

17th Anniversary Podcast Series (Tackling the Grand Challenge in Individual and Social well-being)

Episode 3: The Future of Work, Welfare and the Social Compact in Ageing Societies

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Zeewan Lee: Welcome to the Lee Kuan Yew School of Public Policy's 17th anniversary podcast series. We're talking with experts at the school on a range of topics under the grand theme of tackling the grand challenge in individual and social well being. Following the talks on the social cohesion, diversity and inclusion, this is a third podcast of the series on ageing demography and its implications on the future work welfare and social compact. My name is Zeewan Lee and I'm an assistant professor at Lee Kuan Yew School. I'll be serving today as your host and a co-discussant. We have with us, Mr Christopher Gee, a senior research fellow and head of governance and economy at the Institute of Policy Studies at NUS.

Today we'll be discussing opportunities and challenges faced by ageing societies, possible policy interventions, and implications of the interventions for the social cohesiveness.

Before we jump into discussion, let me give you a quick stat on the severity of population ageing the countries around the globe face today. The World Health Organization has projected that world's population aged 65 or older will rise to 1.5 billion by 2050 representing almost 16% of the total. The number of older persons in less developed countries is expected to increase at a rate more than three times as quickly as in developed countries.

I'm interested in this phenomenon of population ageing from the research standpoint. A stream of my research examines how ageing workers fare on the labour market in terms of wage growth, job transitions, or retirement timing in the face of technological changes. My findings, that individuals whose skills are more automatable tend to experience worse labour market outcomes, hold more

implications for the ageing workers. I say so because the ageing workers encounter fewer opportunities to undergo re-skilling or up-skilling to better adapt to the technological changes—than younger workers. The outcome of my papers is one of many, many findings out there that show that ageing individuals are especially vulnerable to ongoing structural changes in the labour market. Given the rapid population ageing in many countries, this is a serious labour market challenge.

So Chris, outside the labour market, are there any other difficulties that ageing individuals experience and what are the consequences of population ageing for individuals and societies at large?

Christopher Gee: Thanks, Zeewan. And I'll take the matters you raised about the social economic consequences of population ageing first at the societal level, and then how it relates to individuals. And it's all part of what is called demographic transition, where you get this trend of population ageing and it's also important to consider when this transition happens within a country's economic development.

As birth rates fall in very many countries, now below the replacement level of two children, per woman, family sizes have shrunk. So that in aged societies, there are fewer people in the working age, to support the larger numbers of older persons who have stopped working. One example is China, where the one child policy was put in place in 1980, that dovetail with very strong economic growth and modernisation and urbanisation and all of this combined and led to the emergence of many families, where there is one grandchild, two parents, and four grandparents.

As people are living longer, you might even have to add up to eight great grandparents into the mix as well. So you get this inverted pyramid shape to family structures, and that affects ultimately how that society takes care of its old. Another example is South Korea, where there's been a very rapid pace of ageing due to ultra-low fertility rates.

Which means that it is projected to overtake Japan sometime in the next decade as the most aged country in Asia, that population ageing there has happened so fast that people who are old today grew up and entered the workforce in a very different country than what it is now. The old, in these very rapidly ageing countries live in an environment that has dramatically higher living standards, but also higher living costs.

And many of them lack the family support structures that would have been the traditional filial mechanisms to support them in their old age. So for these ageing societies, the big challenge then is to be able to provide for the larger numbers of older persons and their retirement security.

What kind of societal arrangements do you have, the institutions such as pension systems and a social security system that allows older people to be cared for, especially when they lose their independence, whether this is financially, psychologically, or in terms of their mental or physical capacity, and how would these societies pay for all of this? Recall that it is a function of ageing societies that you have fewer people entering the workforce than are leaving it. So the concern is that economic productivity declines and the smaller number of working age people supporting a larger population of older persons who are no longer working.

Zeewan Lee: Let's bring in the ongoing global public health crisis, the COVID, into our discussion on population ageing. COVID-19 has shaken up many things in the past two years and its effects have been unevenly distributed across groups, by age, gender, and employment status. Here, I'm addressing a question from the audience asking whether older people are side-lined in the COVID era.

I believe so. Older individuals are among those particularly affected by the pandemic in terms of morbidity and mortality. To add to all this, COVID has inadvertently accelerated automation and digitisation of economic activities and societal interactions. Related to my previous point, ageing individuals just tend to face more difficulties, given the sudden technological growth.

Christopher Gee: So the old have borne the brunt of the worst effects of COVID. And it's also placed stresses on the whole of society. But of course, older people may find it harder to adapt to technological changes in the workplace, especially, but also in the social context.

There are many implications for the older people in the workforce. Although workers need to prepare for the various stages of their working life, which are no longer so straightforwardly linear as it perhaps was in the past. So they may have to be job redesigned to cater for changes in work processes, as well as career redesign.

Thinking about what to pivot to when there are many alternative employments that also need facility with new technologies. So automation has affected process jobs, not just in the manufacturing sector, but even in what we have traditionally considered to be desirable occupations in areas like financial or

professional services, consider how many cashiers you need now in a largely cashless society.

But technology is also shifting the manual content of jobs. And there are many new jobs in the knowledge economy. So this will benefit those with experience who can adapt to new processes using new technology, supervising or overseeing the now automated processes. Older people used to older ways of doing their work will then need to unlearn and learn anew, to learn new ways of working, especially in tandem with this new technology. You can think of an example of the crane operator at a port who would previously have been able to control only one crane, but he's now managing and supervising many automated fence loading and unloading cargo at the port.

There were also implications though, for societal relationships. Older workers go into a pool where they compete with younger workers who may be more technologically adept, but also workers from other parts of the world as digitalisation has meant that more work can be done remotely. So I think this aspect of technology automation and remote working has disrupted societies and we are right in the middle of it now, of course, many more acute because of the pandemic.

Zeewan Lee: The COVID-19 has temporarily discouraged travel, migration and economic activities across national borders, but let's move away from COVID a little bit.

Before COVID, the world was undergoing globalisation. As soon as he learned to live with the pandemic better, the globalising forces are likely to resume. This phenomenon has implications for ageing societies as well. Let's take migration of working-age, younger individuals, for instance. Reasons for migration could vary—you know for work or for study. Regardless, migration can alter the demographic landscape of both the home country and the destination country. I'm paraphrasing a question from Damien. Can immigration be a way to offset population ageing in the destination country?

Christopher Gee: As with many things there are many positives and negatives from these issues of migration and globalisation. On the positive side, globalisation has in some ways benefited the old people. Basic goods and access to modern amenities has increased. And for a lot of the older generation in developed countries, their wealth has increased as the global economy has become more connected and integrated. The global cost of capital and of goods and services has fallen. And when you think about migration. International migration has offset some of the effects of population ageing for some

countries, supplementing the working age population and also providing a source of caregivers for the elderly.

But there are also negative effects, of course, globalisation has widened wealth gaps, and this has affected those that weren't able to accumulate enough during this period of globalisation. Enough to, to pay for their own retirement security. Migration of working age person has hollowed out some countries, particularly the sending countries and whilst the old that have been left behind benefit from remittances sent back home, what about the retirement preparedness of those who might have migrated and send back home most of their pay and may not therefore have saved enough for their own post retirement needs. So this is, it is clearly you know, an important issue affecting certain groups of people.

Zeewan Lee: In addition to the hardships that we already discussed, we also need to talk about the gender dimension to population ageing. A report that came out in 2020 by Bond, Saad-Lessler, and Weller describe how a persistent gender pay gap in the labour market translates into a retirement wealth gap between men and women. Women's retirement income (based on Social Security and pension benefits) tend to be about 80 percent of those of men. Essentially, this means that women—who by the way tend to outlive men—often enjoy less financial security in retirement. In many ageing societies, the gender disparities in retirement security will be a serious problem.

Chris, do you have any thoughts on this? There was also a related question from Anirudh asking whether gender disparities and job security affects their retirement preparedness.

Christopher Gee: Sure Zeewan, this is a really very important issue with gender dimension in population. Ageing is not talked about enough in my view. As you said, women tend to outlive men, but often have less financial security at older ages. This is due to the gender role in society where women are employed in the market economy, far less intensively than men, women do a disproportionate share of wholesale production.

And then you have lifetime gender pay gaps that even though these have narrowed in recent times, when you compound these over a working life, this just means that women save less for their own retirement than men. And that's before you even start to factor in the caregiving burden for children as well as for older generation that women mainly take on.

So if you think about this issue, women tend to save less than men. And then they have a poorer retirement outcomes when they actually get older. And then

you take into account some institutional arrangements that really impose the penalty even further. In some countries say in China, the retirement age for women is lower than men, 50 years for blue collar women workers, 55 for white collar women.

But you compare that with 60 for most men. Whilst that's low for both ages above both genders, that's still a 5 to 10 year difference in terms of a woman's working life as compared to men. So that's the kind of institutional arrangement that really needs to change going forward and rebalance that towards women. As a result, all of these difficulties, women are less likely to have the chance to prepare effectively for their retirement and are therefore dependent on their family to support them in their old age.

Zeewan Lee: So far, we've talked about the challenges faced by ageing societies. So what can be done? Can we talk about possible interventions now? A number of audience questions focus on government interventions to tackle the challenge that we just talked about. Others asked about whether the answer lies in promoting self-sustainability of ageing individuals.

For instance, our Lee Kuan Yew School alum, Sujatha asked, "With the life expectancy increasing, should policies be redesigned to encourage ageing individuals to work longer?" What are your thoughts, Chris?

Christopher Gee: Firstly, I think let's talk about redistribution and the establishment of social safety nets. I think this is necessary to think about how we help today's older generation, especially those who have already run some way through their life course. And it's going to be really hard to help them re-engineer their productivity, at least in the economic sense. But I think it's more than just that. We should tap on longevity dividends from many ageing societies having more healthier, better educated, older persons who can then be considered assets rather than liabilities or burdens or dependents.

If you think about improvements in healthy life expectancy over the last three, four decades, a 70 year old today has the same health outcomes as a 60 year old would have had, you know, maybe when in 1970. If you get rid of these artificial, overly simplified notions, that linked chronological age with productivity and shift to you know, a much more dynamic model of thinking about people's contributions, linked to what they're actually doing and able to produce, then I think you're going to help to revise this idea of chronological ageing, right? Just the years ticking by, but looking at what people can actually produce. So that's your longevity dividend.

This unchanging retirement ages that are pegged to obsolete conceptions of when one should be considered old, should therefore be removed.

Zeewan Lee: Right. The main takeaway from what Chris just said, which I especially agree with, is that welfare and redistribution need to go hand in hand with the efforts to promote productive ageing or longer working lives of older individuals. As for the notion of ‘working longer’, several recent studies find that the act of working at old age brings not only the financial joy, but also the psychological and health benefits. The longer working life is actually a voluntary choice for many retirees who seek for a sense of purpose or a chance to reconnect with the society and colleagues at work.

Let's then talk about how we can keep the ageing workers in the labour force for longer. Some of the ongoing efforts such as extending the statutory minimum retirement age or delaying pension eligibility age may not be enough.

Paraphrasing a question from Lester. “How else do we increase employment opportunities for the elderly?” Here's another related question. “How do we help the ageing workers whose skills are outdated?” Also, how do we encounter ageism or ageist mindsets in the workplaces that lead to discrimination against older workers?

Christopher Gee: I think you need to really focus on lifelong learning. Societies, especially in Asia, invest a lot in education, but this is mostly front loaded into the younger years. Maybe up to the mid-twenties. I think we need to change this up. Offer more programmes that are embedded in work that is being done at that time to help workers of all ages, but especially the older ones.

Obviously we will need to constantly adapt their skills to what is needed at that point in time and increase their experience of new ways of doing things. In Singapore, we've had this scheme called SkillsFuture that's a fantastic programme, I think that needs to be rolled out and enhanced even more.

We've got concepts like senior apprenticeships that are being piloted. And we do have to perhaps consider the development of an ecosystem around people that continues throughout their whole career or their lives. This is a concept that I'm terming life course guides, counsellors, or navigators, you might call them also Pathfinders that are established in social networks, like LinkedIn or other social networks that are loosely defined somewhat. But can also be anchored around institutions, such as our school, the Lee Kuan Yew School of Public Policy, through whose student base might get enlarged with the addition of students who might attend micro modules, but who are integrated into the

alumni. And then they form part of this ecosystem around which people might have access to those life course guides or navigators.

So you know they're all part of this community anchored around, let's say the school, and we go through life together, each of us give each other advice about what we can do. Maybe introduce each other to new opportunities for work, for other activities that lead to and contribute to societal progress.

So this re-skilling happens, not just at an individual level, but also, you know, within the institution, as these ecosystems, change over time, right? As people come and go. But you have these dynamic ecosystems existing in society. But really I think, when we think about it in all of this takes effort, it also takes money and resources. Whose responsibility is it to provide and create these institutions, these ecosystems? Who pays for it?

If I have to take up time from my work to acquire new skill sets, is it the role of my current employer to help support me whilst I retrain? Or is it a combination of the state, employers or the workers themselves? So who pays? Right? I think that's quite an unresolved question in my mind too.

Zeewan Lee: I agree, it's one of the biggest questions that remain to be solved. And it brings us straight back to the discussion on redistribution. How do we pay for this life guide ecosystem, the social safety net, and the training/retraining programmes? Will the burden fall on the younger working age population to pay for the older generations retirement benefits?

The problem here is that given the demographic shifts, the younger generation will not have the same level of retirement support by the time they themselves grow old. So they have to start saving up for their own retirement. If the younger generation cannot be taxed too heavily, for the reasons that I just gave, then what other sources can we use to help finance the older generation?

Here's an alternative idea for redistribution, Chris. What are your thoughts on Bill Gates' suggestion for the robot tax, from 2017, where employers (those benefiting from automation of labour) are to be taxed based on the stock of robots they use in their production process?

Christopher Gee: So Zeewan, I think when we think about redistribution, it's not just about taxing the young to pay for redistributive programmes to support the older generation. But instead I think we should be thinking about putting in place better and more digitally enabled mechanisms for social risk pooling.

What we've just talked about earlier about mobilising all those healthy and experienced older workers, older persons with relevant skill-sets. Then it won't be a matter of over-relying on ever smaller cohorts of young people to support the growing numbers of the chronologically old. If we have larger numbers of older, but healthier, more purposeful, highly skilled experienced persons, these people will have the ability to continue to pay taxes and contribute to a collective risk pool that will help the unfortunate both in money as well as in time. So this is the longevity dividend paying off. If we can get all of this working right.

On taxation and that issue of robot taxes that you brought up, I think, instead of thinking about robots as anthropomorphic machines, mechanically working in a factory displacing workers that robot tax description sort of engenders in one's mind.

And we think about this shift, this broader shift towards environmental social governance principles, ESG principles, that many are now thinking about very seriously. And also about the UN sustainable development goals, SDGs, corporate social responsibility then means that owners of capital, all owners of capital, of all types, right, both digital as well as tangible capital, especially those that have benefited most from technological advance, these capital owners should contribute back to society in proportion, pay taxes, obviously, and offer services for disadvantaged groups, including those unlucky seniors who do not have enough, as perhaps part of their corporate social responsibility, as part of their you know, shift towards you know, being governed by these principles and goals. Their needs of course, to be the political will and the mechanisms to put all of this together, and they need to be complemented by guide rails for businesses and enterprise to consider broader societal goals, rather than just their narrow commercial interests and profit maximisation.

But I think it can be done. And it's only then that we can prevent this fraying of this social compact that we have the disintegration of societies that result from this lack of equity in societies. And then it will lead to really quite dystopian outcomes I fear.

Zeewan Lee: If our interventions go awry, if we don't do this right, do we foresee an emergence of generational conflicts? Do you think the policies addressing the problems of ageing individuals can potentially lead to a deterioration of social compact? Before we hear from you, Chris, let me quickly add: In addition to the younger generation, who will, of course, be unhappy about the growing tax burden to support the retirees, we need to worry about the “sandwich generation”. Let me quickly define what it is. As a quick refresher,

the sandwich generation refers to those aged between 40 and 60 with dual responsibilities to provide for both the younger and the older generations, providing financial and other types of care. They are literally sandwiched in the middle, who with the younger and the older generation says as the breads, the buns. Paraphrasing the question from the audience. “How do we ensure that the sandwich generation meet their own retirement needs?”

Christopher Gee: When we think about population ageing, we first think about the old. But really when we look at ageing populations, ageing societies, this encompasses people of all ages, the old of course, but also the young and what we can call the sandwich generation, those in the middle that you're talking about. Really, we need to reform institutions, change behavioural norms and mindsets. Think about the whole life course holistically and avoid rigidly imposing artificial constructs, such as chronological age markers that define, you know, people being young, old or in the sandwich generation.

We shouldn't squander the longevity dividends that can come from what we were talking about earlier, those technological and health advances, but instead capture these longevity dividends, accumulate and reinvest them.

Those longevity dividends might be something as simple as rethinking about what we conceive of as work. You could develop the concept of micro jobs, which would allow seniors who prize work flexibility to work when they, when they wish to. These micro jobs might be paid or unpaid, but by continuing to remain engaged in society and contributing, each senior continues to lead purposeful lives, their self-worth improves and societal wellbeing rises as a whole. Not just for the older generation, but for everyone. So we need to think about how we can do this, right? Introduce these concepts like micro jobs, that help people scaffold in things that make their lives purposeful.

You also need to radically reform the institutions that rigidly define the life course, as I said earlier, you know, education shouldn't be front-loaded to the first 20 odd years of one's life. And if we adopt a constant mode of unlearning, relearning, and renewable and move to a more dynamic understanding of one's productivity, my own productivity, as well as others, then we get a better outcome in terms of everybody's economic and social contribution and that society thrives.

We think about the development of new support systems or networks, social risk pools, some at the national level implemented by the government such as universal basic pension, you know, pillar zero or pillar one schemes under the World Bank nomenclature. Some of these need to be reconsidered and

restructured for the modern age, but there are also other pillars that are linked to employment, personal savings, other social programmes, such as healthcare and housing that need to be put in place by societies, so the governments, the state probably needs to be an active participant in, in terms of building up these different pillars of social support.

And then if we can imagine this formation of dynamic, social, or community networks, the ecosystems of like-minded individuals of all ages -- the young, the sandwich generation, as well as the old, all designed for people to work, live and play.

Right? Everybody having their life course guides or their Pathfinders that we talked about earlier. So that we all pool our risks together and share the mutual protection that we provide for each other. You know, you would get this, more likelihood of everybody pulling in the same direction, and then you diminish the risk of this social compact fraying. Societies that don't get this right run the risk of becoming dystopian. Whereas societies that get this right will thrive. I know which one of these I would rather live in.

Zeewan Lee: Me too. Great. Thank you very much, Chris, for sharing your insights with me and the audience today. This was an enlightening discussion on the challenges the ageing societies face--and ways to go forward. Thank you everyone for joining us today. Please refer to our school website for more details on the 17th anniversary podcast series.

The next podcast airing on 7th of December will feature Marina Kaneti, Assistant Professor at our school, and Ben Cashore, Li Ka Shing Professor in Public Management and co-director of Institute of Water Policy. They will be discussing China's vision for global environmental governance. Please stay tuned. Thanks.

This podcast was recorded on 22 November 2021.