

SESSION 607

Population Issues



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Antitrust Policy

Professional societies, including the Conference of Consulting Actuaries (CCA), are subject to federal and state antitrust laws, and must constantly monitor their activities to ensure continued compliance with all antitrust regulations.

Purpose of Antitrust Laws

The antitrust laws prohibit any concerted activity or combination of competitors from interfering with free competition. In other words, the primary thrust of the law is to control private economic power by protecting competition. Persons and organizations are prohibited from engaging in any action which unreasonably restrains commerce or trade (i.e., competition). Per se violations (practices presumed to be inherently wrong regardless of the motivating factors) include: agreements to fix or stabilize prices, to divide markets, to allocate production, or to impose boycotts. In essence, this means any concerted action that significantly diminishes rivalry among competing firms.





The End of U.S. Demographic Exceptionalism

Richard Jackson

President

Global Aging Institute

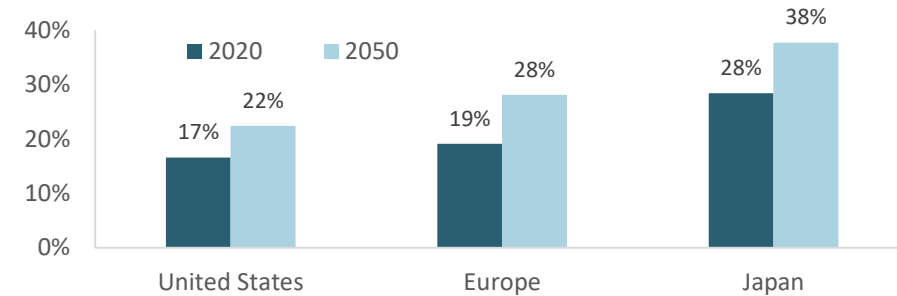




The United States at a Demographic Crossroads

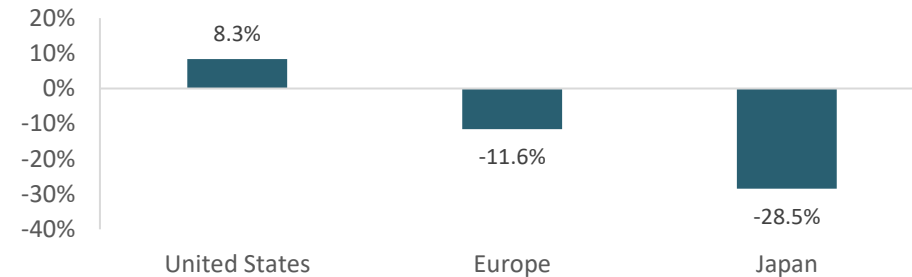
- ❑ For decades, America enjoyed an important demographic advantage over most other developed countries.
- ❑ Its relatively high fertility rate, together with substantial net immigration, seemed to ensure that it would remain the youngest of the major developed countries for the foreseeable future. It also seemed to ensure that it would still have a growing workforce, even as those in other developed countries stagnated or declined.
- ❑ The outlook for the United States was so strikingly different from that in the rest of the developed world that the demographer Nicholas Eberstadt coined the term “demographic exceptionalism” to describe it.
- ❑ Since the Great Recession, however, both fertility and net immigration have declined dramatically. Unless these developments are reversed, America will age considerably more than current projections suggest.

Figure 1 Elderly (Aged 65 & Over), as a Percent of the Population in 2020 and 2050



Source: UN Population Division (2019)

Figure 2 Percentage Change in the Working-Age Population (Aged 20-64), 2020 to 2050



Source: UN Population Division (2019)

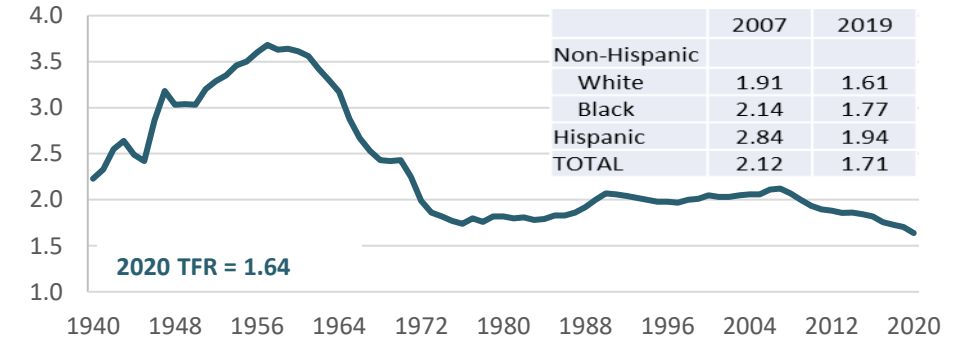


Fertility Rates: America's New Baby Bust

- ❑ Between 1990 and 2010, the U.S. TFR hovered between 2.0 and 2.1—close to the replacement level and higher than the average for any other developed country except Iceland, Israel, and New Zealand.
- ❑ In the wake of the Great Recession, however, the U.S. TFR entered a steep decline. By 2019, on the eve of the pandemic, it had already dropped to 1.7, an all-time historical low. Now the pandemic has driven it even lower, to 1.6 in 2020 and perhaps as low as 1.5 in 2021.
- ❑ The decline in the TFR has not only been steep but broad. Since the beginning of the Great Recession, birthrates have fallen among women of all races and ethnicities.

Figure 3

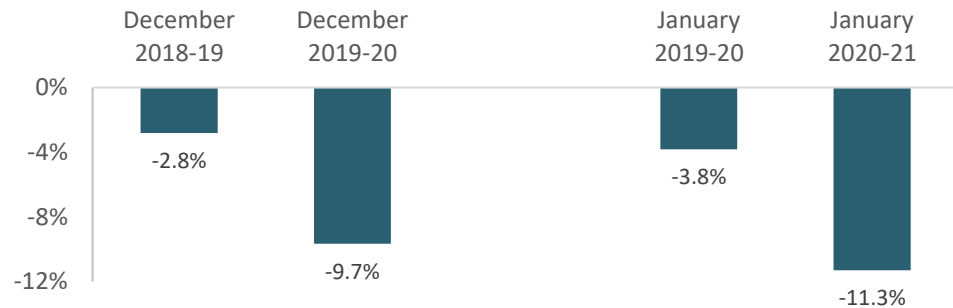
U.S. Total Fertility Rate, 1940-2020



Source: National Vital Statistics System (CDC, various years)

Figure 4

Year-over-Year Change in California Births, by Month



Source: California Department of Public Health (2021)

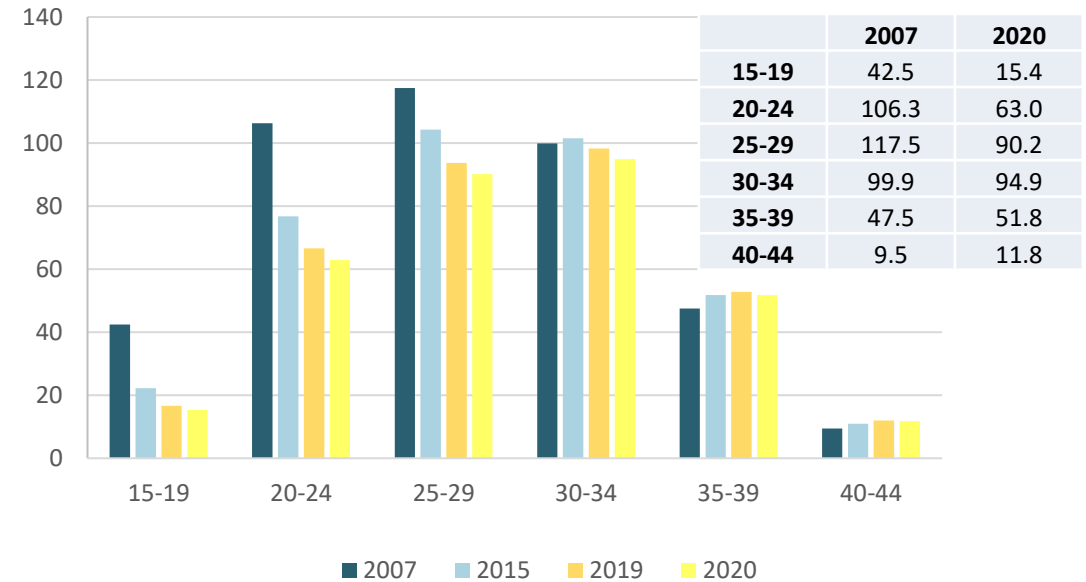


Fertility Rates: A More Normal Developed Country

- ❑ Initially, many demographers assumed that Millennials were postponing family formation rather than deciding to have fewer children. But the oldest Millennials are now turning 40, and there is still no sign of this “tempo effect.”
- ❑ When it comes to fertility behavior, the United States appears to be becoming a normal developed country. While some post-pandemic recovery in birthrates is possible, a return to the substantially higher levels of the 1990s and early 2000s seems increasingly unlikely.
- ❑ As yet, the full extent of America’s baby bust is not reflected in any of the official population projections. The CBO, the Census Bureau, and the UN all assume that future fertility rates will be in the 1.80 to 1.85 range. The SSA Office of the Actuary assumes a complete V-shaped recovery in the TFR all the way to 2.0.

Figure 5

U.S. General Fertility Rate, by Age, 2007-2020

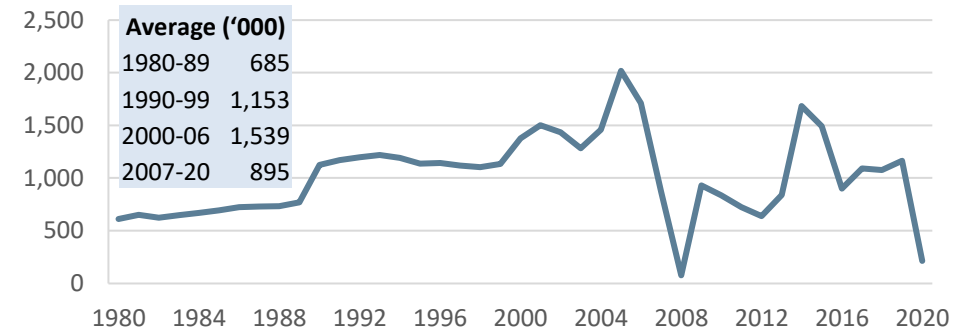


Source: National Vital Statistics System (CDC, March 2021 and September 2021)

Net Immigration: Less Push and Less Pull

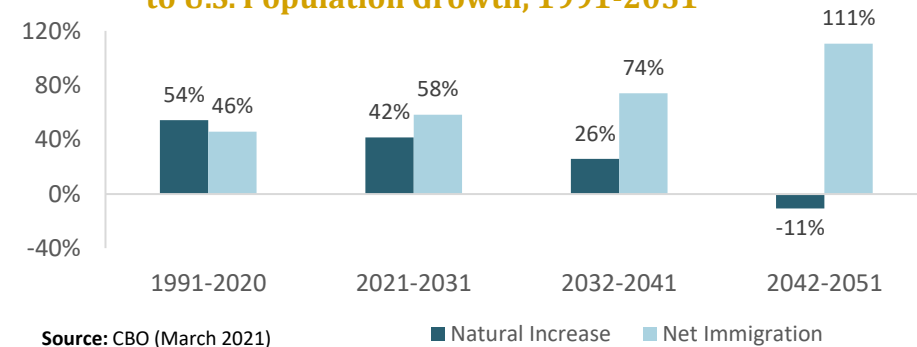
- ❑ U.S. net immigration plunged in the wake of the Great Recession, then partially recovered in the early 2010s. It began to decline again in 2016, before once more plunging in 2020 amid the pandemic border closings.
- ❑ Along with more restrictive government policies, there are also more fundamental forces depressing net immigration, including slower population growth in many traditional sending countries in Latin America (less immigration “push”) and slower economic growth in the United States (less immigration “pull”).
- ❑ The CBO assumes that in the future net immigration will rise to somewhat more than its average level since the Great Recession, while the SSA Office of the Actuary assumes that it will rise to considerably more.
- ❑ With substantial net immigration, the U.S. population will continue to grow, albeit slowly. Without it, the U.S. population will eventually enter a gathering decline.

Figure 6 U.S. Net Immigration, in Thousands, 1980-2020



Source: SSA Office of the Actuary (2021)

Figure 7 Contribution of Natural Increase and Net Immigration to U.S. Population Growth, 1991-2051

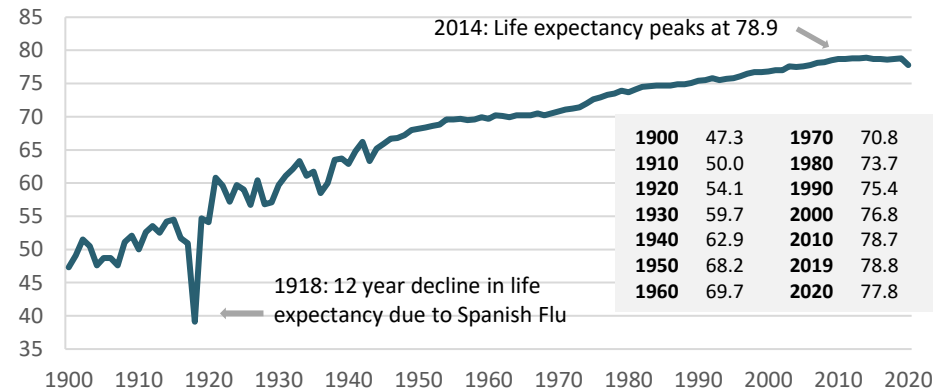


Source: CBO (March 2021)

Life Expectancy: From Leader to Laggard

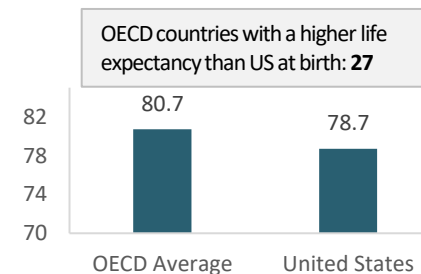
- ❑ It is well known that U.S. life expectancy fell by 1.5 years in 2020 as COVID-19 exacted its toll. What is less appreciated is that the upward march in U.S. life expectancy had already stalled before the pandemic struck.
- ❑ The main cause has been the increase in lifestyle-related morbidity among young and midlife adults, which in turn is largely the result of the increase in obesity and substance abuse.
- ❑ In the early 1950s, there were only eleven countries in the world with a higher life expectancy than the United States, and only five of them, all in Northern Europe, had a life expectancy exceeding ours by two years or more.
- ❑ Today there are thirty-five countries with a higher life expectancy than the United States, and eleven of them have a life expectancy exceeding ours by four years or more.

Figure 8 U.S. Life Expectancy at Birth, 1900-2020



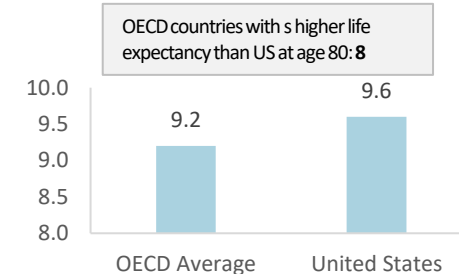
Source: National Center for Health Statistics (various years)

Figure 9 Life Expectancy at Birth



Note: Data are for 2018.
Source: OECD (2019)

Figure 10 Life Expectancy at Age 80



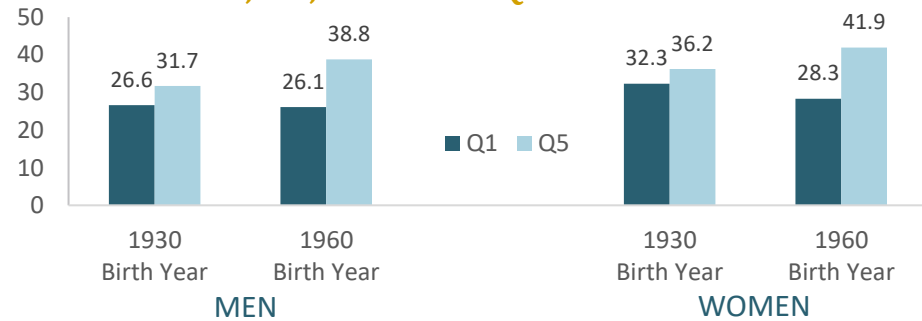
Note: Data are an average for 2015-20.
Source: UN Population Division (2019)



Life Expectancy: A Tale of Two Americas

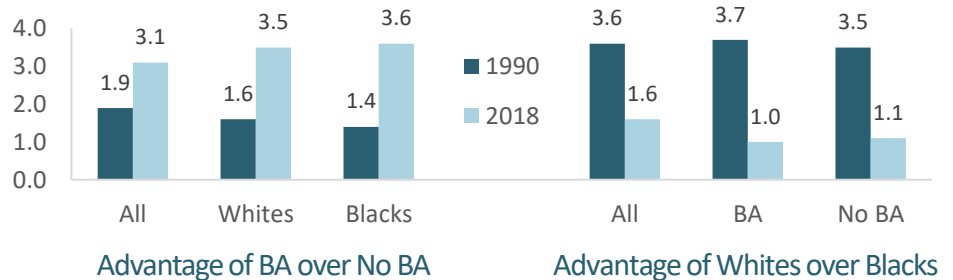
- ❑ When faced with adversity, Americans used to say that “we’re all in it together.” But when it comes to life expectancy, this isn’t true. How long we live is closely correlated with our socioeconomic status.
- ❑ A 2015 study by the National Academy of Sciences found that life expectancy at age 50 for men born in 1960 was almost thirteen years higher for those in the highest quintile of the income distribution than for those in the lowest quintile, while for women born in 1960, it was almost fourteen years higher.
- ❑ A 2021 study by Anne Case and Angus Deaton found that the life expectancy of college-educated Americans has continued to rise over the past two decades, while that of non-college-educated Americans has been falling since 2010. This was true for the population as a whole, for both men and women, and for both Blacks and Whites.

Figure 11 U.S. Cohort Life Expectancy at Age 50, by Birth Year, Sex, and Income Quintile



Source: National Academy of Sciences (2015)

Figure 12 Gaps in Expected Years of Life from Age 25 to Age 75, by Educational Attainment and Race, 1990 and 2018



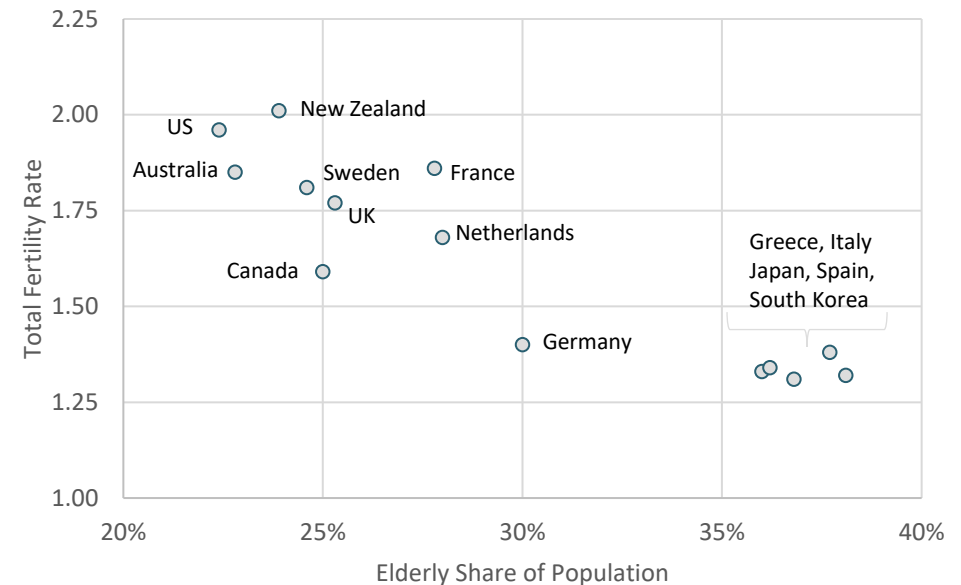
Source: Anne Case and Angus Deaton (2021)

Implications: A More Rapidly Aging Population

- ❑ Although rising life expectancy may be the force that first leaps to mind when people think of population aging, falling fertility is quantitatively the more important driver.
- ❑ Absent high levels of immigration, it is the countries with the lowest fertility rates that will age the most in coming decades. It is also the countries with the lowest fertility rates that have or will soon have contracting workforces.
- ❑ The decline in the U.S. TFR is not large enough to put America on the ruinous demographic trajectory of a Greece, Italy, Japan, Spain, or South Korea. Unless birthrates rise again, however, the United States will age considerably more than current projections suggest.
- ❑ According to the SSA Office of the Actuary's intermediate projection scenario, the elderly share of the population will rise from 17 to 23 percent over the next seventy-five years. With a TFR in the 1.6 to 1.7 range, it would approach or even pass 30 percent.

Figure 13

Average TFR from 1990 to 2020 versus Share of the Population Projected to Be Aged 65 & Over in 2050



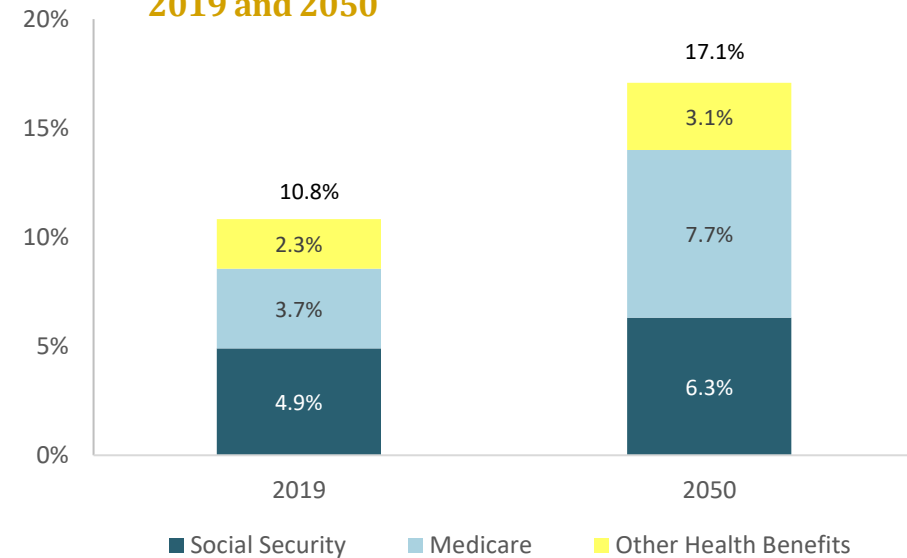
Source: UN Population Division (2019)

Implications: A Larger Fiscal Burden

- ❑ **Graying means paying more for pensions, more for health care, and more for long-term care for the frail elderly.**
- ❑ **Over time, a lower fertility rate translates into a higher old-age dependency ratio of retired beneficiaries to taxpaying workers, and a higher old-age dependency ratio in turn translates into a higher cost rate for pay-as-you-go benefit programs like Social Security and Medicare.**
- ❑ **Spending on retirement and health benefits is already the driving force behind the federal government's structural budget deficit, accounting for all of the growth in noninterest outlays as a share of GDP over the next thirty years. A more rapidly aging population would compound the challenge.**

Figure 14

Federal Spending on Social Security, Medicare, and Other Health Benefits, as a Percent of GDP, 2019 and 2050

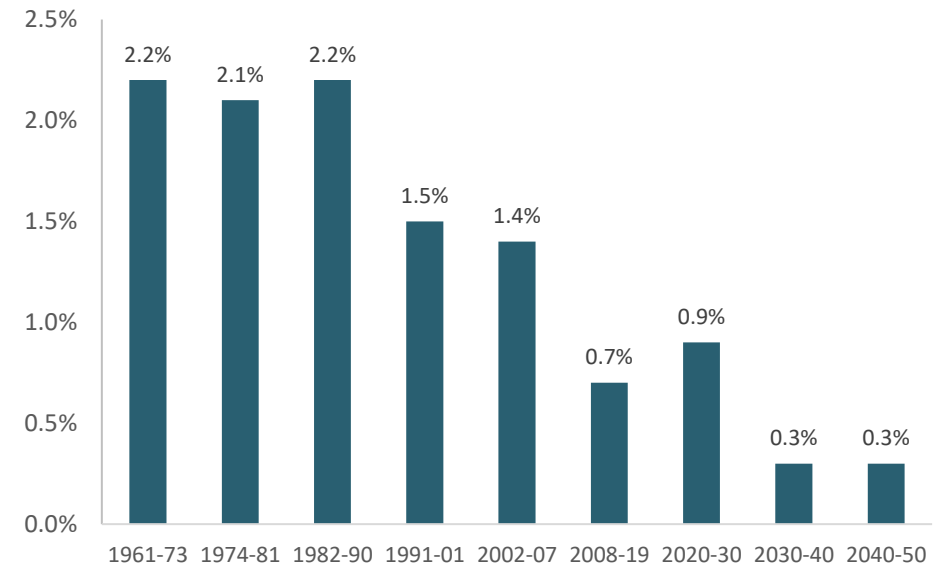


Source: CBO (January 2020 and March 2021)

Implications: Slower Economic Growth

- ❑ As the smaller cohorts born since the end of the postwar Baby Boom have climbed the age ladder, the growth rate in U.S. employment has decelerated.
- ❑ By the 2030s and 2040s, according to the CBO, employment will be growing at just 0.3 percent per year, an outcome which could easily pull down real GDP growth to between 1.0 and 1.5 percent per year, only one-third to one-half of its postwar average.
- ❑ If fertility remains lower than the CBO projects, it could significantly worsen America's already anemic economic growth prospects, although the full impact would only be felt in the 2050s and beyond.
- ❑ The impact of lower-than-projected net immigration, which disproportionately consists of working-age adults, would of course be felt immediately.

Figure 15 **Average Annual Growth Rate in Employment, by Period, 1961-2050**



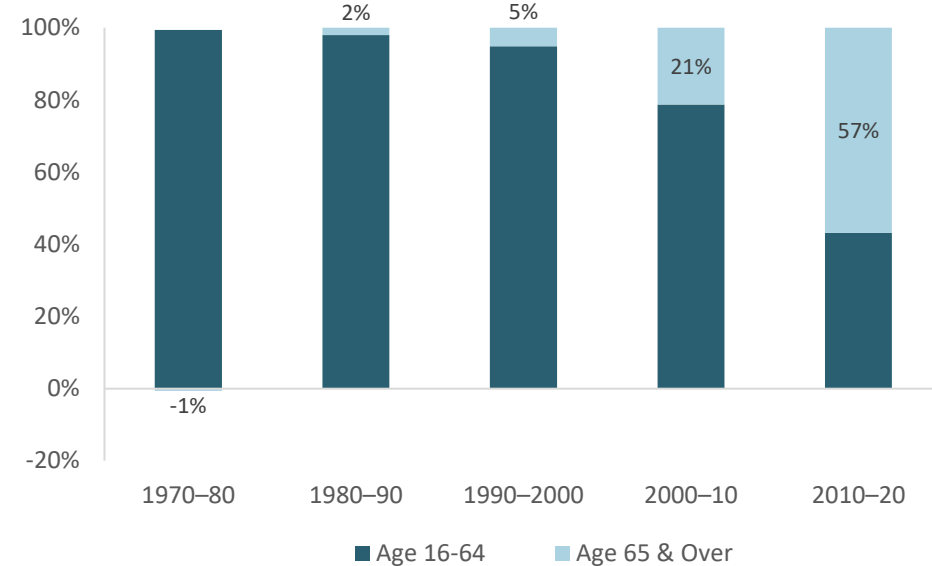
Source: CBO (July 2020 and March 2021)

Implications: A Roll Back in Productive Aging

- ❑ After falling steeply from the 1950s through the 1970s, the U.S. elderly labor-force participation rate bottomed in the 1990s and since then has been rising steadily.
- ❑ Without the surge in the number of older workers over the past two decades, U.S. employment and GDP growth would have slowed even more than they did.
- ❑ In coming years, the contribution of the elderly to economic growth will become even more critical. Yet recent health trends may roll back productive aging.
- ❑ While the health of the elderly has improved dramatically over the course of the postwar era, the rising tide of lifestyle-related morbidity afflicting today's young and midlife adults threatens to throw this positive development into reverse.

Figure 16

Contribution to Labor-Force Growth, by Age Group and Decade, 1970-2020



Source: BLS (October 2021)

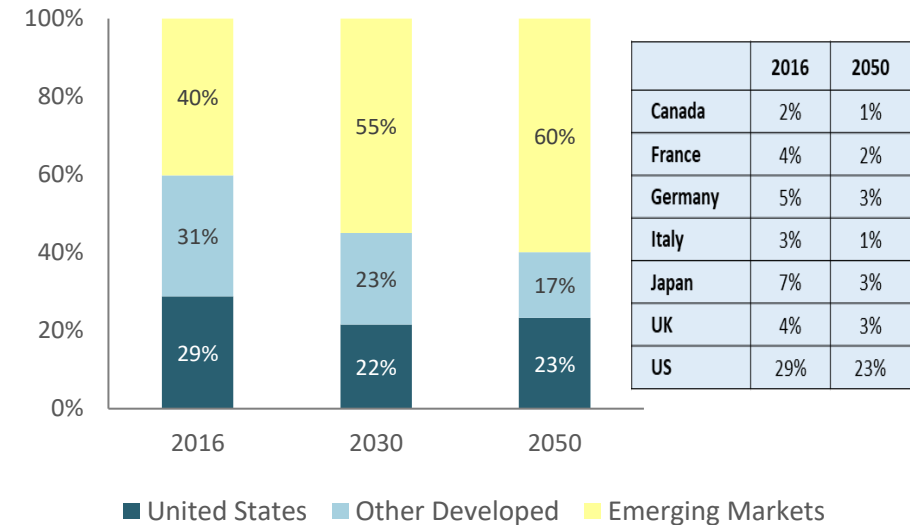


Implications: Diminished Geopolitical Stature

- ❑ Demographic size alone does not confer geopolitical stature, but demographic size and economic size together are potent twin engines of national power.
- ❑ Over the next few decades, the United States and its traditional developed world allies will be shrinking steadily in demographic and economic size relative to a faster-growing emerging world.
- ❑ While history has many examples of demographically small powers that exercised outsized geopolitical sway, it has few if any examples of demographically and economically stagnant or contracting powers that were at the same time geopolitically rising powers.

Figure 17

GDP by Country and Country Group as a Percent of World GDP, in PPP Dollars, 2016, 2030, and 2050



Note: “World GDP” refers to the GDP of 32 of the world’s largest economies, including the 10 largest developed economies and 22 large emerging markets.

Source: *The Long View: How Will the Global Economic Order Change by 2050?* (PWC, 2017)

Four Policy Imperatives

- ❑ **Fertility:** Increase birthrates through policies that help workers, and especially women, to balance jobs and family.
- ❑ **Immigration:** Increase immigration, especially of skilled workers
- ❑ **Productive Aging:** Remove disincentives to work at older ages and make new investments in the health of the elderly, and especially of the future elderly.
- ❑ **Globalization:** Maintain open global labor markets and capital markets, which in an aging world will become even more critical to economic and living standard growth.

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