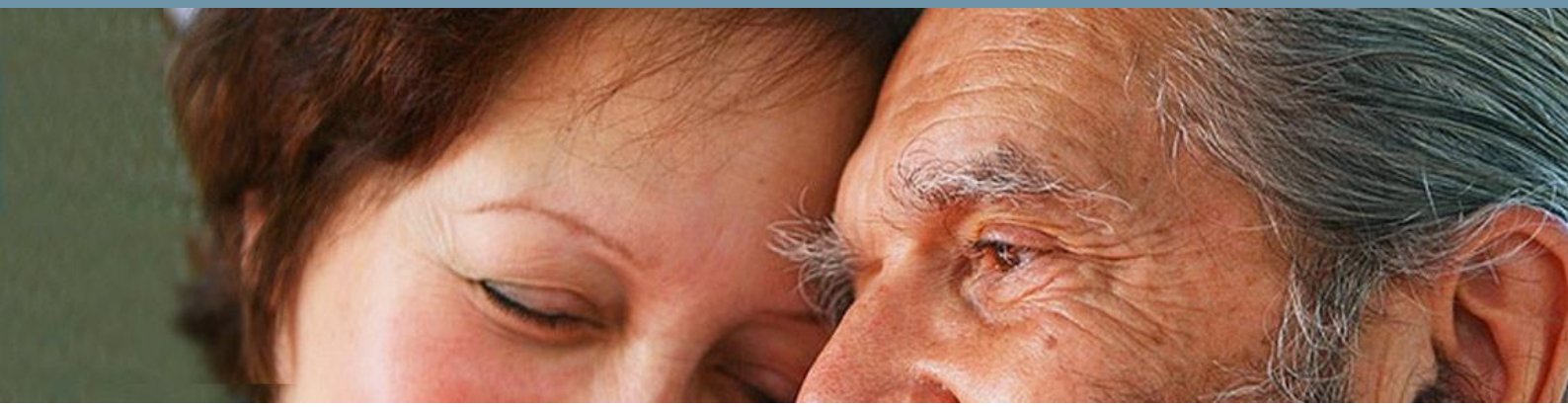


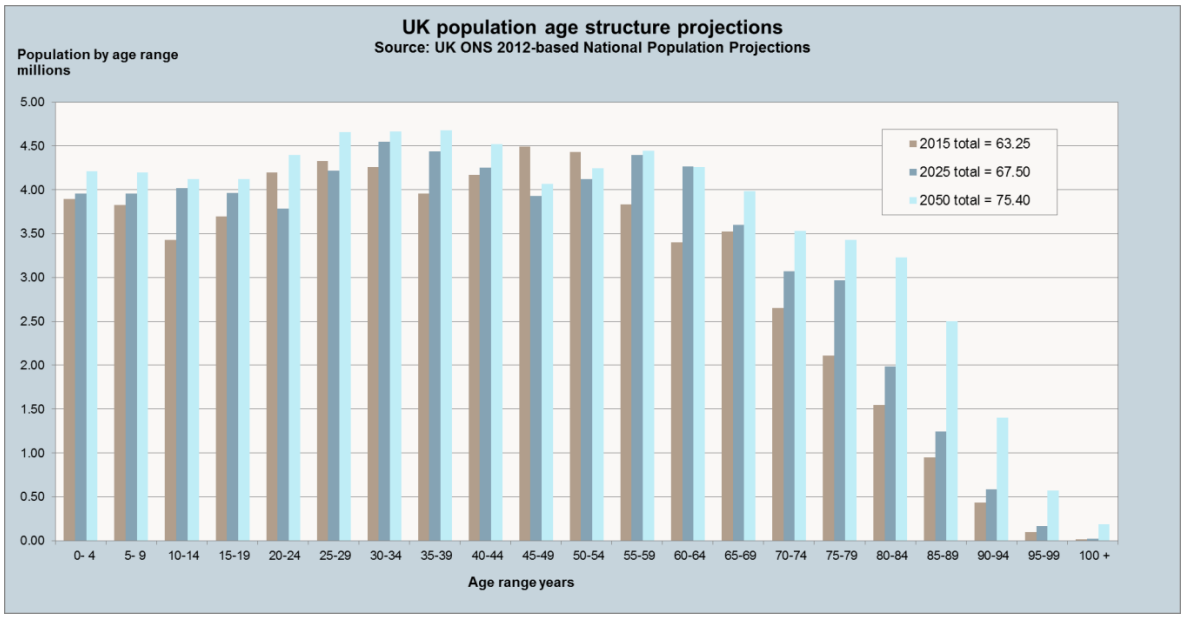
Responding to ageing populations

Populations around the world are ageing as life expectancy increases and as birth rates fall. At present, the increased proportion of elderly people in the population is generally higher in developed countries than in others, but ageing is increasingly becoming a global phenomenon. Predominantly young populations are one of the reasons that, in the short term, high population growth rates are predicted for many developing countries. If their birth rates fall and their population numbers begin to stabilize, these countries will also experience a higher percentage of elderly people.

This has become a major social and political issue; people are concerned about what will happen to them in their retirement as they live unprecedentedly long lives and the number of people dependent on pensions increases relative to those of working age.

Some governments have become sufficiently concerned about this to introduce incentives for people to have more children, though these have not generally been very effective. However, it is self-evident that support for the elderly cannot be provided indefinitely by successively ever-larger numbers of young people. Such an ever-increasing population would inevitably overwhelm the resources available, at both national and global levels.

Fortunately, there are good reasons to believe that this is not the only solution to the problem.



Pensions

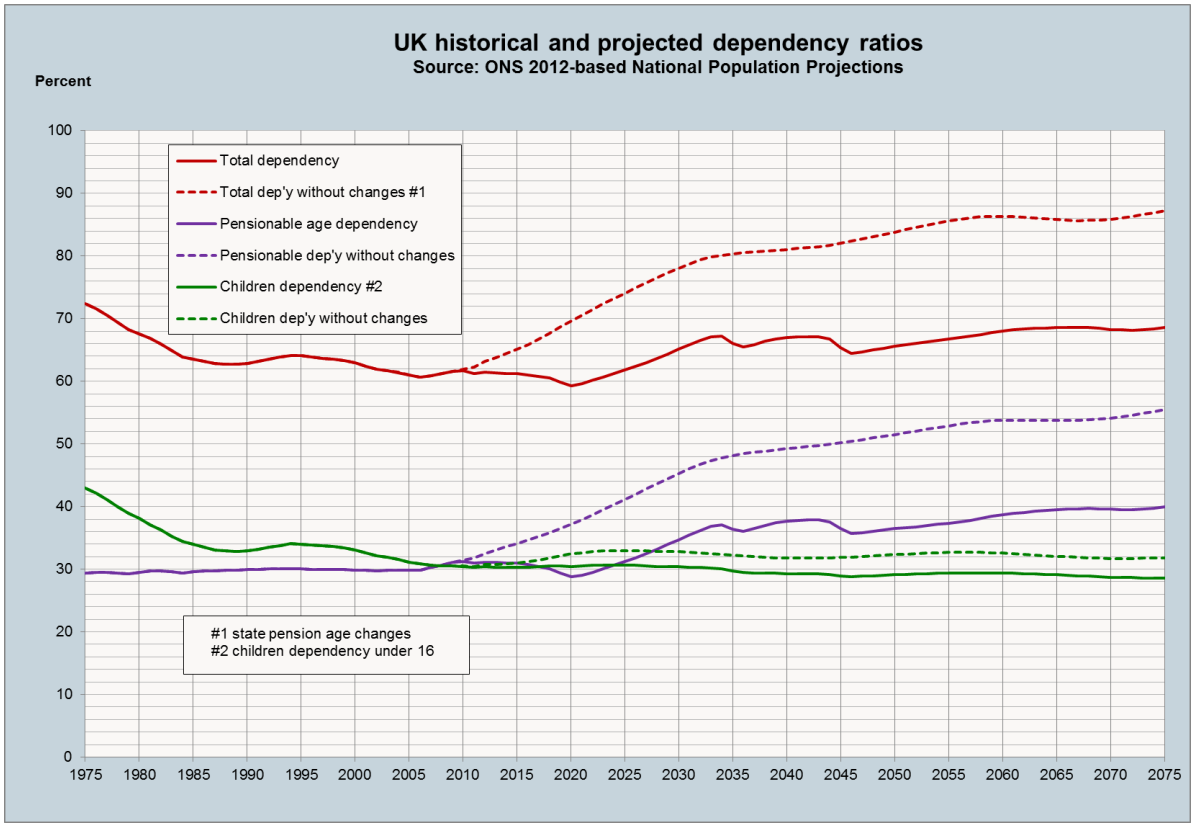
The UK population age structure is expected to change significantly between 2015 and 2050, with a large increase in the proportion of people aged 60 and above being projected.[1] Without changes in pension age, the UK pensionable age dependency (defined as the number of individuals of pensionable age relative to the number in the working-age population), which had been approximately 30 percent since the mid 1970s, was projected to reach more than 50 per cent by 2050.[2, 3]

However, the present trend of living to a greater average age is also accompanied by more elderly people remaining fit and able to make a useful economic contribution beyond the present retirement age. This means that more jobs can be done sufficiently well by older workers.

By increasing the pension age and allowing more flexibility regarding retirement, the dependency ratio need not increase more than a few percentage points, and the burden of providing pensions would be more manageable.

The UK state pension age is gradually being increased. Having previously been age 60 for women and 65 for men, under the Pension Act of 2011 the age for women had increased to 63 by April 2016 and will become 65 by 2018.[4] Thereafter, the pension age for both genders will gradually increase to 66 by 2020 and 67 by 2028. Taking the planned changes into account, the pensionable age dependency is predicted to reach only around 37 per cent in 2050.[5]

It is worth noting that the children dependency ratio (number of dependent children relative to the number in the working-age population) is projected to fall slightly from 30.5 per cent in 2009, which was before the pension age changes began to be introduced, to 29 per cent in 2050. The total dependency is projected to increase from 61 per cent in 2015 to 66 per cent in 2050, which is lower than it was in 1975. Without pension age changes total dependency was projected to reach 80 per cent.



Education

It is also important to consider education in the context of an ageing population. An ageing population implies that young people become a smaller percentage of the total population. A smaller youth dependency ratio reduces the general cost to society before these young people become economically active. If there are fewer students relative to the overall population, potentially either the cost of education can be reduced, or better standards of education can be provided from the same absolute amount of resources.

Healthcare

An ageing population will certainly have an effect on the healthcare system. There are many important interconnections between ageing and healthcare. The most significant is probably the relationship between total life expectancy and healthy life expectancy. Studies over the last 25 years suggest that healthy life expectancy has increased, but not to the full extent of total life expectancy; both will result in some increase in healthcare costs.

On the other hand, historically, technology and increased use of healthcare have played a larger role than demographics in increasing health costs. Long-term care of the elderly is another factor likely to increase significantly as the population ages — though it may be possible for much of this to be provided by carers with relatively little specialist training.

The path to sustainable population size

Preliminary research carried out on behalf of Population Matters looked at a number of alternative population profiles projected for the UK and investigated the cost and feasibility of providing for older people. This work focused on some of the most important issues involved: namely, the effect of ageing population on pensions, healthcare, long-term care and disability, education and the economy. The objective was to give some insight into how manageable the transition to sustainable numbers might be.

In practice, for populations to reach sustainable levels, there will be a considerable period, probably many decades, when numbers will be falling. From the perspective of avoiding anthropogenic environmental and/or natural resources meltdown, the sooner this begins and the faster it takes place, the better. However, during any such transition to sustainable numbers, the average age of the populations involved will be higher than that caused by increased life expectancy alone. Consequently, there may be further effects on dependency ratios which need to be investigated and planned for.

Conclusion

Whereas more research is required to confirm it, the study indicated that increased age dependency during a transition to sustainable population in the UK need not present unmanageable economic difficulties, provided it occurs gradually. It appears unlikely that the birth rate will fall sufficiently for any transition to take place too rapidly.

Conversely, having more children or importing greater numbers of young immigrants to countries like the UK might make it easier to provide for the retirement of the current generation. But these young people will themselves grow old. By postponing the issue of catering for an ageing population, the situation is likely to worsen as the population grows.

Seeking to reduce our numbers might result in an uncomfortable transition until numbers fall to a sustainable level, but ultimately it means a better prospect of a sustainable future for all.

Read more about current population trends.

References

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[4] http://www.ageuk.org.uk/money-matters/pensions/changes-to-state-pension-age/

[5] ONS 2012-based National Population Projections

