

Implications of Aging Populations and Increased Longevity for National Governments

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**GAO/CNAO Joint Seminar
Impacts of Aging Populations on National Governments**

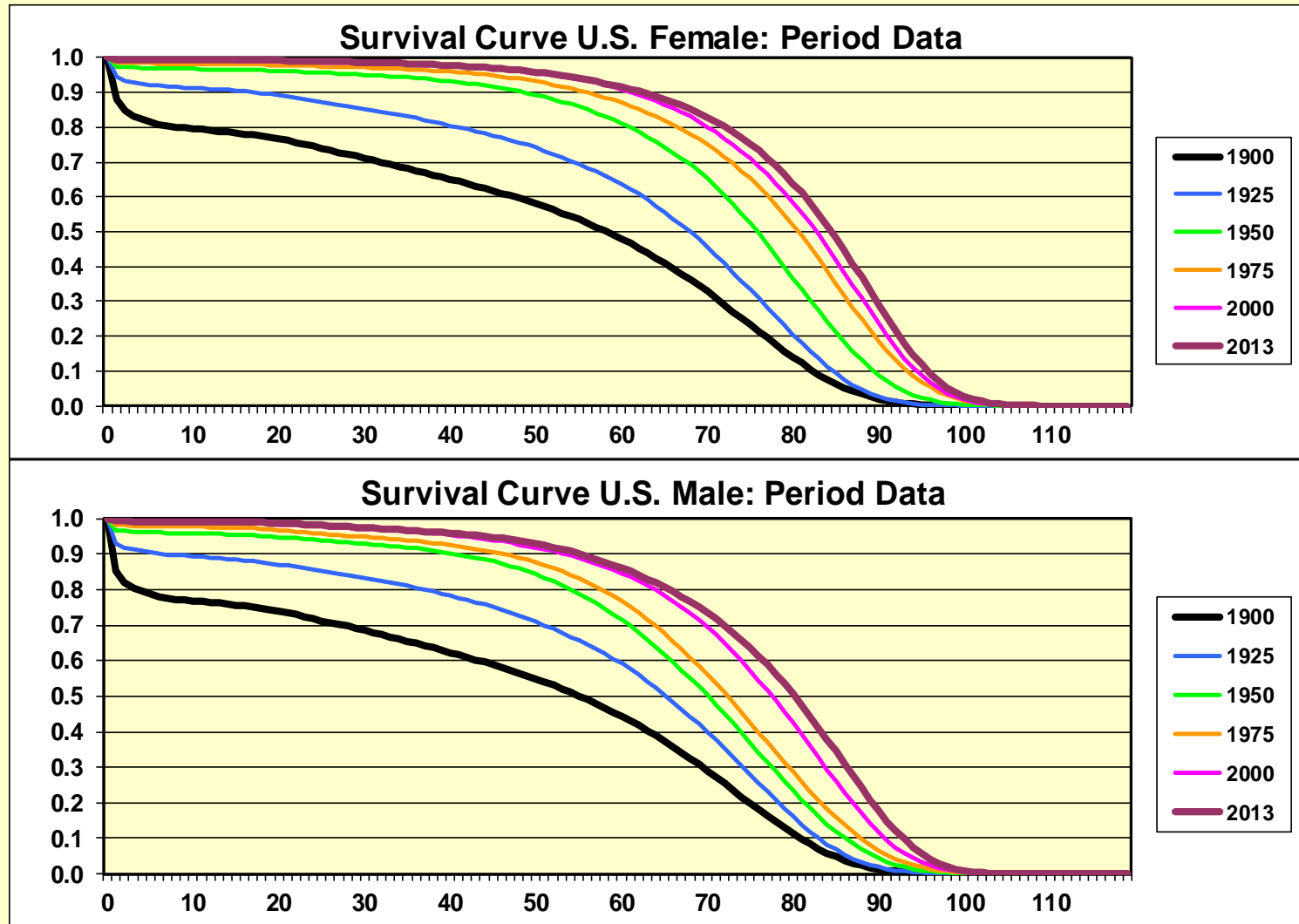
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Developed Nations Are “Aging”

- ◆ “Macro aging”
 - Changing age distribution—getting older
 - » Mainly from drop in birth rates
- ◆ “Micro aging”
 - People are living longer
 - » Lower death rates
 - » Increasing longevity
- ◆ Different challenges—different solutions—consider the U.S.

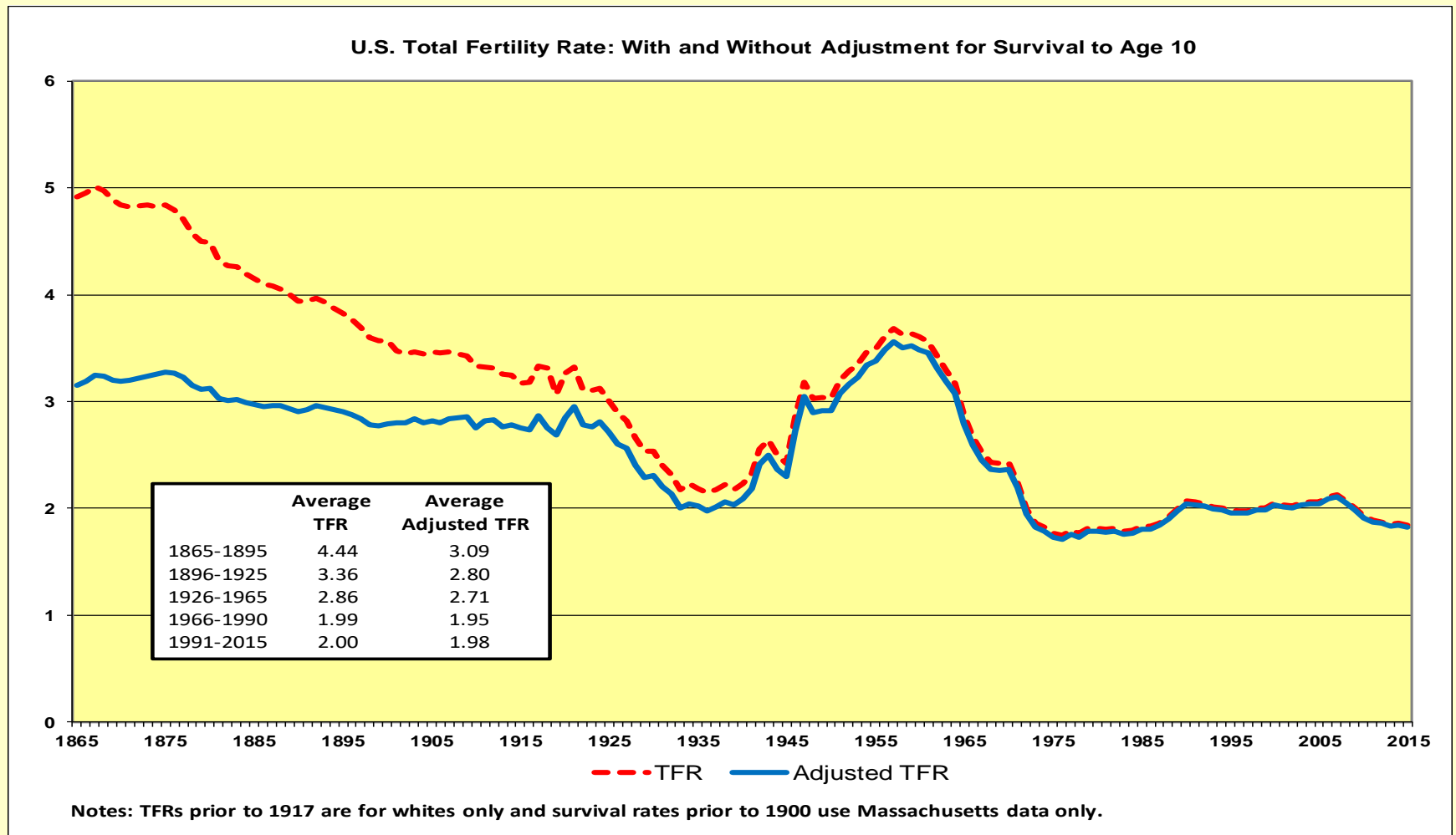
Micro Aging

We are living longer, but there are limits, and progress is slowing

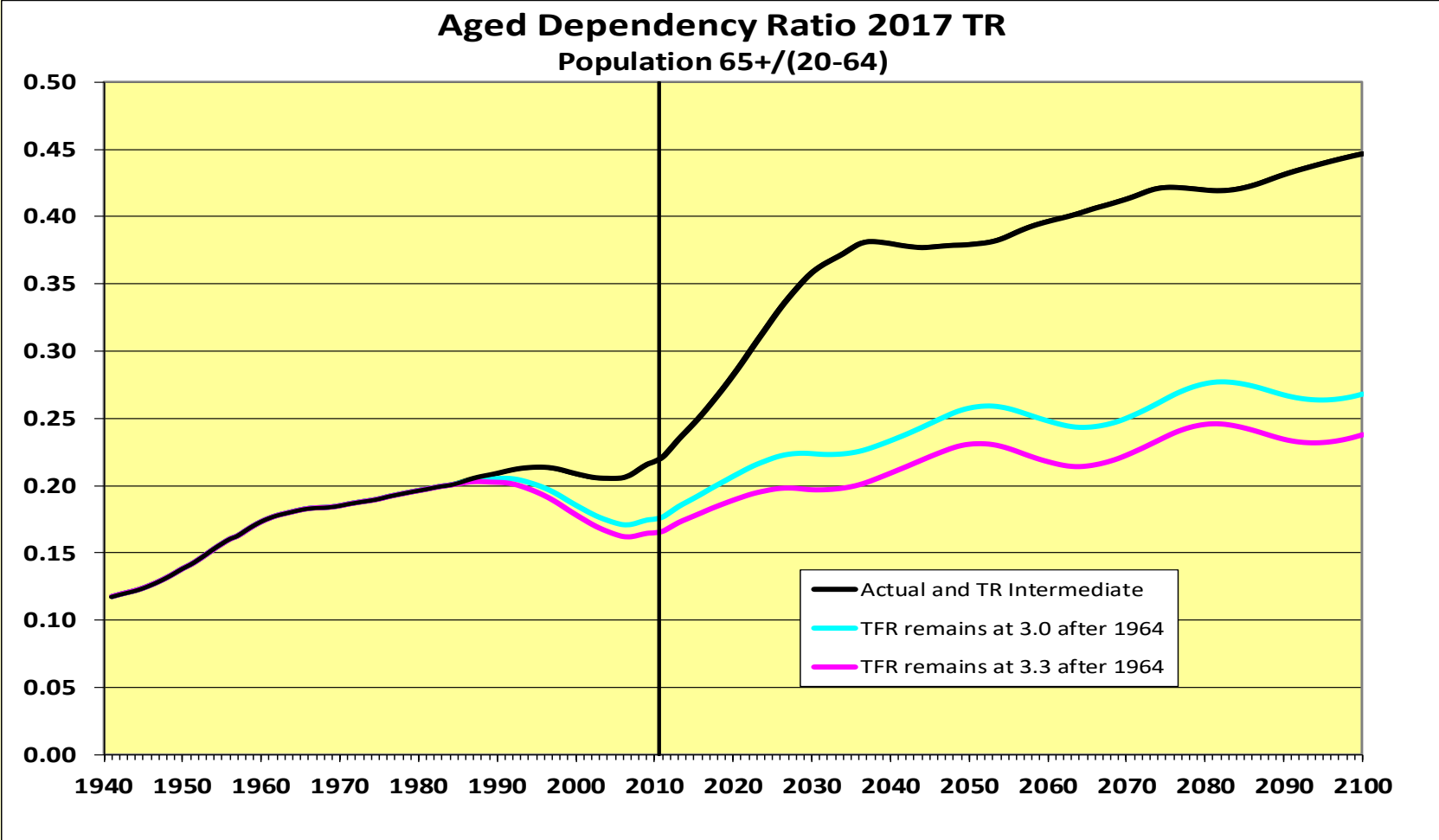


Cause of “Macro Aging”

Mostly drop in birth rates

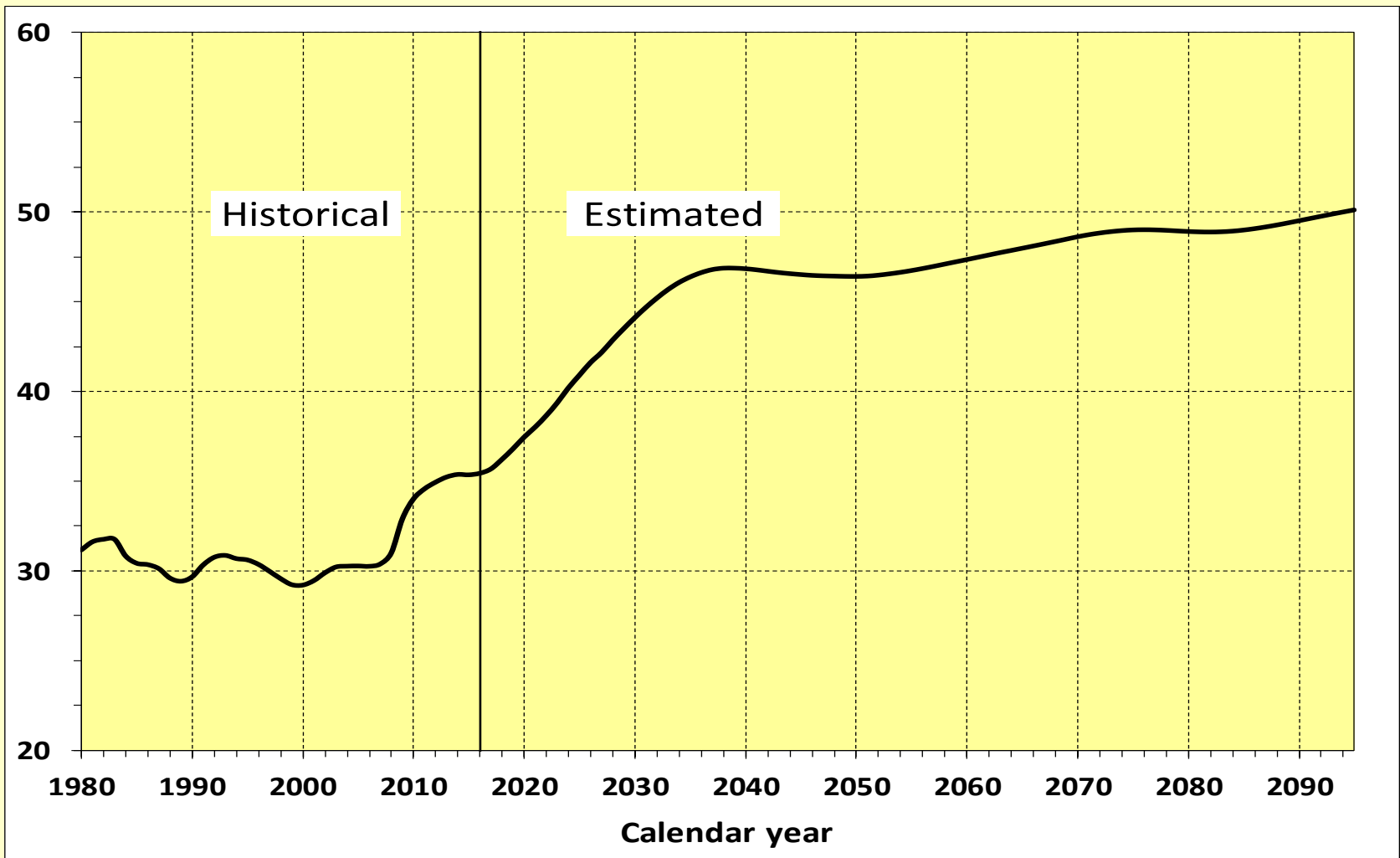


U.S. Drop in Birth Rate after 1965 Causes Dramatic Level Shift; Continuing Longevity Gains Are Gradual and Small



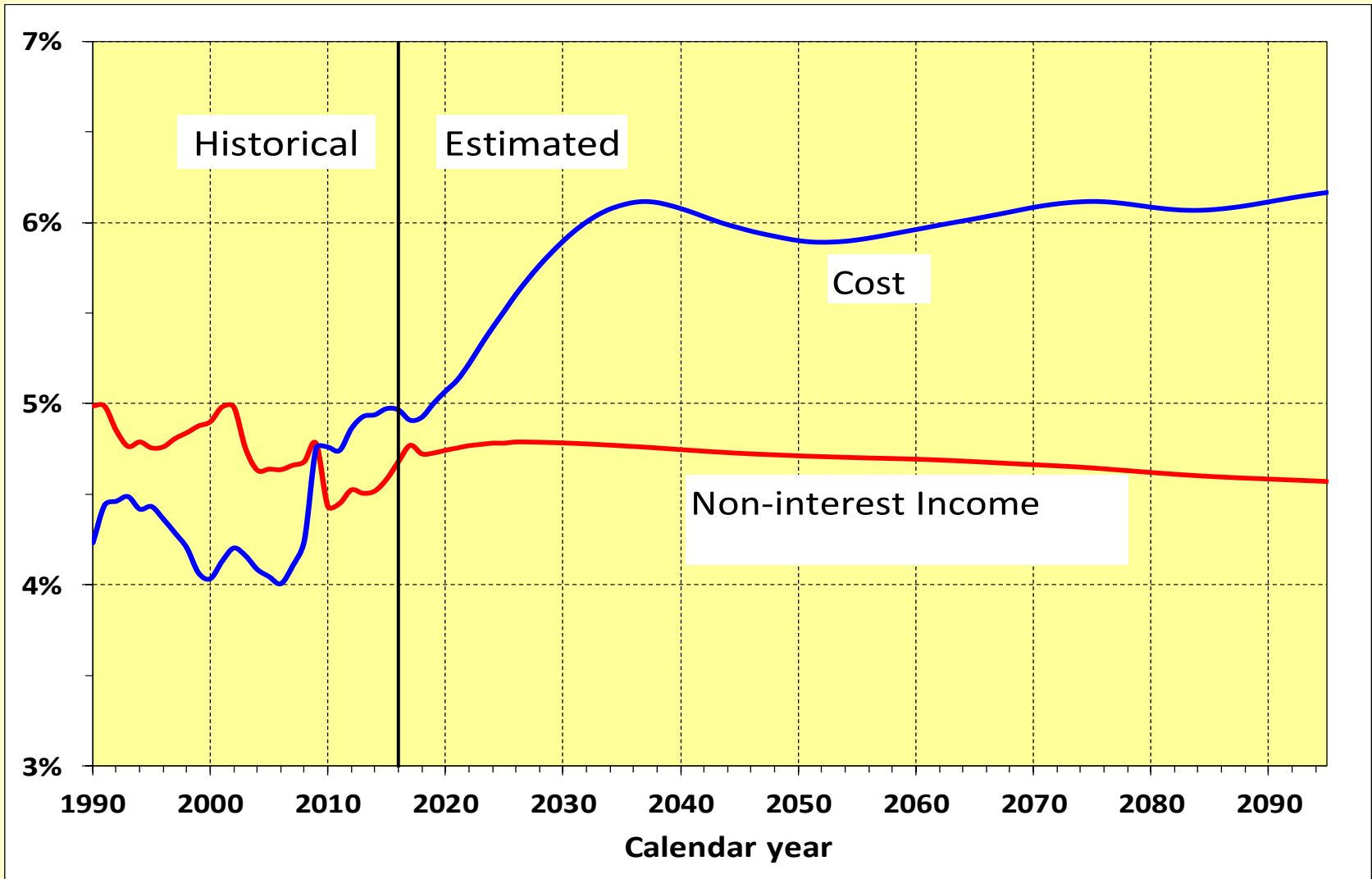
Social Security Beneficiaries per 100 Workers

Rise substantially due to this aging of the U.S. population



Social Security Cost as Percent of GDP

For U.S., rises from a 4.2-percent average in 1990-2008, to about 6% by 2035
Cost for public and private pensions and health care rise similarly



Implications of “Macro Aging”

What will we need to do?

- ◆ It is a pay-as-you-go world
 - In the aggregate, *consumption = production*

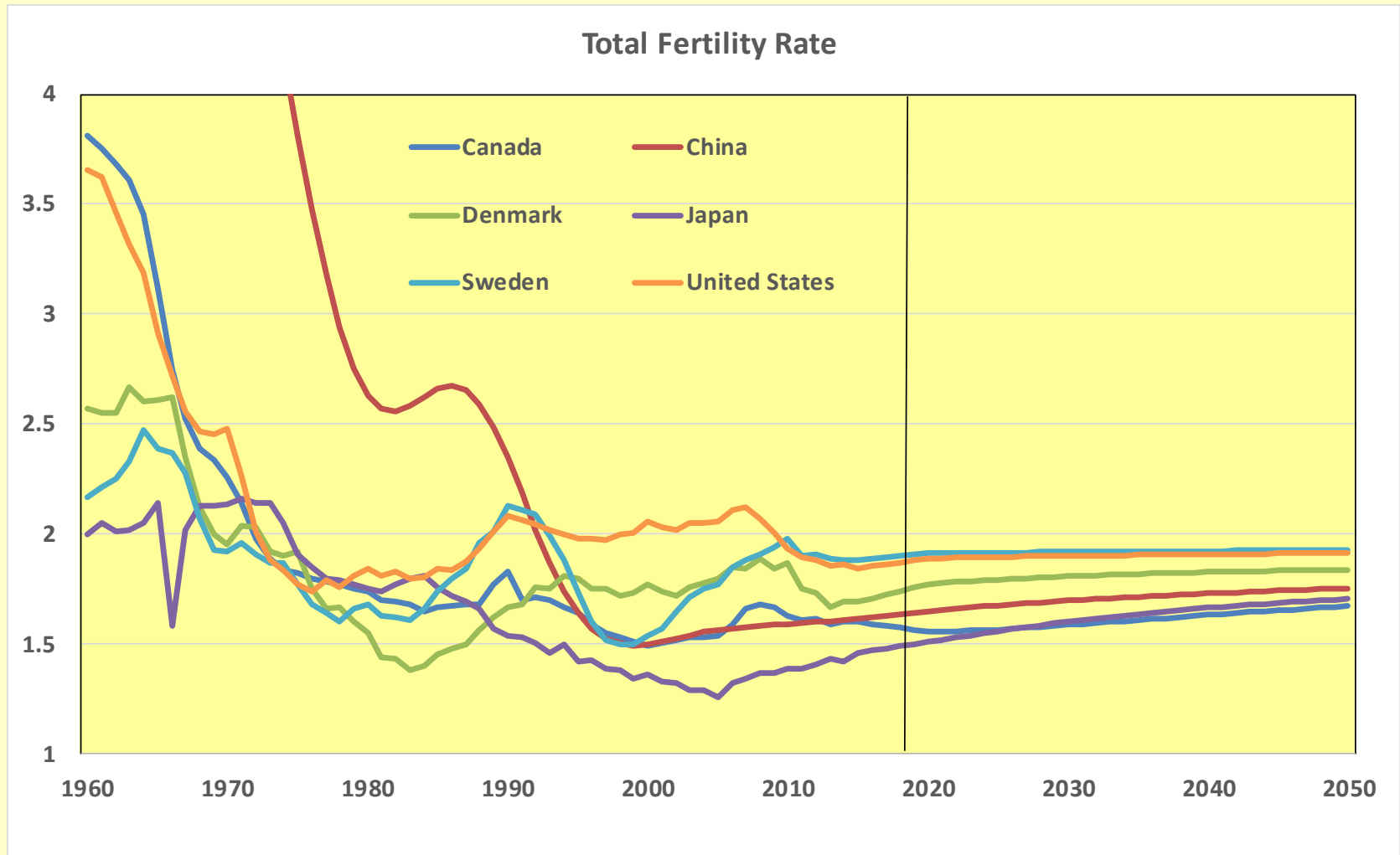
- ◆ Solutions for dealing with aging population
 - The older age distribution for the U.S. requires:
 - » Elders consume less: $2/3$ as much
 - » Working age share more: $3/2$ as much
 - » Get elders to work a lot longer: 5 years, and more
 - » Or some combination

We Are All Aging Together

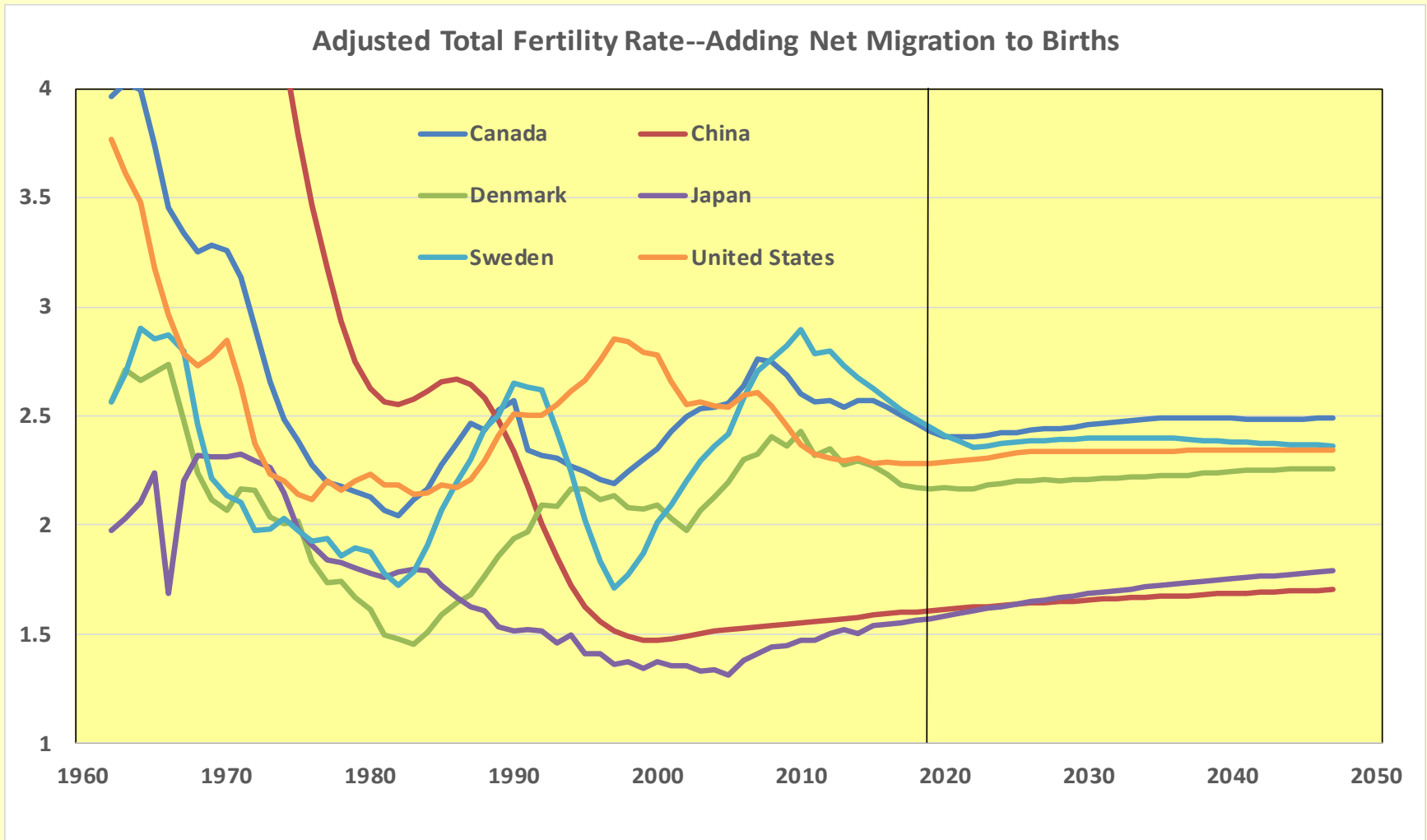
- ◆ Canada, China, Denmark, Japan, Sweden, U.S.
 - World Bank international population projections
- ◆ Birth rates have dropped for all
 - Resulting in sudden shifts in age distribution
- ◆ Net immigration can help slow macro aging
 - Or can hasten it if young individuals emigrate
- ◆ Increasing longevity is gradual
- ◆ We all have similar challenges

Birth Rates Now Below “Replacement”

(below TFR of 2.1 for all six nations)

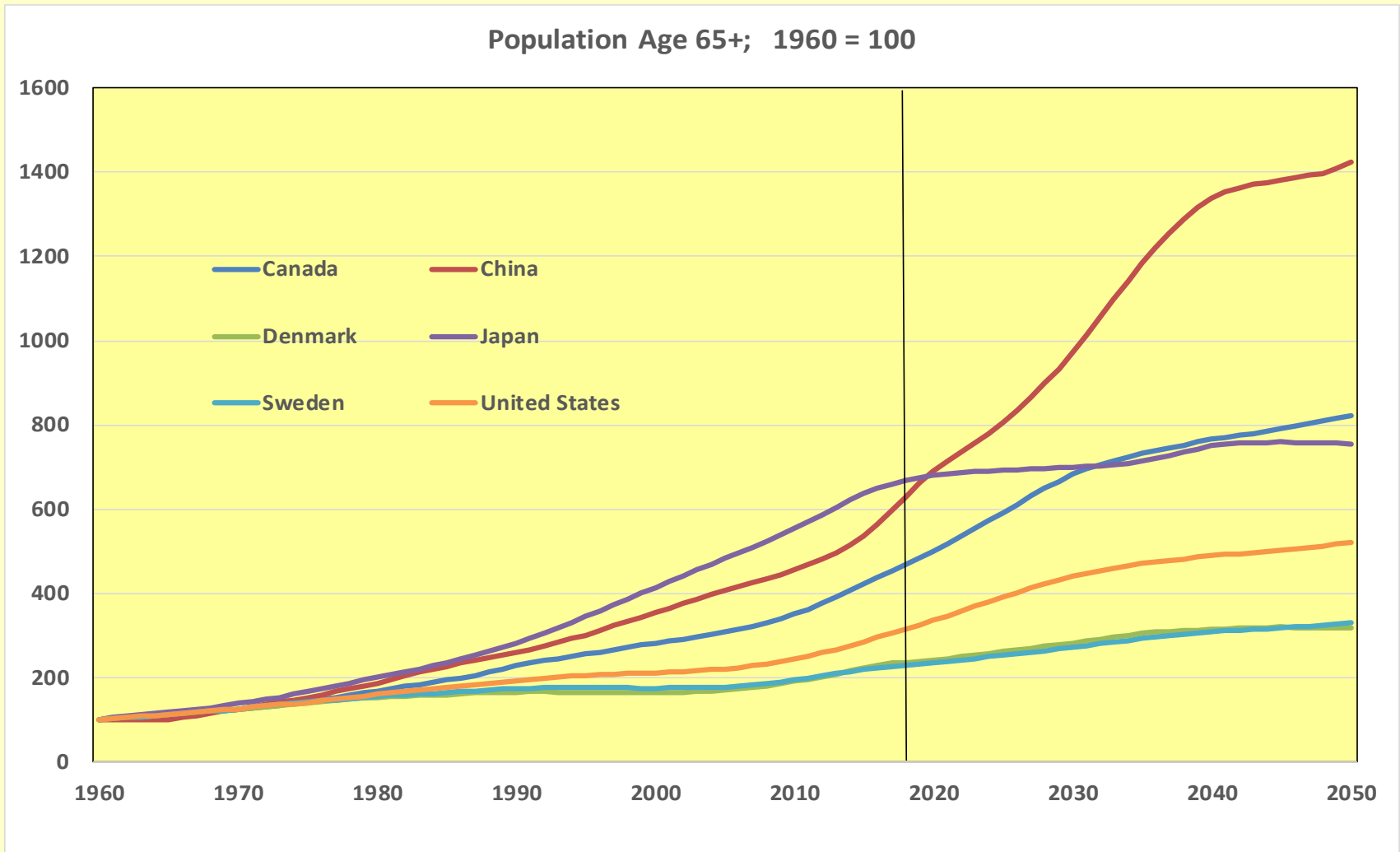


Adding in Net Immigration Puts All But China and Japan Above “Replacement”



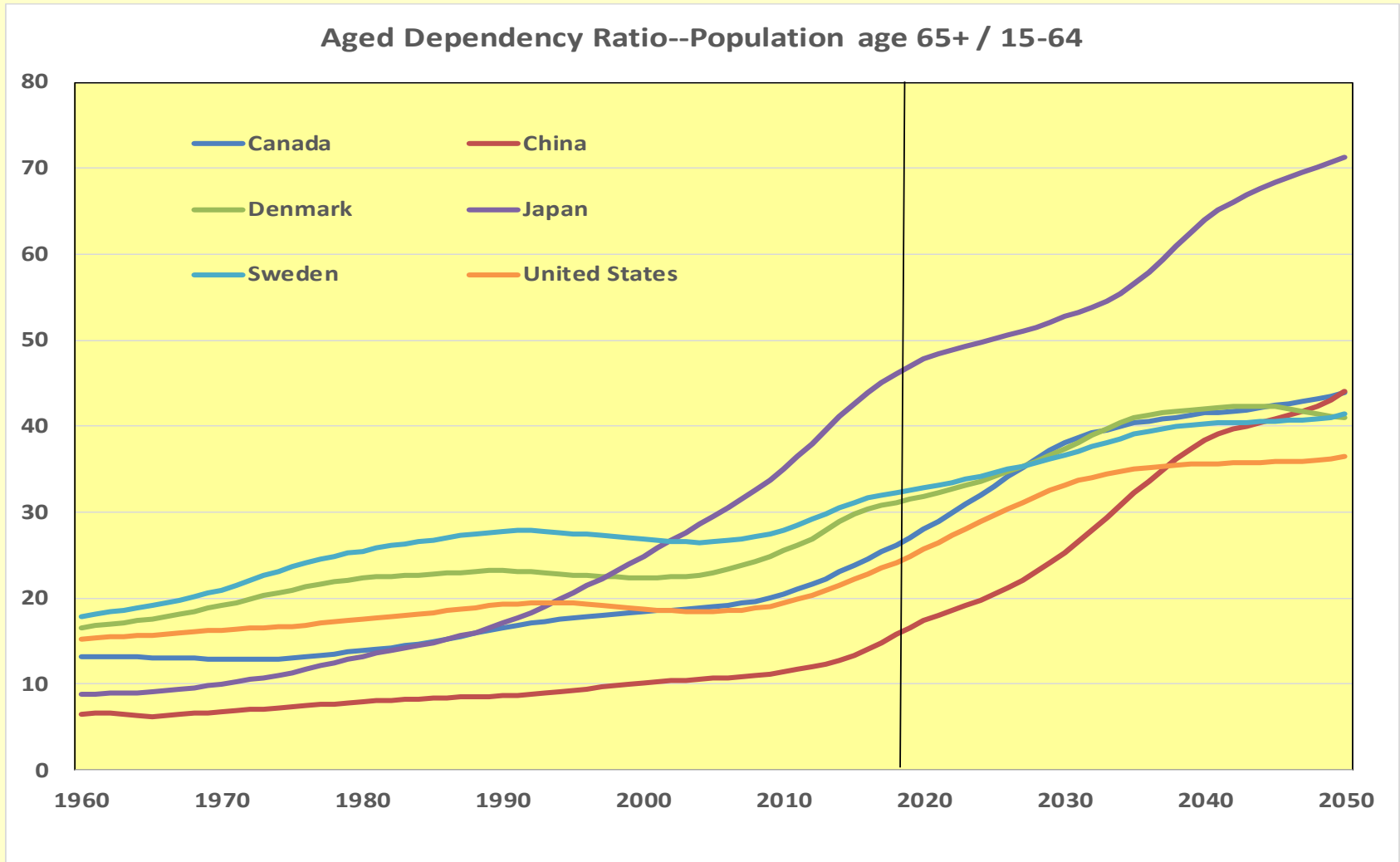
Population Over Age 65 Is Increasing For All of Us

But this is not really our challenge



In 2000, 65+ Were Less Than 30 per 100 at Working Ages

By 2050, all but U.S expect over 40, Japan over 70



Implications for our National Governments, our Economies, our Populations

- ◆ GDP and total income will grow slower
 - So we will at least avoid overpopulation
- ◆ Those over 65 will live AND work longer
- ◆ Workers will share more of their income
- ◆ We may encourage more births
- ◆ Immigration can help, but we cannot all gain
- ◆ Our governments must plan for changes
 - Changes are needed VERY soon

For More Information...

<http://www.ssa.gov/oact/>

- ◆ Annual Social Security Trustees Reports (U.S.)
<https://www.ssa.gov/oact/TR/index.html>
- ◆ Documentation of Trustees Report data & assumptions
https://www.ssa.gov/oact/TR/2017/2017_Long-Range_Demographic_Assumptions.pdf
- ◆ International Population Projections—World Bank
<https://datacatalog.worldbank.org/dataset/population-estimates-and-projections>