

Why Population Aging Matters: A Global Perspective

Briefing to the
Senate Special Committee on Aging
May 21, 2007

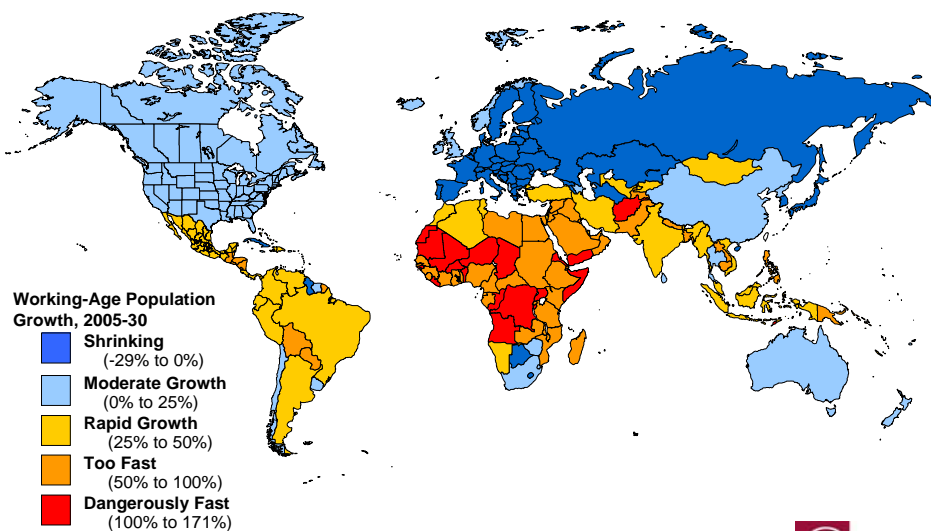
Labor Force Implications and Pension Vulnerabilities

Adele Hayutin, Ph.D.
Director, Global Aging Project
Stanford Center on Longevity
ahayutin@stanford.edu



Most advanced economies face shrinking workforces. 2
The U.S. is an exception.

Working-Age Population Growth, 2005-30



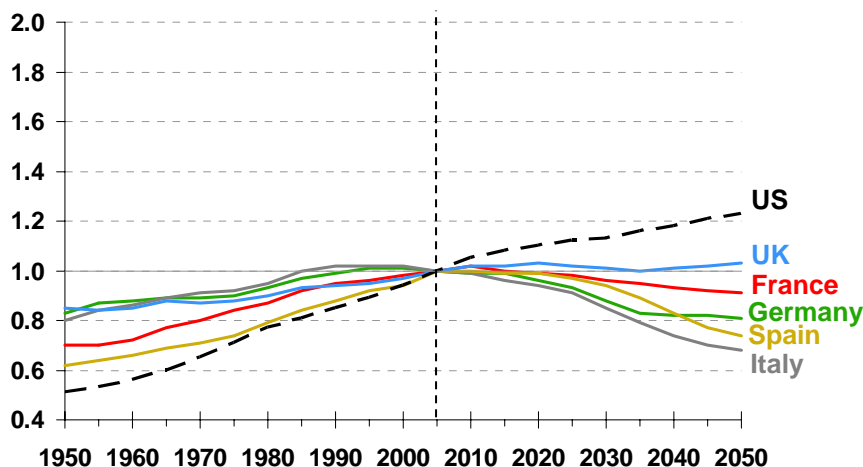
Source: United Nations 2004 medium variant forecast



Shrinking labor forces will be the norm throughout Europe with only a few exceptions.

3

Working-Age Population; 2005=1.0



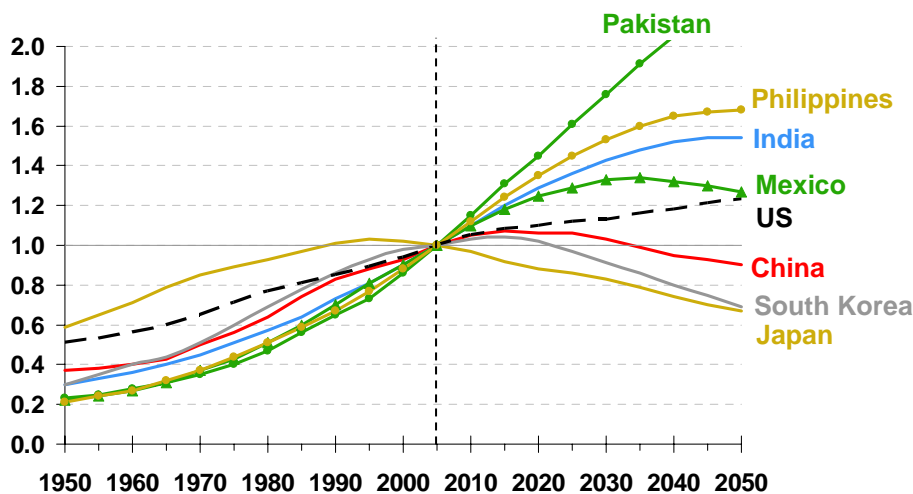
Note: Working age = 15-64
 Source: United Nations 2004 medium variant forecast



South Korea and Japan face steep labor declines while Asia's young countries will see strong gains.

4

Working-Age Population; 2005=1.0

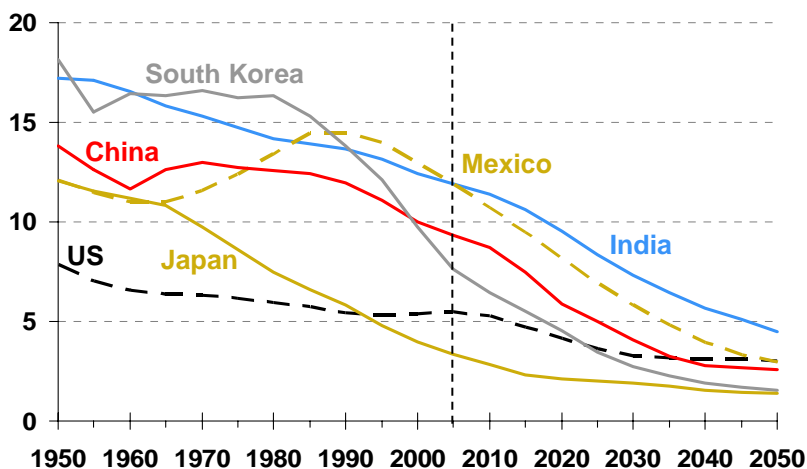


Note: Working age = 15-64
 Source: United Nations 2004 medium variant forecast



Rapidly declining worker-retiree ratios will be especially burdensome for low-income countries. 5

Ratio of Working-Age Population to Retirement-Age Population



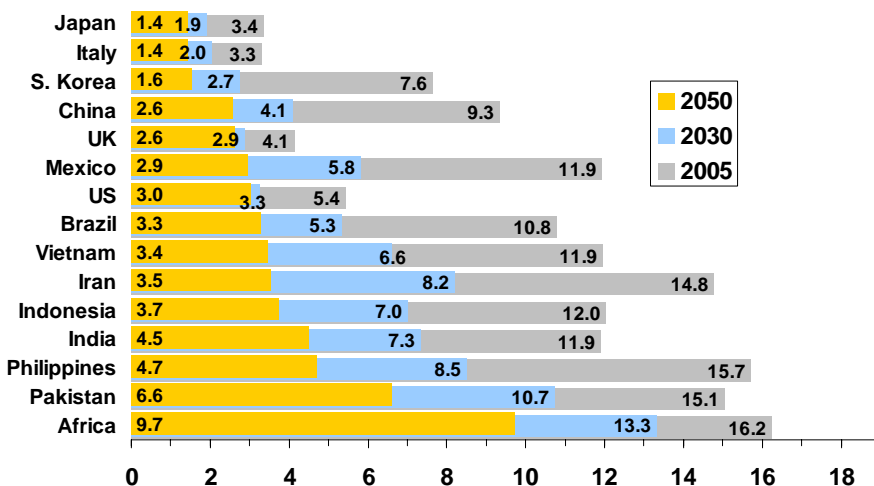
Notes: Working age = 15-64; retirement age = 65+
 Source: United Nations 2004 medium variant forecast



6

There will be fewer and fewer workers per retiree.

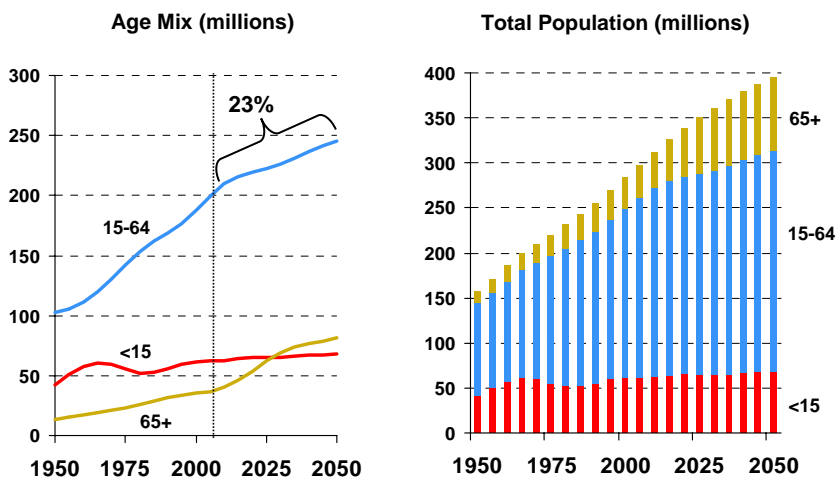
Ratio of Working-Age to Retirement-Age Population



Notes: Working age = 15-64; retirement age = 65+
 Source: United Nations 2004 medium variant forecast



The US has a growing supply of future workers.

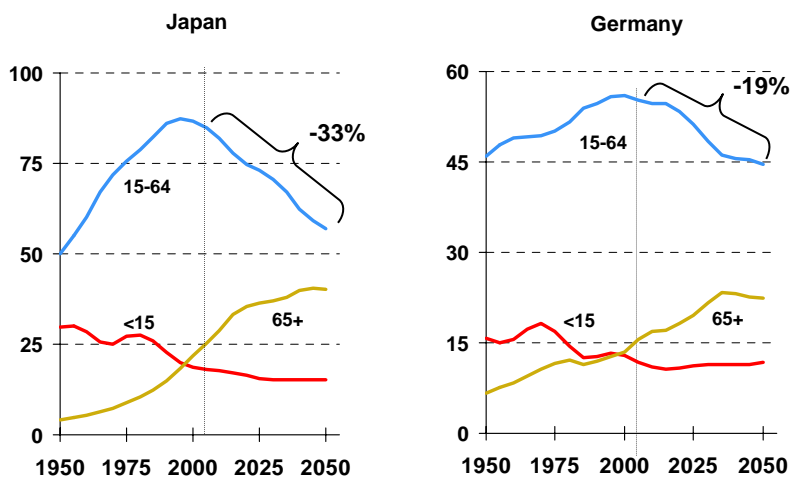


Source: United Nations 2004 medium variant forecast



Japan and Germany face large workforce declines.

Age Mix (millions)



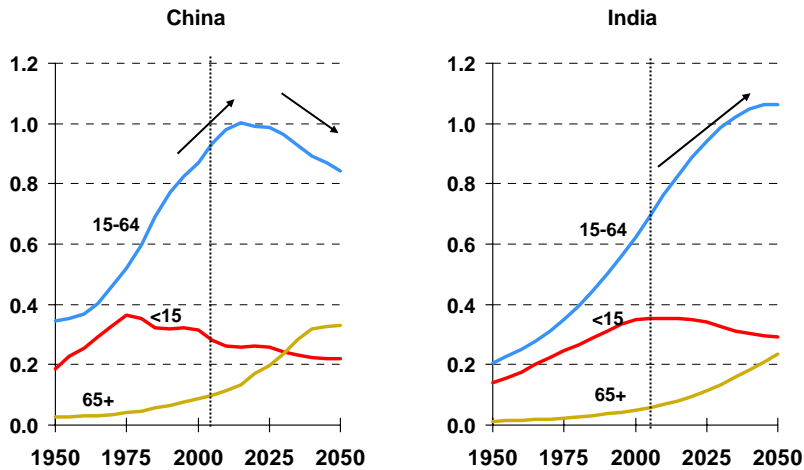
Source: United Nations 2004 medium variant forecast



China's workforce peaks in 2015, while India faces continued strong growth.

9

Age Mix (billions)



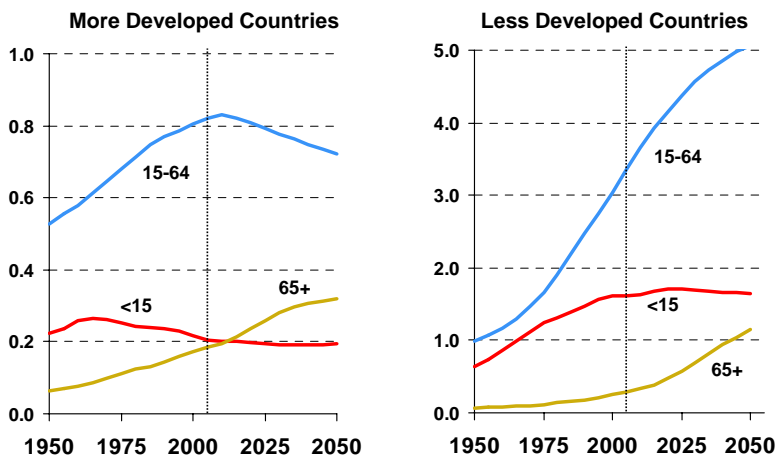
Source: United Nations 2004 medium variant forecast



Older countries face shrinking workforces; young countries face quadrupling of the older population.

10

Age Mix (billions)



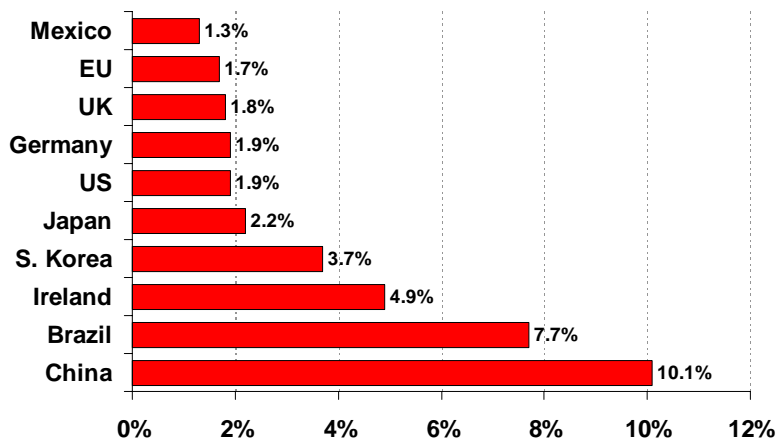
Source: United Nations 2004 medium variant forecast



In most cases, productivity gains will be too small to offset large workforce declines.

11

Average Annual Growth in Labor Productivity, 1995-2003*



*Data for China and Brazil 1995-2001

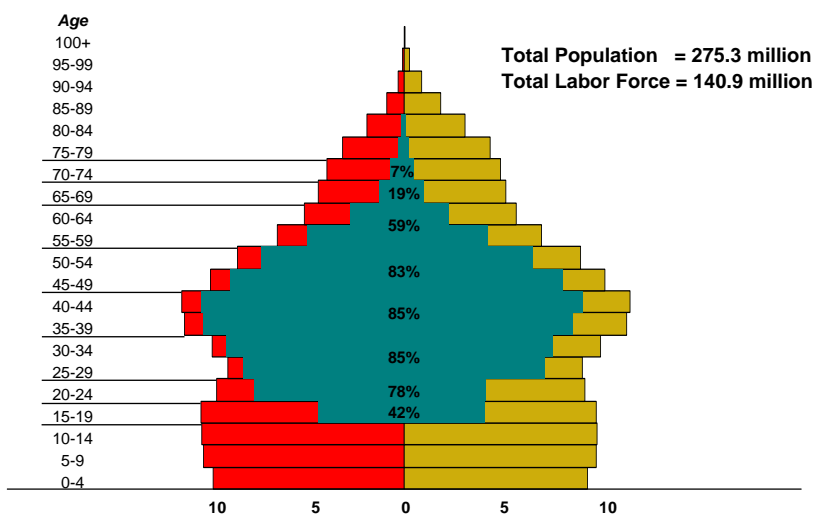
Source: The Conference Board and Bart Van Ark, 2002 & 2004



Increased labor force participation could boost labor supply & help reduce dependency burden.

12

U.S. Population and Labor Force Participation by Age, 2000



Population in millions by five-year age bracket; males on left, females on right.

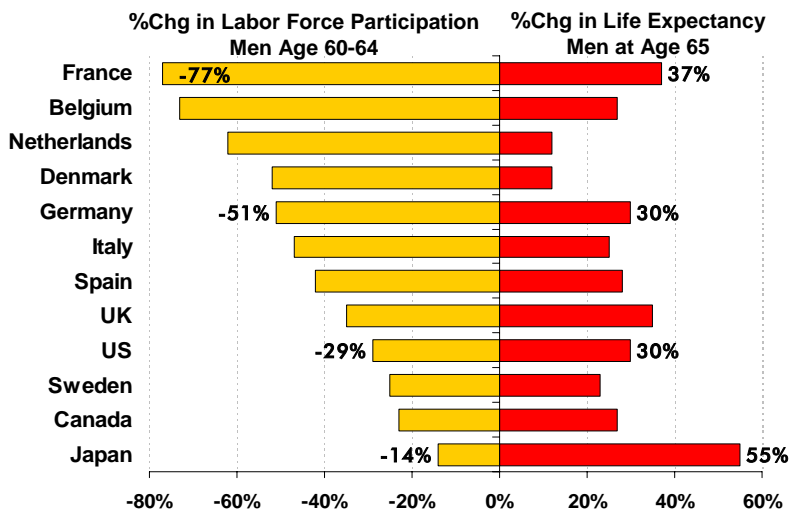
Source: US Bureau of the Census and Bureau of Labor Statistics



Labor force participation of men aged 60-64 has declined despite their increased life expectancy.

13

% Change, 1960 to early 2000s

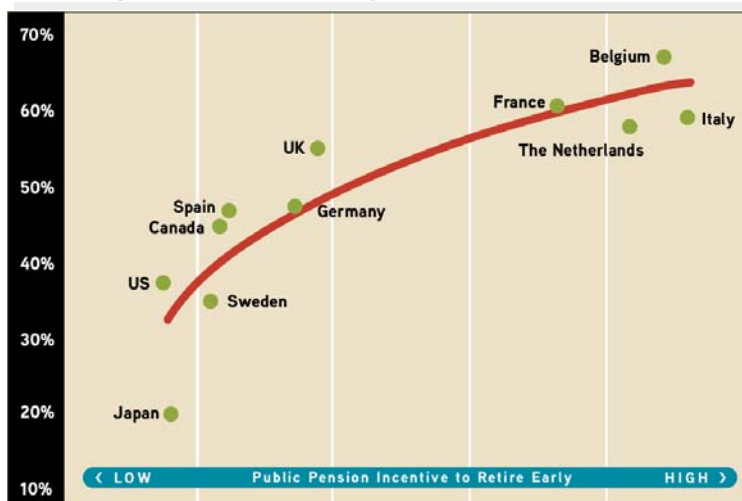


Source: David Wise, U.S. State Department Summit on Global Aging, March 15, 2007



PUBLIC PENSION INCENTIVES TO LEAVE THE LABOR FORCE FOR MEN IN 11 COUNTRIES

Percent of men age 55 to 65 not working

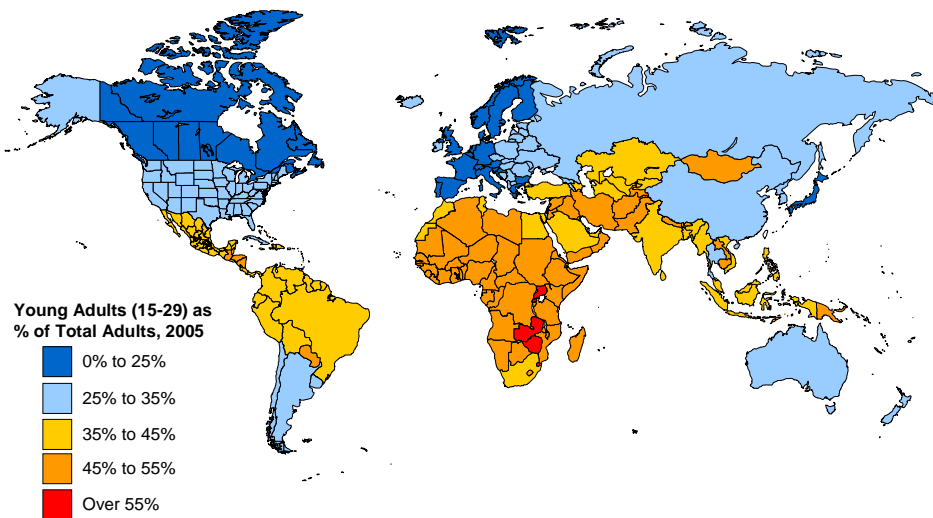


Source: Gruber J, Wise DA, eds. *Social Security and Retirement around the World*. Chicago, IL: University of Chicago Press, 1999. Reproduced from *Why Population Aging Matters*, NIA 2007.

The "youth bulge" is greatest in Africa and the Middle East.

15

Young Adults (15-29) as % of Total Adults, 2005



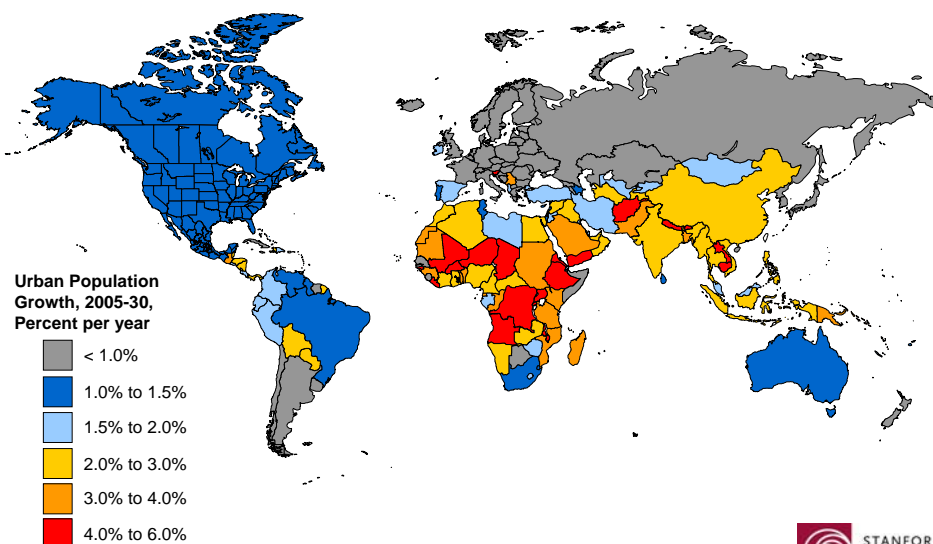
Source: United Nations 2004 medium variant forecast



Urban populations are projected to grow fastest in the poorest countries.

16

Urban Population Growth, 2005-30



Source: United Nations, *World Urbanization Prospects 2003 Revision*

