The social, economic and geopolitical impact of ageing societies

Dinner hosted by Prudential plc

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Attendees

- Kevin Bowman, Head of Policy, UK and International, Prudential plc
- Yvonne Braun, Director, Long Term Savings Policy, Association of British Insurers
- Amy Brocklehurst, Director of Strategy and Corporate Development, Prudential plc
- Miles Celic, Director of Strategic Communications, Prudential plc
- Chris Cummings, CEO, TheCityUK
- Chris Curry, Director, Pensions Policy Institute
- Tom Denney, The Open Road
- Bill Emmott, international author and former editor of the Economist
- Lord Filkin, Chair, Centre for Ageing Better
- Andrew Haldenby, Director, Reform
- Richard Jackson, President, Global Aging Institute
- James Lloyd, Director, Strategic Society Centre
- Graham McMillan, CEO, The Open Road
- Professor Mike Murphy, Professor of Demography, London School of Economics
- Chris Roles, Director, Age International
- David Sinclair, Director, International Longevity Centre - UK
- James Sproule, Chief Economist and Director of Policy, Institute of Directors
- Dr John Swenson-Wright, Head, Asia Programme, Chatham House
- Tom Terry, Chairman, Global Aging Institute
- Dr Wenfei Winnie Wang, Lecturer in Human Geography, University of Bristol
About the discussion

The global economy and the geopolitical order

• What risks and opportunities exist for the world as a result of current and future demographic change? What are the key trends in East Asia?

Societal cohesion

• How can societies with ageing populations ensure a decent standard of living for all without imposing a disproportionate burden on the young?

Economic growth

• How can growth be maintained when faced with a contraction in the number of people in the workforce and declining rates of personal saving and investment?
Setting the scene

- By the middle of the 21st Century, 25 per cent of the developed world’s population will be aged 65 or older, up from about 15 per cent today. In some faster-ageing European countries that share could climb to 35 per cent and in Japan it may approach 40 per cent.

- The emerging world as a whole is still much younger, but it too is ageing. By 2040, the populations of Brazil and Mexico will be nearly as old as that of the United States—and China’s will be much older. Meanwhile, South Korea will be vying with Germany, Italy, and Japan for the title of oldest country on earth.

- What do these trends mean in terms of geopolitical issues? Will there be a global power shift which benefits the emerging world as developed societies struggle with rising fiscal burdens?

- Is there any possibility of reaching truly global solutions around pension and health-care reform, longer working lives and increased savings and investments?
Geopolitical considerations – discussion

• For developed countries, in the absence of behavioural and policy change the future will be characterised by chronic fiscal deficits, weakened geopolitical stature and intergenerational tensions;

• As a result of ageing societies, developed countries will experience a steep relative economic decline. As a share of G20 GDP the USA will fall from 34% to 24% by 2030 and the rest of the G7 from 38% to 16%;

• It appears likely that the EU will need to prepare itself for several years if not decades of flat or very low growth, due in part to demographic pressures;

• The concept of a domestic ‘grey vote’ in developed countries and their impact on government policy may be overplayed. ILC polling suggests that the impact of over 65s voting in the 2014 EU election was minimal;

• The relative economic decline of developed nations will have significant implications for their capacity to exert both hard and soft power across the world;

• Many countries in East Asia are experiencing a ‘demographic dividend’ which is proving to be a powerful engine of growth. However a number will shortly move beyond the dividend phase while having large gaps in pension and social welfare coverage.
Impact of ageing on social stability – discussion

• Trends towards urbanisation, particular amongst younger people in East Asia, has damaged the Confucian ethic in which family networks have historically been integral to care provision in old age;

• In some countries fewer than 10% now believe that the family should be primarily responsible for care in older age;

• Japan has been very successful in keeping older people in the workforce. However this has not delivered the expected productivity gains due in part to rigid corporate and business hierarchies;

• As populations grow older and the lines between life expectancy and healthy life expectancy become more blurred, it may be time to reconsider the fixed concept of ‘retirement’;

• In the UK there have been huge shifts in recent years on public policy debates on ageing:
  – There is now a qualified acceptance that the rapid rises in health and social care expenditure (2002-10) are unsustainable in the longer term;
  – Decisions to increase the state pension age are much less fraught;
  – There is increasing awareness from bodies like Public Health England about the need to support preparedness for ageing.
Truly global solutions – discussion

• Low fertility rates are as important a factor in global ageing as people living longer. Better pro-natal policies are required in the developed world to encourage people to have more children;

• Attempts in both Japan and South Korea have so far failed to convince women to remain economically active once they become wives and/or mothers. On a more positive note, in the last 10 years in the UK the majority of additional productivity created has been generated by increasing the participation of women in the workplace;

• Pro-immigration policies have been very successful, for example in the USA, at helping countries manage their ageing populations. On the other hand, countries like Japan have - for cultural and political reasons - had much tougher political journeys on immigration;

• Increasing global productivity is vital in helping nations meet the demographic challenge. There is a question about how effective the WTO, G20 and other international trade bodies are in generating cross-border growth;

• Financial institutions have a responsibility to educate consumers towards the benefits of saving for retirement, particularly in countries with little tradition of self-sufficiency in older age.
Conclusions

• The impact of global ageing will continue to change the face of the world as we know it;

• Government institutions and national cultures have struggled to adapt to the pace of demographic and economic change. An example is the ‘sodai gomi’ or ‘big trash’ analogy used in Japan to describe retired men aged over 60;

• Ageing is a global issue and can be most effectively tackled through global solutions – for example by following controlled pro-immigration policies;

• Increasing the productivity of older people and helping them to remain economically active is a phenomenal opportunity for the world – the very concept of retirement may itself become outdated. This challenge will also require the removal of policies that push older workers into premature retirement;

• Increasing female participation in the workforce will help mitigate the impact of ageing. Across the developed world, birth-rates correlate positively with women’s participation in the workforce.