Global Population Aging and its Economic Consequences

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Conference on Aging Asia
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February 26, 2009
Coming acceleration of population aging

World population (by 5-yr age group, 1950-2050)

Source: UN, World Population Prospects, the 2006 Revision
Aging Asia

Share of 60+ population by region

## Countries with highest 60+ shares, 2005 and 2050

<table>
<thead>
<tr>
<th>Country</th>
<th>2005 %</th>
<th>2050 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>26</td>
<td>44</td>
</tr>
<tr>
<td>Italy</td>
<td>25</td>
<td>South Korea 42</td>
</tr>
<tr>
<td>Germany</td>
<td>25</td>
<td>Slovenia 40</td>
</tr>
<tr>
<td>Sweden</td>
<td>23</td>
<td>Bulgaria 40</td>
</tr>
<tr>
<td>Greece</td>
<td>23</td>
<td>Singapore 40</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>23</td>
<td>Poland 40</td>
</tr>
<tr>
<td>Latvia</td>
<td>22</td>
<td>Cuba 39</td>
</tr>
<tr>
<td>Portugal</td>
<td>22</td>
<td>Romania 39</td>
</tr>
<tr>
<td>Belgium</td>
<td>22</td>
<td>Spain 39</td>
</tr>
<tr>
<td>Croatia</td>
<td>22</td>
<td>Czech Republic 39</td>
</tr>
</tbody>
</table>
“Oldest Man Turns 113, Aims for More”
AP, 18 Sept 2008
Other supercentenarians
At the leading edge of the baby boom....
Declining fertility

UN World Population Prospects, 2006 Revision

Aging Asia
Rising life expectancy

Human lifespan

• Continued increases are expected
• Acrimonious disagreement about how much
  – View #1 - 100 by second half of this century in the wealthy industrial countries
  – View #2 - Not likely to exceed 85 anywhere
  – View #3 - Mid to high 80s in UK, US, and Japan by 2050
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✓ Healthy life span
Moving from demographics to economics

• Taking account of demographics in economic growth projections is technically challenging
• Microdata will be key to understanding the links
• In principle, both behavioral changes and policy choices can affect these links
Global labor force: 1960, 2000, and 2040

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1960 Actual</th>
<th>2000 Actual</th>
<th>2040 Proj’d</th>
</tr>
</thead>
<tbody>
<tr>
<td>LFPR</td>
<td>67.0</td>
<td>66.3</td>
<td>61.8</td>
</tr>
<tr>
<td>(labor force/pop 15+)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LFTP</td>
<td>42.3</td>
<td>46.2</td>
<td>48.8</td>
</tr>
<tr>
<td>(labor force/total pop)</td>
<td></td>
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</tr>
</tbody>
</table>
Economic implications

• Accounting effects, yes, but don’t forget about fertility decline

• Behavioral effects, too
  – Child health, educational attainment, and cognitive function
  – Women’s labor force participation rises
  – Longer lifespans may mean higher savings

• Potentially key role for public policy
  – Age of retirement
  – International migration
Max Frisch (1911-1991)

“We wanted workers, but we got people instead.”
Thomas Hobbes (1588-1679)

- Life in the state of nature is "solitary, poor, nasty, brutish, and short."
  
  (Leviathan, 1660)