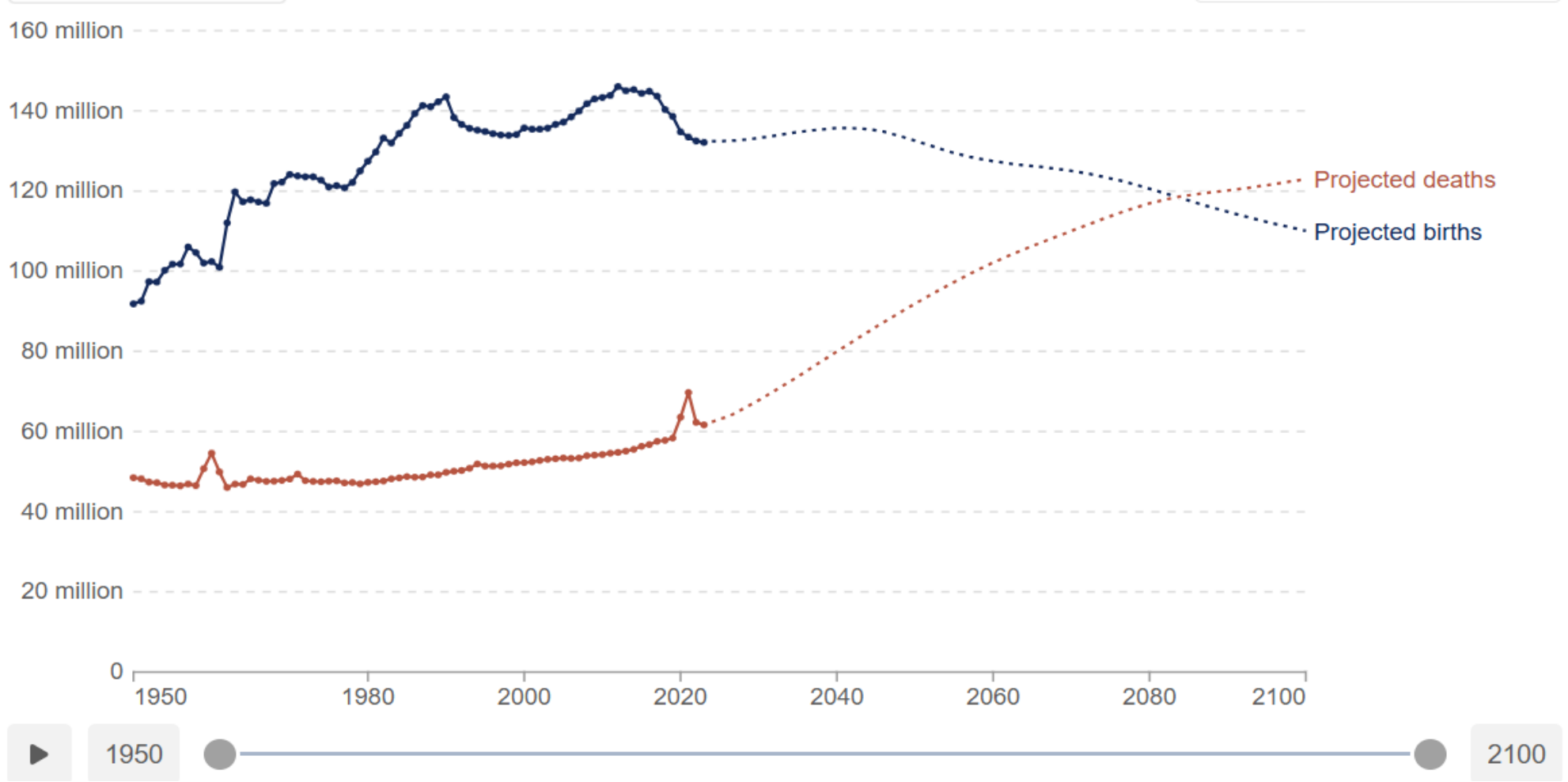
Fewer CHILDREN WORLDWIDE



Data source: UN, World Population Prospects (2024) – OurWorldinData.org/population-growth

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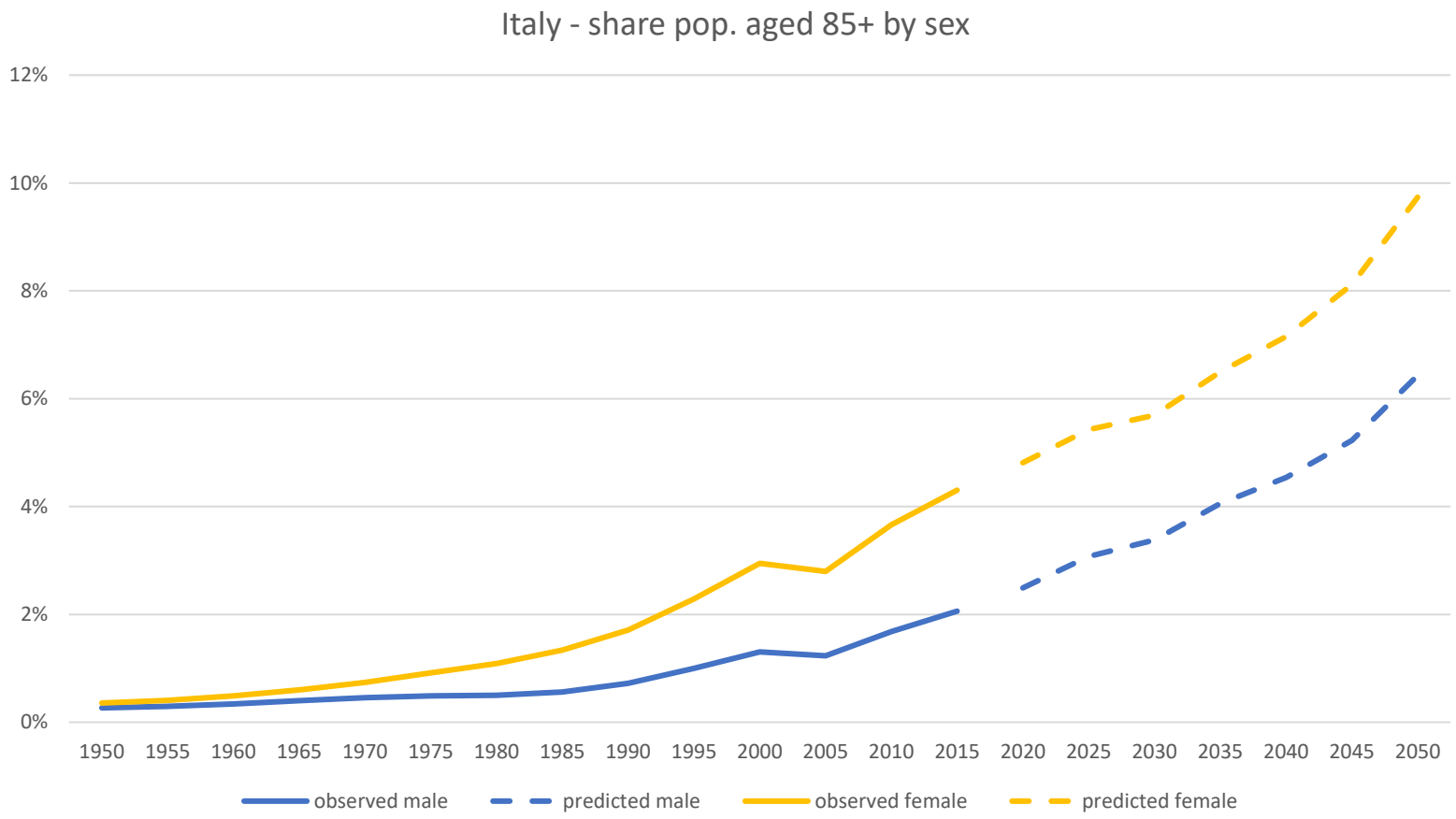
Demographic Facts and Trends



Source: UN World Population prospects

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Facing the challenges

Europe has a lot of variation across countries in policies, histories, cultures. Welfare state interventions and regulation of markets also vary a lot.

Understand the **interactions** between health, economic status, and social/family networks to guarantee wellbeing

Empirical research is crucial to understand the heterogeneity and the effect of policies

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DOMAIN 1: LABOUR MARKET
Work and retirement, THE RISK OF CHANGES IN HUMAN CAPITAL

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“work, retirement and labour market”

- **Risk for individuals**

Ageing implies different labour market outcomes: these may be the result of choices (say retirement), some others may be due to Nature or the economy (say a health shock or an unemployment spell)

- **Risks for firms**

An ageing work-force requires thinking about a different organization within the firm and in society. Does productivity decline with age?

Can we train older workers?

- **Risk for the Economy:** What happens to an ageing workforce with the **digital transition and the green transition?**

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“work, retirement and labour market”

- A simple description at the individual level and over the life cycle is the Active Ageing Index **AAI** (WHO, 2000; OECD 2018)
- I present a novel approach based on microdata (data at the individual level) for Europe (the SHARE Data)
- The index is based on different dimensions of life: mostly working position and “socio-economic independence”, but also health and social conditions
- The higher the index the better the position
- Lower levels of activity (lower AAI) may correlate with lower resources and dependence in old age (**unequal ageing**). Differences in the labour market seem to persist also in pensions.

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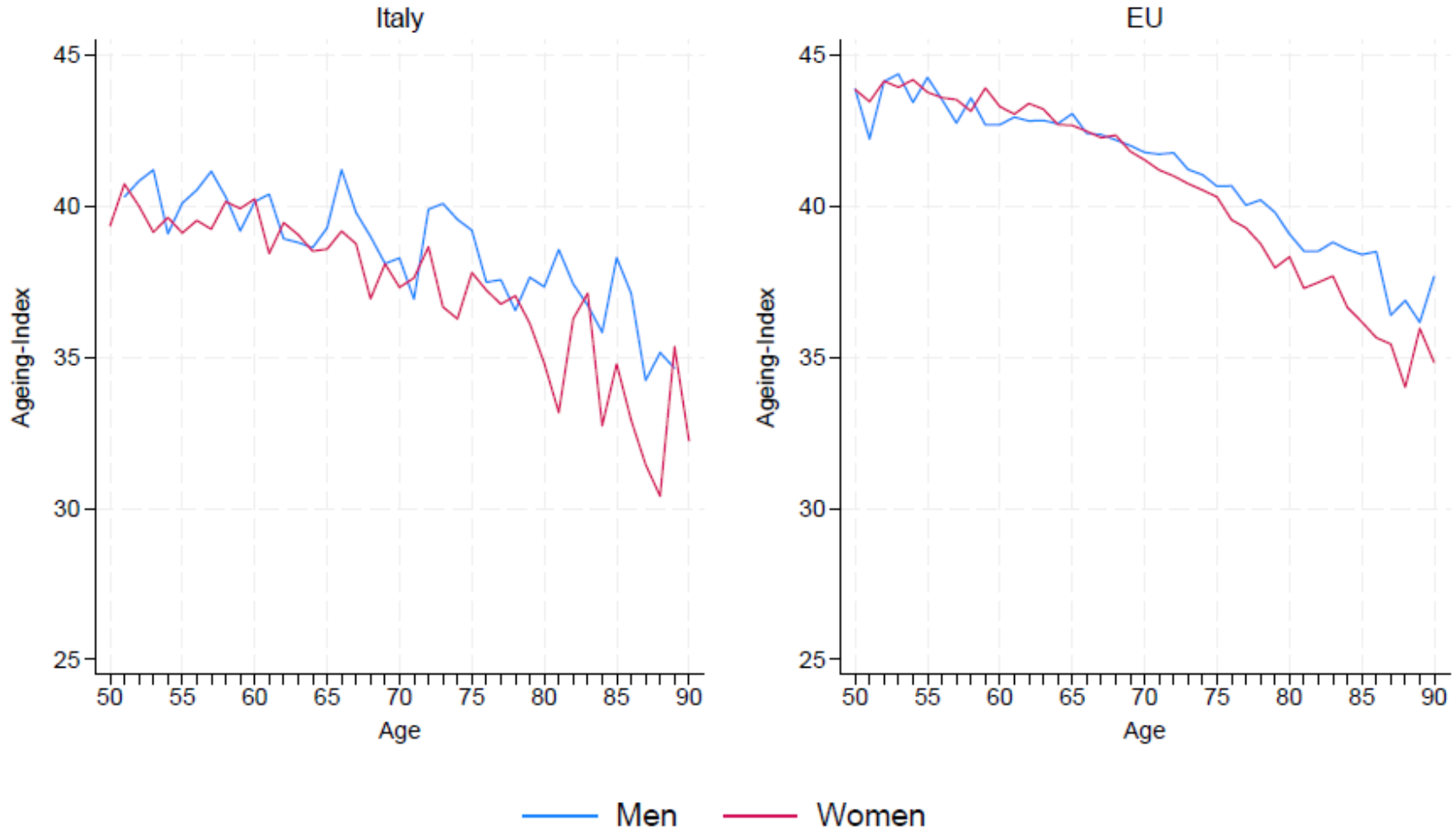
The Active Ageing Index (multidimensional)



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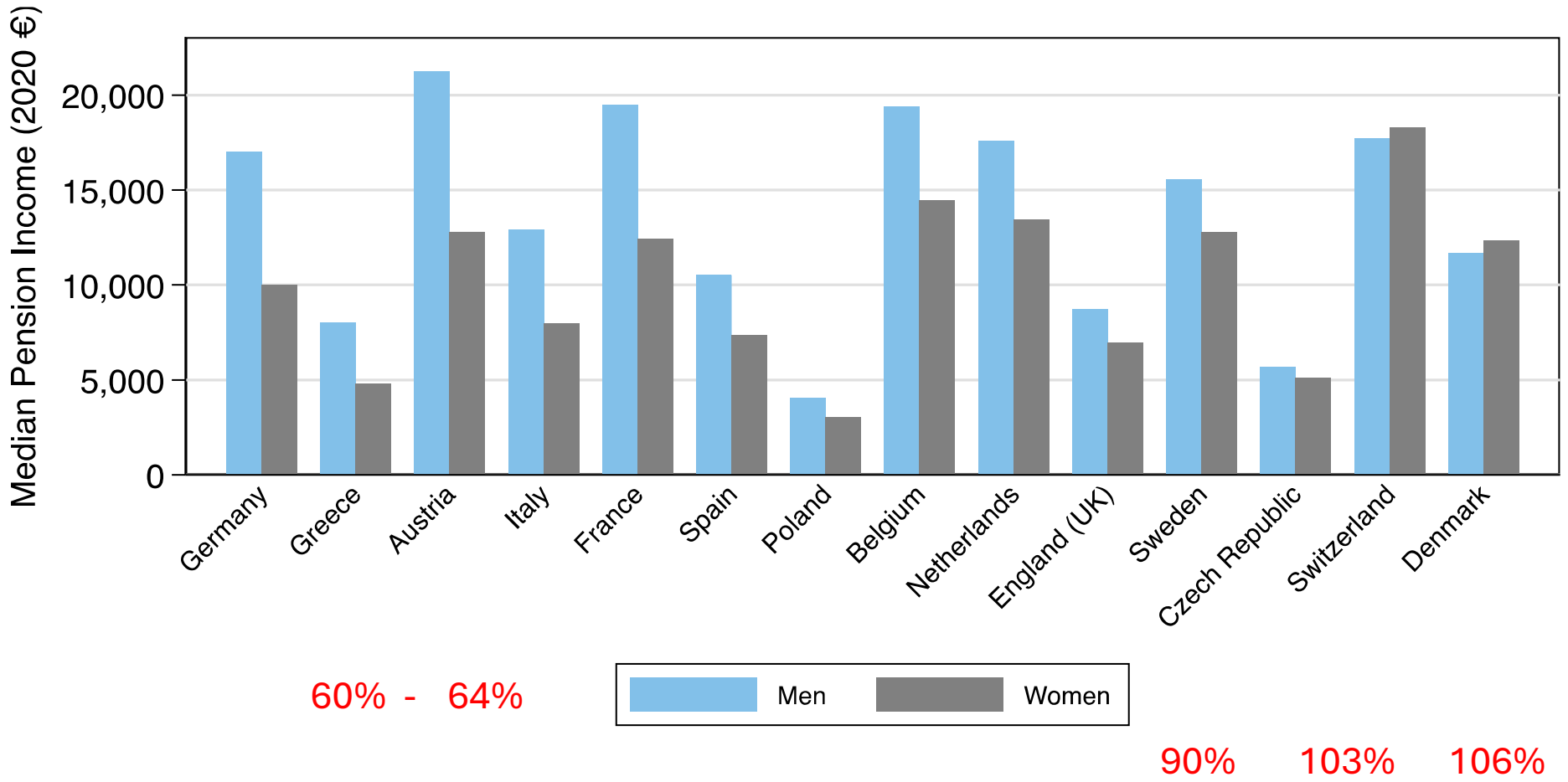
In most countries, women's public pension benefits are lower than men's



Among married European men and women, the disparity is as high as 35%.

This is even after having seen important redistribution of pensions operating in some countries

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The role of the job characteristics

Questions:

(i) Who is suffering from the **digital divide** in old age?

(ii) What is the Role of Remote Working ?

Remote Working could be the key to increasing labor supply of older workers (soft landing)with a flexible working schedule

Need for training investments

We classify each job, based on ISCO08 3-digit (a standard classification of jobs), according to Remote working feasibility

Source: Brugiavini A. R.E. Buia, I. Simonetti, 2021, *"Occupation and Working Outcomes during the Coronaviris Pandemic"*, European Journal of Ageing

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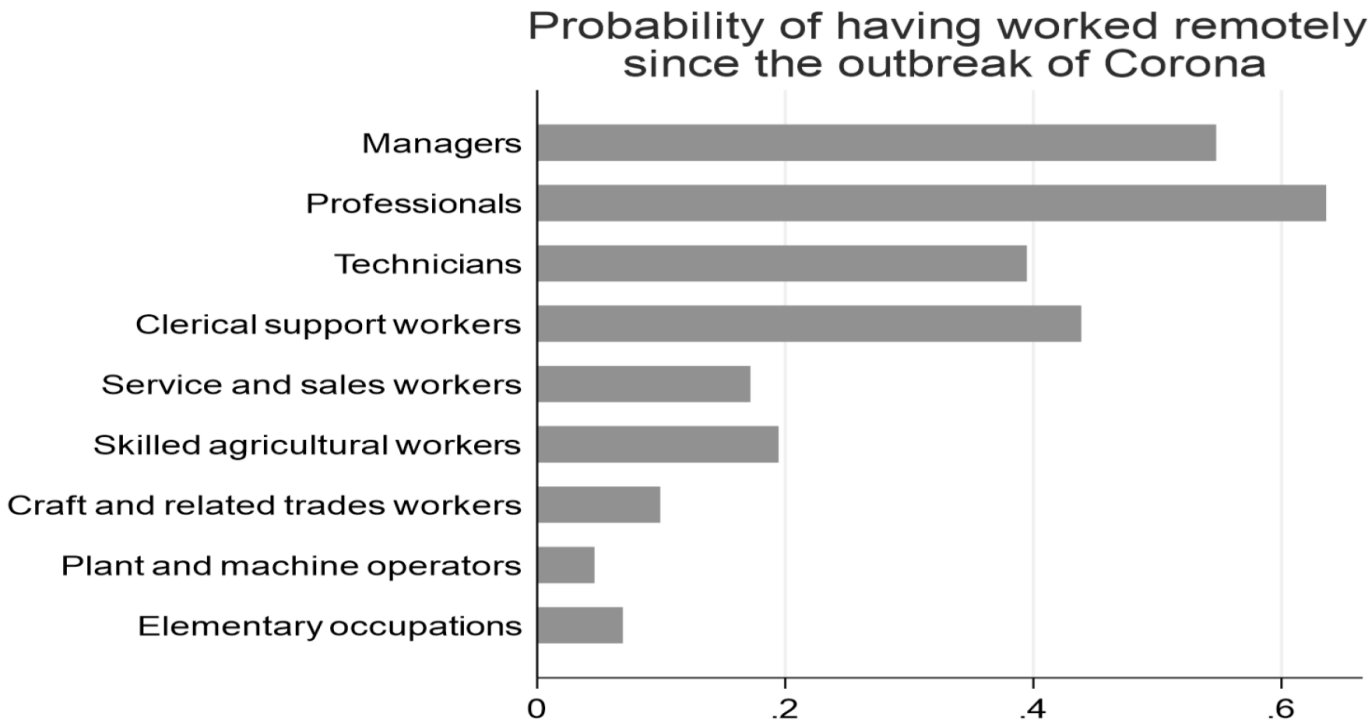
ALLOCATING JOBS TO «HIGH DIGITAL RISK»

Figure 2 – Index of remote digitalization by occupation (ISCO-08)



Source: Cavapozzi et al. 2004, authors' elaborations on the SHARE sample

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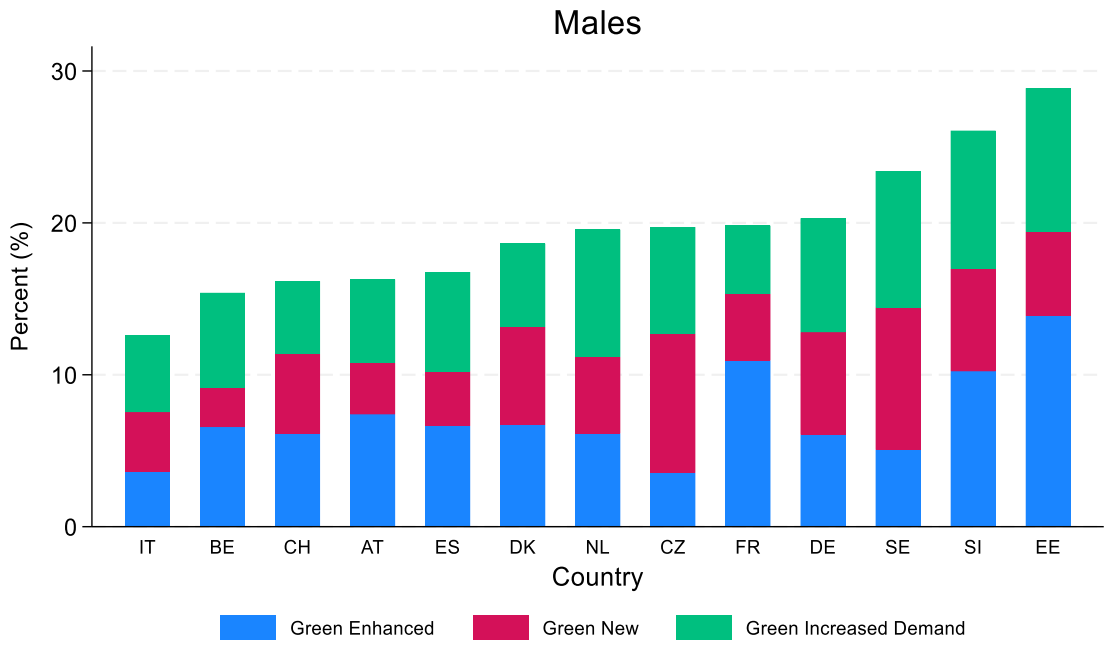
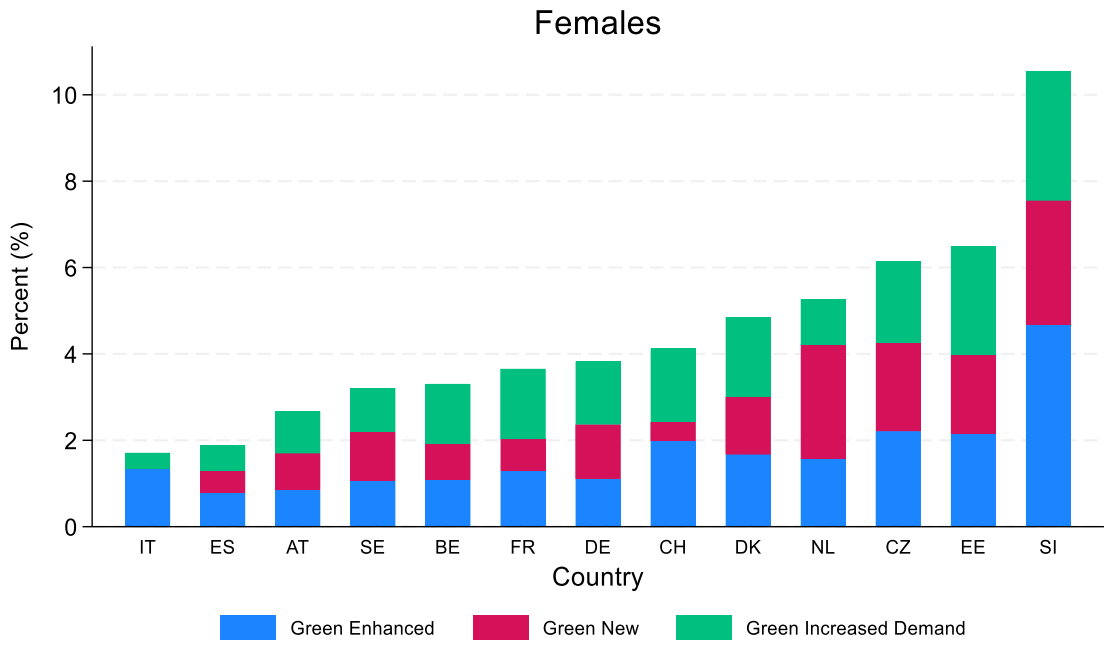
Green Jobs for Older Workers

Percentage of workers aged 50-70 employed in green jobs, by type of green job





Three levels of green jobs

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The role of PUBLIC/PRIVATE INTERVENTIONS

Some labour market late-life risks are related to the labour-market history.

- **Risks have to be mitigated during transitions: early interventions – preventive actions**

A changing landscape is affecting more labour market differences for older workers, enhancing unequal ageing.

- **Remote Working is the key** to increasing labor supply of older workers (soft landing)with a flexible working schedule), but needs investments by workers, firms, institutions

There is a shift towards “green jobs”

- **Age management and training** could retain workers, but needs investments:

- **Employers play an important role**

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DOMAIN 2: HEALTH, THE RISK OF LONG TERM CARE

The number of individuals that need social and health care will increase (even in the case in which “morbidity” will not).

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THE CONCEPT of frailty and PRE-FRAILTY

Frailty: “clinical syndrome characterized by multiple characteristics including weight loss, and/or fatigue, weakness, low activity, slow motor performance, balance and gait abnormalities” (Fried et al., 2004).

Frailty usually is the cause for the inability to take care of themselves

- Difficulties in performing the activities of daily living (ADL)

Consequences for the individual, the family and society

Decreased quality of life

Higher mortality

Higher morbidity (incidence of illnesses/diseases)

Higher rates of hospitalization or recovering in institutions for medical rehabilitation

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Limitations in activities of daily living in the SHARE data

SHARE
Dressing, including putting on shoes and socks
Walking across a room
Bathing or showering
Eating, such as cutting up your food
Getting in or out of bed
Using the toilet, including getting up or down

- Frail: ADL number ≥3; Prefrail: ADL number ≥ 1 and <3

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Prevalence of frail people, pre-frails and non-frails by gender

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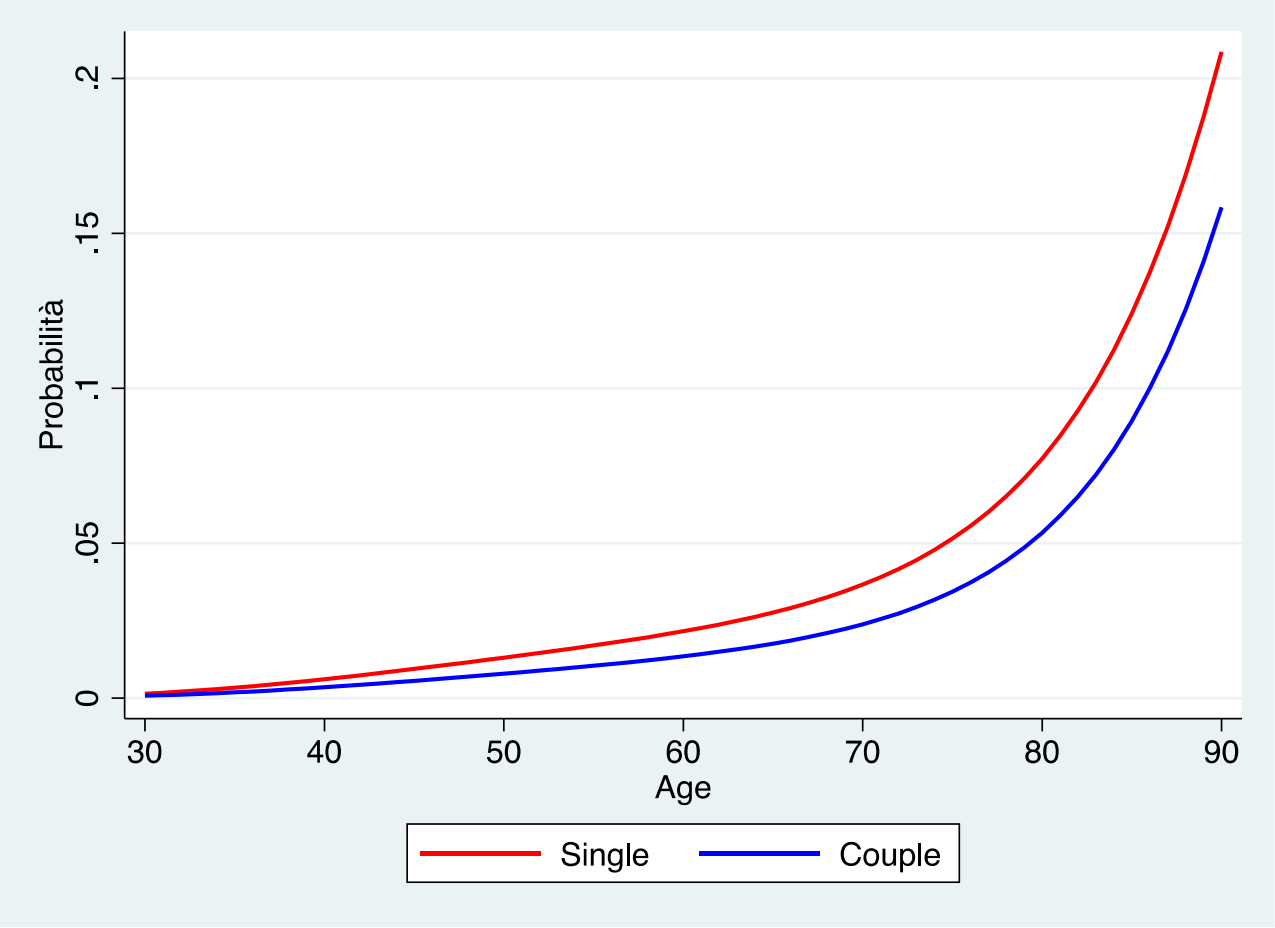
UNEQUAL AGEING: single vs. couple

Probability of becoming frail for singles is much higher



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CONSEQUENCES: COSTS FOR FAMILY AND SOCIETY

- People who need Long Term Care make use of services provided by professionals (formal care) and/or family (informal care).
- In Europe the use of informal care is widespread
- Women and younger-old people are more likely to provide help/care, so that the **typical caregiver is a woman – quite often aged 50 to 65.**
- This is true even if the woman is working

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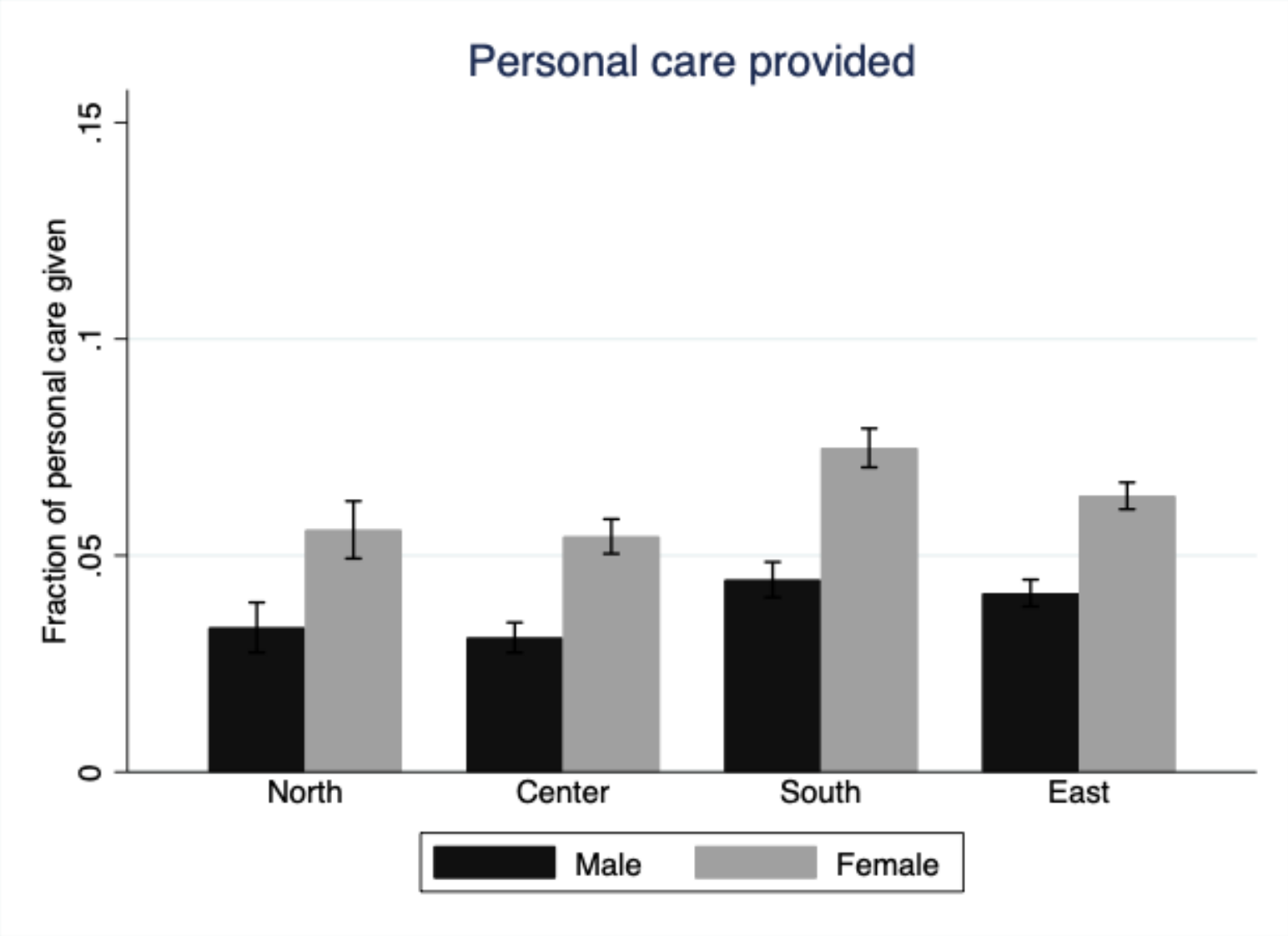
PREVALENCE OF RESPONDENTS PROVIDING INFORMAL CARE IN EUROPE



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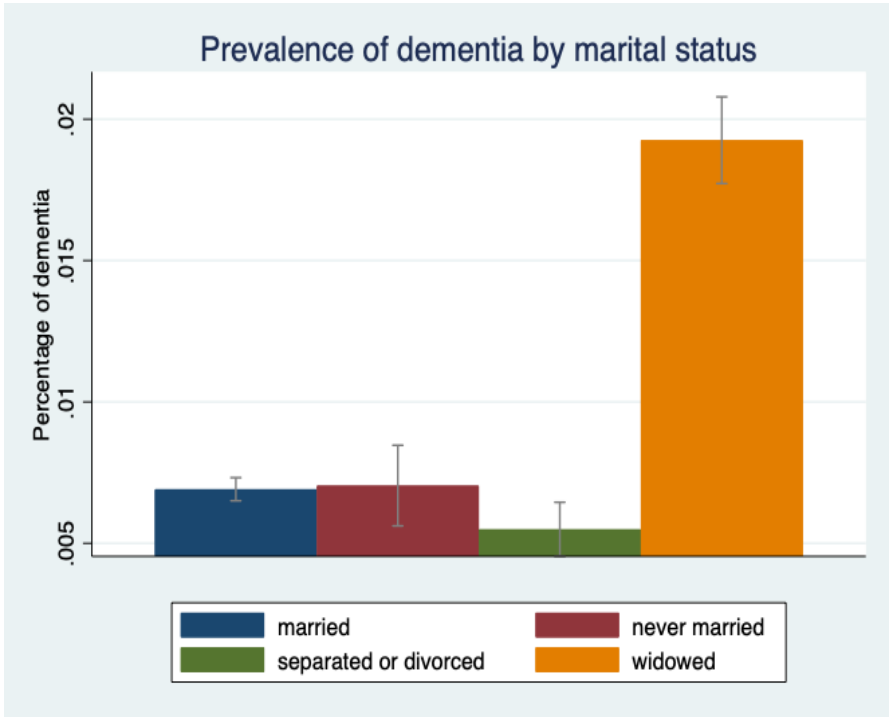
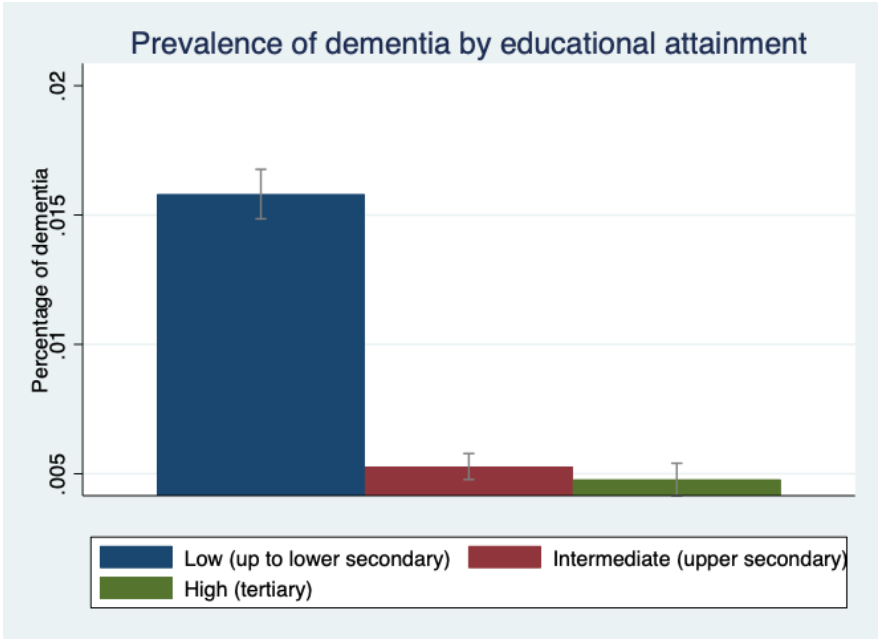
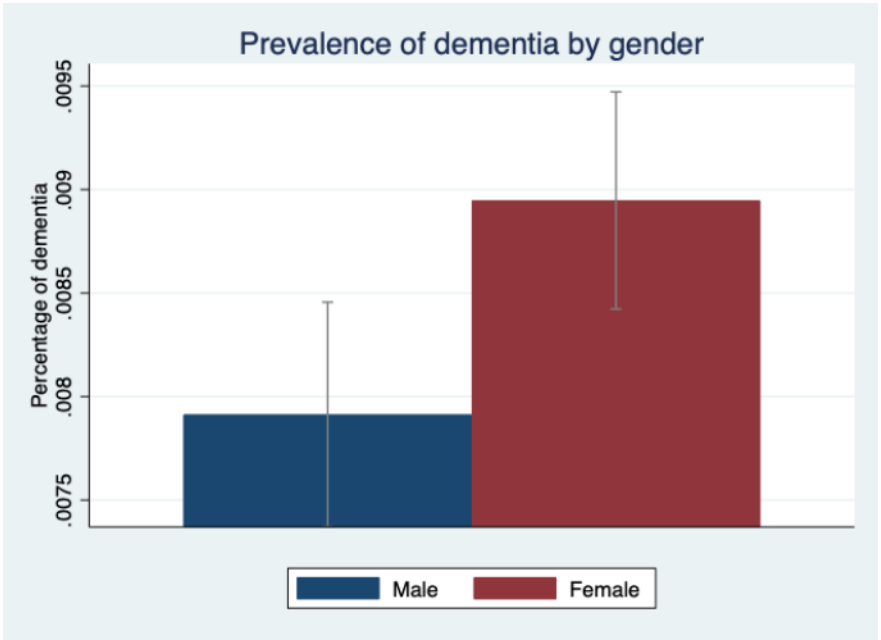
CONSEQUENCES: COSTS FOR FAMILY AND SOCIETY

- The next big risk is **COGNITIVE DECLINE!**







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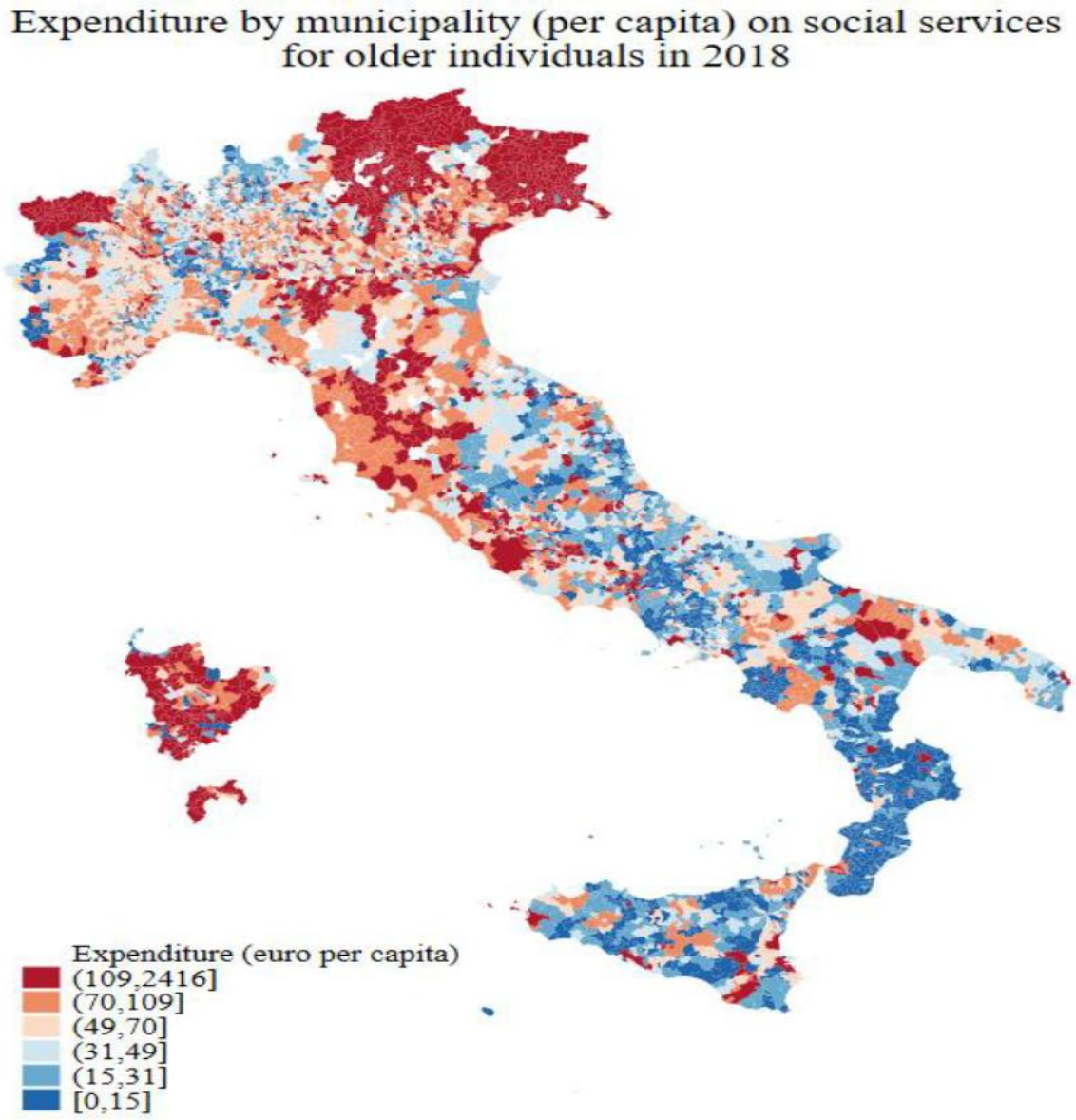
The geographical variation in old-age spending in Italy

High fragmentation (also in other countries).

The need for a public/private mix



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Some Final Points

- Working patterns are related to age not only because of pension policies but also due skills and working arrangements
- Health is an important driver of old age outcomes and **RISKS**
- The life of older people is strongly related and strongly affects the life of others (partner, children etc..)
- Stress on public finances
- **The public/private mix of insurance. Filling the gaps**

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