# THE ACTIVE AGING CHALLENGE FOR LONGER WORKING LIVES IN LATVIA



OVERVIEW REPORT: MAIN MESSAGES AND POLICY RECOMMENDATIONS



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### ACKNOWLEDGEMENTS

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In drafting the report, the team worked closely with a steering committee made up of representatives from Ministry of Welfare, Ministry of Economics, Ministry of Education and Science, Ministry of Finance, Ministry of Environmental Protection and Regional Development, Ministry of Health, State Employment Agency, State Labour Inspectorate, Free Trade Union Confederation, Confederation of Employers of Latvia, Latvian Chamber of Commerce and Industry and Institute for Occupational Safety and Environmental Health.

The team is grateful for the guidance and support of Mamta Murthi, Andrew Mason, and Carolina Sanchez. The team also thanks peer reviewers Roberta Gatti, Pip O'Keefe, and Victoria Strokova for insightful comments.

The overview report was edited by Anne Grant, and published by Studio Design.

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Significant challenges confront Latvia in ensuring that its aging population achieve healthy, productive, and longer lives. Latvia is ranked 19th out of 28 European Union (EU) countries in the 2014 UNECE Active Aging Index (AAI), which measures the experience of individuals aged 50 and over (50+) in terms of employment, social participation, independent living, and capacity for active aging (e.g., health status, engagement in lifelong learning). The index reveals that older Latvians offer significant untapped potential. As yet they are not aging healthily. Average income among older adults is low, making them more vulnerable to poverty and material deprivation. Investing to extend working lives, for example through lifelong learning activities, could be boosted substantially. One bright spot is that Latvia scores high on employment among older groups, mainly due to much higher employment rates for the youngest elderly—but also partly due to relatively low pensions.

**National averages mask serious inequalities in how actively the population is aging.** Employment, health outcomes, and participation in lifelong learning vary greatly between different population groups, analyzed by gender, educational attainment, 1 or geographical region. There are major differences in employment rates between the highest- and lowest-educated subgroups, particularly for women. The differences in employment by education level are larger than in countries with similar education profiles; indeed, compared to other EU countries, Latvia has the widest disparity between employment of women aged 55–74 with tertiary education (57 percent) and those with less than upper secondary education (8 percent). In health, a major problem is that Latvian life expectancy is the second lowest in Europe after Lithuania, and there appear to be severe inequalities in mortality, morbidity, and access to care. Latvia has the highest proportion of people in the EU with unmet health care needs and the most inequality between those with tertiary and basic education in accessing care. For men aging is worse than for women; Latvia is one of only three EU countries where men score worse than women on the AAI.

<sup>1</sup> Due to a shortage of comparable income information for all the sources used in constructing the AAI, education serves as a proxy for socioeconomic status. Findings from a simple wage regression confirm that this assumption is valid: wages and total household income increase significantly with higher educational attainment.

### THE CORE OF THIS REPORT

As the Latvian population ages, the challenges will intensify. Although demographic forecasts tend to be highly uncertain, in 2030 the expected old-age dependency ratio of more than 40 percent could impose heavy fiscal pressures from age-related spending, particularly on health care, long-term care, and pensions. Moreover, these demographic trends could jeopardize growth and, if not contained by adjustments in individual behavior and government policy, perhaps drive a drop in income. It will be necessary to increase the participation of women and older generations in the labor force, improve productivity, and ultimately heighten fertility, reverse migration flows, or both. Workplace adjustments to accommodate older workers, investments in lifelong learning, better lifestyle habits, and allocation of more resources to preventive health care could mitigate any adverse economic effects of aging and lead Latvians to healthier and more satisfying lives. This report concentrates on:

- **demographic challenge**—an account of past demographic trends and future challenges in Latvia;
- productive aging—the conditions necessary to support employment and productivity over longer working lives;
- **economically secure aging**—essentially how older people fare on a variety of welfare dimensions, with special attention to income;
- lifelong learning and skills development over the lifecycle; and
- **healthy aging**—turning around the finding that Latvia loses too many people, especially men, to premature mortality.

The objective of the report is to provide background analysis for the Government of Latvia as it prepares an active aging strategy for Latvians who are 50+, which is scheduled for issuance in 2016. The main focus is on the labor market participation and productivity of the aging labor force, and related channels and welfare implications. A major analytical emphasis has been to get beyond averages and examine inequalities in outcomes within them. The period of interest is 2015–2030, with the first 5-year segment being of particular interest in setting the active aging policy agenda. While the strategy will focus on those 50+, because many interventions to prepare for an aging society begin in childhood, there are policy options in the report that go beyond the 50+ population.

While the report does not emphasize fiscal issues related to aging or the care of the elderly, it identifies where the largest fiscal costs are likely to emerge and any tradeoffs that can be made early on. Latvia's age-related public spending is the lowest in the EU. Pressures are emerging to raise spending on health, given the association between lack of access to health services and poor health. Over time, it is expected that spending on public pensions may also have to rise to provide adequate pensions and coverage to the poorer elderly who have not built up sufficient pension entitlements. If female labor force participation is to rise to make up for fewer younger people entering the labor market, the state will also need to provide more elder and child care.

### DEMOGRAPHIC CHALLENGE

Low fertility and high net emigration are causing Latvia's population to shrink and age because they have made the population age pyramid top-heavy. In 2012 those aged 50+ made up 38.6 percent of the population, and workers aged 50–64 comprised nearly 30 percent of the working-age population, defined as ages 15–64 (Table O.1). By 2030, the share of those of working-age in total population is set to decline by almost 7 percentage points, and the 50+ share of the working-age population will rise to 33.6 percent. As the number of younger workers shrinks, workers older than 64 should prove to be an important resource to tap.

AGE	2012	2030
0-14	14.3	14.2
15-49	47.1	40.1
50+	38.6	45.6
Working age (aged 15-64)	67.2	60.4
50+ share of working-age population	29.8	33.6
Population (milions)	2.0	1.6
Population change (from 2012 to 2030)		-19.9

Table 0.1 Share of working-age adults and population to declineShare of population, in percent (unless otherwise noted)

Source: Eurostat data.

Note: Population projections are based on the main Eurostat population projection scenario.

**Economic crises have in recent decades further depressed Latvia's historically low fertility rate.** Fertility rose in the 1970s and 1980s when there was a mini-baby boom, but with the economic shock of the transition period, by the mid-1990s fertility had declined to less than 1.3. While surveys suggest that women aged 25–39 on average want 2.4 children, completed fertility is now just 1.5. With childlessness unusual, low fertility is mostly due to women not having a second child. Affordability or economic stability seems to dominate that decision; job instability and income uncertainty have been found to be important factors (Goldstein et al. 2009; Mishtal 2009). Opening up the access of low-income families to better jobs, continuing to increase support through targeted tax-benefit policies to help low- and middle-income families, and making childcare and eldercare more widely available would encourage families to have the two children they say they want.

Net emigration in 2000–10 equaled 10 percent of the 2000 population, pushing the population down substantially (Figure 0.1).<sup>2</sup> While emigration has generated remittances of about 2.5 percent of GDP, the evidence does not yet point to large trade or investment payoffs from the Latvian diaspora. A more open immigration policy could help raise the number of young workers; it would require measures to facilitate international mobility and the validation of professional qualifications and to reduce the barriers immigrants face in taking up formal employment. For specific sectors where there is a shortage of personnel, such as the medical professions, a targeted immigration policy may help to ameliorate the shortages.



**Figure 0.1:** Latvia has one of the most mobile populations in the EU Natural decrease of population and net emigration in Latvia and its neighbors, 2000–12

Source: Hazans 2015.

2 In this report, emigration refers to Latvians living outside of Latvia and thus includes mobility within the EU.

### **PRODUCTIVE AGING**

**Bringing more Latvians into the labor force has the most potential for mitigating adverse economic impacts of aging.** Some progress has already been made by raising the statutory retirement rate from 60 to 62 and aligning women's retirement age to men's, with continuing gradual increases for both genders to 65 by 2025. The employment rate for workers aged 50+ in Latvia rose to 36.4 percent by 2014, which is above the EU28 average but still below that of the best performers, such as the Nordic countries. Between 2006 and 2011, the effective retirement age in Latvia was 65.2 for men and 64.5 for women—higher than in most Northern European countries. Nevertheless, the post-retirement elderly (younger than 75) have relatively low labor force participation rates (averaging 30 percent for men and 22 percent for women for 2002–13), which suggests scope for improvement. Higher labor force participation rates for older adults could significantly reduce dependency ratios. For example, if Latvia can extend the working lives of older adults by 10 years—i.e., if the future labor force participation rate of older adults equaled that of those 10 years younger now—the ratio of inactive to active people would fall from 0.7 to less than 0.6 by 2030, a very significant decrease. If the participation rate of women were also to rise to that of men, this ratio would fall to about 0.5.

Outdated skills, health problems, alternative income sources, care responsibilities, and place of residence all affect labor supply among the elderly. While labor force participation of older adults in Latvia is relatively high, especially those of preretirement age, actual employment rates are close to the EU15 average because Latvian unemployment is much higher, particularly for those in their 50s. Labor Force Survey (LFS) data demonstrate that poor health, both physical and mental, low education, and lack of Latvian language proficiency matter greatly in explaining these outcomes. Willingness to continue working at older ages is also affected by the employment status of spouses or partners, the presence of non-labor income sources (e.g., early retirement, disability, or survivor pensions or financial support from family and friends), and for women the presence of dependents in the household. There are also regional disparities, with older adults in Riga most likely to work beyond retirement age.

Both lingering effects of the economic crisis and societal attitudes affect demand for older workers. Employment in Latvia has yet to reach its prerecession level. Although older workers were not hit particularly hard by the crisis, they are likely to be unemployed longer, given lower intersectoral or geographic mobility. Their chances are also impeded by the perception that employing the elderly means depriving younger people of work. Although this view has often been refuted,<sup>3</sup> it is common in Latvia (Eurobarometer 2009), along with the belief that older

<sup>3</sup> For example, the OECD (2011) found a positive correlation between the employment rates of younger and older people across OECD members.

workers tend to be sicker, more likely to miss work, less productive, less motivated to accept change, and reluctant to be trained. None of these attitudes are grounded in sound evidence (van Dalen and Henkens 2009).

When they are employed, older Latvian workers tend to have worse jobs, especially the oldest. In particular, 50+ wage workers are least likely to earn more than the minimum wage: the share of good-quality jobs in this component of the Job Quality Index, constructed for this report based on LFS data, is especially low in the post-retirement age group. The oldest workers are also more likely to be underpaid relative to those with similar education working in similar occupations and sectors. This suggests that seniority wages are not prevalent in Latvia. In terms of work safety, preretirement-age wage workers are relatively concentrated in occupations and sectors where there is a higher prevalence of work-related incidents, diseases, and health risks, while workers beyond retirement age may enjoy much improved working conditions. On some other aspects of job quality, such as resilience to shocks, older workers perform relatively better than younger colleagues. Among older wage workers, those with higher education and Latvian citizenship seem to have better-quality jobs.

Older adults with labor market vulnerabilities can be classified into distinct groups, each with specific policy implications. Labor market vulnerability was defined as either not being employed for the previous 12 months, having low-intensity employment, low earnings, or working informally. While about half of such vulnerable preretirement age adults (50-61) do not work at all, there is a significant overlap among the other three categories. Older adults with labor market vulnerabilities rely more on income from other household members and benefits to the household than on income from unemployment benefits or social assistance. Among all benefits received by preretirement-age individuals, unemployment benefits have the greatest coverage, with recipients likely to continue getting the benefits for the maximum nine months. The number of older disability beneficiaries has gone up substantially over the past decade, and they spend long periods on disability. On the other hand, social assistance in Latvia carries a very low risk of dependency; it covers few in the preretirement group, and these have infrequent and relatively short spells of social assistance. A multidimensional profiling exercise classified preretirement adults in Latvia into six clusters: low-intensity workers with low earnings, poor out-of-work individuals, disabled individuals, informal male workers, female low-earners, and early-retired individuals. Such profiling makes it possible to prioritize groups on such policyrelevant criteria as poverty and potential to find a good job and to identify cluster-specific policies to help each group obtain formal employment.

Latvia has considerable scope to broaden and enhance the employment of older adults; here policy can make a difference. Of economically inactive persons who receive a pension, 38.3 percent wished to stay employed, compared to the EU27 average of 27.9 percent. One implication of this is that more elderly may ultimately participate in the labor force, since future cohorts are more likely to be Latvian citizens and be better-educated than the current 50+ cohort (Figure O.2). However, the likelihood that better-educated workers may be more likely to emigrate could moderate this positive trend. To stem the outflow of human capital, it is important to enhance job quality. The Latvian Labor Law already prohibits workplace discrimination based on age. Restrictions on employer rights to fire specially-protected workers may be encouraging employers to use early retirement to adjust their workforce. Facilitating access to part-time jobs and flexible work arrangements can give older workers more choice and smooth work-retirement transitions.

Coverage of older workers by active labor market programs can be increased by giving them preferences for participation and training job counselors to focus on their needs. Improving contact with employers through job fairs, speed "dating," and work trials, as in the Netherlands, and simulated recruitment, as in France, may be effective in overcoming prejudices against older workers. Group activities targeting the older unemployed, like the counseling in self-help groups in the Netherlands and in Germany, can tackle social isolation and improve job search skills (EC 2012a, 2012b). The pros and cons of wage subsidies and tax incentives deserve careful consideration. They may help make older workers more employable but can be costly; they may simply substitute older for unsubsidized workers without increasing total employment, or have little long-term benefit. However, they might usefully be combined with quality personal services to jobseekers and employers (see Mayhew and Rijkers 2004). Job search by unemployed older workers can be supported by allowing unemployment benefits until they are of pensionable age (see MISSOC 2014), although it might be more cost-effective to give older workers targeted and means-tested unemployment assistance benefits after unemployment insurance expires. Firms can also help extend working lives by installing age-specific equipment or otherwise adapting the workplace, assigning older workers age-specific tasks, setting up mixed-age working teams, and using age-specific training and human resource management strategies. Policies can be designed to address the labor market vulnerabilities faced by different groups of older adults. For example, the needs and work prospects of older workers who have experienced long spells of unemployment may differ significantly from those of the disabled or the working poor.





**Figure O.2:** Younger cohorts are better educated Composition of Different Cohorts by Education in Latvia, 2002–13

Source: Labor Force Survey data.

### ECONOMICALLY SECURE AGING

While on average individuals who are 65 years and over are less vulnerable to poverty in Latvia, pension adequacy and coverage are growing concerns. Among adults, the risk of poverty is highest for individuals in their 50s, who rely substantially on labor income. The loss of a job, low paid or infrequent work can push this group into poverty. Individuals aged 65+ are less vulnerable to poverty than any other adult population group except those aged 25–29 (Figure O.3). This largely reflects higher pension income rather than seniority wages since, controlling for other characteristics for those 50+, being older translates into lower wages. In two to three decades, based on projections using data on the current contribution rates of prime-age workers, the share of the elderly with incomes below the poverty (i.e. needy) line is forecast to rise as the coverage and adequacy of contributory pensions falls.

#### Figure 0.3: Poverty is lower for older age groups



"At Risk of Poverty" by age group in Latvia, 2013

Source: National EU-SILC data.

The Latvian government is considering options for improving the pension system to provide better protection of the most vulnerable elderly. To the extent the Government of Latvia's policy focus shifts toward providing minimum income through the pension system, the government may need to introduce more redistributive elements into the pension system. This could be accomplished in several ways, such as: (I) by establishing a basic pension financed from the general budget; (II) via additional government contributions of flat amounts to all active social insurance accounts; or (III) by changes to the minimum pension. The challenge is how to put in place a system that ensures adequate coverage and pension levels, while preserving incentives for social insurance contributions by maintaining the link between contributions and benefits.

The cost of social or redistributive pensions will depend on eligibility conditions, the size of the minimum income guarantee, and the manner in which the benefit is indexed following retirement. The fiscal space for a redistributive pension component could be obtained from a number of sources, for example: (I) it appears that some components of the social insurance fund have surpluses. To the extent this can be affirmed, contributions being used to finance these programs could be redirected to pensions; (II) changes in pension system design to focus more on poverty prevention and less on income replacement by introducing more redistributional

elements and reducing the allocation to NDC; (III) change in the method of indexing pensions following retirement. For example, indexing to inflation only rather than a combination of inflation and wage indexing; (IV) re-examination of disability and early retirement pensions. It is important to make sure the pension system provides adequate disability benefits, but does not create moral hazard by providing incentives to seek disability retirement as a substitute for old age retirement. While early retirement provisions in the Latvian system have been reduced and the age for early retirement is being increased, 22 percent of all new pensions in the first half of 2014 were early retirement pensions and certain groups still retain the right to retire early without reduction in benefits; (V) reallocation of general budget revenues.

In order to examine these design and financing issues, updated projections of demographic, labor market and macroeconomic conditions and expectations, as well as updated long-term projections for the pension system that reflect its current status, are needed to develop evidencebased policy and examine potential design and financing options.

The introduction of a minimum social contribution for workers, while aimed at enhancing pension system sustainability and future pension adequacy, can have significant adverse impacts on employment and the equity of fiscal policy. A minimum social contribution, irrespective of earnings or hours worked, has some potential to increase current resources of the pension system and future pensions for the employed. However, it will also increase the cost of hiring part-time and lower-skilled workers. Therefore, there is substantial concern that this measure would reduce formal employment of those who are in low-paid and parttime jobs with gross monthly earnings below the minimum wage. As people aged 50+ and especially those of pre-retirement age are more likely to work in lower-paid and part-time jobs, the introduction of a minimum social contribution could affect this group disproportionately. One possible approach is to follow Estonia in excluding from the minimum social contribution those who are most vulnerable to unemployment—in Estonia's case, it is the pre-retirement population and disabled. More generally, the introduction of a minimum social contribution would further skew the tax system toward labor taxes and increase the already high employer contributions for low-income earners. Given that the tax system is already relatively regressive, with a flat income tax of 23 percent, the introduction of a minimum social contribution raises additional concerns from an equity perspective.

### LIFELONG LEARNING

A strategic approach to lifelong learning starts with ensuring that all students graduate with the right cognitive and social-emotional foundation skills to prepare them for continuous learning and with adult education and training policies that help older workers improve their skills, facilitate shifts to sectors with higher productivity, and help the unemployed find jobs. Adult education and training, especially for older workers, remains underdeveloped in Latvia today. Only 40 percent of Latvian companies provided any form of training in 2010, fewer than in many other European countries and Nordic neighbors. In general, participation in adult education and training is low (Figure 0.4) due to a lack of demand for training by both workers and firms, in conjunction with obstacles related to cost, time, information, and the availability of programs. However, the projected rise in income, continued structural transformation of the economy, and skill-biased technical change is likely to increase the demand for training. This provides an opportunity for strategically developing an adult education system that reflects the needs of the labor market and provides opportunities for older workers.



**Figure 0.4:** Participation in adult education and training is relatively low in Latvia Participation in formal or non-formal training by age cohort, 2011

Source: Data from the Latvia Adult Education Survey 2011.

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Latvia can strategically build its adult education and training system by improving labor market information, providing adequate incentives, and raising capacity. The government could use its convening power to create mechanisms to improve the flow of information and encourage coordination and cooperation between firms, industry associations, and training providers. This includes clarifying the role of Latvia's sectoral expert councils, which are designed to promote cooperation on initial vocational education and training between government, firms and employer associations, craft chambers, and trade unions. The State Employment Agency and local government can play an important role in bringing the supply and demand side of training closer together. Government financing could be used strategically to enhance worker skills, in particular by leveraging private resources from employees and firms, which would benefit most. Government resources could also be deployed to improve the skills of the unemployed, given the social returns from reduced social welfare payments and higher tax revenue when they transition to paid work. Helping unemployed individuals to become more proficient in the Latvian language has been shown to be relatively inexpensive and effective in increasing employment. Current subsidies for training in Latvia consist of tax incentives, co-financing arrangements, and vouchers. The success of voucher programs depends on the quality of information available to training providers and participants including on the skills employers require. Voucher programs also work best in areas of economic agglomeration where the market for training is sufficiently large to allow choice (see Barnow 2009 for U.S. evidence). It is important to ensure that the regulatory framework for adult education and training is relevant to the needs of older workers, for example through encouraging delivery mechanisms and formats that are attractive to this target group.

### HEALTHY AGING

**Health indicators for middle-aged and older Latvians are poor.** There is a wide gulf between life expectancy for males and females, with too many men dying relatively young. Latvians over 50 are likely to spend more of their remaining life in sickness and disability than in good health. While mortality rates for those under 65 have dropped noticeably since the mid-1990s, particularly mortality due to cardiovascular system diseases and external causes, male mortality rates remain high. Life expectancy in Latvia is well below that of the EU15 (Figure 0.5).



**Figure O.5:** Latvia's life expectancy gap with the pre-2004 EU member states has fallen since the early 1990s, but still was eight years in 2013 Life Expectancy at Birth, Latvia and the EU15, 1970–2013



Sources: World Development Indicators 2014 and Eurostat 2014 data.

Improvements in cancer and cardiovascular screening could greatly reduce mortality rates and the incidence of severe illness. Preventive health services are rare in Latvia. For example, only colorectal cancer screening is offered to males aged 50+, and take-up is low. The high mortality due to colorectal cancer is mostly explained by the fact that more than half of all cases are not diagnosed until the third or fourth stage. Females have access to regular screenings for breast and cervical cancer, but about a third of all cases are not identified until the two last stages (Centre for Disease Prevention and Control, 2011 year data). But in 2008, in the EU Latvia was one of the countries with the most women aged 50-69 who had never had a mammogram (40.3 percent); in the group with the least education, this indicator was twice as high (52.7 percent) as for those with tertiary education (26.2 percent). A public campaign to promote participation in preventive health services and broadening the coverage of statefinanced screening programs will be necessary to ensure that targeted groups participate more. One option might be to introduce universal screening for at-risk groups, although that would require efficient communication as well as more resources. There is considerable inequality in under-65 mortality and subjective health measures in Latvia. Premature mortality is much higher among males and females with little education than among the more educated. Differences in subjective health measures between income groups in Latvia generally are higher than in most other EU countries based on EU-SILC data: only 36.9 percent in the bottom income quintile report good or very good health (only Croatia has fewer), while the indicator for the top quintile is 63.1 percent. In 2013, Latvia had the second worst inequality in subjective health outcomes in the EU as measured by the Gini index.

Achieving healthier aging will require better primary care. While the number of practicing doctors per 1,000 Latvians was only slightly lower than the EU average, the country has only 66 general practitioners per 1,000, sixth lowest in the EU.<sup>4</sup> In 2013, 20 percent of all adults reported having had unmet needs for medical treatment within the last year, compared to the EU average of 7 percent. Latvia has the highest unmet needs in health and dental care in the EU.<sup>5</sup> Only 68.4 percent of the population aged 55+ reported having no unmet health care needs. The better-educated had greater access: among those aged 55+ with tertiary education, 80 percent reported having sufficient access to health services, compared to only 63 percent for those of the same age but the least education. Lower use of health services is probably associated primarily with income barriers to access but also with attitudes, lack of education, and poor health behaviors.

**Unhealthy lifestyles are prevalent in Latvia.** In 2009, only 27 percent of adults reported playing sports or doing exercises at least once a week, compared to an average of 40 percent for the whole EU. In 2004, the three Baltic States had the highest share among EU countries of alcoholattributable deaths for men aged 15–64 (Anderson, Møller & Galea 2012). Since alcohol use per capita is lower than in most European countries, this may reflect a preference for stronger alcoholic beverages. In 2012, 27.9 percent of Latvians aged 15 and over smoked daily, the fourth highest percentage in the EU. Programs to improve lifestyle choices might focus on reducing alcohol use in the highest-risk groups (young and older middle age— Anderson, Møller & Galea 2012), raising excise taxes on tobacco, banning e-cigarettes (a gateway to smoking among the young), and tightening restrictions on smoking in public places. Antismoking programs could target stress management and depression, which were major reasons for the high failure rate among smokers trying to quit. Education campaigns in schools, universities, and the media can inform children at an early age about good dietary and exercise habits and discourage smoking and alcohol abuse. Workplace wellness campaigns can encourage better behavior by offering

<sup>4</sup> Data are available for 25 countries: Eurostat 2012 or latest available data

<sup>5</sup> Percentage of people aged 55+ who reported no unmet need for medical and dental examination or treatment during the 12 months preceding the survey.

information, support from colleagues, and demonstration of the effects. Such campaigns are not necessarily expensive and can also affect the entire worker household. Better preventive care and better habits hold considerable promise for improving health status and increasing longevity.

### CONCLUSIONS AND POLICY PRIORITIES

Latvia has been moving to address the challenges of aging, but intensified efforts could reap substantial gains. Given the country's low fertility and high emigration, a substantial rise in old-age dependency ratios is unavoidable. But policy reform, steps by firms to accommodate aging workforces, and changes in personal behavior have considerable potential for improving the experience of aging and ensuring continued economic growth and fiscal sustainability despite an aging workforce. Among policies that could show substantial short-term benefits, particularly in increasing labor force participation, are making childcare and elder care more available, devoting more resources to training older workers, reducing biases against older workers, promoting compliance with workplace health and safety standards, and efforts to support productivity. It will take longer to realize the dividends from measures to improve health, particularly preventive and primary care and promotion of lifestyle changes (such as better diet and less smoking and alcohol consumption), and mainstreaming the lifelong learning culture (with training in better healthy and safe work practices), but considerable gains should ensue in terms of longer, healthier lives, improved employability and productivity, and easing the costs associated with aging. Policies to support fertility will, if successful, take even longer to enlarge the labor force.

Many policies involve significant fiscal tradeoffs. In the EU in 2013 Latvia had the lowest agerelated spending at 12.1 percent of GDP,<sup>6</sup> of which pensions accounted for 7.7 percent of GDP, health spending an estimated 3.8 percent, and long-term care just 0.6 percent. The country's age-related spending is projected to stay the lowest in the EU even into 2060. Based on current pension policies age-related spending is projected to fall to 9.7 percent of GDP by 2060. Why? Spending on pensions is expected to drop by 3.1 percentage points of GDP, aging-related health spending is not expected to rise much, and public provision of long-term care is projected to just edge up to 0.7 percent of GDP. Responding to aging challenges would require more, not less, spending on critical programs. Since Latvians have limited savings, something unlikely to change any time soon, there is arguably a larger role for public than private provision. Relative to the EU average, public spending on health is low and out-of-pocket payments high. Raising public

<sup>6</sup> Source: European Commission's 2015 Ageing Report.

spending on health care closer to the EU average may have large costs, but by reducing barriers to access, it could bring more Latvians into the labor force. Similarly, female participation in the labor force could be stimulated by providing elder care and childcare alternatives to relying on female relatives. But countries that have such care options spend a lot more on child and long-term care. Cutting pension spending is unlikely to be socially feasible because it can only be done by covering fewer people and giving them less generous benefits. Ensuring that poor retirees have a pension that protects them from future poverty will be costly but would prevent a surge in old-age poverty. Given Latvia's considerable aging challenges, policy adjustments are urgent. Fortunately, there are policies that have considerable potential to help Latvians achieve healthy, productive, economically secure, and longer lives. The policy options matrix included in this report suggests key policy levers along the discussed core themes (demography, productive aging, economically secure aging, lifelong learning, and healthy aging) and emphasizes the importance of ensuring adequate financing and evidence base for the aging agenda.

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# POLICY OPTIONS MATRIX

OBJECTIVE	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	INSTITUTIONS RESPONSIBLE
Goal 1: Move to	Goal 1: Move to more balanced demographics.			
Support fami- lies to have the two children they say they want	Continue expanding quality affordable day care for children aged 0–3 years and preschool for children under age 7. Impact: Immediate reduction of obstacles to labor supply and possibly longer-term effects on fertility.	General (provide care to youth, ease care burden for prime age	High to Medium: Depends on the timetable for expansion. Government has a large role in providing affordable access to childcare in Latvia, but as the country transitions to higher incomes, individuals and employers could share more of the costs.	Ministry of Welfare; Ministry of Education and Science; local
	Priority: High Policy and Program Examples: The French system of quality affordable crèches and an extensive network of registered child minders have helped to create a family-friendly environment that allows women to combine motherhood and careers. It has supported a resurgence in French fertility rates since the mid-1990s.	adults) adults	Latest OECD estimates for Latvia's public spending on childcare and early education (2011) is 0.6% of GDP. The OECD average is 0.8% and the highest spender is Denmark at 2%. Source: OECD (2015), OECD Family Database, OECD, Paris (www.oecd.org/social/family/database.htm) Early childhood education and care for Latvian childron acod. in to 3 is a rolatividy low 15%: the	governments; employers
	In 2013 Germany introduced a legal right to center-based childcare for children aged 1–3, which required a significant expansion in the number of childcare facilities.		barcelona target is 33%.	
	Austria introduced an awareness effort designed to support working parents, which included a number of projects managed by the Familie & Beruf Management GmbH and funded by the European Commission (EC). One was a Work and Family Audit for enterprises, which rewarded enterprises that created a family-friendly environment. Another was a State Award for the most family-friendly enterprises to reward innovation. Specific sectors were targeted through the University and Family Audit that assessed in 2011 the needs of students and small and medium-sized businesses. The impact of these measures has not yet been fully evaluated, but given the relatively low cost they would seem a good investment in best practice.			
	Continue to use tax-benefit policies to raise family incomes, such as by increasing benefits for children and other dependents (especially for low-income working households).	Youth and prime age	Prioritize as fiscal space is freed up.	Ministry of Fi- nance; Ministry of Welfare
	<b>Impact</b> : A gradual increase in family incomes could over time have an incremental impact on fertility. However, tax-benefit policies are only one factor contributing to higher and more secure family incomes. Other aspects, such as better paid and more stable jobs, also are important.			
	Priority: Medium to High			
Increase openness to immigration	Ease the integration of skilled immigrants into the labor market by (1) introducing systems to validate and accredit non-EU professional qualifications; (2) reducing language barriers by providing access to affordable Latvian language training and allowing on-the-job language certification; (3) implementing targeted international recruitment for specific sectors where there is a shortage of personnel (government could help employers with this); and (4) directing highly-skilled undergraduate and graduate students into higher education programs where there is a large domestic demand for graduates.	General (potential immigrants likely to be young)	Low: Apply new rules and schemes in existing institutions and programs. Use European Union (EU) funding for communications, training, and employment programs.	Ministry of Interior (Office of Citizenship and Migration Affairs); Ministry of Welfare (labor laws); Ministry of Education and Science, Ministry
	<b>Impact</b> : Low immediate impact but important to prepare the ground for future selective immigration over the longer term as the labor force shrinks and new skills needs arise (and as the country becomes more attractive to immigrants)			of professional of professional qualifications); employer
	.Priority: Medium			conrederations and individual employers (recruitment, training)

		TARGETED		RESPONSIBLE
	Policy and Program Examples: In 2013, Finland adopted its Future of Migration 2020 strategy. Supporting measures cover (1) creating systems to provide guidance to employers recruiting from abroad and foreign workers; (2) identifying pull factors for labor in-migration and preparing related policies; and (3) providing study modules on Finnish language, culture, and working life for foreign nationals entering Finland to take up jobs.			
	Since 2000 Ireland has worked to attract non-EU skilled workers through the working visa/authorization system (since 2007 via a centralized green card process). Targeted were workers in positions where there was clear evidence of sustained skill shortages. (e.g., health, information technology [IT], construction, financial and business professionals, engineers, and scientists).			
	Potential migrants into Australia use the national Vocational Education and Training Assessment Services (VETASSESS) to have their skills analyzed as part of the requirement for skilled migration to Australia. VETASSES5 assesses both general professional and trade skills by examining the education system of the migrant's country of origin, the institution awarding the qualification; and the level, structure, length, and content of the program of study. The VETASSESS assessment program concentrates on occupations where there is a need for workers. Potential migrants pay for their own skill assessment.			
	VETASSESS also has a Migrant Skills Recognition Service (MSRS) for refugees, asylum seekers, and other eligible migrants who did not enter Australia on a skilled migrant visa. After a skills assessment, eligible migrants either get an Australian qualification awarded or a Statement of Attainment. The latter recognizes skills below the level of full qualification and over time an individual can build up the skills recorded in the Statement to accumulate a full qualification. Eligible migrants are given customized gap training in their trade, including work experience and language, literacy, and numeracy support. One issue is that circumstances may make it extremely difficult for many eligible migrants to get the necessary paperwork from their country of origin.			
Foster diaspora ties to the country and engagement in economic	Continue and expand the program of activities to tighten the links between Latvia and Latvians living abroad. <sup>1</sup> The establishment in 2014 of the World Latvian Economics and Innovations Forum is a promising move. Work with the private sector to focus specifically on expatriates, as either investors or facilitators in Latvia's broader foreign direct investment and national development strategy.	General	Low: Use embassies and consulates and seek financial support from the Latvian private sector and emigrant networks to fund activities.	Latvian Ministry of Foreign Affairs; Ministry of Interior (Office of Citizenship and Miscrostion Affairs).
development	<b>Impact</b> : Longer-term payoff expected in terms of return of more emigrants, more investment and trade opportunities, and integration of emigrant experience and innovation.			private sector; emigrant groups.
	Priority: Medium			
	<b>Policy and Program Examples:</b> Useful examples of outreach activities conducted in partnership with civic society and the private sector can be found in the Government of Ireland's Global Irish: Ireland's Diaspora Policy (2015; https://www.dfa.ie/media/globalirish/global-irish-irelands- diaspora-policy.pdf). Part of the policy agenda is to reinforce the institutional basis for networks through, for example, more structured and more frequent network meetings, supporting Irish community organizations to achieve independently validated quality assurance standards, and convening meetings such as the Global Irish Civic Forum and the Global Irish Economic Forum to provide more structure for dialogue and heighten engagement. Ireland has been very successful in building on diaspora ties.			

diaspora: preserving the diaspora's bonds with Latvia and Latvian identity: promoting cooperation with the diaspora in business, science, education, and culture; and providing support for those who wish to return to Latvia. See http:// www.latvia.eufr/blog/latvian-diaspora. The government has not yet formally adopted the proposed program of action.

		AGE GROUP TARGETED	COST AND FINANCING OPTIONS	<b>INSTITUTIONS</b> <b>RESPONSIBLE</b>
Ensure equal access to aging-related support services and	Reduce regional disparities in service provision by deepening and broadening (1) information and monitoring and evaluation systems; (2) evaluation of service delivery by local governments; (3) the link between financing and service demands, given demographic developments in municipalities; and (4) innovation to improve services to the aging population.	Older adults	Unclear: Needs to be quantified as information systems on service delivery are further developed. Could be relatively costly. Pilot programs and awareness communications campaigns could be supported by EU resources.	Ministry of Regional Development and Local Government; Ministry of
across the country	Evaluate whether the current system of financing results in inequities in service provision. There is some evidence of inequities in the areas of health, social care, and lifelong learning. It will be important to improve information systems so that the national government can track service delivery and the flow of funds.			of Health; Ministry of Education and Science
	Continue to support initiatives to seek innovative ways to provide services locally. <sup>2</sup>			
	Provide support for transportation to critical health and other social services where lack of transport is a barrier to participation.			
	<b>Impact</b> : Results are expected in the long term. Complex institutional reforms in financing, planning, provision, and oversight are needed. Programs to execute specific policies for increasing coverage, take-up, and the quality of local services need to experiment with what works in the specific country context.			
	Priority: High			
	Policy and Program Examples: A variety of systems are used to measure subnational performance on spending overall or for particular programs. Norway's Local Government Data Registration and Information Scheme (KOSTRA) provides information on how municipalities and counties use resources. Statistics Norway compiles data from local governments on service provision and finances and merges it with related statistics, such as population. This makes it possible to compare the coverage and productivity of local services and helps local governments set priorities based on how effectively resource are used.			
	Sweden issues a public report on elder care, which is the responsibility of municipalities. Statistics Sweden collects the data for the National Board of Health and Welfare, which uses the data to evaluate elder care provision by local governments and to reset national priorities ( <u>www.socialstyrelsen.se</u> ).			
	New Zealand has in place a Voluntary Bonding Scheme conducted by the Ministry of Health and Health Workforce New Zealand to encourage graduates in the health sector to move to communities that suffer from staff shortages. Annual cash bonuses to pay back student loans or provide additional income are used to attract participants. However, to succeed such schemes probably have to be expensive.			
Goal 2: Support e	Goal 2: Support employment and productivity over longer working lives.			_
Prevent unemployment among Latvians 50+	Enhance measures to support older workers to stay in employment, especially during O cyclical downturns; and as demand rises, support flexible work arrangements, such as part-time and home-based work. Support of microenterprises and other forms of self-employment can provide productive opportunities for older adults seeking flexible employment.	Older adults	Medium (estimated): Much depends on whether subsidies would be provided for retaining older workers or how much of the social security burden is transferred from employers to the government.	Ministry of Welfare; employer organizations
	Impact: Medium-term, as older workers start taking advantage of employment options rather than entering unemployment			
	Priority: High			

2 Such as recent initiative by the Association of Local and Regional Governments: http://www.lps.lv/lepirkumi/?task=view&article\_id=4957

ogram Examples: controduced the intergenerational Contract (Contrat de Génératon), a all companies himg a worker to facilitate intergenerational skills transmission. anis and midi-jobs—jobs that are at least partially seempt from r contributions—demonstrate how part-time formal employment r contributions—demonstrate how part-time formal employment service in Germany photed provision of age structures and qualification alling and fortule methopses (SMES) to raise available and service in Germany photed provision of age structures of and facilitate alling and and the methopsed in the main muture and the structure and qualification alling has ductority can make it more difficult to retain or him older adults of older workers. The maintum social contribution or increases of maintum wages asses in productivity can make it more difficult to retain or him older adults the or low-skilled workers may ee the employment opportunities and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployed by and intensive job search assistance for the 50+ unemployees are then and intensive job search assistance for the 50+ unemployees for workforce structure in the light of new polices. So assist in the unemployment, and offering them trained is a site assistance. Older workers the unemployment assistance for the for more inten- h assistance. So as after their separation from etholoyment, and offerin	OBJECTIVE	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	INSTITUTIONS RESPONSIBLE
In Germany mini- and midi-jobsjobs that are at least partially exempt from call security contributionsdomentates how partimine formal employment, cand a security contributionsdomentate how partimine formal employments can be strung at the unemployer and informally employed. Moreover, Public madysis to small and medium enterprises (SMES) to raise awareness of an infractation analysis to small and medium enterprises (SMES) to raise awareness of an innum wages increases in productivity can make it more difficult to retain or hire older adults or retaining of older workers. Introduction of the minimum social contribution or increases of minimum wages beyond increases in productivity can make it more difficult to retain or hire older adults (e.g., those with less education or who prefer to work part-time), since a substantial thire of older workers. <b>Producy after Changes</b> to tax ystems or minimum wage levels as employers diminish quickly after Changes to tax ystems or minimum wage levels as employers diminish quickly after Changes to tax ystems or minimum wage levels as employers diminish quickly after Changes to tax ystems or minimum wage levels as employers diminish quickly after Changes to tax ystems or minimum wage levels as employers diminish quickly after Changes to tax to the production of the extention of the adults of anear diminitum social contribution tax regime to exempt employ- social tax contribution to be paid by the state. <b>Producy and Program Examples:</b> <b>Producy and Program Examples:</b> <b>Producy High</b> Produce activation to the producement services for the 50+ unemployeed social after their search assistance. <b>Producy and Program Examples:</b> <b>Producy High</b> Producy High Producy High Prome endored and intervences for the conduction for the fourth month for unemployeres to finance outplacement services for workers the unother wareness and information can program conductions of older workers their wareness and information can be paid by the state. <b>Proorde</b> evely baseker ever 51 bas a personal counce		Policy and Program Examples: In 2013, France introduced the Intergenerational Contract (Contrat de Génération), a subsidy for small companies hiring a worker younger than 26 and retaining a worker older than 57 to facilitate intergenerational skills transmission.			
Ensure that changes to tax or other policies do not create disincentives to the hiring of older workers.     Older adults       or retaining of older workers.     Introduction of the minimum vaces is productivity can make it more of fifcult to retain or hire older adults (e.g., those with setucation or who prefer to work part-time). Since a substantial have of older workers currently earn only the minimum wage, or less.     Older adults       if e.g., those with here or low-skilled workers may see their employment opportunities diminish quickly after changes to tax systems on minimum wage, or less.     Older adults       if mast: Part-time or low-skilled workers may see their employment opportunities diminish quickly after changes to tax systems on minimum wage. I week as semployers transmiss to amend its minimum social contribution tax regime to exempt employers transmiss their workforce structure in the light of new policies.     Older adults       Piority: High     Policy and Program Examples:     Diloy and Program Examples:     Diloy and Program Examples:       Provide early and intensive job search.     Provide early and intensive job search.     Older adults       Provide early and intensive job search.     Provide early and intensive job search.     Older adults       Provide early and intensive job search.     Provide early and intensive job search.     Older adults       Provide early and intensive job search.     Provide early and intensive job search.     Older adults       Provide early and intensive job sea		In Germany mini- and midi-jobs—jobs that are at least partially exempt from social security contributions—demonstrate how part-time formal employment can be stimulated for the unemployed and informally employed. Moreover, Public Employment Service in German piloted provision of age structure and qualification analysis to small and medium enterprises (SMEs) to raise awareness of and facilitate on-the-job training so as to increase retention of older employees.			
Introduction of the minimum social contribution or increases of minimum wages     Beyond increases in productivity can make it more difficult to reaction or hire older adults     (e.g., those workers currently earn only the minimum wage, or less.     Impact: Part-time or low-skilled workers may see their employment opportunities     (minish quickly after changes to tax systems or minimum wage levels as employers     Priority: High     Provide early and intensive job search assistance for the 50+ unemployed by     cocial tax contribution to be paid by the state.     Provide early and intensive job search assistance for the 50+ unemployed by     Provide early and intensive job search assistance for the 50+ unemployed by     Provide early and intensive job search assistance for the 50+ unemployed by     Provide static changes to finance untent and intensive job search assistance.     Provide early and intensive job search assistance for the 50+ unemployed by     Provide early and intensive job search assistance for the 50+ unemployed by     Increasing the notification perior from employment, and offering them trained <tr< th=""><th>Monitor potential dicincentives</th><td>Ensure that changes to tax or other policies do not create disincentives to the hiring or retaining of older workers.</td><td>Older adults</td><td>Low: Although the fiscal cost is low, the real political economy cost is in convincing stakeholders that the benefits of hisher wards or social contributions for</td><td>Ministry of Finance; Ministry of Walfare:</td></tr<>	Monitor potential dicincentives	Ensure that changes to tax or other policies do not create disincentives to the hiring or retaining of older workers.	Older adults	Low: Although the fiscal cost is low, the real political economy cost is in convincing stakeholders that the benefits of hisher wards or social contributions for	Ministry of Finance; Ministry of Walfare:
Impact: Part-time or low-skilled workers may see their employment opportunities durinish quickly after changes to tax systems or minimum wage levels as employers reassess their workforce structure in the light of new policies.     Priority: High   Priority: High     Priority: High   Olicy and Program Examples:     Estonia plans to amend its minimum social contribution tax regime to exempt employrees with reduced ability to work or of persionable age from the minimum monthy social tax contribution to be paid by the state.   Older adults     In the service and and intensive job search assistance for the 50+ unemployed by increasing the notification provide early and intensive job search.   Older adults     In the plant is minimum assistance for the 50+ unemployed by increasing the notification is be search assistance.   Older adults     In the plant provide early and intensive job search.   Discumselors to assist in job search.   Older adults     In provide early and intensive job search.   Provide early and intensive job search.   Older adults     In provide early and program Examples:   Provide early and intensive fob search.   Older adults     In provide and program Examples:   Provide early and intensive for workers aged 45+   Provide advide for the company restructuring.     Priority: High   Priority: High   Policy and Program Examples:   Diley and Program Examples:     Proority: High   Policy and Program Examples:   Proorit	to retaining or hiring older adults	Introduction of the minimum social contribution or increases of minimum wages beyond increases in productivity can make it more difficult to retain or hire older adults (e.g., those with less education or who prefer to work part-time), since a substantial share of older workers currently earn only the minimum wage, or less.		employment for the same or more vulnerable groups.	Ministry of Economy
Priority: HighPolicy and Program Examples: Estonia plans to amend its minimum social contribution tax regime to exempt employ- ees with reduced ability to work or of pensionable age from the minimum monthly social tax contribution to be paid by the state.Provide early and intensive job search assistance for the 50+ unemployed by increasing the notification period for mass reductions in employeed by increasing the notification period for mass reductions in employeed by increasing the notification period for mass reductions in employeed by increasing the monthly social tax contribution to be paid by the state.In the intervalProvide early and intensive job search assistance for the 50+ unemployed by increasing the motification period for mass reductions in employees, profiling older unemployed soon after their separation from employment, and offering them trained job counselors to assist in job search.In the part: Medium-term, as the long-term unemployment rate falls due to more inten- sive job search assistance.Priority: HighPolicy and Program Examples: Belgium requires employers to finance outplacement services for workers aged 45+ who are made redundant due to company restructuring.In France, every jobseekers have one from the fourth month).In France, every jobseekers have one from the fourth month).In France, every jobseekers have one from the fourth month).Promote positive stereotypes about the capacities of older workers and and information campaigns and funding NGO projects, encourage mixed-age terms in the worklapere. For the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials.Impact: Medium- to longer-term, as attitudes change.Impact: Medium- to lo		Impact: Part-time or low-skilled workers may see their employment opportunities diminish quickly after changes to tax systems or minimum wage levels as employers reassess their workforce structure in the light of new policies.			
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Impact: Medium-term, as the long-term unemployment rate falls due to more intensive job search assistance.     Priority: High     Policy and Program Examples:     Belgium requires employers to finance outplacement services for workers aged 45+     Who are made redundant due to company restructuring.     In France, every jobseeker over 55 has a personal counselor from the first month of unemployment (younger jobseekers have one from the fourth month).     Promote positive stereotypes about the capacities of older workers through awareness and information campaigns and funding NGO projects, encourage mixed-age teams in the workplace; for the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials.     Impact: Medium- to longer-term, as attitudes change.     Priority: High	Reduce long-term unemployment	Provide early and intensive job search assistance for the 50+ unemployed by increasing the notification period for mass reductions in employees, profiling older unemployed soon after their separation from employment, and offering them trained job counselors to assist in job search.	Older adults	Medium (estimated): Depends on the resources and capacity of the State Employment Agency. There may be an opportunity to access European Social Fund (ESF) financing through investment priority	State Employment Agency; Ministry of Welfare; employers
Priority: HighPolicy and Program Examples: Belgium requires employers to finance outplacement services for workers aged 45+ who are made redundant due to company restructuring.In France, every jobseeker over 55 has a personal counselor from the first month of unemployment (younger jobseekers have one from the fourth month).Promote positive stereotypes about the capacities of older workers through awareness and information campaigns and funding NGO projects, encourage mixed-age teams in the workplace; for the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials.Impact: Medium- to longer-term, as attitudes change.Priority: High	tne older unemployed	<b>Impact</b> : Medium-term, as the long-term unemployment rate falls due to more inten- sive job search assistance.		۲۰.۵, active inclusion with a view of promoting employment.	
Policy and Program Examples:Belgium requires employers to finance outplacement services for workers aged 45+Who are made redundant due to company restructuring.In France, every jobseeker over 55 has a personal counselor from the first month of unemployment (younger jobseekers have one from the fourth month).Promote positive stereotypes about the capacities of older workers through awareness and information campaigns and funding NGO projects, encourage mixed-age teams in the workplace; for the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials.Impact: Medium- to longer-term, as attitudes change.Priority: High		Priority: High			
In France, every jobseeker over 55 has a personal counselor from the first month of unemployment (younger jobseekers have one from the fourth month). Promote positive stereotypes about the capacities of older workers through awareness and information campaigns and funding NGO projects, encourage mixed-age teams in the workplace; for the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials. Impact: Medium- to longer-term, as attitudes change. Priority: High		<b>Policy and Program Examples:</b> Belgium requires employers to finance outplacement services for workers aged 45+ who are made redundant due to company restructuring.			
Promote positive stereotypes about the capacities of older workers through awareness and information campaigns and funding NGO projects, encourage mixed-age teams in the workplace; for the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials. Impact: Medium- to longer-term, as attitudes change. Priority: High		In France, every jobseeker over 55 has a personal counselor from the first month of unemployment (younger jobseekers have one from the fourth month).			
ium- to longer-term, as attitudes change.	Reduce bias against older workers	Promote positive stereotypes about the capacities of older workers through awareness and information campaigns and funding NGO projects, encourage mixed-age teams in the workplace; for the unemployed, increase opportunities for exposure to employers via job fairs, networking events, and work trials.	Older workers	Low to medium: The cost of public information and awareness campaigns should be relatively low; organization of job fairs and expanding networks of employers for coordinated "speed dating" and work	State Employment Agency; Ministry of Welfare; employer
		Impact: Medium- to longer-term, as attitudes change. Priority: High		uters can be more cosuy. Intele may be a possibility of accessing EU resources for such activities, such as under ESF priority 2.7.3.	cionalization

OBJECTIVE	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	<b>INSTITUTIONS</b> <b>RESPONSIBLE</b>
	Policy and Program Examples: In the Netherlands, employers can offer the unemployed an unpaid trial placement for three months, during which they continue to draw unemployment benefits. Employers also partner with industry organizations to let recently-unemployed job seekers have speed dates with them.			
	Since 2006 the United Kingdom (U.K.) has had a continuing public information campaign, "Age Positive," sponsored by the Department for Work and Pensions. The objective is to stop age discrimination by employers in recruitment, retention, and training. The campaign disseminates the findings of research and works with the press to raise awareness on related issues, holds events, and gives awards for best practices.			
Reduce the care burden on women	Expand formal care services to reduce exits from work or limitation of working hours due to child and elder care responsibilities, especially for women. If the capacity of the network of formal care institutions is reduced through policy measures, it is important to ensure sustainable and predictable cofinancing to provide options for caregivers who would like to remain in the labor market.	Prime-age, older adults	<b>High to Medium</b> : Depends on the timetable for expansion.	Ministry of Welfare; Ministry of Finance
	Impact: There may be an immediate rise in female labor force participation if formal care services are available, affordable, and of high quality. A longer-term consequence is a reduction in old-age vulnerability to poverty for women, who are otherwise likely to leave the labor force during caregiving spells.			
	Priority: Medium			
	<b>Policy and Program Examples:</b> Austria has a comprehensive support system for caregivers and persons in need of care. It includes a cash benefit to be used for formal care services or to reimburse informal caregivers for their time. It also includes provisions for care-related leave or reduction in working hours to support workers who need to provide care to their relatives.			
Preserve the working capacity and	Promote adaptation of workplaces to the needs of older employees, raise awareness about the benefits of workplace rotation, continue enhancing occupational safety and health (OSH) compliance, and provide voluntary "aging audits" for employers.	Older workers (main),	Medium: Government can finance awareness and information campaigns on workplace adaptations and OSH audits and offer consultation services, but firms	Ministry of Welfare; labor inspectors;
of older	Priority: Medium	workers	productivity and reduce absenteeism among their productivity and reduce absenteeism among their	empioyer organizations
empioyees	Impact: Some short-term results from fewer absences due to sickness but mostly medium-term, from reduction of premature exit from the labor force due to disability	(secondary)	employees. Est innancing may be available to support these measures via priority 2.7.3.	
	<b>Policy and Program Examples:</b> A Bavarian branch of BMW in Germany was able to reduce absenteeism and increase the productivity of older workers using a cost-effective program of small modifications to workplaces, healthcare management, training, enhancement of the work environment, policies for part-time work, and change management processes.			
	Recent labor market reform in Austria emphasized health-related issues and introduced the Fit2Work initiative. Fit2Work, financed by the Public Employment Service, social security, and Ministry of Social Affairs, offers comprehensive counseling and case management for people who are unemployed or in extended absence from work due to a health condition. It also provides counseling for companies, using a wide-reaching network of consultants, to promote and maintain work ability of employees, to identify and eliminate counterproductive factors in the workplace environment, and to improve the company's productivity. This is done through counseling process based on Work Ability Index Plus, employee interviews, and coaching on workability.			
	Austria also provides companies with consultation services on how to increase age- related flexibility and health promotion at the workplace, and how to up-skill and re-skill workers aged 45+.			

	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	<b>INSTITUTIONS</b> <b>RESPONSIBLE</b>
The U.K. Managet training, Age Acti managin Workforv http://ag April-20 range of	The U.K.'s Department for Work and Pensions offers an "Employer Toolkit: Guidance for Managers of Older Workers" that covers all business sectors and discusses retaining, training, recruitment, legal issues, and flexible working arrangements. The U.K.'s Age Action Alliance has online a comprehensive information source for employers managing older workers, "Managing the Health and Productivity of an Aging Workforce—An Employer Resource: Solutions to Employer Questions" <u>http://ageactionalliance.org/worchpress/wp-content/uploads/2014/03/Employers-Toolkit-April-2014.pdf</u> . It contains simple tools and checklists and expert advice on a wide range of health and productivity issues.			
conomic	Goal 3: Ensure economically secure aging.			
Prevent old-age To the poverty redist This cc genera	To the extent the Government of Latvia's policy focus shifts toward providing minimum income through the pension system, the government may need to introduce more redistributive elements into the pension system. This could be accomplished by: (I) establishing a basic pension financed from the general budget; (II) additional government contributions of flat amounts to all active social insurance accounts; or (III) changes to the minimum pension.	Older adults	Medium to High: The cost of social or redistributive pensions will depend on eligibility conditions, the size of the minimum income guarantee, and the manner in which the benefit is indexed following retirement. The fiscal space for a redistributive pension component could be obtained from a number	Ministry of Welfare, Ministry of Finance
Updatec expectat needed options.	Updated projections of demographic, labor market and macroeconomic conditions and expectations as well as updated long-term projections that reflect its current status are needed to develop evidence-based policy and examine potential design and financing options.		the social insurance budget; (II) characterize when the social insurance budget; (II) charges in pension system design to focus more on poverty prevention and less on income replacement by introducing more redistributional elements and reducing the allocation to MD. (III) characterize in pension indexation such	
Priori	Priority: High		as indexing to inflation only; (IV) re-examination of	
Polic The S prog Pensi of be for p	<b>Policy and Program Examples:</b> The Swedish pension system consists of a notional defined contribution (NDC) program, a mandatory fully funded defined contribution program and a Guarantee Pension. The Guarantee Pension is an income-tested top-up for people with low levels of benefit from notional accounts, and is price indexed. There is also a housing benefit for pensioners that that covers 93% of housing costs up to a maximum.		adequate benefits without creating incentives to adequate benefits without creating incentives to use these as a substitute for old-age retirement; (V) reallocation of general budget revenues.	
Chile incor attai be au paya amoi	Chile has a mandatory fully funded defined contribution program and a pension- income-tested supplement. The supplement is payable to all Chileans who have attained age 65 and been a resident of Chile for 20 years. The pensioner's family must be among the poorest 60% of the population as assessed by the census. The benefit is payable to all individuals whose defined-contribution pension is less than a specified amount: the maximum welfare pension threshold.			
Basic Repu of a 1 of co contr inclu	Basic pensions in various forms exist in many EU countries including the Czech Republic, Estonia, Iceland, Ireland, Lithuania, and the U.K. The basic pension consists of a flat benefit that is not related to earnings. Typically, a minimum number of years of contributions is required to be eligible and the benefit may increase with years of contributions. Other countries pay social pensions financed from the State budget including Denmark, the Netherlands, and Sweden.			
Raise Cont savin the p	Raise awareness of the need for savings and enhance incentives for saving. Continue and deepen government financial literacy campaigns about pensions, savings, and older-age income needs. This could be done partly in cooperation with the private sector. Continue tax incentives for savings programs.	Young/ prime-age (savings are low on average for the older generation who have less time to build savings for retirement)	<b>Low to medium</b> : Information campaigns, automatic enrollment schemes, and the like are not expensive. Depending on their design, tax incentive schemes could be costly.	Individuals; Ministry of Welfare (public campaigns); private sector

OBJECTIVE	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	INSTITUTIONS RESPONSIBLE
	<b>Policy and Program Examples:</b> Countries are increasingly using automatic enrollment schemes (often with an optout possibility) to encourage saving. Most automatic enrollment schemes for savings are targeted to pensions, as for example in Australia, the U.K., and the Netherlands. Voluntary savings schemes also can be effective. In New Zealand the KiwiSaver is a voluntary scheme to help people build up retirement savings; younger participants can use it to save for a deposit on their first home. Participation in KiwiSaver has grown over time.			
	In contrast, although Latvia has had a voluntary private pension savings pillar since 1998, enrollment is still low. Compulsory schemes may be necessary to ensure adequate savings for all; automatic or voluntary schemes may be a second-best option.			
	A recent example of raising financial awareness is a commercial advertising campaign of the Prudential insurance company in the United States, "How Much Do you Need to Retire?" Professor Daniel Gilbert from Harvard University used data visualization to influence perceptions on savings and retirement (see <a href="http://www.ispot.tv/ad/7Txd/prudential-ribbon-experiment">http://www.ispot.tv/ad/7Txd/prudential-ribbon-experiment</a> ). The impact of this campaign has not been evaluated, but the perception is that it did raise awareness of how much people need to save for retirement.			
Goal 4: Promote	Goal 4: Promote skills development and lifelong learning.			
Promote coordination of both central and local adult education and training training	Use the government convening power to strengthen central and local mechanisms to improve the flow of information and encourage coordination and cooperation between firms, industry associations, and training providers. This includes (1) strengthening and expanding the focus of tripartite Sector Expert Councils on adult education and training; and (2) leveraging the State Employment Agency to facilitate the flow of information on labor market needs between employers and training providers at central, regional, and local levels and to champion the interests of older workers and job seekers. Local governments can also initiate or build up their capacity to convene training supply and demand sides and promote local partnerships. Impact: Potentially high, building on and building up existing institutions and mechanisms. This is a first step in building effective adult education and training systems.	General	Low: Combine national and available EU funding. Leverage private sector contributions.	Various national government agencies and local governments; Joint Sector Expert Council secretariat with representation from the National Centre for Education, the Employers Confederation and the Free Trade Union Confederation of Latvia; State Employment Agency; public and private training institutions
Use national and EU financing strategicaally to build the adult education and training system	In allocating public funds (national and EU), differentiate between inclusion and productivity objectives in adult education and training and recognize the risk of public funds replacing private investments. Use EU financing in the 2014–20 financing period to conduct experiments and evaluate them rigorously. Impact: Variable Priority: Medium-High	Prime-age and older workers	Variable: Combine national and any EU funding. For the productivity objective (mainly focused on employed individuals) leverage private (co-)funding from workers and firms using such incentives as tax breaks and matching grants. For the inclusion objective (mainly focused on unemployed and inactive workers and those at risk), use public resources in a demand-led manner, e.g., through vouchers.	Various Government of Latvia agencies

OBJECTIVE	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	<b>INSTITUTIONS</b> RESPONSIBLE
Use regulation strategically to make sure the emerging adult education and training system reflects the needs of older individuals	Use regulatory tools to steer the adult education and training system in the direction of more openness to the needs of older workers and job seekers, e.g., recognizing prior learning through informal and non-formal activities in light of the selative importance of informal learning for older individuals. Reduce language barriers by providing access to affordable Latvian language training and allowing on-the-job language certification. Impact: Medium-term.	Older workers and job seekers	Low	Ministry of Education and Science
Goal 5: Achieve h	Goal 5: Achieve healthier and longer lives.			
Increase state health care spending, ensure accessibility of health care services across the country	Continue to give primary and preventive care priority in all health services; make medical resources more available, especially general practitioners (GPs), particularly in rural areas; reconsider support for GPs working in areas with low population density; evaluate the possibility of organizing transportation for patients to the point of service. <b>Impact:</b> Longer-term payoff expected in terms of labor supply and productivity and easing fiscal costs associated with an older population.	General	<b>High</b> : Increasing the health care budget is expensive, but it is clearly a necessity. Measures can be prioritized for adoption as state budget funds are freed up. Expenses for making medical resources available in regions and rural areas depend on the extent of the expansion. Transportation of patients is a matter of cost efficiency.	Administration; Ministry of Health
Prevent and reduce premature disability disability	Improve disease detection and treatment, such as coverage of state-financed cancer cereating programs; widen programs to screen and treat cardiovascular diseases. Analyze why so few take advantage of screening programs; make sure that poor proficiency in the official language does not depress take-up rates among middle-aged ethnic minorities. Raise public awareness of the importance of cancer screening. Ensure occupational safety. Reinforce workplace-based occupational programs for preventing disability especially prolonged disability due to musculoskeletal disorders. Make medical resources more available for workers, e.g., outside regular working hours. Impact: Medium-term payoff expected in terms of a larger and more productive labor force, and lower costs for inpatient health care and disability benefits. <b>Policy and Program Examples: Policy and Program Examples: Policy and Program Examples: Policy and Program Examples: Policy and Program Examples: Workplace-based occupational programs for workers with musculoskeletal problems and disability here Return-to-Work Safely (PEARS) programs for workers with musculoskeletal problems and disability have proved efficient. In Canada, the Prevention and Early Active Return-to-Work Safely (PEARS) program at Vancouver General Hospital helped get workers with musculoskeletal injuries back to their regular duties more quickly.</b>	General / middle-aged	Medium: The cost of public information and awareness campaigns should be relatively low. Expenses for better diagnostics will lead to spending more on newly discovered cases of diseases in the short run, but those expenses would be outweighed by the reduction in disability and premature mortality in the medium term. Enterprises should at least partly cover expenses for improving occupational safety and development and building up workplace- based occupational programs. ESF financing may be available to support workplace-based programs via investment priority 2.7.3.	Ministry of Health, National Health Service; employers; State Labor In- spectorate
Reduce excess male mortality	Reduce deaths from diseases of the circulatory system, cancer, and external causes. In Ensure a high take-up rate of state-financed screening for such diseases. Raise awareness, educate, change perceptions, involve spouses, encourage GPs to be more proactive. Impact: Mid-term payoff in terms of sustainability of the male workforce.	Middle-aged	Medium: Proactive communication, like telephone invitations, would create minor but permanent expenditure items. Expenses for better diagnostics will lead to spending more on newly discovered cases of diseases in the short run, but these expenses would be outweighed by the reduction in disability and premature mortality in the medium term.	Ministry of Health; National Health Service

OBJECTIVE	POLICY OPTIONS A	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	<b>INSTITUTIONS</b> RESPONSIBLE
	Policy and Program Examples: In Korea, combining telephone and postal invitations or using only telephone invitations for colorectal and gastric cancer screening for males produced significantly more participation and were more efficient than postal interventions alone.			
	In the United States, targeted and tailored interventions (screening invitation letters, information booklets, tailored "message pages") are found to raise colorectal cancer screening.			
Tackle inequalities in health	Reduce financial barriers to accessing health care. Reduce unmet needs for health Ge care. Inform society about free GP visits and a list of tests they provide once a year. Target low-income groups. Keep the program for the needy.	General	<b>Medium:</b> Expenses for information campaigns would be relatively low. Improved GP visit indicators among the less well-off would not raise costs much. The	Ministry of Health
	<b>Impact</b> : Longer-term payoff due to higher labor force participation and productivity and longer working lives; savings on the costs associated with disabled and older people.		program for the needy is more expensive but more crucial.	
	<b>Policy and Program Examples:</b> Tackling health inequalities implies measures in a variety of policy fields. In the U.K. health inequalities were reduced substantially by (1) wealth redistribution, e.g., raising the national minimum wage and reforming tax credit and welfare payments; (2) improving educational and employment opportunities, especially for young people and the long-term unemployed; and (3) supporting vulnerable individuals and families (e.g., the Sure Start program).			
Encourage and support healthy	Target improved attitudes and health and illness behavior; put in place a healthy environment.	General	Low to medium: The costs of public campaigns are relatively low. Expenses for improving infrastructure	Individuals; Ministry of Health
irrestyles	<b>Impact</b> : Longer-term payoff due to higher labor force participation, longer working lives, higher productivity, reduced absenteeism, and decreased costs associated with an older population.		depend on scale. There may be a possibility of accessing EU resources for such activities.	
	<b>Policy and Program Examples:</b> Over the last two decades, Lithuania achieved a major improvement in its tobacco control policy. NGOs were involved. Broad information campaigns raised awareness and smoking bans gained substantial public support (even among smokers). The program was closely associated with the decrease in smoking.			
	Commitment devices can be used to incentivize healthy behaviors. In the Philippines, the CARES program offered smokers a savings account in which they deposited funds for six months, after which they took a test for nicotine and cotinine. If they passed, their money was returned; otherwise, it was forfeited to charity. The program was successful in increasing the probability of smoking cessation and produced lasting effects.			
Goal 6: Ensure su	Goal 6: Ensure sustainable and adequate financing of the aging agenda.			
Achieve adequate and sustainable financing of the necessary services and programs	Given the urgency of the agenda, prioritize action now to set up socially and fiscally sustainable systems.			Government of Latvia

OBJECTIVE	POLICY OPTIONS	AGE GROUP TARGETED	COST AND FINANCING OPTIONS	<b>INSTITUTIONS</b> RESPONSIBLE
	The immediate priorities are: (1) Rethink the financing mix for pensions. (2) Plan for increased spending on health and long-term care. Since many older people have few assets, in the immediate future private financing of health and care needs may be limited. (3) Find fiscal space elsewhere in the budget for aging-related spending. (4) Use EU funds strategically to support aging policies. (5) Be transparent about implicit pension costs by defining reliable methodologies for calculating the implicit pension debt, and make these figures publicly available. Priority: High			
	<b>Policy and Program Examples:</b> Many countries are relying more heavily on general revenue financing than on labor taxes for aging-related programs. Japan has chosen to raise consumption taxes, e.g., the VAT, to finance such spending, but this is regressive—and is particularly worrisome if inequality is already high.			
Develop and use research on aging- related issues to inform the policy agenda	Develop and use research     Continue the current evidence-based approach to policy making: use research     Continue the current evidence-based approach to policy making: on aging- in key subnational areas. (2) Support research on how people are aging across the lifecycle.       (1) Put in place IT systems to track program spending, service quality, and coverage) in key subnational areas. (2) Support research on how people are aging across the lifecycle.       (3) Deepen monitoring and evaluation of aging-related programs and policy agenda     (3) Deepen monitoring and evaluation of aging-related programs and policy approaches, accompanied by continuous evaluation.       (5) Consider joining the Survey of Health and Retirement in Europe (SHARE) research project (fielding the survey and supporting related research). This is a multidisciplinary and cross-national database of microdata on health, socioeconomic status, and social and family issues for 20 European countries + Israel on those aged 50 + (source: http://www.share-project.org/). (6) Consider joining PIAC or implementing a STEP survey to evaluate the skills of the working-age population.       Impact: Potentially high as resources are directed where they are most needed and most effective.	General	<b>Low:</b> Combine national and available EU funding. Attract private sponsorship in appropriate areas. Monitoring and evaluation are vital to ensure value for money in public and private spending on aging- related interventions.	Various national government agencies (with the Aging Steering Committee) and local governments; universities and research institutes; the Employers Confederation; large companies; cooperation with the EC, the OECD, World Bank. etc.
	Priority: High			

### LIST OF ACRONYMS

50+	Individuals aged 50 or more
ΑΑΙ	Active Aging Index
EC	European Commission
ESF	European Social Fund
EU	European Union
EU15	The first 15 members of the EU: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom
EU28	All current members of the EU
EU-SILC	EU Statistics on Income and Living Conditions
GP	General practitioner
IT	Information technology
KOSTRA	Local Government Data Registration and Information Scheme, Norway
LFS	Labor Force Survey
MISSOC	The EU Mutual Information System on Social Protection
MSRS	Migrant Skills Recognition Service, VETASSESS
NGO	Nongovernmental organizations
OECD	Organisation for Economic Co-operation and Development
OSH	Occupational safety and health
PEARS	Prevention and Early Active Return-to-Work Safely program, Canada
PIAAC	OECD Survey of Adult Skills
SHARE	Survey of Health and Retirement in Europe
SMEs	Small and medium-sized enterprises
STEP	Science, Technology, Engineering, and Mathematics Talent Expansion Program, National Science Foundation, U.S.
UNECE	United Nations Economic Commission for Europe
VETASSESS	Vocational Education and Training Assessment Services, Australia