

**The Aging Readiness &
Competitiveness Report
2017**

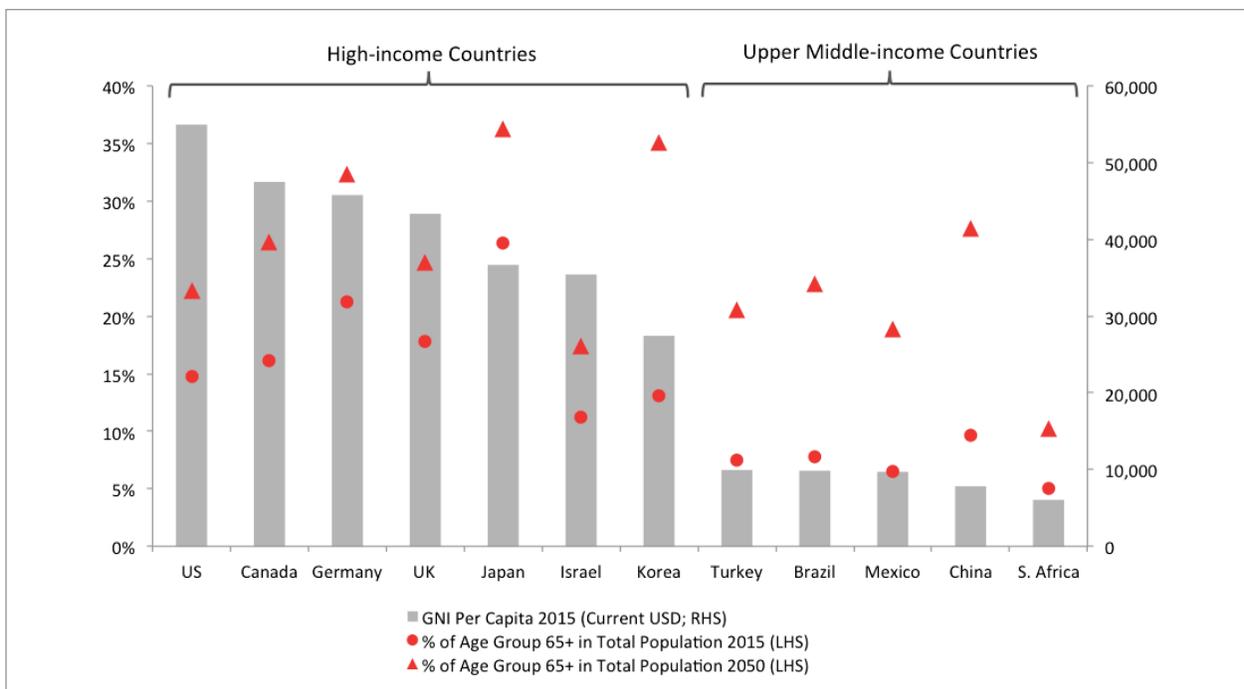
**EXECUTIVE
SUMMARY**

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The world is aging at an unprecedented pace. In the coming decades, large and small, industrialized and developing countries alike, with few exceptions, will experience a rapid growth in the proportion of their populations age 65 or older, driven by longer lifespans and declining birthrates. With this looming demographic transformation, a healthier, more productive, and more engaged older population is essential to building a prosperous and sustainable future. As such, a rethinking of the role of older adults in our communities and economies is imperative.

AARP and FP Analytics have partnered to conduct an in-depth study of aging policy in 12 countries to produce the Aging Readiness and Competitiveness (ARC) Report. The ARC Report examines the pressures and opportunities each country faces, as well as their policy responses in four pillars: Community Social Infrastructure, Productive Opportunity, Technological Engagement, and Healthcare and Wellness. A particular eye is given to policy innovations aimed at engaging a healthier, more independent older population and unleashing the productive and economic potential resident among them.

Figure 1. National Income Level and Percentage of Older Population



(Sources: UN Population Division, World Bank, and OECD. GNI per capita is based on World Bank's Atlas Method.)

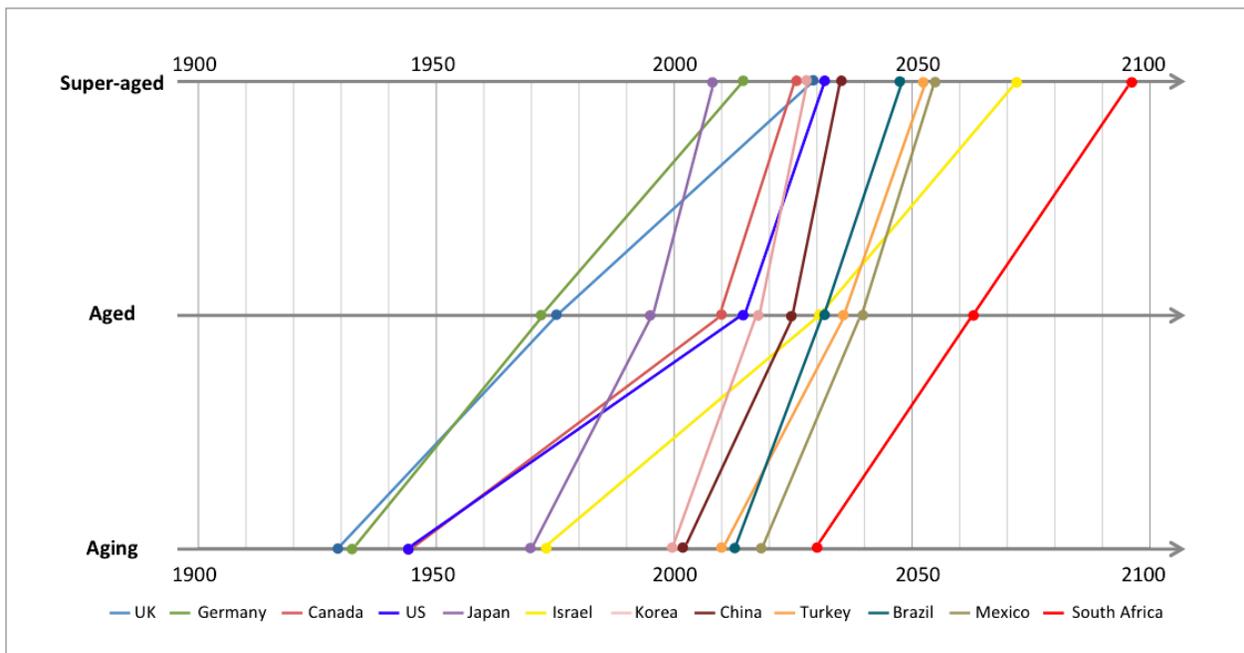
The 12 countries selected for this debut report – Canada, Germany, Israel, Japan, Korea, the United Kingdom, the United States, Brazil, China, Mexico, Turkey, and South Africa – are the largest economies by region, with the exception of Africa, where the largest upper middle-income economy was chosen. Together, they represent 61 percent of the global economy and nearly half of people aged 65 or older, and include a diversity of economic, social, and cultural contexts.

While the industrialized, aged societies have been at center stage in today’s discussion on aging, a massive demographic shift is beginning in middle-income countries. These countries are aging at a much faster pace, and

concurrent with urbanization and changing family structures. It took the U.S. 70 years to transition from “aging” to “aged,” 45 years for the UK, 40 years for Germany, and 25 years for Japan. Brazil and China are projected to complete the transition in about 20 years and then join the “super-aged” society just 10 to 15 years later. (See Figure 2.) Even Mexico, which will not become an “aging” society until 2018, will see its older population more than triple through 2050.¹ While this rapid demographic shift creates new challenges, these developing countries are also positioned to reap the benefits of incorporating aging into their development efforts, from physical infrastructure to economic policy.

¹ UN Population Prospects 2015.

Figure 2. Speed of Demographic Transition



(Sources: UN Population Division, U.S. Census Bureau)²

² Kinsella, Kevin and Wan He. U.S. Census Bureau, International Population Reports, P95/09-1, An Aging World: 2008, U.S. Government Printing Office, Washington, D.C., 2009.

From industrialized countries that are facing a wave of retirement of post-World War II baby boomers to developing countries that have experienced dramatic declines in birthrates, a shift of mindset is necessary for a society to prosper in the aging era – recognizing the value and potential contribution of an aging population to address broader societal objectives. Whether it is through volunteerism, education, or even providing low-cost housing for students, some of the most exciting programs from around the world are rooted in the unique assets of older adults and create virtuous circles – fostering social engagement, healthier lives, and economic returns. And while national government policy is indispensable, some of the most innovative projects are emerging from local stakeholders: municipalities, schools, and community organizations.

Across countries, it is also clear that technology has the potential to be a powerful force multiplier for all aspects of older adults' lives: assisting their

independent living, advancing economic participation, as well as increasing access to healthcare and improving the quality of care services. However, while older adults are among those who could benefit the most from technological advancements, they have lagged behind on the adoption of technology. Promoting digital literacy is a relatively low-cost, high-impact policy intervention, and best practices are emerging for the expansion of digital literacy and the promotion of new products and services to tap into this promising market.

In addition to the digital divide, the gender divide is a persistent and poorly understood aspect of aging. Today, women live longer and are more likely to reside alone and live in poverty. They play a primary role in caregiving, partly contributing to their lower economic participation than men. Few countries have developed any meaningful policies to address gender in aging, but doing so offers a lever to meet other aging-related objectives.



Pillar I: Community Social Infrastructure

Perhaps the most consistent feature of older adults around the world is their strong preference for aging at home. In fact, independent living is on the rise, particularly in developing countries where families are shifting away from multi-generational structures. Our first pillar looks at how countries and communities are ensuring that seniors are able to remain not only independent, but also active and contributing members of their community. For each country, we examined efforts to prevent social isolation, to promote social engagement, and to improve accessibility and mobility.

- **Preventing social isolation** can be addressed effectively at both the local and national levels – mobilizing stakeholders in the community, including residents and front-line service providers, as well as leveraging existing resources and infrastructure. Japan, which is at the forefront of this issue, is using its national postal office network to offer routine check-ins for older adults at a minimal cost to families.
- **Promoting social engagement** goes well beyond community centers and classes. Innovative programs are emerging around the world, focused on older community members as a resource to address broader societal challenges. In China, retirees have contributed an estimated USD 1.2 billion through their Silver Action Initiative, and in Israel, the Here We Live program offers students a scholarship and low-cost housing if they live with older homeowners and spend at least five hours together each week.
- **Accessibility** is an area that needs much more work, despite improvements made over time in transportation, public spaces, and housing. While industrialized countries are primarily focused on upgrading existing infrastructure, often by providing financial subsidies, developing countries are well positioned to incorporate age-friendly elements in their ongoing infrastructure development, but thus far have largely failed to take advantage of this opportunity.



Pillar II: Productive Opportunity

Countries around the world are grappling with having to sustain long-term economic growth as their working-age population shrinks as a share of the total population. For industrialized countries, as well as China, this is already an issue, but it is only 10 to 15 years away for some of their upper middle-income counterparts. Older adults are part of the answer – they are living longer and healthier, possess valuable experience and expertise, and increasingly seek to remain active and productive. Forward-looking governments and companies are acting to enable this by introducing flexibility into retirement, combating negative perceptions of older workers, and providing targeted support for those seeking to re-enter the labor force.

- Reforming pensions and other retirement systems is the most common strategy used by governments, but it is driven by fiscal constraints and therefore fails to address the real barriers that keep willing and able workers out of the market. Flexible retirement, which allows older adults to reduce working hours in exchange for extension of working life, is gaining traction in both industrialized and developing countries.
- Ageism and misperceptions of older adults among employers are

prevalent across both high-income and upper middle-income countries. They are the primary barriers faced by those interested in remaining in, or returning to, the labor force. Older workers are often seen as lacking marketable skills and having less potential to progress, learn new skills, and add value. While a number of countries have public education campaigns, the UK's Age Positive Initiative (API), which began in 2013, could prove to be a worthy model for others. It provides employers with a toolkit to address retaining, retraining, and recruiting older workers, as well as guidance for employers and staff regarding a range of issues related to ageism in the workplace.

- Flexibility in work can also be enabled by technology and a focus on entrepreneurship, but this requires supportive policy, which today is largely absent across countries. Japan, where the labor force has been shrinking for the past two decades, is seeking to promote telework and has set a goal of growing this segment to 10 percent of its total labor force by 2020. A particularly interesting model has emerged out of the UK, where the New Enterprise

Allowance program offers financial support and coaching for individuals seeking to start a new business. While not targeted at older adults, they have been major beneficiaries, particularly those seeking to accommodate the care of a spouse.

- Although many governments are working to support older adults' job placement and employability, they typically focus on vulnerable

groups (e.g., displaced workers and long-term unemployed workers) and tend to not do enough to deliberately tap the productive potential of experienced workers. NGOs often step in to fill the gap. Again, the UK is at the forefront – the Now Teach program retrain experienced professionals to become teachers in the country's schools.



Pillar III. Technological Engagement

We are entering the era of digital technology and technological advancement that could be transformative for the economic and social engagement and health of older people, but today they remain the most vulnerable to digital exclusion. Still relatively small-scale in most countries, work is beginning to promote digital literacy and to develop technology-driven products and services for this market, including from the private sector, which has been driving much of its growth.

- Older adults have proven to be eager adopters of new technology when they see its clear benefit to their lives – creating both an educational challenge and a need to **develop technology that best meets their interests and needs**. This is proven in the relative success of social media and other digital tools for communication, which have been gateways to other digital technologies across cultural contexts.
- A lack of skill and confidence are the primary obstacles to older adults' use of technology, but there has been very little done to create tailored training. Access is often viewed through the lens of hard infrastructure, and where **digital literacy programs** exist, they more

- often target vulnerable groups as a whole, rather than specifically engaging with the older adult population. Programs designed specifically for older students have yielded better results, with particular success found in training technology-savvy older adults to help peers learn digital skills. One pioneering community center network in the U.S., Senior Planet, has placed digital skills at the center of all its activities – from workplace training to healthcare management to socializing.
- The “**silver market**” is gaining attention from both the public and private sector. A rash of new programs and initiatives have been put in place across countries in recent years. The governments of China and Japan have advanced the development of aging-related technologies with a national strategy, while other countries have also increased funding for innovation. Thus far, engagement from the private sector has been limited to those markets with high-income older consumers, with the exception of China, where a strong policy push has proven effective.



Pillar IV. Healthcare and Wellness

Lifespans continue to extend in most countries at a faster rate than healthspans – the years when one is generally healthy and free of disease. Extending healthy living enables older adults to engage productively in their communities and economies. There are also significant economic implications of the rising need for long-term care, which can both create a fiscal burden and draw caregivers, particularly women, out of the labor force. We looked at efforts to improve accessibility, affordability, and quality of healthcare for older adults, provide support for formal and informal caregivers, and utilize new technologies to improve the efficiency and quality of care services.

- Across industrialized and developing countries, governments are increasingly adopting a proactive approach, evidenced by a sweeping focus on promoting **preventive care and a healthy lifestyle**. While the overall quality of care in the healthcare system varies by country, the U.S. stands out for the high cost of care and its failure to generate better health outcomes. It is the only high-income country that lacks universal coverage.
- Only three of the countries included in this study require long-term care insurance. Driven by a shortage in institutional capacity, fiscal

constraints, and the desire of their citizens to age in place, there is new movement to address care needs by **enabling quality home- and community-based care**. Leading countries are providing more support for informal caregivers, mainly in the form of financial subsidies, paid leave, and practical and emotional support. In Turkey, the government is looking to formal caregiving as a means to draw more women into the labor force, albeit at low wages, providing subsidies for low-income seniors without family support.

- **Robotics and eHealth** have emerged as two promising areas where technology can help to address a shortage of caregiving capacity and improve the quality of healthcare, particularly for those in rural areas. Private companies also tend to see healthcare as the area of lowest risk among market opportunities related to older adults. Korea, which boasts the world's fastest Internet speeds, plans to use its nationwide broadband network to provide more efficient and higher-quality care to its rural population, including remote checkups – 35 percent of older Koreans live in rural areas.