

Preparing for an Aging World

The world's population is aging at an accelerated rate. Declining fertility rates combined with steady improvements in life expectancy over the latter half of the 20th century have produced dramatic growth in the world's elderly population. People aged 65 and over now comprise a greater share of the world's population than ever before, and this proportion will increase during the 21st century. This trend has immense implications for many countries around the globe because of its potential to overburden existing social institutions for the elderly. One popular view envisions global aging as a looming catastrophe, as populations top-heavy with frail, retired elderly drain pension and social security funds, overwhelm health care systems, and rely for support on a dwindling working-age population.

In *Preparing for an Aging World: The Case for Cross-National Research* (Washington, D.C.: National Academy Press, 2001), a panel of experts convened by the National Research Council (NRC), part of the National Academy of Sciences, examines the issues surrounding global aging and their implications for policy and research. The report rejects alarmist as well as complacent views of global aging. Though aging trends raise difficult issues, the report concludes there is no crisis. Aging is gradual and its consequences tend to appear gradually and predictably. Thus policymakers have time to deal with these issues before they become acute problems. Furthermore, because aging is at different stages around the world, there are opportunities for nations to learn from each other's experiences. Taking advantage of these opportunities will require cross-national planning and coordination of research and data collection.

A PROFILE OF GLOBAL AGING

Population aging refers to an increase in the percentage of elderly people (65 and older). The number of elderly increased more than threefold since 1950, from approximately 130 million (about 4 percent of global pop-

ulation) to 419 million (6.9 percent) in 2000. The number of elderly is now increasing by 8 million per year; by 2030, this increase will reach 24 million per year. The most rapid acceleration in aging will occur after 2010, when the large post-World War II baby boom cohorts begin to reach age 65.

The elderly population itself is also growing older. The "oldest old" (80 and older) population is the fastest-growing group among the elderly. Levels of illness and disability among this group far exceed those for other age groups, and thus the needs of this group are likely to increase substantially in the 21st century.

In 2000, Italy was the world's "oldest" nation, with more than 18 percent of its population aged 65 and over (compared with 8 percent in 1950). Also with notably high levels (above 17 percent) were Sweden, Belgium, Greece, and Japan.

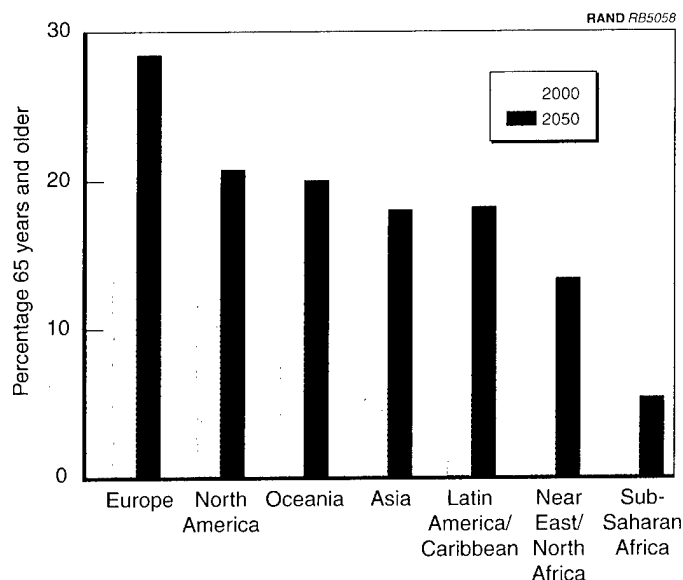
Among the world's regions, Europe has the highest proportion of population aged 65 and over and should remain the global leader in this category well into the 21st century. However, other regions of the world will begin to age much more rapidly in coming decades: The percentage of those aged 65 and older in Asia, Latin America and the Caribbean, and the Near East/North Africa will more than triple by 2050 (see figure on next page).

AGING RAISES CRITICAL POLICY ISSUES

These shifts in global age structure highlight several areas in which policymakers need a clearer understanding of aging's effects and the impacts of alternative policies. These areas include the following:

Work, Retirement, and Pensions

One of the most dramatic developments of the past 40 years has been declining labor force participation among



SOURCE: U.S. Bureau of the Census (2000).

Global Aging, 2000-2050: Percentage of Elderly by Region

older people in many parts of the world. Public pension plans in some countries have created incentives for older workers to retire, thus exacerbating the financial problems posed by aging populations. There has also been a shift in many countries from pay-as-you-go retirement programs to fully funded ones, as well as a shift toward private programs. It is important to disentangle incentives for leaving the workforce, as well as to ensure a closer alignment between public and private pension programs. For many developing nations that are now designing pension programs that have public as well as private components, there are opportunities to learn from more-developed nations' experiences.

Private Wealth and Income Security

The need for income security during retirement—now an increasingly lengthy and important segment of life for many—is an important concern in developed societies. Providing income security has raised two critical policy challenges: (1) ensuring that individuals have sufficient income during retirement to avoid a sharp decline in living standards and (2) ensuring that elderly people are sheltered from financial risks. Policymakers need better data on the economic behavior of elderly populations, such as whether they continue to save or begin to “dissave.”

Transfer Systems

The well-being of older persons often depends on intricate systems of pecuniary and non-pecuniary trans-

fers associated with individual savings, family behavior, and, as in the case of many social security systems, transfers from current workers to retired persons. Although considerable progress has been made in understanding these transfer systems, gaps in our understanding remain. Particularly in need of study are interrelationships across systems and a clearer picture of how changes in one system (such as public pensions) affect others. For instance, do publicly funded programs crowd out private-sector or family-based transfers?

Health

The health of elderly populations is a critical issue and influences outcomes in all of the other policy areas affected by aging. Evidence shows that disability is declining across countries, which would suggest that more elderly people are leading longer and healthier lives. While all countries must address the changing health needs of older citizens, the diversity of national health care systems points to the value of comparable cross-national data on health care quality and outcomes, which to date have largely been lacking.

Well-Being

Overarching the financial and health status of older populations is the issue of their well-being and quality of life—not simply in later years but from birth to death. Our understanding of this issue would benefit from measures of subjective well-being that are sensitive to changes in well-being during major life transitions, such as retirement.

CROSS-NATIONAL RESEARCH CAN INFORM POLICY RESPONSES

To address these gaps, the NRC panel recommended that nations coordinate data collection and research in order to leverage resources and benefit from nations' collective experience. Specifically, the panel identified several activities for pursuing an effective research agenda on aging:

- Develop multidisciplinary research designs to produce data on aging populations that can most effectively inform policy choices.
- Conduct longitudinal research to illuminate the long-term interrelationships among work, health, economic status, and family structure.
- Establish mechanisms that will help to harmonize and standardize data collected in different countries.
- Emphasize the critical importance of cross-national

research, organized as a cooperative venture that will enhance the ability of policymakers to evaluate institutional and programmatic features of aging policy.

- Consolidate information from multiple sources to generate linked databases.
- Create unhindered access to relevant data for the widest possible community of scientists.

THE WINDOW OF OPPORTUNITY IS SHRINKING

The report emphasizes that the full effects of global aging are still decades away. Therefore nations have time to develop and use research tools to guide future policies. However, considerable lead time will be required to collect and interpret the kinds of data scientists need to understand the ramifications of aging. Nations need to act promptly to develop strategies for generating policy-relevant information to guide policymaking and to avoid the potential for a global "aging" crisis.

RAND policy briefs summarize research that has been more fully documented elsewhere. Unlike most RAND policy briefs, this brief describes work conducted outside RAND, in this case by the National Research Council (NRC), and documented in Preparing for an Aging World: The Case for Cross-National Research, ISBN: 0-309-07421-5 (pb). Copies of the NRC report are available from the National Academy Press, 2101 Constitution Avenue, N.W., Washington, DC 20418, or at www.nap.edu. The NRC study was funded by the Behavioral and Social Research Program of the National Institute on Aging. If you would like a copy of a CD-ROM that contains the full text of the NRC report Preparing for an Aging World: The Case for Cross-National Research, as well as 11 other reports that the NRC has prepared for the National Institute on Aging, please contact the Behavioral and Social Sciences Program, National Institute on Aging, 7201 Wisconsin Avenue, Room 533, Bethesda, MD 20892.

As part of its mission to synthesize and disseminate important population-related research, RAND's Population Matters program produced this policy brief in consultation with the NRC. Population Matters is sponsored by the William and Flora Hewlett Foundation, the David and Lucile Packard Foundation, the Rockefeller Foundation, and the United Nations Population Fund. Population Matters publications and other project information are available at www.rand.org/labor/popmatters. RAND publications are available from RAND Distribution Services (Telephone: 310-451-7002, or toll free 877-584-8642; Fax: 310-451-6915; E-mail: order@rand.org; or the Web: www.rand.org/publications/order). RAND® is a registered trademark. RAND is a nonprofit institution that helps improve policy and decisionmaking through research and analysis; its publications do not necessarily reflect the opinions or policies of its research sponsors.

RAND

1700 Main Street, P.O. Box 2138, Santa Monica, California 90407-2138 • Telephone 310-393-0411 • Fax 310-393-4818
1200 South Hayes Street, Arlington, Virginia 22202-5050 • Telephone 703-413-1100 • Fax 703-413-8111
201 North Craig Street, Suite 102, Pittsburgh, Pennsylvania 15213-1516 • Telephone 412-683-2300 • Fax 412-683-2800
Newtonweg 1, 2333 CP Leiden, The Netherlands • Telephone 011-31-71-524-5151 • Fax 011-31-71-524-5191

