



News release

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Contacts	Rowena Mearley Mobile: + 44 7730 598 643 Email: rowena.mearley@pwc.com
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Extending people's working lives could add S\$3.5 trillion to OECD GDP in long run - PwC

- *Iceland, New Zealand and Israel are the leaders in boosting employment rates among older workers according to PwC's latest Golden Age Index*
- *Retraining and lifelong learning will be critical to enable older workers to take up the many new job opportunities that AI and related technologies will create*

Extending people's working lives to reflect the ageing of their populations could release massive untapped value for their economies to the tune of US\$3.5 trillion across the OECD as a whole in the long run.

Iceland, New Zealand and Israel are the leaders in boosting employment rates among older workers, setting a model for others to follow, according to the latest research by PwC.

Between 2015 and 2050, it's estimated that the number of people aged 55 and above in the 35 OECD countries will increase by almost 50% to over 500 million. But how many of these half a billion people will be working?

PwC's [Golden Age Index](#) benchmarks, ranks and analyses the performance of OECD countries in fostering older people's participation in the workforce through employment and training data. It reveals how large potential economic gains are available if employment rates for those over 55 can be raised to those of the top performers.

Current employment rates for workers aged 55-64 vary dramatically across the OECD, from 84% in Iceland and 78% in New Zealand to 38% in Greece and 34% in Turkey.

For example, increasing the over-55 employment rate to New Zealand levels could deliver a long-run economic boost worth around US\$815 billion in the US, US\$406 billion in France and US\$123 billion in Japan - with the total potential gain across the OECD adding up to around US\$3.5 trillion. This economic uplift would be combined with significant social and health benefits from older people leading more active lives and having higher self-worth through continuing to work where they wish to do so.

John Hawksworth, Chief Economist at PwC UK, comments:

"Of course, it's good news that we're living longer. But an ageing population is already putting significant financial pressure on health, social care and pension systems, and this will only increase over time. To help offset these higher costs, we think older workers should be encouraged and supported to remain in the workforce for longer. This would increase GDP, consumer spending power and tax revenues, while also helping to improve the health and wellbeing of older people by keeping them mentally and physically active."



For governments, ways to realise these benefits include reforming pension systems and providing other financial incentives to encourage later retirement – steps that several countries are already prioritising.

Significantly, the top-performing countries on the Index tend to share a number of characteristics, including a labour market that supports flexible working and the implementation of reforms targeted at older workers, such as redesigning jobs to meet physical needs. Successful policy measures include increasing the retirement age, supporting flexible working, improving the flexibility of pensions, and providing further training and support help older workers become ‘digital adopters’.

To help governments take the right actions, PwC has used this year’s update of the *Golden Age Index* to carry out a rigorous statistical analysis of the underlying drivers of higher employment rates for older workers across 35 OECD countries.

The findings from this analysis include that financial incentives like pension policy and family benefits can influence people’s decision to stay employed, and that longer life expectancy is associated with longer working lives. The study also shows that flexible working and partial retirement options can pay dividends for employers, as can redesign of factories, offices and roles to meet the changing needs and preferences of older workers.

A further area that the latest *Golden Age Index* examines concerns the implications for older workers of rising use of artificial intelligence (AI) and related automation technologies in the workplace. It finds that these technologies raise both potential opportunities and challenges for the over-55s.

Up to 20% of the existing jobs of older workers could be at risk of automation over the next decade, so retraining and lifelong learning will be critical to enable older workers to take up the many new job opportunities that AI and related technologies will create.

PwC UK Chief Economist John Hawksworth explains: “AI technology can boost economic growth, generate more labour demand and support longer working lives, for example through the use of digital platforms that allow older workers to market their skills more widely. However, our estimates suggest that older workers do face a higher risk of job automation compared to other age groups, with up to 20% of the existing jobs of over-55s at potential risk of automation over the next decade. Measures to support lifetime learning and retraining for older workers will be critical to maximising the gains from these technologies while mitigating the costs.”

Ends

Download the report at www.pwc.co.uk/goldenage.

Notes for editors.

1. Methodology: The PwC *Golden Age Index* combines national performance on the following labour market indicators (with relative weights shown in brackets): employment rate for 55-64 year olds (40% weight); employment rate for 65-69 year olds (20%); gender gap in employment for 55-64 year olds: ratio women/men (10%); incidence of part-time work for 55-64 year olds (10%); full time earnings for 55-64 year olds relative to 25-54 year olds (10%); average effective exit age from the labour force (5%); and participation rates in training: ratio 55-64 to 25-54 year olds (5%). These indicators are normalised, weighted and aggregated to generate index scores for each country. The index scores are on a scale from 0 to 100, with the average OECD value in the base year of 2003 set to 50. However, the average index values for 2007, 2014, 2015 and 2016 can be higher or lower than this 2003 baseline.



Data are taken from the OECD. We focus mostly on the 55-64 age group for data reasons. We do, however, include total employment rates for 65-69 year olds in the index and look at all workers over 55 in calculating potential boosts to GDP from higher employment rates for older workers (with New Zealand as the benchmark in this year's report, replacing Sweden in earlier reports as the latter has fallen down the index to fifth place now). UK regional data are from the ONS and tend to be for somewhat different age groups (e.g. 50-64 rather than 55-64). The latest data available across the broad range of OECD countries covered are for 2016. This updates the previous year's index, which was based on data up to 2015. But we do look at some more recent data for the UK analysis.

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