



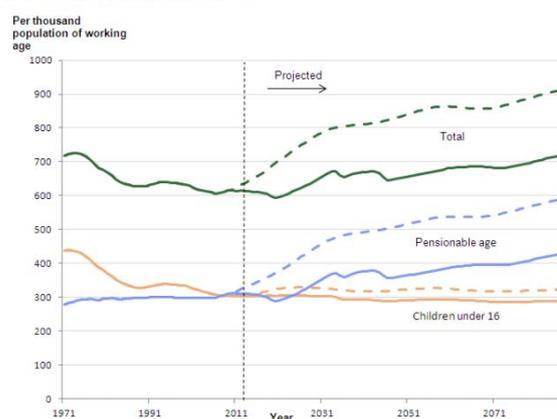
Managing an ageing society

Societies age when the age distribution of their population shifts towards an older age. This is a consequence of increasing longevity and falling birth rates.¹ At present, the proportion of elderly people is growing in many developed nations, including the UK. It is expected that these societies - followed by developing nations - will face further ageing in future years.² This prospect is feared by governments and businesses alike.³ The challenge is to use the extra years that are given to individuals productively to create a more sustainable society. Such a society can only exist with a smaller population.⁴ Ageing is a step towards achieving that.

Dependency ratio

An ageing population per se, is of little concern. A higher dependency ratio (DR) however, can be. The DR indicates how many dependents a society has relative to each of its working citizens.⁵ Pensioners are not the only dependents. Children, those who cannot work due to disability or persistent ill health, and the unemployed, also fall in this category.⁶ The question, then, is whether an ageing population necessarily creates a DR change, and if so, how we should deal with the human resource issues that this might cause.

Figure 2-5: Actual and projected dependency ratios, total, children and pensionable ages, United Kingdom, mid-1971 to mid-2087



Graph: [ONS](#)

The graph shows that the DR was 61.2 per cent in 2015.⁷ The dotted lines illustrate what would happen if the state pension age (SPA) had remained unchanged, whilst the other lines show projections of what to expect with the current changes to the SPA.⁸ The differences between both projections are shocking. Without changes the DR could increase to 91.4 per cent by 2087, while the change made to the SPA means that a DR of only 72.2 per cent by 2081 is predicted.⁹

Decreasing dependency

If the present retirement age remains unchanged, the DR will rise due to an increase in the number of retirees. At the same time, lower birth rates will cause the number of dependent children to fall.¹⁰ Moreover, the number of unemployed and disabled dependents can be reduced. This can be achieved as follows:

- Whilst in the past the majority of women were dependents, many women have now entered the labour market. More empowerment of women will decrease the DR further.¹¹
- Improved mobility and technology make it easier for disabled individuals to participate in the labour market.¹²
- The UK currently faces an annual increase of youth unemployment.¹³ Reducing those levels will improve the DR.

DR deception

Even if the number of dependents does rise, the image the DR portrays is deceptive. There are three reasons for this:

1. Productivity

Productivity per worker has risen due to technological advancements.¹⁴ This means that a higher DR does not necessarily put more strain on workers, due to the ease with which they generate a higher output per person. In spite of shrinking workforces, GDPs of European nations are in fact predicted to grow due to increased productivity.¹⁵

2. Untaxed labour

The DR does not value untaxed labour even when it is beneficial for society. Yet when the retired perform such labour, they are a valuable asset to society, and not merely a burden.

Family

Retired individuals can help their families by providing care.



Many retired people these days are grandparents and value this role highly.¹⁶ Caring for grandchildren is said to be mutually beneficial. It educates children in a playful manner, and strengthens self-worth in grandparents and keeps them relatively healthier.^{17,18} It also reduces significantly the costs of raising a child, as child minding costs currently account for 29.5 per cent of the total expenses borne by parents per child.¹⁹ Moreover, grandparental care allows more parents to return to paid employment.²⁰



Older people currently provide on average more direct financial aid to their offspring than they receive in return.^{21,22} This implies they would have the capacity to spend more on their own care, and that they save the government a lot of money already by increasing their offspring's capacities to spend.

Elderly people are known to provide a lot of emotional support to their families. This relationship exists especially between mothers and daughters, and has been shown to be advantageous.²³

Elderly couples can — with the help of current technological advancements — care much longer for each other.²⁴ This reduces long-term healthcare costs.

Community

The retired also make a difference on a community level.

People have more time to work as volunteers after retirement. In this way they account for a lot of unpaid work that is necessary for the maintenance of society.²⁵

Increasingly, former volunteers are now part of the workforce. If they are not replaced by other voluntary forces, hidden costs will be inflicted on society.^{26,27}

Volunteering also works well as a way of guaranteeing social engagement, which in turn reduces loneliness among older people.²⁸



3. Retirement age

The DR is largely based on the outdated assumption that people must retire at a fixed age. Many who reach the official retirement age do not happily retire from work. They indicate they would prefer to keep working fulltime, part-time or flexitime, but that they cannot do so because their employers do not want to keep them.²⁹ This attitude should be changed for the following reasons:

- Forcing capable workers to retire leads to a loss of valuable experience.³⁰
- Technology allows people freedom to work from flexible locations.
- Many jobs are mainly intellectual these days, meaning that most people's capacity to perform their job need not necessarily be affected by physical deterioration.³¹
- Technological inventions can compensate in part for physical deterioration.³²
- There is on average no significant decline in people's capacity to learn before the age of 75.³³

- It is projected that three more years of work will add 3.25 per cent to the GDP by 2033.³⁴

Costs

Even if personnel shortages are limited, problems regarding government expenditure are forecast.

Pensions

The effects of an ageing society on pensions will decrease when employees are stimulated to continue working after reaching the state pension age.

It is expected that the Department for Work and Pensions (DWP) will spend £90 billion on state pensions in 2015/2016.³⁵ While a higher eligibility for state pensions will increase this amount further, spending will go down in other benefits areas, when lower unemployment rates are achieved for example. This will allow a slightly bigger percentage of the government expenditure to go towards pensions.

The circumstances on which the pension age was based have changed. Where Australians used to spend 3 per cent of their lives as pensioners, increased longevity means this is now about 25 per cent.³⁶ It is reasonable to expect that these numbers are similar in the UK. People are, on average, no longer unproductive and physically old at 65. Adjusting the pension age to new circumstances is sensible.

The House of Lords (HoL) has expressed the fear that many people expect to receive far more pension income than they realistically will, and that many do not realise that they have to save. It has thus promoted auto-enrolment in a workplace pension-scheme.^{37,38} This is a necessary reform.

The HoL has also suggested that it is fair to ask older people who have seen the value of their houses rise significantly through the years, to use

these gains to support their own lives.³⁹ It appears sensible to promote the use of assets to pay for social care costs when possible, as opposed to putting more financial strain on younger generations.



Healthcare

An ageing society will certainly affect the healthcare system. However, a longer life does not mean that humans spend their extra years in a poor health condition. This suggests that predicted extra healthcare costs may not be as bad as feared when a healthy life expectancy increase is striven for.

It has consistently been the case that most health costs occur in the last years of people's lives. This remains unchanged so far.⁴⁰

Advances in medical science will lessen the burden of disease among old people still further.⁴¹

Data show that industrialized ageing societies like Italy and Japan spend proportionally less of their GDP on healthcare than do less aged societies, like Germany and Switzerland. This suggests that healthcare costs do not solely depend on ageing, but also on expectations of physicians and patients, and the costs and availability of medical equipment.⁴²

Utilizing nursing homes for long term care, as opposed to costly hospitals, will bring down costs.⁴³

A bigger focus on the prevention of poor lifestyle choices will decrease the number of individuals suffering from non-communicable diseases such as obesity and diabetes.⁴⁴

Education

The costs of education will likely shift, and presumably decrease.

Fewer children will exist and thus fewer will use the education system.⁴⁵

Technological equipment can bring down education costs.⁴⁶

There will be a higher demand among employees for education to upgrade knowledge and skills.⁴⁷ This investment will allow people to stay in paid employment for longer.

The challenges of an ageing society will cause a shift in the popularity of certain qualifications. New societal demands will cause the emergence of new degree-subjects and the extinction of others. This will equip an ageing society with the professionals that it most needs, given the challenges it faces.



Conclusion

The prospect of ageing societies creates the fear that societies will face a lack of workforce personnel and a sharp increase in costs. These fears should be transformed into an opportunity to create a sustainable society.

The expected loss of personnel is largely based on the one-sided assumption that ageing will only add extra dependents to the DR. Projections fail to consider that many current dependents can become paid employees through the empowerment of women, the elimination of youth unemployment and the use of technological advances. Moreover, an attitude change on the part of employers would allow those who are forced to retire to remain in paid employment, reducing the anticipated personnel problem sharply. Lastly, it should not be forgotten that many unpaid individuals contribute to society in other valuable ways, thereby saving the government potential costs. Such participation should be encouraged.

Redistribution and attitude change are key in keeping costs down. The projected increase in pension costs will be less severe when the state pension age is raised, and when people are encouraged to use their own assets, where possible, to cover costs. Health expenses can be reduced by striving for healthy extra years of life. Technology can achieve this in part, as can avoidance of poor lifestyle choices. Education shifts may well occur to meet the new demands of societies. The health sector will benefit from this. Moreover, education costs may well go down, compensating for extra expenses elsewhere.

Overall, it can be concluded that we should break free from the idea that each generation of elderly people is identical to its preceding generation. Times have changed and so have circumstances.

There is no fixed path, and the flexibility to alter and adapt will allow us to manage an ageing society successfully.

Image: <http://blogs.worldbank.org/futuredevelopment/tax-reforms-ageing-societies>

¹ http://longevity-science.org/Population_Aging.htm

² <http://populationmatters.org/wp-content/uploads/D27Ageingpopulations.pdf?phpMyAdmin=e11b8b687c20198d9ad050fbb1aa7f2f>

³ <http://www.parliament.uk/business/publications/research/key-issues-parliament-2015/social-change/ageing-population/>

⁴ <http://populationmatters.org/about/vision/>

⁵ <http://www.economicshelp.org/blog/glossary/dependency-ratio/>

⁶ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

⁷ <http://www.ons.gov.uk/ons/rel/npp/national-population-projections/2012-based-reference-volume--series-pp2/chd-figure-2-6-dependency-ratios.xls>

⁸ <http://www.ons.gov.uk/ons/rel/npp/national-population-projections/2012-based-reference-volume--series-pp2/chd-figure-2-6-dependency-ratios.xls>

⁹ <http://www.ons.gov.uk/ons/rel/npp/national-population-projections/2012-based-reference-volume--series-pp2/chd-figure-2-6-dependency-ratios.xls>

¹⁰ <http://www.economicshelp.org/blog/glossary/dependency-ratio/>

¹¹ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

¹² <http://www.edi.cornell.edu/publications/TechDrivenWorkplace.pdf>

¹³ <http://www.theguardian.com/society/2015/feb/22/youth-unemployment-jobless-figure>

¹⁴ <http://www.edi.cornell.edu/publications/TechDrivenWorkplace.pdf>

¹⁵ <http://www.ageing.ox.ac.uk/files/AH%201%20Willmore.pdf>

¹⁶ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

¹⁷ [http://www.complexneeds.org.uk/modules/Module-1.3-Talking-to-families---listening-to-families/C/downloads/m03p080c/the-role-of-grandparents-in-learning-\(mitchell\).pdf](http://www.complexneeds.org.uk/modules/Module-1.3-Talking-to-families---listening-to-families/C/downloads/m03p080c/the-role-of-grandparents-in-learning-(mitchell).pdf)

¹⁸ http://www.grandparentsplus.org.uk/wp-content/uploads/2011/03/ESR-Grandparent-Report_Oct14-2.pdf

¹⁹ http://www.lv.com/assets/life/pdfs/life-insurance_coac-report-final.pdf

²⁰ [http://www.complexneeds.org.uk/modules/Module-1.3-Talking-to-families---listening-to-families/C/downloads/m03p080c/the-role-of-grandparents-in-learning-\(mitchell\).pdf](http://www.complexneeds.org.uk/modules/Module-1.3-Talking-to-families---listening-to-families/C/downloads/m03p080c/the-role-of-grandparents-in-learning-(mitchell).pdf)

²¹ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

²² <https://aifs.gov.au/sites/default/files/fm50dd.pdf>

²³ [http://www.complexneeds.org.uk/modules/Module-1.3-Talking-to-families---listening-to-families/C/downloads/m03p080c/the-role-of-grandparents-in-learning-\(mitchell\).pdf](http://www.complexneeds.org.uk/modules/Module-1.3-Talking-to-families---listening-to-families/C/downloads/m03p080c/the-role-of-grandparents-in-learning-(mitchell).pdf)

²⁴ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

²⁵ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

²⁶ <http://www.idealists.org/info/Volunteer/Why>

²⁷ <http://www.kingsfund.org.uk/time-to-think-differently/trends/demography/ageing-population>

²⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/264508/dwp1023.pdf

²⁹ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

³⁰ http://www.tai.org.au/documents/dp_fulltext/DP63.pdf

³¹ <http://populationmatters.org/wp-content/uploads/D27Ageingpopulations.pdf?phpMyAdmin=e11b8b687c20198d9ad050fbb1aa7f2f>



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