

Commentary

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A Global Perspective on Aging Societies

Projections by the United Nations Population Division indicate that global population will reach a peak of 9.15 billion worldwide by 2050. Over the next four decades significant demographic changes are expected that will reduce the demographic weighting of the world's developed countries by about 25%, shifting relative economic power to developing countries and presenting challenges of aging populations in many developed countries. In 2003 the International Social Security Association (ISSA) published a paper *Aging and Social Security*, which identified several economic and social challenges posed by aging societies. The main issues discussed in this paper were: determining the role of the State in an aging society; addressing the challenges of aging in low-income and middle-income countries; enhancing labor market opportunities; meeting challenges of insecure employment; reversing the trend towards early retirement; limiting individual risks in preparing for retirement; securing adequate income for old-age through the mix of public and private arrangements; ensuring gender equality in pension provision; providing sustainable health and long-term care; and making social security a prerequisite for financial security of individuals.

Much of the discussion on old-age pension reform and cost containment in health care has revolved around the issue of economic sustainability in the face of aging populations. The future viability of aging societies will inevitably depend on whether the provision of social security is economically sustainable. Of equal importance is the social sustainability of an aging population. How can social security systems be adapted to the challenges and opportunities of aging societies around the world? How can social security of the population be ensured in an efficient and equitable way? The future

of aging societies depends on the success with which economic and social sustainability can be combined in a comprehensive approach to social security.

There are significant challenges presented by the demographic trends that are producing declining ratios of working-age populations to retired populations in many countries due to increasing life expectancy and falling fertility rates. These challenges have produced a focus on reforms, both structural and parametric, including contribution adjustments, benefit adjustments, changes to retirement ages, financing methods, and funded complementary arrangements.

It is trite but true to say that demography is destiny. Demography influences economics; economics influences politics; and politics influences social policy. Together, these forces drive the relative wealth and geopolitical power of nations. In a global context, the two main demographic factors (increasing longevity and declining birth rates) impact future population size and age structure of individual nations, geographic regions and, indeed, the whole world. The rate of world population growth has fallen by more than 40 percent since the late 1960s. Consistent with the UN population projections, demographers at the Institute for Applied Systems Analysis predict that the global population will peak at around nine billion and then start to contract. Some 59 nations, comprising about 44% of the global population, are not producing sufficient live births to avoid population decline. The changing economics of family life is the primary factor influencing falling birth rates. The world's current generation of women of childbearing age is having children at only half the rate of women two generations ago. A dramatic example is Mexico where fertility rates have fallen substantially and the rate at which the population is aging is about

five times faster than for the United States. According to UN projections, Mexico's median age will increase from about 22 to 42 over the first half of this century. These global demographic trends impact the world's economy and the geopolitical balance of power. Slower population growth is credited with the economic boom in Japan and other Asian nations from the 1960s onwards. In East Asia, the working-age population increased four times faster than the non-working population of children and seniors between 1965 and 1990. A lesser emphasis on family formation and raising children was a key factor in providing a large increase in the female labor force and freeing up social and economic resources for growth and investment. China's recent rapid industrialization was aided by its one-child family policy. Throughout the Middle East, the aging of populations has made resources available for infrastructure and industrial development that otherwise would have been committed to dependent children. Aging populations bring gradual changes in economic, political and social policy matters. Older populations place more emphasis on issues such as health care and retirement income and savings. Conditions of political and social stability are more likely with older than younger populations.

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