

# 5. The Challenge of an Ageing Population



The media frequently refers to Britain having an ageing population – but what does this actually mean?

In simple terms, an ageing population is one in which the median age of the population is rising. If you made every single citizen of a country stand in a line in order of age, the median age would be the age of the person standing exactly in the middle, with half of the population above them and half below. During the 20th century, most countries (starting in the developed West) underwent medical and social changes whereby life expectancy rose dramatically (so people were living much longer) and the birth rate fell as people started having fewer children. As a result, there are more people in the older age categories and fewer people in the younger ones, so the age of the person who is exactly in the middle of the age distribution has risen.

According to the Office for National Statistics (ONS), between 1985 and 2010 the median age of the UK population rose from 35.4 to 39.7, and they predict that it will reach 42.2 by 2035 (meaning half the population will be middle-aged and older).

Population ageing can also refer to a general increase in the number of older people within society, both as an absolute number and as proportion of the total population. People aged over 65 accounted for 17% of the UK population in 2010, and the ONS predicts they will account for nearly one in four people (23%) by 2035.



Fig. 1 Age structure of the UK population in 2013 (ONS)

Fig.1 displays the structure of the UK population in 2013 as a population pyramid. This shows you how many people of each age are alive in the UK today, and so it also tells the story of Britain's recent demography.

You may have heard of the post-war “Baby Boomers”; this refers to the unusually large cohort of babies who were born during a period of high fertility following World War 2. The chart in Fig.1 shows that Britain actually underwent two periods which can be described as “baby booms”. The first one was a very sudden increase in the birth rate which immediately followed the end of the conflict, lasting from about 1946 to 1949. These people are now in their mid-60s and stand out very clearly as the first major spike in numbers when you read the pyramid from the top down. The birth rate then underwent a lull before it began a remarkable rise again, peaking in 1964. The bulk of this second group of boomers are now in their late 40s and early 50s, so they account for the second, larger, bulge in Fig.1. The UK's birth rate then fell again and has never recovered to the levels witnessed during the baby boom era (Fig.1 also shows a third bulge of people in their 20s and early 30s, but this is mainly explained by high immigration).

The result of the UK's high birth rates during the baby boomer period and then the subsequent fall

during the 1980s and 1990s is that the number of retirees is growing relative to the number of working-age people. This has many implications for Britain's economic future, most urgently the question of how the country will afford to pay for looking after its elderly population.

The average age at which someone retires in the UK is 63, but the average age of death is 85 for men and 89 for women, so retirements which last at least 20–25 years are now enjoyed by vast numbers of people. This has significant costs because pensioners in the UK are given various forms of financial support from the government – including the basic state pension and several other pensioner benefits such as free bus passes and winter fuel payments – which are largely paid for by taxes on younger people. Pensioner benefits as a whole are expected to cost £90 billion during the 2013/14 financial year, and these costs are forecast to rise dramatically in line with our ageing population. The increase in the state pension alone is expected to cost another £40 billion (at today's prices) in 50 years' time. There will also be a substantial increase in the demands placed on the NHS, as older people tend to have greater health-care needs than younger ones.

Britain has historically paid for services for its older generation through an almost unwritten "generational contract". In effect, each generation accepted that their taxes should be used to fund pensions and health care for the elderly in return for the next generation providing the same services for them. However, there have never been as many elderly people in Britain as there will be over the coming decades, raising the likelihood of increasing political conflict over how much a smaller cohort of working-age people should be expected to sacrifice in order for all these pensioners to enjoy a comfortable old age. It is likely that younger taxpayers will be faced by an especially large bill for looking after today's pensioners because many of them have

not saved enough money to be able to afford a decent retirement themselves (14% of people retiring in 2013 have no pension savings at all, for example).

The UK has been particularly unfortunate that its population is ageing while the country is trapped in a prolonged period of low economic growth following the recession which began in 2007. This means the challenge of an ageing population will have to be confronted in the face of lower tax revenues and a lower level of national prosperity than had previously been expected. Relatively small measures, such as modestly increasing the state pension age, have so far been attempted to address these problems, but given the scale of the challenge ahead it seems likely that a wholesale rewriting of the generational contract – in which more of the burden of paying for old age is transferred from the state to the individual – will need to take place if the UK is going to be able to fund its ageing population sustainably.

#### Sources:

- [Office of National Statistics \(ONS\): Animated Population Pyramid](#)
- [Oakley, M. \(2013\) "Capping Welfare". Policy Exchange](#)
- [ONS \(2012\): Summary – Chapter 4: The labour market and retirement](#)
- [ONS \(2012\): Mortality in England and Wales: Average Life Span](#)

#### Recommended Reading:

- Willetts, D. (2010) *The Pinch*. London: Atlantic Books
- Magnus, G. (2009) *The Age of Ageing*. Singapore: John Wiley & Sons (Asia)
- [Blastand, M. \(2012\) "Go Figure: When was the real baby boom?" BBC News Magazine](#)
- [ONS \(2012\) "Population Ageing in the United Kingdom, its Constituent Countries and the European Union"](#)