



THE FACTS THE CHALLENGE OF AN AGEING POPULATION

What can older generations expect from the young?



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

Answer: 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.

According to the Office for National Statistics (ONS), between 1974 and 2017 the median age of the UK population rose from 33.9 to 40.1, and they predict that it will reach 42.2 by 2035 – meaning almost 10 years will have been added over 60 years.

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 over 18% of the UK population in 2018, and the ONS predicts they will account for nearly one in four people (23%) by 2035.

The term “Baby Boomers” refers to the unusually large cohort of post-war babies who were born during a period of high fertility following World War 2. Britain actually underwent two periods that 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 70s. The birth rate then underwent a lull before it began a remarkable rise again in the 1960s, peaking in 1964. The bulk of this second group of boomers are now in their late 50s. The UK’s birth rate then fell again and has never recovered to the levels witnessed during the baby boom era.

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.

OLD-AGE DEPENDENCY

The age at which someone reaches State Pension Age (i.e. normally the age of retirement) in the UK is now about 65½, but the average age of death is 85 for men and 88 for women, so retirements which last at least 20 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.

The State Pension alone currently costs about £94 billion a year, or about 12% of public spending. These costs are forecast to rise dramatically in line with our ageing population, and there will also be a substantial increase in the demands placed on the NHS, as older people tend to have greater



should be expected to sacrifice in order for all these pensioners to enjoy a comfortable old age.

Relatively small measures, such as modestly increasing the state pension age (it will rise incrementally to 68 by about 2039), have so far been introduced to address these problems. But given the scale of the challenge ahead it seems likely that a wholesale rewriting of the intergenerational contract will need to take place if the UK is going to be able to fund its ageing population sustainably. Essentially this means that more of the burden of paying for old age is transferred from the state to the (ageing) individual.

Sources

- Office for National Statistics (ONS): Population Estimates, June 2019 (online)
- ONS: Overview of the UK population, November 2018 (online)
- ONS: Most Common Age at Death, February 2017 (online)
- ONS: Old Age Dependency Ratio, England, 1980 to 2041 (online)

Recommended Reading

- Blastand, M. (2012): Go

Figure: When was the real baby boom? BBC News Magazine (online)

- Magnus, G. (2009): The Age of Ageing. Singapore: John Wiley & Sons (Asia)
- Willetts, D. (2010): The Pinch: How the baby boomers took their children's future – and why they should give it back. London: Atlantic Books



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health-care needs than younger ones.

The ageing population will put increasing pressure on people of working age, who pay the taxes to support them, simply through growing numbers. Today, there are 296 people over State Pension Age for every 1000 people of working age (this is called the “Old Age Dependency Ratio”); it is predicted that by 2041, this will rise to 366:1000.

THE INTERGENERATIONAL CONTRACT

Britain has historically paid for services for its older generation through the unwritten “intergenerational 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