

GUEST EDITORIAL

BY THE BARONESS GREENGROSS, O.B.E.

I am honoured to have been asked to write a guest editorial for *British Actuarial Journal*. I was also very proud to be presented with a Honorary Fellowship of the Institute last year; as a result I have been delighted that both I and organisations with which I am associated, in particular the International Longevity Centre (ILC-UK), have developed strong and growing links with the actuarial profession.

This has most recently included a series of lectures held jointly by the Institute with the ILC-UK, the first of which, in July 2002, heard from Professor Jay Olshansky of the University of Illinois about 'the limits to longevity'. In a fascinating and entertaining speech, Professor Olshansky argued that there is, in fact, a limit to longevity; that people will not live for longer and longer, and that anti-ageing remedies will do nothing to push the boundaries to frailty or death further away. In our 2nd lecture, on 17 December 2002, we will hear from Michael Willmott of the Future Foundation about the impact on inheritance. Rising longevity is changing traditional family structures and is already dramatically affecting inheritance patterns. We now see inheritance skipping a generation to grandchildren or great grandchildren, as children may themselves be in their 60s or 70s by the time they inherit.

The role of actuaries in all this is obviously important because of the fundamental age shift our society is undergoing; the fact that this is happening, most people are dimly aware of, but the implications of it are not well understood or prepared for. Actuaries in general, and the Institute specifically, are pivotal in understanding and explaining the implications.

For a profession rightly proud of its conservative and cautious image, it may be hard to accept that the impact of the demographic shift across the life course we face in the United Kingdom, across the European Union and in most other parts of the world, can only be described as a revolution. But a revolution is exactly what it is, and unfortunately most people, whether the general public, in business or in government, are only just waking up to this reality. The importance of the actuarial profession in making the facts more widely known is crucial.

In April 2002, the United Nations held a World Assembly on Ageing, in Madrid. This important event — as important in many respects as the UN summit on sustainable development held in August 2002 — did not, in all honesty, hit the headlines much at all. Very few Prime Ministers flew in for the day to speak, despite the fact that the impact of an ageing world will be with us, globally, for the rest of this century, just as the implications of not

ensuring sustainable development will be with us for decades to come. Both need careful consideration now before it is too late. All the more so because, as with sustainable development, the greatest impact of our demography may in fact be on those who can least adjust to it — those who live in the developing world.

So, when Peter Drucker, the eminent thinker, wrote in the *Economist* (3 November 2001): “The dominant factor in the next society will be something to which most people are only just beginning to pay attention — the rapid growth in the older population and the rapid shrinking of the younger generation”, I thought that at last the message is getting through! (I write as the initiator of the 1998 - 2000 Debate of the Age, designed to get the public and policymakers to think about our ageing society.)

His think-piece has been followed by a near avalanche since, some alarmist, some informative, some positive. So, at least the media are waking up to the issues, even if, as BBC newsreader Peter Sissons commented in September 2002: (the BBC’s) “biggest blind spot is its tendency to ageism”.

So, we have seen headlines such as: ‘Over 60 and overlooked; marketing to the old’ (*Economist*, 10 August 2002); ‘The politics of pensions; we know what’s best for your old age. Why can’t you see it?’ (*Economist*, 3 August 2002); ‘Coming soon: the age of the fortysomethings’ (*Independent*, 16 August 2002); ‘Population to grow by 5 m in 25 years’ (*Financial Times*, 16 August 2002); ‘Health crisis looms as life expectancy soars’ (*Guardian*, 10 May 2002); ‘Living to 100 will be routine by the next century’ (*Times*, 10 May 2002). The media is responding to this longevity revolution. Are policymakers?

What are the projections, given that actuaries know better than anyone else that demography can be an inexact science? As actuaries will know, they make for startling reading.

Looking world-wide first: across the globe, one in ten people are now aged 60+ (= 629 million people). By 2050, the proportion will have doubled to one in five people and the actual number tripled to 2 billion people (UN Population Ageing, 2002). Average life expectancy at birth across the world has already increased by 20 years to 66 years in 2000. It is expected to rise a further ten years to 76 years by 2050 (UN). The number of older people (60+) in developing countries is forecast to quadruple by 2050, so that across the globe there will more older people (60+) than children aged under 14 by then (UN). This represents a huge worldwide demographic shift when one considers that now approximately 30% of the world’s population is made up of children and 10% older people (UN Population Ageing, 2002).

We see the impact of ageing in the developing world most clearly — 400 million people aged 60+ live in the developing world now. By 2050 this could be 840 million, representing 70% of all older people worldwide (World Health Organisation, Active Ageing, 2002). There will be a 15 fold increase in centenarians — up from 210,000 now to 3.2 million by 2050 (UN Population Ageing, 2002).

Combined with falling fertility rates, increasing longevity ensures the 'greying' of the world's population. By 2050, 120 countries, including the U.K., will have reached total fertility rates below replacement level. For the U.K., this means that the U.K.'s population is forecast to fall by 5 million by 2070 (WHO, Active Ageing, 2002), though not before first rising by a forecast 5 million by 2025 (Office of National Statistics, 2002 Population Trends).

Looking at the E.U. we see a similar picture, though the age shift is well under way in most European nations. In the E.U. by 2020, there will be 48% more people aged over 80; most will be women (Eurolink Age, 2000). The E.U. dependency ratio will rise from 0.36 to 0.56 by 2025 (WHO, Active Ageing, 2002). Across the E.U., 16% of the population is aged 65+. By 2015, it will be almost 20%, and will continue rising till 2040 (Eurolink Age, 2000).

Turning to the U.K., the Office of National Statistics recently announced that the Census 2001 revealed that, for the first time in our history, people aged over 60 outnumber children aged under 16 (ONS, Press Release 30 September 2002). This is staggering news; its 1991 forecast was that this milestone may not be reached for another 20 years. People aged 60+ will comprise almost 30% of the U.K. population by 2025, up from 21% now (WHO, Active Ageing Framework, 2002). Grey power? "You ain't seen nothing yet", to re-coin an old phrase!

In the U.K. we have seen life expectancy increase by two years each decade since 1950 (Professor Tom Kirkwood, BBC Reith Lectures, 2001). Life expectancy at age 65 is now another 15 years for men (to age 80) and 19 years for women (to age 84) (ONS Population Projections). As a result, the number of people in the U.K. aged over state retirement age will increase from 10.7 million (in 1998) to 12.2 million by 2021 and to 16 million by 2040 (ONS, National Population Projections, 1998). By 2018, the number of people aged 45-59 will rise by 21%, those aged 60-74 will rise 31%, those aged 75+ will rise 21% (ONS Population Projection). It could mean that there are 36,000 centenarians in the U.K. by 2025, up from 7,000 now (ONS Population Projection). No wonder the Queen has stopped sending them all congratulatory telegrams in the way she used to! She obviously knows more about our demographic shift than many of our policymakers!

Those are the projections. But the big story of this shift in demography is the changes it will lead to in people's attitudes and approach to their own and their families' and friends' life course — in short, the challenges and opportunities longevity brings.

For example, people may start work later, delay having families until even later than now, decide to, or may have to, work beyond the 'young' age of 60, make a reality of lifelong learning by re-training in their 50s, grapple with caring for elderly relatives when they are themselves in their 70s.

On health care, ageing will have a profound impact on the way in which we care for elderly people for two key reasons — there will be more people needing care and the next generation of older people will demand that the care is provided.

It is true, though, that technological change may lessen the level of future care needs. Genetic therapy may reduce or even eradicate the diseases and conditions most often suffered by the old, such as Parkinson's, Alzheimer's, osteoporosis or diabetes.

As Professor Tom Kirkwood has noted: "Developments in medical science are likely to accelerate the decline in mortality rates — we now know that ageing is neither inevitable nor necessary." (Professor Tom Kirkwood, BBC Reith Lectures, 2001). But, as all actuaries will know, predicting the future is not easy. Thomas Watson of IBM said in 1943: "I think there is a world market for maybe 5 computers." Even Bill Gates could not predict how soon his correct forecast would be fulfilled when he said in 1975: "Someday there will be a computer on every desk and in every home."

What impact might these projections have? Older people are likely to exercise increasing political influence (and power?). At the 2001 election one voter in four was aged over 60. By 2025, one voter in three will be aged over 60 in the U.K. (Age Concern, Age Counts, 2001). Older people will exercise increasing consumer power — they already have 80% of the wealth, so they will be the growing marketplace. Business would be unwise to ignore their changing customer (and employee) base. For example, most cars are already bought by people aged 50+, and the largest growth in car usage will be tomorrow's older people (Future Foundation and ILC-UK).

There is much we can be optimistic about. There are hopes for medical advances. Genetics and stem cell research may reap dividends. We may lead healthier and longer lives (thus compressing morbidity) and the disability threshold may fall.

There must be changes to the design and planning of the built environment and transport. The opportunity presented by lifelong learning and IT may be captured for older people too. There are likely to be reforms to pension rules to allow flexible retirement, with continued work and volunteering on an equal status as retirement. This may indeed be forced on employers through E.U. legislation due by 2006.

But there are understandable fears too. What are the cost implications for benefits and pensions? What are the cost implications for the NHS, long-term care and social care? Should the state pension age rise from 65 to 70, as the Pensions Policy Institute recently concluded? Or should there be no set retirement age at all, with reliance on competence testing instead? Will there be rising levels of poverty in old age?

In healthcare, it is by no means certain there will be a compression of morbidity. There is the growing impact of new diseases and conditions associated with age, as we can see from two examples. First, Alzheimer's:

700,000 are affected now, rising to 1.5 million over the next 40 years (Alzheimer's Society). Second, diabetes: where type 1 sufferers typically now survive and may have children, thus leading to a huge increase in type 1 cases, whilst the incidence of type 2 increases because of rising longevity.

And there are numerous ethical and moral dilemmas we will have to face. Do we really need more babies, when the other option is to mobilise older people for longer and more effectively? What will the impact be of changing family structures (regardless of demography), which are becoming more dispersed and beanpole-like (Mintel Survey, 2002). How do we deal with the thorny subject of end of life issues and voluntary euthanasia or the ethical implications of scientific and technological advances? What will the inter-generational contract mean in practice when four or five generational families are not unusual anymore. What are the limits to an individual's caring responsibilities and duties to, for example, their extended family, former relatives, neighbours or their wider community?

So, our changing demography should mean a re-defining of the stages of people's lives — the life course approach — where equal opportunities should be based on ability, not age. We should certainly not forget that ageing and longevity are a triumph and a cause for celebration. But we should also not forget that it will require new thinking from governments, businesses and the wider public to meet the challenges of our changing society. We are living through a demographic revolution at the same time as we have a globalisation revolution and a revolution in technology. Without doubt, the actuarial profession has an important and inestimable role to play in helping meet the challenges our ageing society presents to all of us.

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