

## Chapter 9

# COVID-19 Pandemic: The Impact of the Elderly Workforce on Social Security-Related Rights

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### ABSTRACT

*The aim of this study is to evaluate and provide an overview of the significant impact of the increasing mean age of the communities on social insurance as well as the effects of COVID-19, which has turned into a pandemic, on social security rights of elderly. In this framework, strategies are suggested to minimize the negative effects of the issue on social security. This study aims to investigate the effects of aging of the population on social security systems in line with the reformist approach to social security systems, to seek an answer to the question of how social security systems will respond to this transition in the demographic structure and to suggest solutions against the effects of COVID-19. In addition, the authors discuss the implementation methods of a three-pillar social security model proposal, which is based on individual pension programs within the scope of social security reforms. Finally, flexible retirement plans developed in order to keep the aging workforce in employment for longer periods are discussed.*

### INTRODUCTION

Developments in modern life and medical technology prolong life expectancy and consequently elderly population is gradually increasing today. The share of the population aged 65 and over is increasing faster than any other age group all over the world (United Nations, 2019). The number of elderly people in the world is expected to reach 1.4 billion as of 2030, 2.1 billion as of 2050 and 3.1 billion as of 2100 (United Nations, 2017: 11).

The number of the population aged 65 and over in our country, which is referred to as the elderly, was 6 million 192 thousand 962 people as of 2014, whereas this figure increased by 21.9% over the last five years and reached 7 million 550 thousand 727 people as of 2019. Hence, the share of the elderly

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in the total population which was 8.0% as of 2014, increased to 9.1% as of 2019. As of 2019, 44.2% of the elderly population is male and 55.8% is female. Population-based projections reveal that the share of elderly population will be 10.2% by 2023, 12.9% by 2030, 16.3% by 2040, 20.8% by 2050, 22.6% by 2060 and 25.6% by 2080 (Turkish Statistical Institute [TURKSTAT], 2020a). However, it is expected that the rate of young population will decrease to 11.8% by 2060 (TURKSTAT, 2020b), whereas the rate of the population is expected to reach out to 22.6% by 2060 (TURKSTAT, 2020a).

This change in the demographic structure, which is generally defined as the elderly-aging population problem due to lower birth rates and longer life expectancy has a multi-dimensional negative effect on the functioning of social insurance, which is the most common technique of the social security system. First of all, when the labor force participation rate of individuals decreases, the number of active insured workforce paying social security premiums will decrease which subsequently will result in a decrease in income. It is accepted that there is an agreement between generations in society as such: The working generation provides care for children and youth; when they get older, they are entitled to be cared for by the generation whom they had previously taken care of (Tufan, 2016: 125).

Secondly, as the average life expectancy prolongs and the elderly population increases, the passive population that social insurance pays salaries, thus their monthly expenses will increase accordingly. The most important expense item among the total expenditures of social security systems is expenditures for the elderly, with a ratio of nearly 60%. In brief, aging population will disrupt the income-expenditure balance of the social security system and a structure that will make the financial sustainability of the system difficult will emerge (Aricı and Alper, 2018: 220).

Demographers refer to this new century as the century in which the population will age rapidly. The aging population is attributed to two main reasons: The first is the decrease in birth rates while the second is the increase in life expectancy. The average age of the world's population, which was 23.6 in 1950, will rise to 26.5 by 2000 and to 36.2 by 2050. For developed regions such as Europe and North America, this figure is even higher. While the share of child population (0-14 years old) in the world, which was 34% as of 1950, decreased to 30% in 2000, the share of the elderly population (60 years and older) increased from 8% to 10%. Over the next 50 years, the rate of child population is estimated to decrease by 21% while the share of the elderly population is estimated to double, i.e., increase to 21% (Gündoğan, 2001: 97).

Older population reduces the productivity of the economy to the extent that it reduces the labor force participation rate. The aging of the population is not a problem that concerns only the social security system, so raising the retirement age alone will not be sufficient to solve this problem. The problem of change in the demographic structure and aging of the population is the common problem as of the 21st century of all countries independent of their level of development and it is not possible to limit their effects only to the social security system (Aricı and Alper, 2018: 220).

The region mostly affected by the aging of the population in the world is Europe. The share of people aged 60 and over in the total population in Europe was 20% in 1998 and this rate is estimated to increase to 35% as of 2050. In other words, one out of every three people will be in the 60 and above age group of by 2050. Southern Europe, where the number of older people made up 20% of the population as of 1998, is today the oldest region in the world. This rate is expected to further increase to 39% by 2050. The share of the child population in Europe, which was 17% in 2000, is estimated to decrease to 14% by 2050 while the share of the elderly thereof will rise from 20% to 37%. Thus, it is expected that there will be 1 child for every 2.6 elderly people in Europe. Furthermore, average age is projected to increase from 37.5 to 49.5 by 2050. The country with the oldest population in the world today is Japan. Japan is

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