

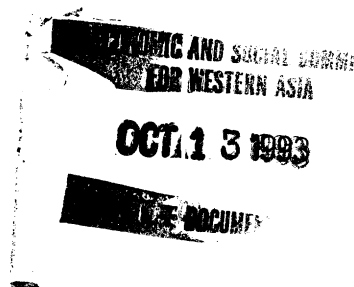


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**POLICIES AND SERVICES FOR THE ELDERLY
AN INTERNATIONAL OVERVIEW OF THE PRESENT SOCIAL SECURITY
SYSTEMS AND SERVICES FOR THE ELDERLY IN THE SELECTED
DEVELOPED COUNTRIES**

By

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* The views expressed in this paper are those of the author and do not necessarily reflect those of the Economic and Social Commission for Western Asia.

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INTRODUCTION

The concept of old people is nothing new. They have always existed in our society but it is now with the changes that are taking place in the developed countries that ageing has become a separate issue. With declining mortality rates and improved health care and hygiene, more people are living longer. It is estimated that from 1960 to 2040, the world's elderly population will increase from 9.7 per cent to 22.7 per cent of the total population.¹ This, coupled with declining fertility rates, is changing the structure of the population. The ageing of the population is now a world-wide phenomenon, more evident in the developed countries but occurring more rapidly in the developing countries as well.

The transformation of many developing societies is changing their existing social structures which have traditionally supported and cared for old persons. Further, international and national migration is changing social structures and family patterns leaving many older persons behind and with little support to sustain themselves.

Since 1945 the world has seen a change in its demographic distribution from the traditional pyramidal structure to a more cylindrical one. For the first time man has successfully manipulated human fertility and longevity. Better health care and family planning have changed the developed countries and tilted the balance from younger to older generations.

Health care, better nutrition and other factors have raised the average life expectancy rate in the developed countries to a level unseen only a generation ago (see table 1). Family planning

¹United Nations, Report on World Social Situation 1993, New York, 1993. (Table XI.3.)

and the introduction of different kinds of contraceptives in the 1960s have greatly reduced the number of children in the developed world. In fact, it is so low at present that some European countries, Japan and USA are having a negative population growth.

When discussing older people, it has to be realized that the concept of ageing is "different" in different countries and between the developed and developing world. Usually people in the developing countries are not considered old until they are too frail to take care of themselves or to contribute to the family. Today in the developed countries there is a new trend of "developmental ageing" where the concept should not be related to retirement itself but to the physical fitness of the retirees. People in the industrial countries retire usually between 60-67 years even if they are fit and have 15-20 more years to live. We should therefore postpone the age at which a person is considered "old" from today's 65-70 years to the more appropriate 75-80 years, at least in the developed countries (see table 2).

The immediate consequence of an older society is the extra cost that a rise in the average life expectancy rate entails in terms of health care, housing, pensions, social security, etc. On the long run, society has to change its goals and adapt social and economic structures to a more "mature" society and embrace a new philosophy of "a society for all."

This process of change has already started in the developed countries, but different countries have taken different approaches to the new situation.

The aim of this paper is to present an overview of some typical countries and their different approaches.

Germany, Japan and Sweden have rather similar welfare systems but they have approached and solved the care of the elderly differently. This paper will try to summarize the benefits and disadvantages in their approaches and to see if there are any recommendations suitable for the ESCWA region, bearing in mind the different social and cultural backgrounds. The purpose is not to suggest but rather to highlight some approaches that might be used

by the different ESCWA countries in their attempt to formulate policies for this new "society for all."

With its total estimated 1995 population of 147 million people, the ESCWA region is one of the smallest of the major world regions.² Nevertheless, the region is having one of the highest birth rates while at the same time the percentage of older persons is expected to increase by 300 percent between 1995 and 2025.

Owing to differences in Gross National Product (GNP) per capita, Member Countries of ESCWA are affected differently by the demographic changes that are taking place in the region. For example, some countries have a high number of male population migrating to the richer Gulf countries leaving behind the "non-productive" people while the population structure of the receiving countries tilts towards age groups that make up the working population.

As mentioned before, the total elderly population of the ESCWA region will triple between 1995 and 2025. However, some countries will witness a much higher increase of their 60+ population (Kuwait 8 times and United Arab Emirates more than 6 times).

As for the growth of the elderly population in comparison with the growth of the total population, the former will grow more rapidly (by a factor of 3.21 compared with the latter's 1.99) in all ESCWA countries.

It is clear that the ESCWA region is going to see a change in its overall age structure and that the percentage of elderly people will increase substantially. So far it is not a great problem and with the right measures and proper planning most countries will be able to accommodate this increase in their elderly population.³

²UNDP, Human Development Report 1992, New York, 1992.

³For a closer analysis of ageing in the ESCWA region please refer to the ESCWA study, E/ESCWA/SD/1993/WG.1/11, Demographic overview of the situation of ageing situation in the ESCWA region

BACKGROUND

It was the developed countries that first experienced the change from a younger to an older society. They have created welfare systems and pension schemes to care for the elderly. Today most industrial countries have welfare systems providing most citizens with pensions, medical care and other social benefits. However, when it comes to "paying the bill" there are some differences. Sweden for example, has chosen to let the state pay most of the costs regardless of a person's income. Few services are means-tested. Other countries cover the patient's bill but pay only if the patient earns less than a required minimum. As a rule, most countries do provide their citizens with a comprehensive welfare system. In Member Countries of the Organization for Economic Cooperation and Development (OECD) about half of the total welfare budgets goes to people above retirement age.⁴

So far the "dependency ratio"⁵ has kept up with the growing number of elderly people, and the 1960s and 1970s saw enough growth to sustain welfare systems. As the "dependency ratio" increases (see table 3), the burden increases on the funds and the systems themselves. Pensions and health care programmes have traditionally been built on "inter-generation support" whereby the younger generation pays for the older and they in turn will be paid for by their children. If the dependency ratio increases

and its developmental implications.

⁴International Labour Organization (ILO), The Cost of Social Security: Thirteenth International Inquiry, 1984-1986, Geneva, 1992.

⁵ The number of people in the work-force in proportion to persons outside the work force.

there will be fewer to support the elderly. As can be seen in table 3 where for example, Japan has 5.03 workers per retiree in 1995 while in 2025 there will be only 2.56 workers per retiree. Therefore, Governments are now trying to find new ways of financing the growing costs. One way is to increase the age of retirement, and since more and more people are healthier and will live longer this will save costs and at the same time give those who want to continue to work the opportunity to do so. A second way would be to increase net immigration and to grant the immigrants full rights and citizenship if they so wish by incorporating them into the welfare system and letting them share the benefits. A third way would be to increase the fertility rate by promoting programmes that would make it possible to have more children and by improving the child care facilities for families with many children.

Regarding health and medical care, the industrial countries are now facing health problems that are related not to infectious diseases or malnutrition but to environmental problems (such as pollution, toxic waste, heavy metals, etc.), or life styles (smoking, alcohol, obesity, etc.). By promoting preventive medicine and using different programmes to decrease tobacco and alcohol consumption, the costs related to such habits can be used on age related diseases or help pay the health insurance.

Traditionally, it has been the family that has provided for the care of the elderly but changing social patterns and family structures, in the developed countries, have transferred the care of the elderly from the family to the state and private institutions. In the developing countries, the family continues to be the main care-taker, with women still providing most of the informal long-term care. Caring for the elderly and disabled is an accepted and shared responsibility by all family members.

However, with changing social conditions the family and its care system are eroding in the developing countries. Families are getting smaller and many women are working thus leaving the elderly without a "family" to take care of them. This changing

situation might call for new levels and methods of joint family care as well as for institutional governmental and non-governmental support for persons with Alzheimer disease, for example, or persons with multiple disabilities.

GERMANY

Germany was one of the early pioneers of social legislation. Following this tradition Germany today provides most of its citizens with a comprehensive welfare programme covering their health and pension needs. Since Germany is facing an increasing elderly population it has formed a separate ministry for the elderly (Bundesministerium für Familie und Senioren) and has adopted a federal action programme to promote a society better suited for the elderly both domestically and internationally.

Germany is facing a special problem due to the reunification of the two Germanies in 1990. It had to incorporate many elderly people from the East who were not covered by any welfare programmes, so they had to be transferred into the existing programmes at a considerable cost. To deal with this and the growing elderly population, the Federal government is planning to introduce compulsory long-term care insurance by 1 January 1996. Alongside the pension, health insurance, unemployment insurance fund, accident insurance fund, the long-term care insurance is to become the fifth pillar in the "new German" social security system.

Moreover, the government has enacted "the Federal Action Programme for the Elderly" (established 1992) as a means of support giving impetus to the further development of assistance and services for the elderly, namely the assistance for the elderly (Altenhilfe) and the socio-cultural services for the elderly (Altenarbeit). This plan was developed in accordance with the International Plan of Action on Ageing.

There are four central elements in the "Federal Action Programme for the Elderly";

1. Promoting self-reliance and social participation of the elderly;
2. Supporting self-reliance of elderly people in need of long-term care and assistance;
3. Alignment of living conditions in the unified Germany;
4. Developing international policies for senior citizens.

The policy for the elderly of the Federal Republic of Germany, supports the realization of the global targets on ageing of the United Nations for the year 2001.

The Federal policy on elderly also acknowledges the fact that the elderly are neither a problem group, nor are they a homogeneous population group. As a group they call for very different approaches. Many elderly are today still healthy, productive and enjoying their independent living. Others need some temporary help in order to carry out their daily living, while there are those who need daily care or long-term nursing care.

Pensions

Germany does not have a basic pension scheme for its citizens. This has been a major political controversy between the SPD and the CDU/CSU and today Germany is one of the few industrial countries not providing basic pension for their nationals. Only employees can get a pension and only after 35 years of work can the employee collect a "full pension". The pension payments are compulsory and are equally shared between the employee and the employer. The basis of pension determination was changed in 1986 from gross to net earnings.

Women and other persons who have not worked do not get a pension unless they have taken a private pension insurance. However women can get widows' benefits by taking over their husbands' pension benefits.

Health and Medical Care

There is no "general" health care in Germany. Health care is compulsory for all employees and the fee is deducted from the gross salary. Ninety per cent of the employees are covered by the government health care insurance and 10 per cent by private insurance. People with high incomes can choose not to pay the government sponsored health insurance and instead opt for a private insurance that will give them "better services" and a wider choice of doctors and private hospitals.

For the unemployed or other people that choose not to work, the social welfare system will cover the cost of basic health care and hospitals. Married Women are covered by their husbands' insurance and so are the children.

Students and other dependents not covered by family health insurance can pay a private health care insurance and have full coverage.

SWEDEN.

Sweden was one of the first countries to establish social legislation. In 1913, a pension programme was created giving everyone above the age of 67 years the right to a pension regardless of income.

When the Social Democrats came to power in the 1930s, Sweden started to build a welfare system that today is one of the most comprehensive in the world.

One characteristic feature of the Swedish social welfare policy, distinguishing it from that of many other countries, is its general nature. A comparatively small proportion of public-sector social welfare programmes are means-tested. Thus, all citizens who reach 65 years get a pension, all families with children get child support, the sick get the necessary medical care, etc., regardless of income or social status. The principle

that people are entitled to such aid was expressly formulated in the 1982 Social Services Act.

The 1970s saw a rapid growth in the cost of social welfare programmes, and today the system is running out of money. The funds for pensions will soon be exhausted and the government is looking for different alternatives to finance the growing costs. Suggestions concerning pension reforms together with some privatization of certain "care programmes" are being discussed in order to meet the needs of tomorrow's elderly population.

Since almost all services have been handled by public authorities, costs have risen, rules and regulations have become rigid, and bureaucracy has proliferated. "Alternative sources of care are being established, competition is emerging, and detailed regulation is giving way to management by objectives. Methods are being developed to enable the authorities to respond better to varied, individual needs".⁶

There are different ways to adapt social welfare programmes to the needs of the user, while creating alternatives which will allow for greater freedom of choice for the user and lower cost for the local authorities that are responsible for the services. Some of which are as follows:

- 1- to privatize the programme by permitting employees and non-governmental organizations to operate, for example, retirement homes, different kinds of home service, etc., which would hopefully lead to better service;
- 2- to increase the influence of the client by giving him a say in the way services are rendered through freedom of choice;
- 3- to reform the existing system of care provided by the public sector. This means cutting "red tape" and bureaucratic routines in favor of management by objective which would lead to better adaptation of programmes to the

⁶Nils Fernow, Current Sweden, The Swedish Institute, Stockholm, Sweden, 1992. p. 1.

client's needs.⁷

Also the health care system is facing growing costs and there is an urgent need to reform the health services to achieve better productivity, efficiency and quicker response to the specific needs of the elderly. A political consensus has been reached on the following two principles:

1. Universal and equal access to health services as a welfare policy objective, is to be maintained;
2. The cost of the health care is to be met primarily through equitable public funding.

Therefore, reforms will adhere to the above mentioned principles but they will reassess the present system with the following guidelines:

1. Reappraisal of activities;
2. New funding arrangements;
3. Reallocation of responsibilities;
4. Free application of market mechanisms, including competition;
5. Less bureaucracy;
6. More freedom of choice for the users.

These changes will be implemented at the local level and it is up to the individual local council to implement and to supervise the privatization of services that will take place.

Pensions

Pensions are covered by the National Social Insurance Scheme in Sweden which is managing the two parts of the pension that exist today:

1. Basic Pension (old age pension) which is paid to everyone who reaches 65 years and is a Swedish citizen. The sum is calculated on an index established in 1957 and is regularly

⁷ Nils Fernow, Current Sweden, The Swedish Institute, Stockholm, Sweden, 1992. pp. 3-4.

revised in order to keep up with inflation and other changes in living costs;

2. ATP (the National Supplementary Pension) which is an extra pension calculated on a person's earnings during his working life. It is based on the salary and the number of years that the person has worked. A person who has worked for thirty years will receive about 60% of the average pensionable income earned in previous years. The ATP is added to the Basic Pension and will give about 70% of a person's average salary as a pension.

If a person does not qualify or has very few years with the ATP, he is entitled to a pension supplement and in many cases a housing allowance in order to get the minimum standard set by the government.

Health and Medical Care

Health and medical care is regarded as an important part of the Swedish welfare system. The fundamental principle is that all citizens are entitled to good health and equal access to health and medical care, regardless of where they live or their economic circumstances.

The National Health Insurance system, financed by the state and employer contributions, was established in 1955 to provide medical, sickness and parental benefits. It is "based on the principle that there should be a comprehensive range of publicly maintained services designed to help the individual to stay healthy, and to provide effective and appropriate treatment and care where necessary".⁸

In Sweden the elderly are legally entitled to receive help from the national health insurance either to continue living at home or in a nursing home if deemed necessary.

⁸The Social Services in Sweden, A part of the Social Welfare System, Socialstyrelsen, Stockholm, 1988. p. 20.

All the services under the national health insurance are based on a small fee (around \$15) that the receiver pays when visiting hospitals, doctors or any of the various services.

JAPAN

Today Japan has the highest life expectancy in the world. Hardly 60 years ago (1935) life expectancy was at 46.9 years for men and 49.6 years for women which is in parity with many developing countries today.

This spectacular change was due to a deliberate effort in improving living conditions through education, health-care and welfare programmes, etc. At the same time this was made possible by an economic growth that started with Japan's defeat in the Second World War. A government organized reconstruction programme was implemented to rebuild the industry and today Japan's GNP per capita is the third highest in the world.

Compared with Western Europe, Japan today does not have a very high proportion of 65+ (11.7 per cent compared with 18.1 per cent in Sweden, 15.4 per cent in Germany, and 15.4 per cent in the United Kingdom)⁹ but it will experience more than a doubling of the proportion of the elderly (from 11.7 per cent to 23.9 per cent)¹⁰ by the year 2025. It is thus expected to have one of the highest proportion of 65+ in the developed world. Special attention has to be given to the population increase of those 75+ who are estimated to have a three-fold increase from 1990 to 2014.

In order to deal with this growth, Japanese authorities have started plans to accommodate the increase. The Ministry of Social Affairs and Welfare has issued recommendations and proposals

⁹United Nations, World Population Prospects 1990, New York, 1991.

¹⁰United Nations, World Population Prospects 1990, New York, 1991.

aiming at keeping costs down. It also intends to privatize some 1 services and to levy fees from the recipients of services.

To meet the higher demand that the increasing population is going to have on the social services, the "Ministry of Health and Welfare in December of 1991, in consent with the Finance Ministry and Ministry of Home Affairs, instituted a plan entitled the 'Gold Plan' as a ten year strategy to promote health care and welfare for the aged creating a constructive policy that stresses the actual realization in this century of the institutions of elderly health care facilities, special nursing homes,"¹¹ etc.

Further, the government of Japan, aware of the fact that the increase in its elderly population cannot be met only by public facilities, has realized the need for private initiative to supply alternatives and to increase the choices for the elderly.

"Equality and uniformity are the distinctive features of public service, however, in order to improve quality of health and welfare services, the role of private service will become larger and more important in the future".¹²

Therefore, the Ministry of Health and Welfare has recognized and is promoting the so called "Silver Service" initiative (private sector business for the elderly) by defining the role of the state and the private sector. "The public sector should basically supply services to satisfy the immediate needs of citizens, who are not able to access private services due to such reasons as low income, and supply services to satisfy the immediate needs of citizens, to cover and secure any service that is not sufficiently supplied through the private sector market. It is recommended that all other services be supplied actively in various forms by the private sector. Considering the originality and efficiency found in private organizations, services that

¹¹Annual Report on Health and Welfare 1991-1992, Ministry of Health and Welfare, Tokyo, 1992. pp. 21-22.

¹²Annual Report on Health and Welfare 1991-1992, Ministry of Health and Welfare, Tokyo, 1992. p. 27.

should be offered by the public sector may also be consigned to the private sector, so long as there are no serious impediments, and provided that they are put under appropriate supervision"¹³

Today the "Silver Service" market is rather small dealing mainly with nursing homes and related services. The market is expected to grow rapidly and to expand into all fields of age related care programmes. Together with government facilities the "Silver Service" will provide for the growing number of the elderly population and cover the future need for care of the growing elderly population.

Pensions

Japan introduced National Pension in 1961 in order to support people in their old age and give them a secure income. It is a way to guarantee all people the economic basis for their old age. "The cost of pension benefits is covered by the premium paid by subscribers and employees, the management interest of the Pension Reserve, and the subsidies from the National Treasury."¹⁴

The pension is revised every year to compensate for inflation. There is also a revision every five years to adjust the pension to the improvement of living standard and wages.

The 1985 pension reform created a new pension plan whereby the National Pension provides a basic pension for every Japanese citizen. The Employee's Pension (plus various other pension plans) gives every employee (private or public) a pension supplement which is proportionate to the employee's contributions.

¹³Annual Report on Health and Welfare 1991-1992, Ministry of Health and Welfare, Tokyo, 1992. p. 27.

¹⁴Annual Report on Health and Welfare 1991-1992, Ministry of Health and Welfare, Tokyo, 1992. p. 111.

Health and Medical Care

In 1961 Japan's National Health Insurance was extended in order to cover the total population and to create a "universal medical care programme". The system guarantees all Japanese some type of medical care insurance under which they pay premiums and receive a certain amount of medical benefits.

There are two ways to pay for medical treatment in Japan. The first is the "benefit of kind" where the patient uses a medical facility and pays a certain proportion of the treatment. The portion covered by the receiver is regulated by the government and follows certain rules set up by the Ministry of Health and Welfare. The second is the "fee-for-service" where the patient pays a medical fee based on a special medical fee scheme. This is based on income and other general costs and reflects the current price level. In both cases the balance is covered by the government.

INTERNATIONAL OVERVIEW

As mentioned earlier, the developed countries are facing a growing social security burden due to rising unemployment and an increase in the elderly population.

Public spending on social security has grown rapidly (see table 4) and the period 1960-1990 has seen more than a doubling (in the case of Sweden 3.11 times and United States 3.38 times) of the social security costs.

"There is concern about social security arrangements, for a number of reasons. One is the expected continuation of slow economic growth in these [Western] economies. Others are, population ageing, the maturation of pension schemes and concern over abuses and economically negative effects. There is fear that

current methods of funding are inadequate to meet emerging needs".¹⁵

Therefore, many countries are looking for different alternatives, of which one is to especially target those in need and let those who can afford to pay cover more of their own benefits. Nevertheless, there is a growing concern that the present social security systems are insufficient and outdated and cannot provide for the future.

Major changes in social security systems require political decision and few politicians or parties have dared to suggest major changes or cuts in the benefits. Significant changes demand political consensus and so far the political parties in the developed countries have chosen not to make any dramatic changes in the present social security systems. Proposals of privatizing the pension schemes have been met with concern, at least in Europe, about equity. Also, big reductions have not been considered since there is a feeling that the current pensioners have earned their pensions. Besides, the pensioners are becoming better organized and can put pressure on the government not to touch their pensions.

"The objective of public pension schemes is to ensure a minimum standard of living in retirement. Minimum entitlement levels for elderly persons ensure a reasonably satisfactory standard of living for every pensioner, irrespectively of his/her prior earnings."¹⁶

Most developed countries provide either through the state or through the employer (by compulsory rules) a basic pension for their citizens. The United States of America is the only major industrial country that does not have compulsory rules for employers to provide pensions. This in turn, has led to a decrease

¹⁵United Nations, Report on World Social Situation 1993, New York, 1993. p. 135.

¹⁶United Nations, Report on World Social Situation 1993, New York, 1993. p. 136.

in employers that provide pension schemes from 55 per cent in 1979 to only 49 per cent in 1988.¹⁷ This has forced many employees to subscribe to private pension schemes where they have to pay the entire fee themselves, or worse, not to have a pension scheme at all.

Unfortunately, even in industrial countries the basic pension does not make an adequate living. Therefore, different kinds of supplementary pension schemes have been introduced either through the government or through the employer. Together with the basic pension, an employee with a supplementary pension can live reasonably well if he/she fulfills the requirements for the supplementary pension. In order to get "full" supplementary pension an employee needs to pay the maximum fees and to have enough years to qualify. If not, the supplementary pension will be reduced to reflect the shortage in payments or years.

For most employees there is little problem in paying the fees or accumulating the years, but there are groups that are at a disadvantage with this kind of pension schemes, namely the self-employed and women.

Working women in all regions of the world receive lower pay than men. The figure for women's earnings expressed as a percentage of men's earnings ranges from 63 per cent in Canada, 59 per cent in USA, 50 per cent in Japan, 73 per cent in Germany, and 89 per cent in Sweden.¹⁸

If women earn less than men, they will contribute less to the supplementary pension fund. Further, many women choose to enter the labour market after having been at home taking care of the family and children or for other reasons, thus accumulating fewer years. Therefore, lower payments and fewer years will give many women a reduced supplementary pension and in effect lower their standard of living compared to men.

¹⁷Newsweek, July 5, 1993, p. 33.

¹⁸United Nations, Human Development Report 1992, 1993, New York, 1992.

In Sweden 40 per cent of women¹⁹ eligible for pension receive only basic pension (compared with 10 per cent of men) due to none or few working years thus not qualifying for the supplementary pension. Even today women are less likely to receive "full pension" due to fewer years in the work force and lower salaries leading to lower contributions to the supplementary pension fund. Women who receive "full pension" still get only 74 per cent of the "full pension" received by men.²⁰ The same is valid when it comes to private pension schemes since many women earn less and therefore pay lower premiums to the funds.

This social inequality between the genders with respect to pensions can hardly be new, but all pension schemes, government or private, have chosen to disregard this fact by not having special provisions for women.

As stated before, the Western European Countries are getting older. At the same time these countries are becoming more youth oriented. Western culture is now based on values such as "being young or looking young". Being old is a "handicap" and the market forces are more and more geared towards younger age groups.

On the labour market, during times of recession and unemployment many people are considered old if they are above 55 years and it is more difficult to find a job or to change career at that stage. In Sweden the age group 55-64 years has more than double the unemployment rate than those between 25 and 54 years while in Japan, it is the opposite.

The beginning of the post-industrial society that is now starting in the developed countries is emphasizing services and information using new technologies. People who do not have the necessary skills in "computers" find it difficult to find a job or

¹⁹Sundstrom, Gerdt, Old Age Care in Sweden, Yesterday, Today... Tomorrow? The Swedish Institute, Stockholm, 1987. p. 21. 1982, latest available data.

²⁰Sundstrom, Gerdt. Old Age in Sweden, Yesterday, Today... Tomorrow?, The Swedish Institute, Lund, 1987. p. 21.

to change career. Companies today are demanding flexibility and high performance from employees. As companies try to stay competitive, they are getting rid of workers by encouraging them to take early retirement. Many companies will simply not hire older persons since they are not part of this new "revolution" that has taken place in the last couple of years unless they have the necessary qualifications. Many companies spend a lot of money on the training and education of their young work force and they are unwilling to spend on training older persons who have only 10-12 years to reach the retirement age.

Today, with high unemployment rates in the developed countries (5-25 per cent in the Common Market), companies are not facing any shortage of younger workers thus creating less favorable conditions for the elderly. In Sweden for example, attempts made to encourage companies to employ teen-agers or elderly people, through tax-breaks and/or cash benefits, have not been very successful.

As mentioned previously, the differences among Western European countries and Japan are very small regarding social welfare, pensions, life expectancy, and GNP per capita.

Japan is the country that has made the most spectacular increase in its life expectancy rate which went from 50.06 for men and 53.96 for women in 1947 to 75.86 and 81.81 respectively in 1990. That is an increase of 25.80 years for men and 27.85 for women in the last 43 years. Compared with Sweden for example, during the same period the life expectancy for men increased with only 5.75 years and 8.99 years for women.

This increase was the result of a deliberate attempt from the Japanese government to improve health services and the standard of living.

As can be seen in table 5, Japan has increased its GNP 25 times in the last 33 years compared with France that increased its GNP 10 times during the same period. Table 4 shows that a high GNP and a high life expectancy are closely related. The highest GNP per capita countries are also those with the highest life

expectancy rates. Further, there is a connection between how much a country spends on Social security benefits as a percentage of the national income. Table 6 shows that the same countries are spending between 14.3 - 39.7 per cent of the national income on social security benefits. The Table also shows that a country with high percentage of the population over 65+ also requires higher spending.

In most industrialized countries women have a high participation rate in the labour force. Table 7 shows that for the world as a whole 32.53 per cent of women are working while in Western Asia only 18.83 per cent are working. In Germany, Japan, Sweden, and USA, 33-47 per cent of women are working. This can be compared with Jordan, Saudi, Syria, and Yemen where only 5-9 per cent of all women are working.

Further, table 6 shows that countries with a very comprehensive social welfare system have reached their limits. Germany, France, and Sweden are spending more than 29 per cent of their national income on their welfare systems. Table 4 confirms the increasing cost of social security over the last 30 years in most developed countries. All of them, except Germany, have more than doubled or, in the case of Sweden, tripled public expenditure on social security as a percentage of Gross Domestic Production (GDP).²¹ This does not leave much room for the future if the present economic situation remains unchanged. The problem is that there are fewer working persons for every pensioner now and there will be less in the future than when the system started. "In 1980, there were roughly five persons of working age for each retiree in the major developed market economy countries; in 2025, there are expected to be only three persons of working age for each retiree".²² Table 3 clearly shows that the total dependency

²¹See also table 10 for the development of health costs as percentage of GDP.

²²United Nations, Report on World Social Situation 1993, New York, 1993. p. 136.

ratio is increasing in the developed countries while in the world and the less developed countries, it will decrease due mainly to a sharp drop in the 0-14 years' youth dependency ratio caused by falling birth rates in these countries.

As mentioned earlier, most of the developed countries with the exception of the USA, have some sort of compulsory pension plan either through the government or the employer. Table 8 shows that the average pension is 34.5 per cent of the average salary in Germany, 57 per cent in Sweden and 41.3 per cent in Japan. If these figures are compared with table 9, it is noticeable that Japan has a very high percentage of its work force still working after the official pension age of 60 years. In fact, 76.9 per cent of all men are still working beyond age 60. In Germany, only 35.1 per cent of all men are working at 60 years even though the official pension age is 65 years. In Sweden 19.6 per cent of all men are still working after the official pension age of 65 years. Further, by looking at the age group 70-74 years, we find that 39.8 per cent of Japanese men are still working compared with 5 per cent of German men and 9.8 per cent of Swedish men. A look at table 10 for the projected rate of economic activity in 1995, 2010, and 2025 shows that 79.07 per cent of Japanese men in the age group 60-64 years (above official pension age) are still very active and that in the next 30 years the rate of Japanese working men will decline with less than 3 per cent. Sweden's 8.64 per cent of active men in the 65+ years (above official pension age) will decline with less than 2 per cent and Germany's 4.32 per cent in the 65+ years (above official pension age) will decline with less than 1 per cent in the same period.

The figures of 8.64 per cent for Sweden and 4.32 per cent for Germany could be explained with people who choose to continue to work and who are not bound by the official retirement age. For example, private doctors, lawyers, farmers, the self-employed, etc.

However, the figures for Japan are much more difficult to explain. One reason could be that the pension received (41.3 per

cent on average) is not sufficient and some Japanese men need to keep on working in order to keep their living standard. However, there is a labour shortage in some fields and together with cultural values and work ethics many Japanese men prefer to stay on.

As for women, 36.6 per cent of Japanese women are still working after 57 years (official pension age) while only 9.3 per cent of Swedish women and 3.9 per cent of German women are still working at 65 years (official pension age). It could be suspected that the same reasons that keep the Japanese men working, i.e., presumably "poor pension", labour shortage, work ethics, etc., also keep the Japanese women working. Also, many women are working in order to avoid isolation, to meet people and to keep themselves occupied. Especially today when the nuclear family is small, women are less occupied with family matters, and Japanese women have more time for outside activities.

Immediate change in policies for the elderly may not be realized soon. However the increasing proportion of the elderly in developed countries will slowly force the governments to adapt to the new situation. Whether capitalist production will adapt to an older society or simply move to where the labour force is younger (i.e., the developing countries) remains to be seen.

CONCLUSIONS

There is no doubt that the Western industrialized countries are facing an up-coming crisis regarding their social security systems. Slow economic growth and the structural reconstruction of society from a manufacturing to a post-industrial society have hampered the possibilities for the industrial countries to adjust and to compensate for their losses of revenues and income. The rapid increase of the elderly and unemployed and changing family patterns are also contributing to this crisis. Further, the industrialized countries are facing an identity crisis. Today, the society is youth oriented. Market forces are concentrating on younger age groups and they are manipulating the society by creating the dream of "eternal youth". Increasing competition in the labour market forces many to conform to "youthism" and to be more selfish and self-centered. Maybe it is symptomatic of an ageing society to try to recreate its lost youth by denying the fact that it is getting older and disregarding the need for change.

For the time being, the dependency ratio and the percentage of the elderly do not pose a very serious problem for most industrial countries, but the projections for the 21st century are pointing towards a serious crisis. At its present form, the social welfare system cannot provide for the next generation and it is imperative that new solutions be found. It is important not to let short sighted "market interests" lead the future course of the social services. Drastic cuts today will increase social problems in the future in terms of social deprivation, criminality, drug abuse, etc.

This crisis that is under way in the industrial countries is not only confined to Western Europe. It is not a cultural crisis facing the "decadent West" but a crisis born from the process of industrialization itself.

The social changes inherent in industrialization lead to the growth of nuclear family and eventually lower fertility rates and

thereby increasing the dependency ratio and consequently the economic burden, thus resulting in the collapse of the social services. Therefore, a new vision of the role and place of the elderly in society is needed.

The implication of the uncertain experience for the ESCWA region is manifold. ESCWA countries should not fall into the same "trap" where the costs escalate and the system crushes under its own weight. Deliberate social policies and principles to reconcile the different forces are needed. A balance between the needs of society and the needs of the family in order to harmonize the inter-generational gap that exists in the society is essential for sustainable development. Meanwhile, the ESCWA countries could improve their social services. Better health care and education can be implemented rather easily and are not very costly. Compared with countries of equal standing the region is behind when it comes to providing many basic services.²³ Health and education are important factors in the industrialization process.

Regarding pensions, the ESCWA countries could use the German model where pension is only given to those who are or have been employed. A compulsory pension scheme sponsored by the government but paid for by the employers and employees could create a possibility for employees to save for their old age and at the same time provide the family with some independence instead of relying on children or relatives for old age care.

The Japanese model of state sponsored compulsory pension scheme for the self-employed could also serve as a model for the self-employed or others in the ESCWA region who want to participate by paying their fees. The next step would be to introduce a compulsory health care system, on the same basis as the pension paid for by the employer and the employee, that would cover the employee and his family. Extended family members, for example, could be included through extra fees.

It is important for ESCWA countries to re-assess the social

²³UNDP, Human Development Report 1992, New York, 1992.

security system to meet the emerging needs in the future. Once the system is in place it can hopefully be extended and cover more of the population. A complete coverage of the population would be too costly, and except for the rich Gulf countries it will be quite difficult to implement.

The industrialized countries, which used to enjoy state-based services characterized in "from the cradle to the grave", are now facing growing and un-bearable costs of their social security and welfare systems. Demographic change, increased economic dependency ratio and recession made it impossible to maintain these systems. States now started showing growing preference for family and community-based care for the elderly. Together with industrialization and development in the ESCWA region, it is estimated that similar demographic and social changes will emerge which will require formulation of appropriate policies for the elderly and sustainable pension schemes. It is important for ESCWA countries to formulate policies with striking balance of state services and family/community care.

TABLE 1

International comparison for life expectancy at birth for;
Japan, USA, UK, Germany (West), France and Sweden

	Male						Female					
	1947	1955	1965	1975	1985	1990	1947	1955	1965	1975	1985	1990
Japan	50.06	63.60	67.74	71.73	74.78	75.86	53.96	67.75	72.92	76.89	80.48	81.81
USA	N/A	66.60	66.80	68.80	71.20	71.80	N/A	72.70	73.80	76.60	78.20	78.50
UK	66.39(1)	67.52	68.30(2)	69.60(3)	71.80(4)	72.40(5)	71.15(1)	72.99	74.40(2)	75.70(3)	77.74(4)	78.10(5)
Germany	57.72(6)	66.21(7)	67.41(8)	68.30(9)	71.54(10)	72.21(11)	63.44(6)	71.34(7)	73.22(8)	74.81(9)	78.1(10)	78.68(11)
France	61.87(12)	65.04(13)	67.80	69.00	70.86(14)	72.03(15)	67.43(12)	71.15(13)	75.00	76.86	78.99(14)	80.27(15)
Sweden	69.04(16)	70.49(17)	71.13	72.12	73.79	74.79(18)	71.58(16)	73.43(17)	76.09	77.87	79.68	80.57(18)

1=1948 2=1963-65 3=1974-76 4=1983-85 5=1986-88
6=1946-47 7=1957-58 8=1963-65 9=1974-76 10=1984-86 11=1986-88
12=1946-49 13=1952-56 14=1982-84 15=1987
16=1946-50 17=1951-55 18=1989

SOURCE:
Annual Report on Health and Welfare 1991-1992
Ministry of Health and Welfare
Tokyo, 1992.

TABLE 2

Estimated and projected crude death rates, crude birth rates and life expectancy at birth in Germany, Japan, Sweden and United Kingdom.

From To	GNP per capita 1991	Crude death rates per 1000 population			Crude birth rates per 1000 population			Life expectancy at birth (years)		
		1990 1995	2010 2015	2020 2025	1990 1995	2010 2015	2020 2025	1990 1995	2010 2015	2020 2025
World Total	\$3,410	9.2	7.7	7.6	26.4	19.9	17.5	65.5	70.7	72.9
ECE Region*	\$13,620	9.8	10.2	10.9	14	10.9	9.6	74.2	77.3	78.6
ESCWA Region**	\$13,400/\$595	8.1	5.2	4.9	36.8	27.3	22.4	64.5	71.3	73.6
Germany (West)	\$16,570	12	13.5	15.1	10.4	7.3	7.3	76	78.5	79.4
Japan	\$21,020	7.6	11.3	13.2	10.9	8.4	8.1	78.8	80.6	81.4
Sweden	\$19,300	12	11.5	12.9	11.8	8.9	8.8	77.8	79.8	80.7
UK	\$12,810	11.5	11	11.8	13.1	9.6	9	76.1	78.7	79.6

* GNP is based on the European Community

** GNP is based on Kuwait and Yemen

SOURCE:

World Population Prospects 1990
United Nations, New York, 1991.

TABLE 3

Estimated and projected total dependency ratios
youth dependency ratios, and aged dependency ratios per hundred
1995, 2010, 2025.

	1995			2010			2025			Number of working persons per person over 65
	Number of working persons per person over 65			Number of working persons per person over 65			Number of working persons per person over 65			
	Total	0-14	65+	Total	0-14	65+	Total	0-14	65+	
World	62.7	52.1	10.6	56.0	44.7	11.3	52.10	37.30	14.80	6.76
More Developed Countries	50.8	31.2	19.6	50.8	28.6	22.3	58.20	28.20	30.00	3.33
Less developed regions	66.2	58.4	7.9	57.3	48.4	8.8	51.00	38.90	12.10	8.26
European commission	52.1	33.1	19.0	49.9	29.3	20.7	56.90	28.90	28.00	3.57
Germany, Democratic Rep.	47.8	28.1	19.7	51.4	25.3	26.2	56.10	24.70	31.50	3.17
Germany, Federal Rep.	46.6	23.0	23.6	52.9	21.8	31.2	61.90	23.00	39.00	2.56
Japan	44.5	24.6	19.9	58.4	27.4	31.1	63.50	24.50	39.10	2.56
Sweden	55.0	27.5	27.4	55.3	26.2	29.2	63.00	26.50	36.60	2.73
United Kingdom	53.7	30.1	23.5	50.7	27.0	23.7	58.00	27.30	30.70	3.26

SOURCE:

World Population Prospects 1990
United Nations, New York, 1991.

TABLE 4

Public Expenditure on Social Security in
Developed Market Economy Countries, 1960-1990, percentage of GDP.

	1960	1970	1985	1990
Austria	10.8%	13.9%		
Belgium	10.6%	14.1%	20.6%	19.8%
Canada	4.7%	8.7%	n/a	24.8%
Finland	4.8%	7.6%	15.1%	12.8%
France	9.2%	n/a	13.2%	12.1%
Germany	11.3%	13.0%	22.3%	23.5%
Italy	9.8%	13.3%	19.7%	19.3%
Netherlands	9.9%	17.6%	21.8%	16.9%
Sweden	6.8%	14.1%	20.3%	29.1%
Switzerland	5.7%	7.8%	20.4%	21.2%
United States	3.4%	5.6%	13.8%	13.9%
			12.0%	11.5%

SOURCE:

Report on World Social Situation 1993
United Nations, New York, 1993.
(Table XI.1.)

TABLE 5

Gross National Product (GNP) for;
Japan, USA, UK, Germany, France and Sweden

	1967**	1970**	1976	1980	1985	1990
Japan	\$1,000	\$1,920	\$4,910	\$9,890	\$11,300	\$25,430
USA	\$3,670	\$4,760	\$7,890	\$11,360	\$16,690	\$21,790
UK	\$1,700	\$2,270	\$4,020	\$7,920	\$8,460	\$16,100
Germany*	\$1,750	\$2,930	\$7,380	\$13,590	\$10,940	\$22,320*
France	\$1,950	\$3,100	\$6,550	\$11,730	\$9,540	\$19,490
Sweden	\$2,500	\$4,040	\$8,670	\$13,520	\$11,890	\$23,660

* Unified Germany

SOURCE:

** World Bank Atlas

Population, Per Capita Product and Growth Rate

International Bank of Reconstruction and Development, 1969, 1972

Washington, USA.

World Development Report 1978, 1982, 1987, 1992

The World Bank, Washington, USA.

TABLE 6

International Comparison for Social Security Benefit Expenditures
and Taxation and Social Security Burden

	Ratio of Social Security Benefits Expenses to National Income	Population 65+ %	Ratios of Taxation and Social Security Burden to National Income		
			Taxation	Social Security	Total
Japan	14.30%	11.60%	25.00%	10.70%	35.70%
USA	15.20%	12.10%	25.70%	10.10%	35.80%
UK	25.00%	15.30%	41.30%	11.20%	52.50%
Germany	29.10%	15.10%	30.00%	22.40%	52.40%
France	36.10%	13.10%	33.60%	27.70%	61.30%
Sweden	39.70%	18.10%	53.20%	19.10%	72.30%

SOURCE:

Annual Report on Health and Welfare 1991-1992
Ministry of Health and Welfare
Tokyo, 1992.

TABLE 7

Population and Activity rates(1) by Sex and Age.

Activity Rates %	1995		2010		2025	
	Male	Female	Male	Female	Male	Female
	World	57.43	32.52	58.21	31.66	57.99
Western Europe	59.16	33.83	56.99	33.07	52.42	30.25
Western Asia	50.16	18.79	51.89	20.84	54.95	23.4
Germany Federal Rep.	61.83	34.03	57.81	32.47	52.71	29.14
Japan	63.79	37.65	60.12	34.04	59	33.54
Sweden	59.72	46.97	58.92	46.62	55.25	43.51
USA	58.91	39.54	59.1	39.43	55.74	36.48
Jordan	40.14	5.45	41.66	7.65	50.33	12.9
Saudi Arabia	48.96	5.24	48.49	7.75	52.43	12.15
Syrian Arab Rep.	40.19	9.48	46.75	14.29	54.35	21.1
Yemen	44.69	6.89	46.6	8.94	53.84	13.45

(1) The ratio of working people to the total population expressed in percentage. It is also called labour force participation rate. The activity rate for total in the table is the ratio of the economically active population aged 10 years and over to the population of all ages.

SOURCE:
World Demographic Estimates and Projections, 1950-2025
United Nations, New York, 1988.

TABLE 8

INTERNATIONAL COMPARISON OF PENSION PLANS

The Benefit Standard at A Similar Level with Those in Other Developed Countries

The international comparison of the benefit levels of the pensions which are equivalent to the Employees Pension in Japan shows that the benefit level in International Comparison of Pension Amounts, etc.

Japan is at same or slightly higher level than those of other developed nations as shown in the following table. The ratio of old-age pension/average wage is also at levels not dissimilar to those in other countries.

On the other hand, in comparing the cost-sharing aspect, the contribution rate in Japan (11.2% of total remuneration's) is considerably lower than those in Germany (18.7%) the UK (6.6-17.4%) and USA (12.4%). (UK and USA has been removed from the table).

International Comparison of Pension Amounts, etc.

Country	Germany	Sweden	Japan
Scheme	Worker's Pension Employees Pension	National Pension	Employees' Pension Insurance
Persons Qualified	Workers (Blue collar) Employees (White collar)	General public	General employees
Pensionable age (1991)	65 years	65 years	Male: 60 years Female: 57 years (raised to 60 by 2000) (March 1991)
Old-age (retirement) Pension Amount (Monthly Amount)	(July 1990) Average for workers' Pension and Employees' Pension: ¥102,227 (DM 1,140.8) Workers' Pension ¥87,262 (DM 973.8) Employees' Pension ¥125,149 (DM 1,396.6)	(January 1990) Basic Pension Single Person: ¥58,177 (Kr. 2,370.0) Couple: ¥95,047 (Kr. 3,885.8) (December 1989) Additional Pension (Average for all recipients): ¥78,664 (Kr. 3,675.9)	Average for all recipients ¥145,557
Average Monthly Wage (Manufacturing Industries 1988)	¥242,995 (DM 3,311.5)	¥283,879 (Kr. 13,266.2)	¥352,020 (1990)
Old-age Pension/Average Wage	34.5%	57.0% (Basic pension + additional pension)	41.3%
Contribution Rate (1991)	187.0/1,000 (Shared equally by employee & employer)	Basic Pension: 74.5/1,000 Additional Pension: 130.0/1,000 All borne by the employer. Self-employed contribute individually.)	Male 145/1,000 (Standard remuneration base) (Shared equally by employee & employer (Total remuneration conversion 112/1,000) 1/3 of basic pension benefit costs
State Subsidy	Covers expenditure outstanding through contribution (Approx. 17% of benefit cost in 1989)		

1. Wages for countries other than Japan are estimated according to the ILO's "Year Book of Labour Statistics".

For Japan, wages are the annual average of the wages totals (including bonuses) for companies in manufacturing industries (with at least 30 employees) as per the "Monthly Labor Statistical Survey", Ministry of Labor

2. The conversion rates are based on the IMF's "International Financial Statistics"

4. The figures for Germany are based on the statistics of the former West Germany.

SOURCE:

Annual Report on Health and Welfare 1991-1992, Ministry of Health and Welfare, Tokyo, 1992.

TABLE 9

Total and economically active population by sex and age group.

		1990		
		Men	Women	Total
Germany	50-54	93.2%	57.8%	75.9%
	55-59	81.1%	43.8%	62.5%
	60-64	35.1%	12.5%	23.0%
	65-69	8.6%	3.9%	5.7%
	70-74	5.0%	2.0%	3.2%
Japan	50-54	97.0%	62.6%	79.6%
	55-59	94.7%	51.7%	72.7%
	60-64	76.9%	36.6%	55.9%
	65-69	57.2%	25.7%	39.3%
	70-74	39.8%	15.6%	25.5%
Sweden	50-54	89.5%	85.8%	87.6%
	55-59	84.1%	76.8%	80.4%
	60-64	63.9%	53.1%	58.3%
	65-69	19.6%	9.3%	14.1%
	70-74	9.8%	2.9%	6.1%

SOURCE:

ILO Year Book of Statistics, 1992
Geneva, 1992.

TABLE 10

Rate of Economic activity for population at the age of 60 and above (%).
in Germany, Japan, Sweden and UK.

	1995		2010		2025	
	Male	Female	Male	Female	Male	Female
World						
60-64	62.16%	18.06%	59.06%	14.74%	55.38%	11.65%
65+	29.67%	6.58%	25.00%	5.19%	19.93%	3.75%
More developed regions						
60-64	49.07%	18.64%	49.29%	18.44%	46.78%	16.56%
65+	13.72%	3.78%	11.93%	2.35%	10.61%	1.48%
Less developed regions						
60-64	68.59%	17.74%	63.24%	13.02%	57.93%	10.12%
65+	39.51%	8.95%	31.66%	7.00%	23.64%	4.81%
Germany, Democratic Rep.						
60-64	79.69%	27.26%	77.57%	24.50%	76.36%	22.93%
65+	18.42%	3.95%	15.39%	2.40%	13.66%	1.50%
Germany, Federal Rep.						
60-64	39.42%	13.46%	38.99%	12.82%	38.74%	12.46%
65+	4.32%	2.22%	3.94%	1.35%	3.73%	0.84%
Japan						
60-64	79.07%	34.16%	77.32%	31.20%	76.33%	29.50%
65+	37.31%	10.11%	31.88%	6.16%	28.77%	3.84%
Sweden						
60-64	68.54%	37.27%	67.35%	34.63%	66.67%	33.13%
65+	8.64%	1.62%	7.58%	0.99%	6.97%	0.62%
United Kingdom						
60-64	74.04%	23.37%	73.43%	22.52%	73.08%	22.03%
65+	9.94%	2.59%	9.26%	1.58%	8.87%	0.98%

SOURCE:

World Demographic Estimates and Projections, 1950-2025
United Nations, New York, 1988.

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