Chapter V

ECONOMIC ASPECTS OF AGEING

5.0 Introduction

Industrialization and urbanization have brought changes to family structure in India to a great extent. The extended family that existed in the society has changed to a nuclear family. This has affected the position of the elderly in the family as well as the family's capacity to take care of the aged. However, in India the older people are still cared for by the younger relations. As keeping parents in old age homes draws criticism from social networks and community at large, living in old age homes is not popular in India. The strong cultural pressure makes the families to take care of the elderly. Traditionally the aged felt that the money spent on their offspring was an investment that could enjoy the returns when they became old. They derived psychological and economic support from the younger generations. In the recent times individualism, independence, and achieved position in the family are becoming part of family culture in India. The aged would now prefer to live independently as long as possible and the children do not feel guilt of being away from the parents. Nevertheless there is no total societal acceptance to deserting parents by their children.

5.1 Consumption

Population ageing will affect economic activity and growth performance through other channels besides the labour market. Economic growth bears a close relationship with consumption, investment and savings. Consumption patterns change with age. For instance, older people tend to spend a higher share of their incomes on housing and social services compared with younger population cohorts. Based on current consumption trends exhibited by persons aged 65 years or over in developed countries, it is possible to anticipate, among other things, that the demand for health, long-term care, housing and energy expenditures will likely increase. Consumption patterns owing to population ageing, however, will change only very gradually over time. More importantly, other factors (especially income growth) tend to be more influential in determining the level and composition of consumption expenditures of old and young people alike. Labour earnings are a major component in an individual's income but tend to vary throughout the life cycle, often reaching a peak when that individual is in the prime working years of mid-life. If income declines with age, consumption levels may decline during older ages.

Population ageing will affect economic growth owing to its impact on the supply of labour. Yet, this is not the only channel through which the effects of ageing on the economy will be felt. Economic growth also has a close relationship with consumption, investment and savings patterns. Consumption patterns may change as one ages. At the macroeconomic level, such changes can have implications for the demand for goods and services and therefore for investment opportunities, thus influencing patterns of investment and labour allocation in economies with ageing populations. Additionally, the overall level of consumption by older persons may change as well and have a negative impact on economic growth if demand declines.

5.2 Ageing and savings dynamics

Economic growth could then be negatively affected as an increasing share of consumers as they grow older. Similarly, the capacity to save may diminish with age, which could impact on the generation of savings in the economy as a greater number of persons grow older. This may have implications for the level of global savings and availability of investment finance, particularly owing to the weight of the countries with ageing populations in the world economy. Again, ageing is but one factor influencing savings behaviour, making projections far into the future subject to considerable uncertainty. On the other hand, implications for financial markets may be more visible. Population ageing is already having an impact on financial markets as an increasing share of household savings flows into pension funds and other financial investment plans for retirement.

Changes in the age structure of the population may have important implications for the generation of savings. Based on the description of the behaviour of individuals in the life-cycle model, it may be assumed that economies with high child dependency ratios would have relatively low saving rates. Countries with an age structure dominated by persons in working age may experience faster rates of growth and could potentially have higher saving rates as individuals save ageing is not the only factor affecting savings behaviour, and the magnitude of its impact on savings may not be established with certainty, ageing and the resulting increase of retired populations will certainly lead to an expanding number of non-active individuals whose consumption needs will have to be satisfied. Thus, one may expect that an increasing share of the income generated by those who are active will have to be transferred to those who are inactive.

With population ageing, the share of the population in the working ages will shrink and the labour force itself will grow older. This holds especially for the countries, mostly developed, with low fertility rates. In contrast, countries with relatively high fertility levels (primarily low-income economies) will continue to experience strong labour-force growth until 2050, which may open a window of opportunity for accelerated economic growth. Population ageing could become a drag on economic growth unless the decline in labour-force growth can be controlled or greater efforts are made to increase labour productivity. In most contexts, increases in labour productivity would be required to complement measures that would contribute to stemming the fall in labour supply. Various measures have been proposed to mitigate the effects of rising dependency ratios, including international migration, outsourcing of employment and increasing labour participation rates.

International migration is often mentioned as a possible tool to ensure an adequate supply of workers in developed countries, but it is not expected that any country will admit the massive numbers of migrants that would be needed to off set population ageing. The outsourcing of employment to off shore locations is another possibility, but it would fail to address the challenge of mounting old-age dependency ratios. While off shoring alleviates labour shortages by shifting production to workers abroad, it will not reduce pressures on old-age pension systems because employment, and therefore the contributory base of such systems, will not expand.

There are also a range of options for removing disincentives to prolonged employment, such as altering workplace practices to better accommodate the needs of workers as they age; improving working conditions to sustain working capacity over the life course; countering age-based discrimination; and promoting positive images of older workers. Older workers will also be in a better position to extend their working lives if they are given the opportunity to engage in lifelong learning and on-the-job training initiatives. Such measures are expected to increase economic growth in ageing countries, though the impact may not be very large. More generally though, worries that ageing populations and ageing workforces will lead to acute declines in economic growth appear unfounded. The analysis provided in this chapter indicates that the productivity growth required to sustain a given level of per capita GDP growth compares favorably with that of past experience. Yet, sustaining relatively high productivity growth for prolonged periods may be a challenge, which underlines the importance of continued efforts to upgrade skills and promote technological development.

Countries with growing and still relatively young labour forces may be able to accelerate growth. However, in order to reap this demographic dividend, they will need to deal with a different set of issues. Rather than be concerned about impending labour shortages, they should remain focused on creating decent employment opportunities, especially for the growing numbers of young people expected to enter the workforce. Boosting employment rates in the formal economy will help to raise tax revenues and set the stage for expanding social protection schemes where they are currently underdeveloped, thereby enabling older workers to retire with financial security. Productivity growth is also important for developing economies with respect not only to supporting an expanding older population, but also to raising overall living standards and reducing poverty.

By many accounts, population ageing is expected to have implications for patterns of consumption, investment and savings. Understanding whether and how population ageing will affect these aggregates is crucial to anticipating how economic growth and development may unfold in the future. Although economic theory offers some clear conceptions of this relationship, in reality it remains rather difficult to predict how ageing will influence future consumption and growth patterns.

Consumption needs and tastes change over the life cycle. It has indeed been established that older people, in contrast with younger population cohorts, tend to spend a higher share of their incomes on housing and social services. Population ageing thus could lead to substantial changes in the composition of the demand for goods and services. A closer look at existing trends suggests, however, that these changes occur slowly over time. Furthermore, levels of consumption are more closely related to income than to the demographic structure. This complex reality makes it difficult to predict future trends in consumption, as the growth of incomes for older persons in the coming decades is a subject of relative uncertainty.

Similarly, the implications of ageing for savings patterns are difficult to gauge. It is often assumed that economies with high levels of child and old-age dependency have relatively low national saving rates, while economies with large shares of working-age population have high savings rates. Ageing may indeed exert an influence, but there are many other factors determining savings behaviour and the level of savings in the economy. Concerns about possible acute declines in economic growth appear unfounded Changes in consumption are more closely related to income than to age. It is clear, however, that an increasing share of available (household) savings flows into pension funds and other financial investment plans for retirement. Institutional investors, which typically manage such savings, have already become the main players in financial markets.

These investors manage not only large amounts of household savings from developed countries, but also, increasingly, household savings from developing countries where the importance of privately managed capitalized pension systems has grown.

Institutional investors contribute to the development and deepening of financial markets in developed countries and emerging market economies, but in doing so, they largely operate outside of financial market regulation and supervision mechanisms that apply more generally to the banking system. If unchecked, the financial market operations of pension funds could thus be a source of instability and enhanced. market speculation. Also, as increasing financial investments are intermediated outside of the banking system, monetary authorities are losing some control over credit growth, thereby limiting the effectiveness of monetary policies. Improved (international) regulatory measures are needed to avert possible financial market destabilizing effects of the operations of large pension funds and to prevent the income security of older persons from being jeopardized.

5.3 Economic status (Work Status)

Inadequate financial resources often mentioned as one of the major problems of the Indian the elderly. The financial inadequacy seems to be of a higher degree among the elderly women compared to their male counterparts. Another major problem is related to the loss of economic independence with the increase in age. The elderly continue to work though their working hours decrease with increasing age. Financial problems are more common among widows and among the elderly who live in nuclear families. Economic insecurity is considered to be the sole concern of the elderly in barely sustainable households in the rural India. The major sources of worry for the elderly are stress and economic dependence. In this context, analysis of labor force participation rate among the elderly is important from the point of view of understanding their economic dependency.

According to the National Sample Survey 1986-87, 34.02 per cent of the rural the elderly were financially independent as against 28.94 per cent of their urban counterparts. The same survey also noted that aged females residing in the urban areas were mostly dependent (National Sample Survey 1991). Analysis of the employment pattern of the working the elderly shows that, on the whole, their work participation rates were on the decline irrespective of the rural or the urban residence though the work participation of the elderly continues to be remarkably higher in the rural areas compared to the urban areas. One-third of the elderly males continue to work even beyond 80 years of age. In order to assess the recent trends in work force participation rates among the elderly, we have used the raw data of the 55th and 60th rounds of National Sample Survey. The NSS provides detailed break-up of different types of employment to capture the work intensity among the elderly. Both rounds provide employment status by 14 categories.

Among the 14 categories, the following categories of (own account worked family worker, worked as regular salaried worker, causal labor in public works, attending domestic duties and engaged in household work) are added to participation rates of different age groups. Here are more than sixty percentage of the encaged in the work force that includes domestic duties.

While in the 60th round of NSS survey we can see a similar pattern with slight lower figures for both the urban and the rural category. Sixty percentage of the rural elderly are working while it is almost fourty five in the case of the urban India. The work participation is relatively higher in the case of men than the females but this difference is significant in the case the urban India while it almost identical in the rural India. Between the two rounds, the rural work participation rates for both males and females have shown a slight decline whereas the urban rates are almost constant for both males and females. The rural work participation rates among males and females were 59 and 66 respectively in the 55th round - 7 points higher among females compared to males. The rates were 57 and 62 for males and the urban areas respectively. In general, work participation rates among males are higher than that among females in both the rural and the urban areas and the levels are slightly higher among the rural areas compared to the urban areas.

The State-wise estimates of economically gainful workers among the elderly almost show a similar pattern as shown in the national scenario. There is significant fall in work participation in higher age groups. The Nation figure shows that in the case of males it goes down from 57 percent to 16 percent as the age goes up from 60-79 category to the eighty plus years of category. In the case of women the figures goes further dip from fifteen percent to two percent in these two age groups. From the table it is observed that there is higher levels of participation in the case of north and eastern states of India. The gender gap is significant in almost all the state accept few in the north east such as Arunachal Pradesh, Manipur etc.

The age distribution of a population may be regarded both as a cause and consequence of the demographic components. At any given point of time it is the result of the past trends of demographic factors namely fertility, mortality, and migration. These factors, in turn, also depend upon the age structure to a certain extent. The birth, death, and migration rates over a time period respond to the socio economic development and a transition in these vital rates and changing migration rates bring about a transition in the age structure. Aging of population is also one type of age structure transition, therefore affected by these factors. However, the magnitude of the contribution of demographic factors depends upon the stages of demographic transition of a particular population.

The demographic transition in the population structure of India, as elsewhere, is the result of better knowledge of preventive and curative health care, the availability of health services to large segments of population, and improved delivery system. These have increased the life expectancy in India from about 22 years in 1901-11 to 62 year (projected figures of 1991 census). The most important feature of our population structure is that the aged are the fastest growing segment of India's population.

The 'little community societies' as soon as will turn to 'mass societies' due to urbanization, industrialization, and technological development. The in-migrants from rural to urban areas will be forced to adjust to urban living. The in-migrant family faces a lot of difficulty in settling in urban area and adjusting with the urban culture. Rapid industrialization is usually accompanied by increasing tempos of cultural, social and personal change. A rapid rate of urbanization, as contrasted with slow one, conceivably increases the frictions of transition from non-western to urban western value systems.

The population displosion in the developing countries will no doubt, worsen the problems of aging and extension of life. Differential social and economic opportunity associated with cultural, linguistic, religious, ethnic difference will disproportionately adversely affect the elderly, who in general, are more vulnerable than younger persons to social and economic hardship.

In developing countries the personal adjustment of the older persons will for some time be easier than in more developed countries by reason of shelter afforded by extended family/joint family.

5.4 Economic Characteristics of the Older Population

5.4.1 Labour Force Participation

Labour force participation of the older population has declined worldwide over the last decades. Older people today are significantly less likely to participate in the labour force than they were in the past. Over the past 50 years, labour force participation of persons aged 65 or over declined by more than 40 per cent at the global level. In 1950, about in every 3 persons aged 65 or over was in the labour force. In 2000, this ratio decreased to just less than 1 in 5.Among men, the reduction in labour force participation was from 55 per cent in the labour force in 1950 to 30 per cent in 2000. Among women, the reduction was considerably smaller, from 14 per cent in the labour force in 1950 to 10 per cent in 2000. By 2010, the total participation rate is projected to decrease slightly to 18 per cent, owing to the drop in the male rate to 28 per cent. Among older women, the participation rate is projected to remain stable over the next 10 years.

The female share of the older work force is increasing. Traditionally, the proportion of older men who are economically active has been notably higher than the proportion of older women. However, as participation in the labour force at older ages has dropped faster among men than among women, the female share of the older labour force has steadily increased over the last decades, especially in the more developed regions. In 1950, 26 per cent of the workers aged 65 or over were women in both the more and less developed regions. By 2000, this proportion had increased to 29 per cent in the less developed regions and to 41 per cent in the more developed regions. At the global level, the percentage of older workers who were women increased from 26 in 1980 to 31 in 2000.

5.4.2 Participation rates of older persons are higher in the less developed regions

Old-age support systems in the form of pension and retirement programmes are much less prevalent in the less developed regions than in the more developed regions. It is not surprising, therefore, to find higher proportions of older persons in the labour force in the less developed regions. In 1950, the labour force participation rate among people 65 or older was about 40 per cent in the less developed regions and 23 per cent in the more developed regions. Over the following 50 years, the participation rate decreased considerably faster in the more developed regions (by about 64 per cent) than in the less developed regions (by about 35 per cent). the rate in the less developed regions (26 per cent) was more than triple the rate in the more developed regions (8 per cent).

The potential effects of ageing for social and economic development are often assessed using the so-called dependency ratios. These ratios compare the size of some group within a population that is considered to be economically dependent to that of another group that is considered economically active. Since precise determinations of the number of persons who are producers (and thus, economically active) and those who are exclusively consumers (inactive) are typically not available, dependency ratios are usually calculated based solely on age ranges.

5.4.3 Impact on the Job Market

Since independence, successive governments have favored the growth of manufacturing and agricultural sectors, neglecting the service sector. But with the economic liberalization, a reverse trend has started. The service sector is growing by leaps and bounds due to abundant opportunities, while competitive forces affect the growth of other sectors. Young talent is drawn to these areas in search of tougher challenges and better career prospects. Consequently, Indian labor markets suffer due to the lopsided effect evident in the exodus of young people from manufacturing and agricultural areas to the service sector. Therefore, the government should frame suitable policy measures to remove this disparity, thereby leading to an equitable growth of all sectors simultaneously.

The Indian population is aging in line with the world population and the population of the less developed regions. But the age distribution structure of the Indian population is slowly moving from a pyramid-shaped structure to a hexagonal one, while the same is gradually transforming to an inverted pyramid or trapezoidal shape in more developed countries. Consequent to such developments, the more developed regions may face shortages of young and dynamic working people to sustain their economic growth as well as to work caring for older people. This fact may help India export suitable personnel to those countries in order to meet their labor deficiencies. The developed countries will be forced to outsource more work from India to reduce the social cost. As a result of the available pool of talented professionals and large number of English-speaking persons, the net migration from India (to the more developed regions) will continue, about 0.22 million in every block of five years (UN 2002), for the next few decades.

However, another notable trend is that more older Indians are remaining in the workforce after their official retirement due to their physical strength. The private sector companies are increasingly dominating businesses in India. So, the present anomalies in the labor market may be corrected in the long run, whereas the increasing supply of older and experienced people in the labor force may reduce the wages.

Longer life expectancy and incremental dependency ratio will possibly strain the family and the state support system for the older people. As the median age of the populace increases, the service sectors may expect to get more skilled and experienced people. Hence, India may be expected to strengthen her position further in the service sector in the coming decades. On the other hand, as the average age increases, reduced physical strength and working potential may adversely affect the labor-intensive manufacturing and agricultural sector, while the demand for the products related to old-age income security, medical and personal care during the old age will increase rapidly.

5.5 Needs and Problems of the Aged

Employment is available for female labour force participation is comparative aged population. This is particularly low in the rural areas. It means that the women withdraw themselves from the active lab comparatively early. Main reasons for such a pattern could be the lack of jobs for the aged women, physical inability to do outside work and, more involvement in the domestic affairs.

Another important finding of the declining pattern in the work participation rate of males in 60+ age group during 1971 to 81. It is obvious that people will not retire themselves if the employment is available for them. Therefore, such a trend is possible only when the employment market is shrinking for the aged persons.

5.5.1 Labour force

Ageing will affect the size and composition of the labour force and have important implications for economic growth and the participation of older persons in society. Countries with low and decreasing fertility rates mostly the developed economies and economies in transition but also an increasing number of developing countries will face a slower increase or even a decline in the labour supply. A reduction in the number of workers may have negative implications for output growth and for securing the well-being of the population at large. Lower output growth implies that addressing the needs of a larger dependent older population will become a heavier task. Moreover, a gradual "greying" of the workforce is anticipated, as the share of older workers increases in the economically active population worldwide and older workers undertake to handle a growing portion of the production of goods and services. This shift may impact on the way in which goods and services are produced and on the overall efficiency of the economy.

In many countries and cultures, older persons and ageing may be viewed negatively if labour force participation is considered the keystone of social and economic development. Where older persons are regarded as a group that does not participate directly in productive processes, they may not be seen as equal members of their communities. As a consequence, they might not enjoy opportunities equal to those of other age groups, especially in cases where public policy priorities are oriented towards the needs of the working population. They reinforce the tendency to exclude the older population from social, economic and political decision-making processes and can constitute the basis upon which older persons are denied employment opportunities.

Institutional investors can play an important role in the deepening of financial markets and in providing additional liquidity for long-term investment projects. At the same time, however, institutional investors largely operate outside of financial market regulation and supervision mechanisms that apply more generally to the banking system. If unchecked, the financial market operations of pension funds could thus be a source of financial instability and influence the effectiveness of monetary policies. That relatively high levels of fertility in some parts of the world, accompanied by declining fertility in others, will generate asymmetries in labour-force growth across economies. Relatively strong labour-force growth will take place in low-income countries that are already experiencing significant labour surpluses, while limited gains (or even reductions) in the workforce are projected for most middle- and high-income countries

While it may be possible to partially off set the trend of a declining labour force in some countries through a mix of the policies. The changing age structure of the labour force is inevitable as societies continue to age. Accordingly, the following factors need to be considered:

(a) the probable impact of the changing age characteristics of the labour force on labour productivity;

(b) the potential for increasing overall productivity; and

(c) the identification of policy interventions able to raise productivity.

5.6 The Impact of Ageing on Labour Productivity

If productivity growth is not fast enough to compensate for the impending changes in the labour supply, the burden of maintaining and improving living standards while supporting an increasingly dependent older population becomes heavier. At the macroeconomic level, productivity is enhanced by, among other things, advances in knowledge, which take the form of innovations, such as new working methods and the development of new technologies, as well as new products. Because innovation implies a certain degree of creativity, and creativity is often higher among the younger members of society, innovation is typically associated with younger workers. It is thus argued that a shrinking proportion of younger workers in the labour force may result in slower advances in sciences and technology which could have an adverse impact on productivity growth.

The impact of ageing on productivity is more readily noticeable at the firm level than at the macro level. A seminal study in this area on "age and learning" (Lehman, 1953)[1], revealed a creative "age curve" showing productivity starting to increase in "creative occupations" such as the sciences, arts and athletics at around age 20, reaching a peak in the period from the late thirties to the mid-forties, and beginning to decline thereafter.

Subsequent studies have supported this thesis and indicated that any decline in productivity associated with age takes place gradually and varies across occupations Skirbekk (2003)[2]. For example, occupations where reduced cognitive ability may have an impact on performance, such as in the sciences, would likely witness productivity declines among older workers. Alternatively, in the managerial positions, in professions where experience is a more important factor for job performance, older workers would work just as efficiently as their younger counterparts, if not more efficiently.

The factor of experience can help to off set age-related productivity declines, while changes in organizational structure, more effective use of ICT in specific occupations, and ensuring better access to knowledge, education and training throughout working life have also been identified as means to maintain and improve productivity (European Commission, 2006; Black and Lynch, 2004)[3]. Thus, age-productivity profiles may change over time, as technological advancements and structural changes within an economy render some skills related to specific occupations more or less obsolete in the domestic labour market (European Commission, 2006[4]; Nishimura and others, 2002)[5].

Based on the literature, it is possible to argue that as workers continue to age in many middle- and high-income economies, the age profile of the workforce will move away from exhibiting a high share of "peak productivity" workers. Such a scenario suggests that those economies will need to boost their labour productivity growth, which would require a substantial increase in broad capital investments, that is to say, human capital, intangible capital (research and development) and physical capital. Conversely, in low-income economies with a higher proportion of young people, the age structure of the labour force will be moving towards exhibiting a potentially greater productivity. However, non-demographic factors may impede these countries from reaping the benefi ts of their demographic bonus.

The following three types of ratio will be considered:

(a) the child dependency ratio, which relates the number of persons aged 0-14 to those aged 15-64;

(b) the old-age dependency ratio, which relates the number of persons aged 65 years or over to those aged 15-64; and

(c) the total dependency ratio, which is the sum of the child and old-age dependency ratios. All dependency ratios are expressed in terms of the number of dependants (children or older persons or both) per 100 persons aged 15-64.

The total dependency ratio for the world as a whole had increased from 65 dependants per 100 persons aged 15-64 in 1950, to 74 in 1975. This increase in total dependency was due mostly to an increase in the number of children relative to the working-age population, as reflected in the rise of the child dependency ratio. Between 1975 and 2005, the total dependency ratio declined from 74 to 55 dependants per 100 persons of working age, driven by a major reduction in child dependency. This decline is expected to come to a halt in the coming decade and then to reverse itself, so that the total dependency ratio is projected to be 53 in 2025 and to reach 57 by 2050.

As in the case of the developed countries, the expected increase in the dependency ratio in the economies in transition is due exclusively to a steady rise in the old-age dependency ratio. By 2005, the total dependency ratio in the developing countries stood at 57 and is projected to continue declining until it reaches 52 in 2025. Beyond that point, a slowly increasing trend is expected. Increases after 2025 should be slow, since the rapid rise expected in the old-age dependency ratio is likely to be counterbalanced by continued reductions in child dependency. By 2050, the developing regions as a whole are expected to have a total dependency ratio of 55, a value that is slightly lower than in 2005. However, the composition of this ratio will be quite different in the future, since older persons are expected to account for 42 per cent of the total dependency burden in 2050, up from an estimated 10 per cent in 1950 and 16 per cent in 2005. In all groups of developing countries considered here, the total dependency ratio ageing within the working-age population.

The labour force is itself ageing. For the world as a whole, the proportion of those aged 50 years or over within the population aged 15-64 remained stable in recent decades, at about 17 per cent between 1975 and 2005. The weight of this age group is projected to grow rapidly in the future, rising to 27.1 per cent in 2050. In the developed countries, the proportions of the youngest (aged 15-29) and the oldest (aged 50-64) segments of the working-age population were of nearly equal size in 2005.

However, starting in 2010 the oldest segment of the labour force is projected to become larger than the youngest component. By 2050, those aged 50 years or over are expected to make up almost one third (31.2 per cent) of the working-age population in the developed countries. In the countries with economies in transition, the crossover between the youngest and oldest segments of the working-age population is expected to take place between 2020 and 2025. The share of the oldest segment of the workforce in the economies in transition is projected to reach its highest point, 34.8 per cent, in 2045 and then to decline slightly to 32.7 per cent in 2050.

5.7 Participation of older persons in society

As older persons constitute an ever-increasing proportion of the total population, they have the potential to become more influential politically, economically and socially. Fulfilling this potential would be in line with the objectives of the Madrid International Plan of Action on Ageing, which are to ensure that people can age with security and dignity and continue to participate fully in their societies as citizens with full rights. Older persons should be afforded the possibility of becoming more actively engaged in the development process so that their skills, experiences, wisdom and knowledge can be put to use in society for the benefit of all.

In most countries, the position of older persons in society and the opportunities available to them for remaining active participants in the life of the community are often associated with their economic and political power. A growing cohort of older persons, particularly those in high-income developed countries, carry substantial weight in the economy and often hold a significant share of wealth. As there is usually a close correlation between economic and political power, older persons who are seen as exercising considerable power in the marketplace will likely translate this power into significant political power and participation.

The emergence of new markets is expanding the job growth potential of the "silver economy" through the creation of new products, services, economic cooperation and networks geared towards older persons. At the other end of the spectrum, the factors that contribute to a person's vulnerability, namely, poverty, poor health, lack of education, disabilities and absence of influence, become accentuated as a person ages. These factors combine to limit and constrain older persons' ability to participate fully in their communities.

The voices of older persons can best be heard through their active political participation at the individual level (through voting in elections), at the group level (through participation in organizations of older persons) and at the government level (through the formation of advisory bodies of older persons). Demographic changes, by themselves, have captured the attention of policymakers with respect to issues that concern older people; at the same time, greater political involvement of older people has been an important factor in drawing attention to their needs. Older individuals have a greater propensity for exercising their democratic right to vote in many countries than those in other age groups.

5.8 Empowering older members of society

The International Federation on Ageing refers to the empowerment of older persons as "the ability to make informed choices, exercise influence, make continuing contributions to society, and take advantage of services[6]. In this sense, empowerment is closely related to participation. There are several factors that preclude the more active participation of older persons in society including poverty, poor health, low educational levels, lack of transportation and access to services, negative stereotypes about ageing, and overt or subtle age discrimination. The goals in empowering older persons are to overcome these numerous barriers, make optimal use of their potential societal contributions and enhance their life satisfaction. An important element in the empowerment process is the enforcement of legislative measures to guarantee the rights of older persons that are laid out in national constitutions and international human rights conventions.

The first and most essential step in empowering older persons is to guarantee that the legal and justice systems that protect the human rights of citizens are effectively enforced so as to eliminate the risk of marginalization of, and abuse directed against, older persons in a variety of institutional, community and family settings. In some countries, culture and tradition may influence the extent to which older persons risk being discriminated against in mainstream social, economic, political and community life. In the most extreme cases, the denial or inadequate enforcement of the human rights of older persons can lead to neglect, abuse and violence.

The nature of their economic dependence can be viewed from the extent of their involvement in paid work. One should take note of the literacy levels, the marital status and work status of the elderly, before formulating a policy regarding them. The living conditions of the elderly are also a vital factor which has to be taken into account.

Continued participation of the elderly in the economic life, even after retirement promoted autonomy and reduced the need for family and community support. However the economic security of older women was important because they were less likely to have worked outside the house and were more likely widowed".

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