



Balancing Adequacy and Sustainability in an Aging World

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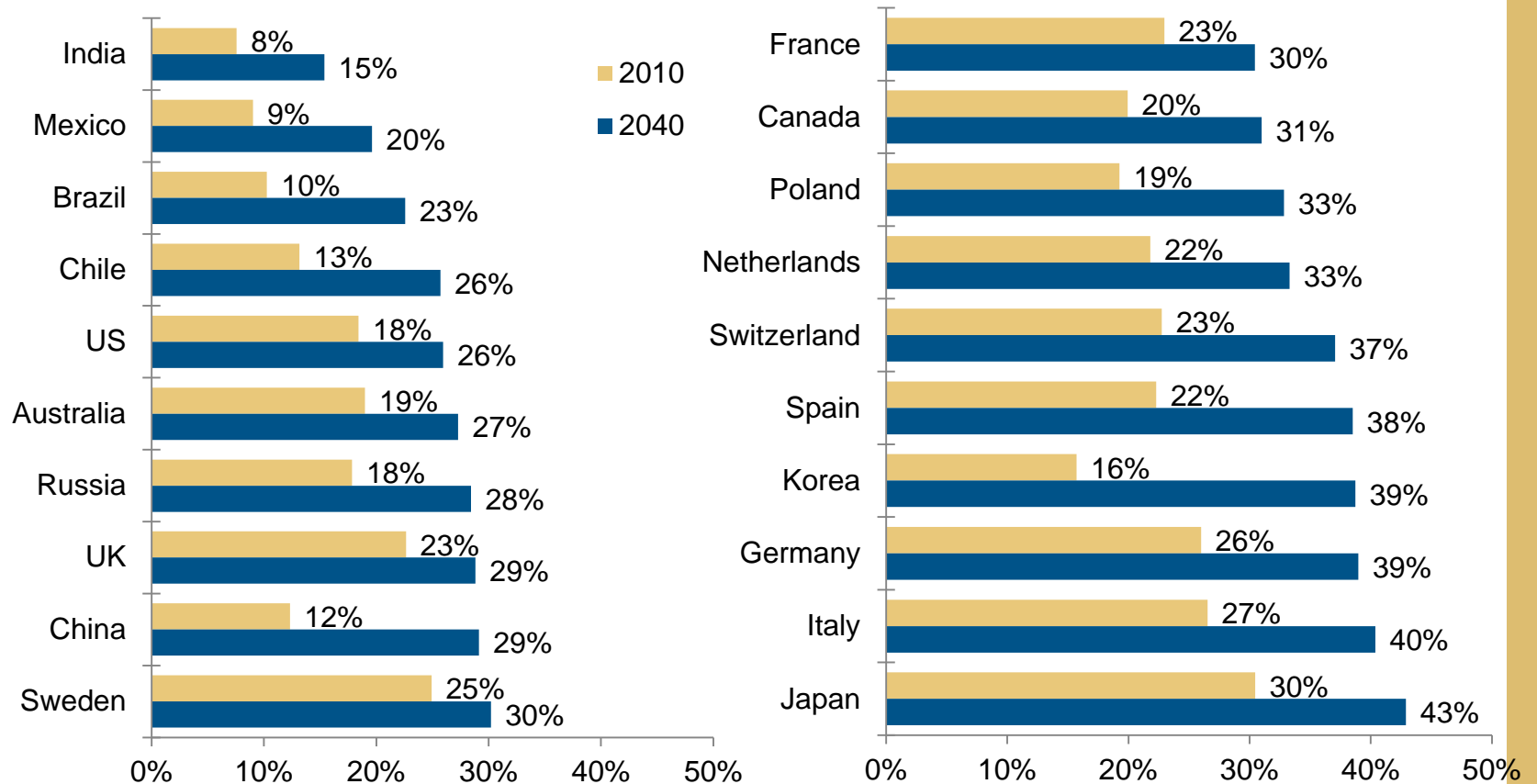
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The world stands on the threshold of a stunning demographic transformation.

Elderly (Aged 60 & Over), as a Percent of the Population in 2010 and 2040



Some developed countries have made deep cuts in the future generosity of state retirement provision.

Public Pension Benefits to the Elderly (Aged 60 & Over) as a Percent of GDP in 2010 and 2040 under Alternative Projections*

	2010	"Current Deal" in 2040	"Current Law" in 2040	Current-Law % Reduction in 2040
1 Netherlands	4.6%	9.0%	8.6%	-4.7%
2 Sweden	7.5%	10.4%	8.4%	-19.1%
3 US	4.8%	8.2%	6.4%	-21.8%
4 Australia	3.7%	6.2%	4.7%	-24.2%
5 UK	7.5%	10.6%	7.9%	-25.9%
6 Canada	4.0%	8.1%	5.4%	-32.7%
7 France	12.6%	20.4%	13.6%	-33.5%
8 Germany	10.3%	19.9%	12.4%	-37.4%
9 Japan	9.3%	17.4%	10.5%	-39.5%
10 Italy	13.9%	28.0%	15.0%	-46.3%

*The "current-deal" projection assumes that average retirement ages and replacement rates remain unchanged in the future.

Note: Countries are ranked from lowest to highest according to the current-law percent reduction in 2040.

Informal support networks will come under intense pressure from declining family size.

Average Number of Surviving Children of the Elderly: 2010-2040 and Change from 2010 to 2040

	2010	2020	2030	2040	Change		2010	2020	2030	2040	Change
1 Sweden	2.0	1.7	1.8	2.0	-0.1	11 Australia	2.7	2.1	2.0	2.0	-0.8
2 Poland	2.3	2.3	2.2	2.0	-0.3	12 Italy	2.2	2.1	1.4	1.4	-0.9
3 Russia	1.9	1.7	1.7	1.5	-0.4	13 Canada	2.6	1.8	1.6	1.7	-0.9
4 UK	2.3	1.8	1.8	1.9	-0.4	14 Chile	3.4	2.7	2.5	2.4	-1.0
5 France	2.4	1.9	1.8	1.9	-0.4	15 India	3.8	3.7	3.2	2.6	-1.1
6 Japan	2.0	1.9	1.7	1.5	-0.5	16 Spain	2.7	2.2	1.5	1.4	-1.2
7 Germany	1.9	1.4	1.4	1.4	-0.5	17 Korea	3.6	2.6	1.7	1.8	-1.7
8 Switzerland	2.0	1.6	1.5	1.6	-0.5	18 Brazil	3.9	3.1	2.4	2.1	-1.7
9 US	2.5	1.9	1.8	1.9	-0.6	19 China	4.3	3.3	2.2	2.0	-2.3
10 Netherlands	2.3	1.6	1.6	1.6	-0.6	20 Mexico	5.0	4.1	3.1	2.6	-2.4

Note: Countries are ranked from lowest to highest according to the projected change from 2010 to 2040.

The GAP Index

- The GAP Index provides a comprehensive quantitative assessment of the progress that countries worldwide are making in preparing for the “old-age dependency” dimension of the global aging challenge.
- The GAP Index projections extend through the year 2040 in order to capture the full impact of the demographic transformation now sweeping the world.
- The GAP Index covers twenty countries, including both developed economies and emerging markets.
- The GAP Index consists of two separate subindices—a fiscal sustainability index and an income adequacy index.

GAP Index Countries

Australia
Brazil
Canada
Chile
China
France
Germany
India
Italy
Japan
Korea
Mexico
Netherlands
Poland
Russia
Spain
Sweden
Switzerland
UK
US

GAP FISCAL SUSTAINABILITY INDEX

PUBLIC BURDEN CATEGORY

Measures the magnitude of each country's projected public old-age dependency burden

BENEFIT LEVEL INDICATOR

Total public benefits to the elderly in 2040 as a percent of GDP

BENEFIT GROWTH INDICATOR

Growth in total public benefits to the elderly from 2010 to 2040 as a percent of GDP

FISCAL ROOM CATEGORY

Measures each country's ability to accommodate the growth in its public old-age dependency burden by raising taxes, cutting other spending, or borrowing

TAX ROOM INDICATOR

Total government revenue in 2040 as a percent of GDP, assuming taxes are raised to pay for all growth in public benefits

BUDGET ROOM INDICATOR

Total public benefits to the elderly in 2040 as a percent of government outlays, assuming cuts in other spending pay for all growth in public benefits

BORROWING ROOM INDICATOR

Net public debt in 2040 as a percent of GDP, assuming borrowing pays for all growth in public benefits

BENEFIT DEPENDENCE CATEGORY

Measures how dependent the elderly in each country are on public benefits, and thus how politically difficult it may be to reduce those benefits

BENEFIT SHARE INDICATOR

Public benefits as a percent of the cash income of the median-income elderly: Average for 2010 to 2040

BENEFIT CUT INDICATOR

Percent of elderly households that would be pushed into poverty by an immediate 10 percent cut in public benefits

GAP INCOME ADEQUACY INDEX

TOTAL INCOME CATEGORY

Measures the overall level of and trend in the income of the elderly relative to the nonelderly in each country

TOTAL INCOME LEVEL INDICATOR

Per capita ratio of average after-tax elderly to nonelderly total income in 2040

TOTAL INCOME TREND INDICATOR

Percentage change in the per capita ratio of average after-tax elderly to nonelderly total income from 2010 to 2040

INCOME VULNERABILITY CATEGORY

Measures income adequacy for “middle -income” elders and the extent of elderly poverty in each country

MEDIAN INCOME LEVEL INDICATOR

Per capita ratio of median after-tax elderly to nonelderly cash income in 2040

MEDIAN INCOME TREND INDICATOR

Percentage change in the per capita ratio of median after-tax elderly to nonelderly cash income from 2010 to 2040

POVERTY LEVEL INDICATOR

Percent of the elderly with incomes beneath 50 percent of the median income for all persons in 2010 or the most recent available year

FAMILY SUPPORT CATEGORY

Measures the strength of family support networks in each country

FAMILY TIES INDICATOR

Percent of the elderly living in households with their adult children in 2010 or the most recent available year

FAMILY SIZE INDICATOR

Change in the average number of surviving children of the elderly from 2010 to 2040

GAP Index Country Rankings

Fiscal Sustainability Index		Income Adequacy Index	
1	India	1	Netherlands
2	Mexico	2	US
3	Chile	3	Brazil
4	China	4	Australia
5	Russia	5	Germany
6	Australia	6	Sweden
7	Sweden	7	UK
8	Canada	8	Chile
9	Poland	9	Canada
10	Korea	10	France
11	US	11	Italy
12	Switzerland	12	Spain
13	UK	13	China
14	Brazil	14	Japan
15	Japan	15	India
16	France	16	Switzerland
17	Netherlands	17	Mexico
18	Germany	18	Russia
19	Italy	19	Korea
20	Spain	20	Poland

Note: Countries are ranked from best to worst.

Public old-age dependency burdens are still due to rise substantially in most countries.

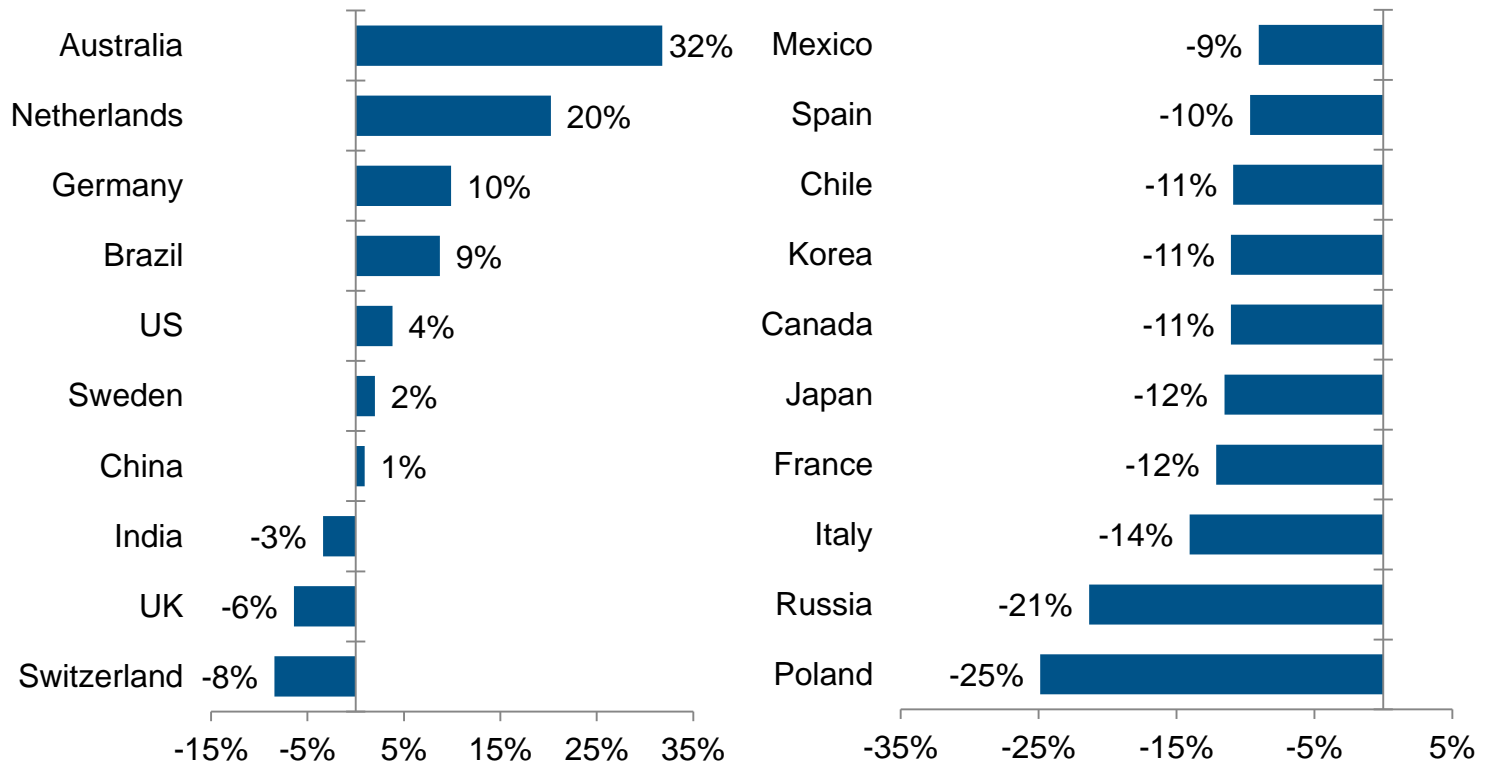
Total Public Benefits to the Elderly, as a Percent of GDP, 2010–2040

	2010	2020	2030	2040		2010	2020	2030	2040
1 India	1.9	2.4	2.5	2.5	11 UK	13.9	14.6	17.0	18.9
2 Mexico	2.9	3.5	4.1	4.1	12 Brazil	10.0	11.5	14.6	19.3
3 Chile	6.9	6.6	6.7	7.2	13 Sweden	15.2	16.7	18.4	19.3
4 Russia	8.2	9.3	10.1	10.9	14 Switzerland	10.4	12.4	15.9	19.5
5 China	3.4	5.5	8.0	11.0	15 Netherlands	10.2	12.9	17.0	19.8
6 Australia	9.1	10.3	12.0	13.4	16 Japan	15.1	16.6	17.9	20.9
7 Poland	11.7	13.5	14.7	15.2	17 Spain	13.9	16.1	18.9	23.6
8 Canada	9.3	11.8	14.2	15.8	18 Germany	17.0	18.4	21.9	24.3
9 Korea	4.5	7.8	12.2	16.2	19 France	18.6	20.3	22.6	24.3
10 US	11.1	13.6	16.7	18.5	20 Italy	20.0	20.5	22.5	25.7

Note: Countries are ranked from lowest to highest according to the projection results for 2040.

Under current law, many countries may experience a decline in the relative living standard of the elderly.

Percentage Change in the Per Capita Ratio of Median After-Tax Elderly to Nonelderly Cash Income from 2010 to 2040*

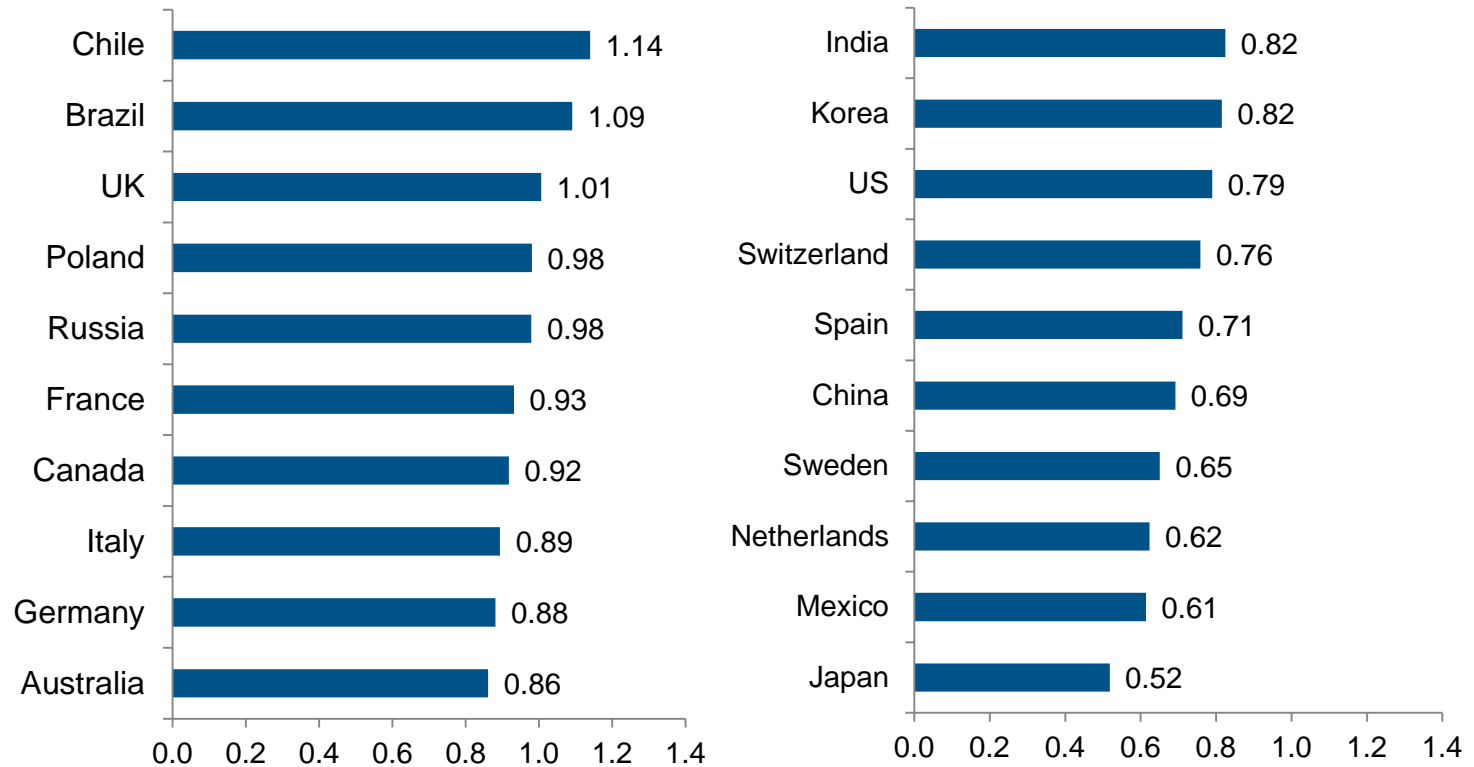


Note: Countries are ranked from best to worst.

* Data for both the elderly and nonelderly refer to the third quintile of the income distribution.

The Old Elderly versus the Young Elderly: Lower Living Standards

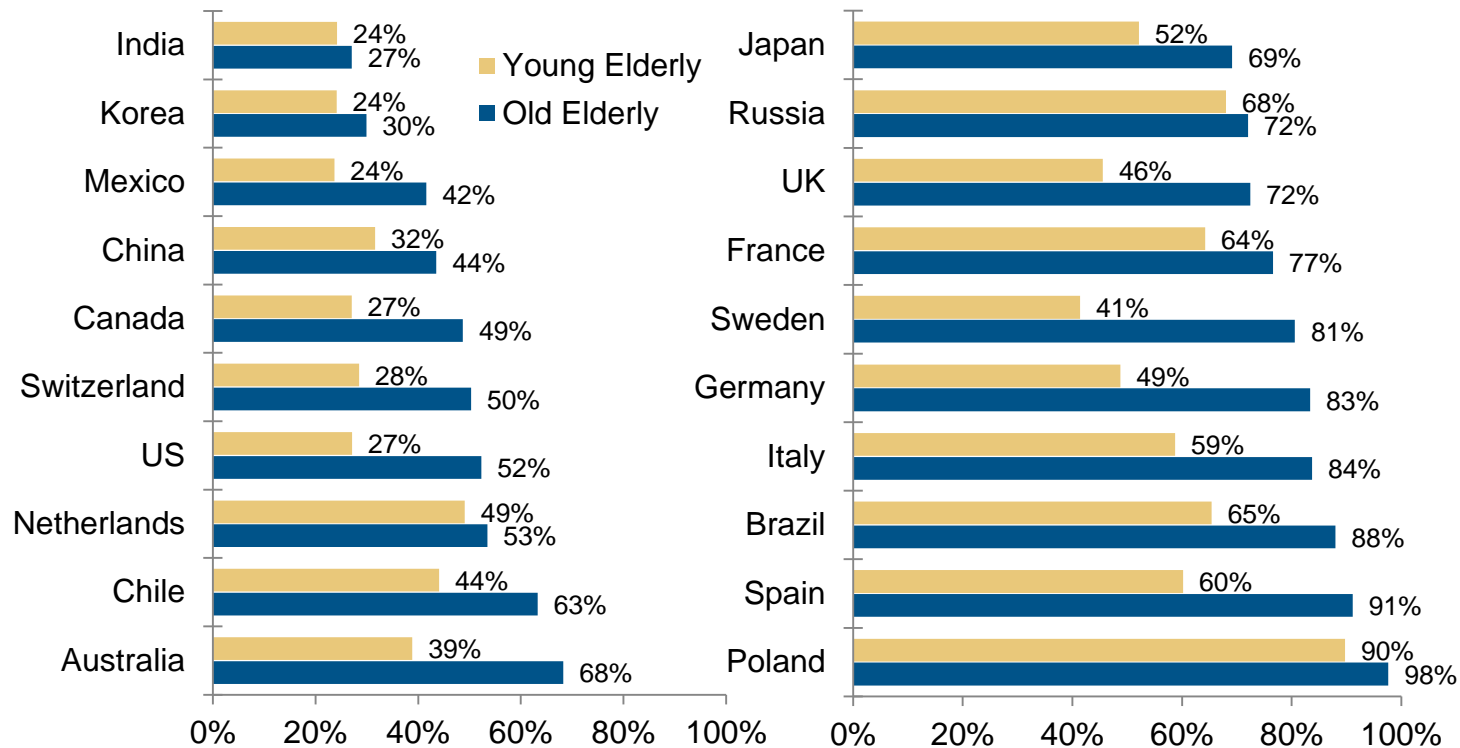
Per Capita Ratio of Average After-Tax Old Elderly (Aged 70 & Over) to Young Elderly (Aged 60-69) Cash Income in 2010



Note: Countries are ranked from highest to lowest.

The Old Elderly versus the Young Elderly: Higher Benefit Dependence

Public Benefits as a Percent of the Cash Income of the Median-Income Young Elderly (Aged 60-69) and Median-Income Old Elderly (70 & Over) in 2010*



Note: Countries are ranked from lowest to highest according to the public benefit share of the old elderly.

* Data refer to the third quintile of the elderly income distribution.