

Population ageing and its problems

Population ageing – substantial increases in the proportion of populations at older ages, and an increase in average age - is an unavoidable destiny. An older population structure is here to stay – it is an irrevocable feature of mature society and a consequence of beneficial reductions in death and birth rates.

Up to the present, the main factor leading to population ageing has been the long-term decline in birth rates that began in Europe at the end of the 19th century. That decline is now coming to an end – birth rates have been edging upwards in Northern and Western Europe for some time, and recently throughout all Europe (it remains to be seen what effect the economic crisis will have). In due course all further ageing will follow improvements in survival, currently increasing at an impressive level.

The problems arising from population ageing are well known: An adverse change in the proportion of the population of conventional working age in relation to the population of conventional retirement age. A diminution of productive output and of tax revenue relative to spending, particularly spending on state pay-as you-go pensions and health and social care for the elderly. And older workers are alleged to be less productive.

The severity of population ageing and of its adverse effects depends first of all on the level of fertility - the lower, the worse – and the length of time for which it has been low. Many consider that total fertility of over 1.7 children per woman produces a level of ageing that can be managed, while one much below 1.5 presents serious problems. Demographic ‘solutions’ to ageing offer only limited possibilities. A higher birth rate is certainly beneficial although difficult to engineer. Immigration can moderate ageing but brings its own problems. Neither can offer a ‘solution’; nothing can.

Furthermore there is much more to the problems of ageing than demography. The existing tax burden on the economy, variation in retirement age, workforce participation rates, the level of the pension replacement rate, the diversity or otherwise of forms of pension, are all important and have become very salient in the context of the current economic crisis. As long as birth rates are not too low, sensible adjustments there – notably increasing retirement age in line with increasing expectation of life - offer the prospect of managing (not ‘solving’) population ageing without too much social or economic damage. That puts a premium on health care and wise life-styles to maximise the number of additional years of life that are active and enjoyable.

But we cannot expect to go back to the benign but transient population age – structures - the ‘demographic bonus’ - from which our economies benefited in the middle 20th century. All that is gone for good.