21st Century Risks & Rewards for Actuaries
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SYNOPSIS

GLOBAL AGEING: CAN WE GROW OLDER COMFORTABLY?

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Population Ageing was unknown before the middle of the 20th century. Nowadays developed countries are in unprecedented transition to a new era with ageing populations. Ageing will result in a smaller proportion of the population being employed in the decades after 2010/2020. Another primary issue which may harm industrialized economies is whether ageing and particularly pay-as-you-go based pension systems will depress saving and investment.

Changing demography, fewer workers and more retirees, gives rise to much concern on the fiscal sustainability of public pension schemes, health care systems and other social services[1]. As a result pension reform is in discussion in all developed countries. The main features of the debate of the relationships between population ageing, labour supply and saving behaviour are summarized.

Technological development, economic globalization and institutional changes are long-term processes occurring over the same time period as population ageing. Under the plausible assumption that 1¾ % yearly growth in per worker production can be realized in the coming two decades, it can be demonstrated that per capita consumption of the working population increases from 2000 to 2020 by 44.7% and that of the 65+-population by 81%. Only with a zero growth rate of labour productivity average welfare will decrease by about 6%, whereas a minor 0.3% productivity growth with unchanged labour participation rate suffices to maintain welfare at its present level.

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1) The concern about Ageing is briefly summarized by Donald J. Johnston, secretary-general of the OECD, '... the Ageing of our societies over coming decades present OECD-countries with a complex and formidable set of interelated challenges', preface of OECD [1998].