

Impact and solutions to the global elderly workforce



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Summary

With today's advanced medical technology, the life expectancy rate is higher than ever. Life expectancy would increase if the retirement age is fixed at the current age. In effect, there will be more people living on pension while there will be less workforce to offset the difference in income tax which increases the dependency ratio. Increased government spending on pensions and healthcare will result into debt. Higher tax rates will lose potential investors and discourage workforce productivity which leads to the decline in economic growth. Also, the shortage of workers will increase wages which will cause wage inflation. However, businesses linked to elderly such as retirement homes will see an increase of profits. On the other hand, one solution could be the increase of retirement age. Also, incentives such as lower tax rates on late retirement could be implemented.

Discussion

Higher income tax rates are required due to the increasing elderly population and shrinking workforce. If income tax rates don't rise, the government will result in debt due to increased spending on pensions and healthcare. This means the dependency ratio is raised. However, high tax rates will discourage international investors and decrease workforce productivity which will decline economic growth. The shrinking workforce will drive wages up which will lead to wage inflation. This will affect the country's GDP. On the other hand, industries related to the elderly such as retirement homes and healthcare will see an increase in business. The proposed increase in

retirement age could lead to lower life expectancy and higher workforce.

However, this will contribute to skilled

Summary

Japan is suffering from the problem with an aging population due to low fertility rate and good healthcare. Low fertility rate is due to late marriages as more people are focusing on their careers. It is projected by 2060, 60% of Japan's population will be elderly people. Also, the demand for health care and pension are expected to increase which means that tax rates must also be increased. According to a demographic expert, the current pension and social security programs in Japan are not designed to meet ends with an aging population. The government has combated this situation by allowing more immigrants to work in Japan for jobs required for the aging population such as in healthcare. Japan's consumer spending GDP has also been stagnant for the past few months.

Discussion

I believe the reason for the stagnant consumer spending is because of the elderly as they don't often shop. As a result, decreased spending will affect's Japan's GDP. This will also contribute to long term recessions as most of the money is stagnant in retirement funds. Also, the increased demand for healthcare and pension will cause Japan to increase in spending which will lower Japan's GDP. To combat Japan's flawed retirement funds, local 3rd party investment funds such as mutual and bonds should enter the market. These funds could be used to establish better healthcare facilities that are in

need by the rising elderly population. The increase of skilled immigrants will keep the aging population down and maintain needs but it could also mean that Japan's money is going out of the country. This could contribute to a deficit in Japan's workforce trade. However, Japan could set up trade agreements such as workforce exchange for technology with other countries to maintain a healthy GDP.

Summary

As a result of increasing elderly population, Japan is set to decline from the world's 2nd largest economy in place for China. Since 2010, Japan's workforce will decline 1% for the next 30 years. The national debt in Japan is already 200% of GDP as of 2004 and is projected to rise. European countries such as Italy (1.1 birthrate), Bulgaria (1.2 birthrate), Russia and Germany (1.35 birthrate) are suffering from low fertility rates. It's predicted that the economic will shift from elder countries to emerging countries such as India and China.

Discussion

As a result of Japan's declining workforce, the GDP is set to drop and the country's debt will increase. The increasing debt will even worse in the future because of the decreased workforce income tax. This will cause long term recessions. The problem of the elderly is also suffered by developed countries typically in Europe. This is due to the well-established healthcare and economic systems. This problem will contribute to the shrinkage of their economies. This will result in the economic growth shift to developing

countries such as India and China. Unlike Japan and Europe, China is overpopulated. To combat the future elderly problem, China has acted by controlling birth rates in order to prevent overpopulation.

Summary

Canada's healthcare expenditure has been substantially increasing. By 2020, it's projected to cost CAD147billion which is an 83% increase from year 2000. As a result, Canada is one of the top spenders for healthcare on GDP. The majority of the spenders are the elderly. Due to the high demand of healthcare, Canada is currently facing a shortage of medical workers. It is also expected that Canada will have a shortage in other skilled workers. By 2050, it is predicted that the dependency ratio will increase to 4.4 workers for every 10 workers. Canadians are also investing more in risky investments such as stocks and mutual funds compared to 20 years ago. On the other hand, when baby boomers withdraw their pension funds, tax will be generated in the progress.

Discussion

The increasing dependency ratio will be a complete burden to Canada's workforce, debt and GDP. To decrease the ratio, healthcare benefits should be reduced. This could allow the privatization of healthcare services which will generate income tax. However, there will be serious negative social outcomes. Canada's tax rates should be revised to compensate for the increased demand to prevent debt. In addition, the retirement fund programs should also be reviewed. To combat the lack of skilled workforce, Canada could loosen immigration laws or restrict early retirement age. On <https://assignbuster.com/impact-and-solutions-to-the-global-elderly-workforce/>

the other hand, the predicted tax generated from pension funds withdrawal could partially compensate for the increased expenditures. The decrease of younger population will be beneficial as expenditures on education will be reduced. Furthermore, the increase spending in retirement associated items such as retirement homes could generate more tax. In the long run, Canada could increase funding on medical advances to allow for cheaper and more sustainable healthcare alternatives. Also, the public should also be continually encouraged to invest in privately owned funds.

Summary

Europe and other developing countries are suffering for unanticipated changes in fertility rates and aging issues. As a result, the workforce has been decreased and is burdened with higher age dependency ratios. In effect, higher tax rates are required to sustain the increased demand. Predictions suggest living standards per capita in Japan, US and Europe will be on a decline over the next 50 years. Europe would suffer a 20% increase GDP debt in the next 50 years while Japan and US would suffer from 21.5% and 10%. It is also expected that workforce productivity rates will decline.

Discussion

Generally, developed countries have higher elderly population as their healthcare systems have been established. Also, the lower fertility rates could be blamed on education as people are putting off marriages to a later age due to further studies. Another reason is the increased youth dependency ratio. Compared with 3rd world and certain developing

countries, it is not sensible to reproduce as children are a liability instead of an asset. For example, children can be used as labor in farms while in developed countries, sending them to school requires cost and time. Also, many couples put off having children because of their demanding career. However, because of this short term microeconomics demands, the long term microeconomics will suffer. Developed countries debt rate are projected to rise, and workforce and productivity rates are set to decrease due to the decrease of income tax. To combat the low workforce rates, countries should invest in technology to increase work efficiency. This will also control wage inflation. Also, countries could encourage immigration to balance out the elderly.

Summary

To combat the issue of rising elderly population and low fertility rates, France has acted by increasing children incentives. This policy was launched in the 70s and also aims to keep more women in work. As a result, France has succeeded to be Europe's 2nd highest fertility rate with 1.9 children per woman compared to Ireland's 1.4. Also, France has Europe's highest female employment rate. Incentives include 3 year paid parental leave, free full time preschool, subsidized day care, fixed wage for nannies, and monthly childcare allowances. In addition, middle class mothers could receive up to 1000 Euros for having a third child. That's almost like the minimum wage of 1200 Euros. This incentive policy is also seen in other European countries such as Germany and UK but it's not as beneficial as France's. In the future, France plans to increase the grants to keep the birth and women employment rates healthy.

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Discussion

Due to France's low population rate, an incentive policy to keep fertility rates up is worth the high cost of expenditures. The costly benefits offered to women who work and reproduce is worth it as it keeps the workforce healthy and growing. As a result of increased income, the country's GDP growth rate would increase as more people are spending their money. That will lead to decreased country debt which means tax rates could be lower. Once the tax rates are lower, local and international investments will bloom which increases a country's GDP. Also, the extra money could be used to invest that will potentially improve a country's production cost and productivity efficiency. However, this is only sensible as a long term investment as if it is short termed, the country's GDP would be greatly affected. France's plan should be replicated in other underpopulated developing countries to prevent the grey problem.

Summary

Projection data says that ageing population in Australia is set to double in 40 years. Average work force age is expected to decline. The problems are blamed on low birth rates that unable to sustain the replacement rate. It is also blamed on longer life expectancy. Australia has addressed this issue by creating a program for young skilled immigrants to enter the country. This will relive with the growth of the workforce and the workforce's skill and productivity levels. However, this is not a viable solution as the immigrants will also age in the future which will force Australia to allow more immigrants in yearly to balance the deficit.

Discussion

This inevitable issue of the grey population is affecting most industrialized countries. Apart from the decrease in workforce members and productivity and skill levels, low birth rates are unable to sustain the replacement rate. This would result into the drop of Australia's economy and wage inflation which could drive off potential global investors. Even worse, the wage in Australia is already higher than other countries. The effects of wage inflation are already seen with major automobile companies such as Ford moving away from local manufacturing to other developing countries such as Thailand. Again, the solution of young skilled immigration workforce would not be viable as it's a short term solution. To truly solve this unprecedented issue, Australia should follow France's footsteps of providing with children benefits.

Summary

The rising rate of the greying population in emerging countries are posing a problem as they are getting old before they get rich. It has created problems such as pension plans that are turning non-sustainable. In addition, developing countries tend to suffer more due to the majority in informal labour sector that salaries do not contribute to the country's pension plans. In a life cycle's perspective, the economic needs and income making vary over the course of life. Due to the increasing greying population, the elderly consumes more savings than generated during youth. This is critical as the country will result in slower growth compared to a country with more working youth people. This will also result into debt.

Discussion

Again, increasing woman's participation in workforce by providing flexible working hours or government funded day care could increase workforce participation. Also, the government can reduce citizen's benefits or increase the tax to save costs. In contrast, a country without debt will likely experience reduced tax and more growth as it encourages business to invest. Thus, investments in technology will increase efficiency on the country's production possibilities frontier. Also, it will increase competition which is beneficial for the GDP growth. However, problems related to less income generated from the youth than used by the elderly could pose a serious problem. This will directly result in debt and could possibly start a long and painful recession. The only solution is to generate increased revenue. However, I believe developing countries that do not have established pension plans might not suffer as much as developed countries with high return pensions. Although we cannot learn about this problem from the past, we still can make long term decisions that will save us from unexpected economy situations in the future.