

## Are We Ready for the Aging Population?



Blame it on World War II. Almost exactly nine months after World War II ended, “the cry of the baby was heard across the land,” as historian Landon Jones later described the trend. More babies were born in 1946 than ever before: 3.4 million, 20% more than in 1945. This was the beginning of the so-called “baby boom.”

Now that segment of the population is aging, and they’re living a lot longer. There are approximately 46 million seniors, aged 65 and older, in the U.S. today. However, by 2060 there will be [98 million](#) seniors in the U.S., rising to nearly 24% of the population, making the U.S. a hyper-aged society.

The trend isn’t unique to the U.S. Around the globe, the world’s older population continues to grow at an unprecedented rate. Today, 8.5% of people worldwide (617 million) are aged 65 and over. According to a report, this percentage is projected to jump to nearly 17% of the world’s population by 2050 (1.6 billion). China for instance, is expected to reach [329 million](#) people over the age of 65 by 2050—more than the combined populations of Germany, Japan, France, and Britain.

With an aging population that continues to grow, healthcare, government, and workforce systems and policies globally will be changed forever, and it is not clear we are ready. The World Health Organization [attributes the senior population’s rapid size](#) increase to a change in the leading cause of death—from infections to chronic non-communicable diseases—which increased life expectancy.

These chronic conditions may include hypertension, high cholesterol, arthritis, diabetes, heart disease, cancer, dementia, and congestive heart failure. Heart disease, stroke, and cancer have been [the leading chronic conditions](#) impacting the aging population, especially in high-income countries. In addition, the incidences of obesity and falls are increasing.

Healthcare systems are scurrying to prepare for the increasing incidences of chronic conditions within the aging population, as well as develop strategies to prevent falls. There needs to be a focus on providing preventive care versus reactive care. Strategies may include a more comprehensive care plan before discharge, a system to help identify patients who require follow-up, and implementation of a program to help monitor patients. Around

the world, healthcare systems need massive reinvention to improve the quality of care, as well as the quality of life and health outcomes.

Healthcare is not the only challenge an aging population presents. People are staying in the workforce longer as well, many because they cannot afford to retire, still enjoy their jobs or are switching to new careers in their twilight years.. While today China has approximately 5 workers for every retiree by 2040 that ratio is expected to drop to 1.6 to 1. This extended workforce time creates new obstacles for employers. Maxed out retirement plans, increases in training costs, and strain on healthcare costs and programs.

Often, access to company-sponsored medical coverage is the top factor influencing the choice of whether to retire. Other key influencers include whether an employee's 401(k) contains adequate savings or not, which [is affected by retirement](#) plan design factors such as the size of employer contributions, the incentives for employee contributions, and the availability of retirement savings advice and education.

Other issues influencing retirement include time since an employee's last promotion and the size of his or her annual raise (if the raise was high, then notching another year has a bigger payoff).

An aging population also has major effects on the world economy. Just a few of the them include:

1. An increased [dependency ratio](#). If the retirement age remains fixed, and the life expectancy increases, there will be relatively more people claiming pension benefits and less people working and paying income taxes. The fear is that it will require high tax rates on the current, shrinking workforce.
2. Increased government spending on healthcare and pensions. Also, those in retirement tend to pay lower income taxes because they are not working. This combination of higher spending commitments and lower tax revenue is a source of concern for Western governments—especially those with existing debt issues and unfunded pension schemes.
3. Those working may have to pay higher taxes. This could create disincentives to work and disincentives for firms to invest, therefore there could be a decrease in productivity and growth.
4. Shortage of workers. An aging population could lead to a shortage of workers and hence push up wages, causing wage inflation. Alternatively, firms may have to respond by encouraging more people to enter the workforce, through offering flexible working practices.

5. Changing sectors within the economy. An increase in the numbers of retired people will create a bigger market for goods and services linked to seniors (e.g. retirement homes).

6. Higher savings for pensions may reduce capital investment. If society is putting a higher percentage of income into pension funds, it could reduce the amount of savings available for more productive investment, leading to lower rates of economic growth. Aging populations pose a challenge to the fiscal and economic stability of many societies through increased government spending on pension, healthcare, and social benefits programs for the elderly. This may hurt economic growth and overall quality of life if governments need to divert public spending from education and infrastructure investment to finance programs for the elderly.

[Experts have suggested](#) several possible alternatives, including phased retirement, which allows full-time employees to work part-time schedules while beginning to draw retirement benefits. Older workers who do not want to retire simply because they enjoy their jobs should have other options as well. Governments could promote and reward volunteering, care work, and artistic work among seniors. Such unpaid activities would improve the quality of the social fabric, help the well-being of those engaging in them, contribute to the economy, and reduce healthcare and welfare costs.

As workers forego the typical 9-to-5 work day for more independence and flexibility, the Gig Economy is rapidly expanding and evolving. In fact, the Intuit to The Freelancer's Union predicts that 40% of the workforce will be freelancers by 2020, with 80% of large corporations planning to increase their use of a flexible workforce.

The aging workforce is cashing in on the Gig Economy. According to the [Economic Policy Institute](#), many Americans are continuing to work after retirement. The on-demand economy is appealing due to the few entry barriers, and the fact that it focuses on getting the job done. And the older workforce has the upper hand on experience. A staggering [77% of HR professionals](#) believe that older workers have more knowledge than their younger counterparts, and 70% believe they also have a stronger work ethic.

The world's aging population benefits society in many ways. They can provide wisdom to younger generations, potentially reduce healthcare costs by moving from hospitals to residential and nursing homes, thereby transferring the expenditure from healthcare to social care funds. Older communities are also [less likely to commit crimes](#). The aging population also has the potential to make positive contributions to the community through volunteer services. All of these are positive outcomes; however, healthcare, government programs and policies, and organizations managing aging workforces need to act quickly to be prepared.