

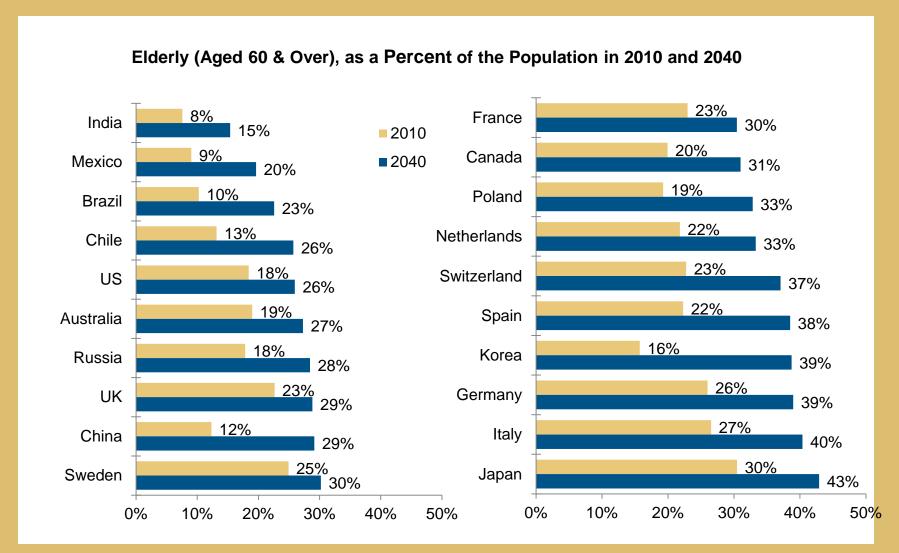
Balancing Adequacy and Sustainability in an Aging World

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



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 Swe	den 2.0	1.7	1.8	2.0	-0.1	11 Australia	2.7	2.1	2.0	2.0	-0.8
2 Pola	nd 2.3	2.3	2.2	2.0	-0.3	12 Italy	2.2	2.1	1.4	1.4	-0.9
3 Rus	sia 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 Fran	ce 2.4	1.9	1.8	1.9	-0.4	15 India	3.8	3.7	3.2	2.6	-1.1
6 Japa	an 2.0	1.9	1.7	1.5	-0.5	16 Spain	2.7	2.2	1.5	1.4	-1.2
7 Gerr	many 1.9	1.4	1.4	1.4	-0.5	17 Korea	3.6	2.6	1.7	1.8	-1.7
8 Swit	zerland 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 Neth	erlands 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**

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

FISCAL ROOM CATEGORY

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 medianincome 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

INCOME VULNERABILITY

CATEGORY

Measures income adequacy for

"middle -income" elders and the

extent of elderly poverty in each

country

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 TREND INDICATOR

2040

Per capita Percentage change in the ratio of average afterper capita tax elderly to ratio of nonelderly average aftertotal income tax elderly to in 2040 nonelderly total income from 2010 to

TOTAL

INCOME

LEVEL

INDICATOR

MEDIAN INCOME LEVEL

INDICATOR

Per capita ratio of median aftertax 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

Fisca	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		

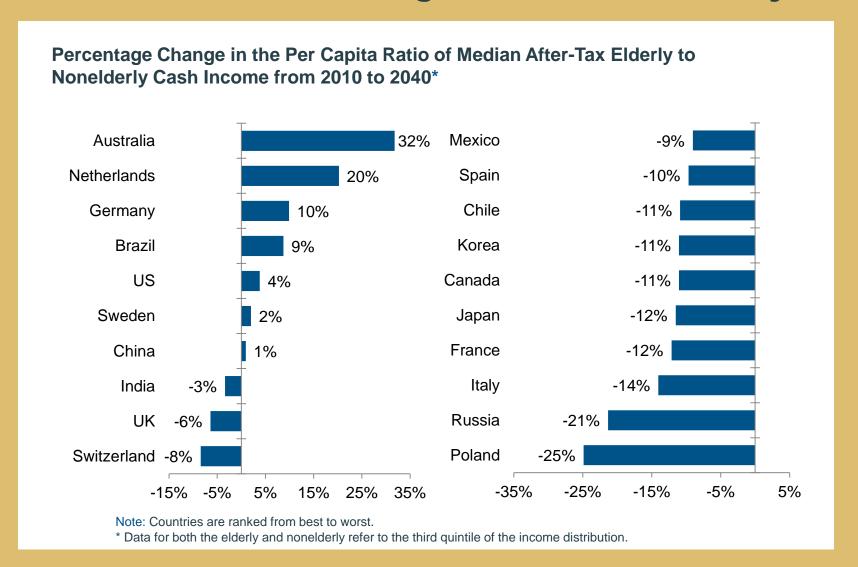
Public old-age dependency burdens are still due to rise substantially in most countries.

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	1	I UK	13.9	14.6	17.0	18.9
2	Mexico	2.9	3.5	4.1	4.1	1:	2 Brazil	10.0	11.5	14.6	19.3
3	Chile	6.9	6.6	6.7	7.2	13	3 Sweden	15.2	16.7	18.4	19.3
4	Russia	8.2	9.3	10.1	10.9	1	1 Switzerland	10.4	12.4	15.9	19.5
5	China	3.4	5.5	8.0	11.0	1:	Netherlands	10.2	12.9	17.0	19.8
6	Australia	9.1	10.3	12.0	13.4	1	3 Japan	15.1	16.6	17.9	20.9
7	Poland	11.7	13.5	14.7	15.2	1	7 Spain	13.9	16.1	18.9	23.6
8	Canada	9.3	11.8	14.2	15.8	18	3 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	2) Italy	20.0	20.5	22.5	25.7

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

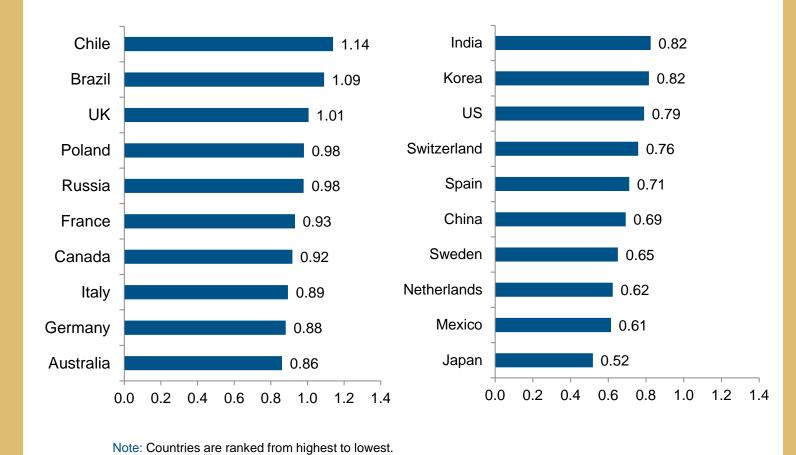
Under current law, many countries may experience a decline in the relative living standard of the elderly.





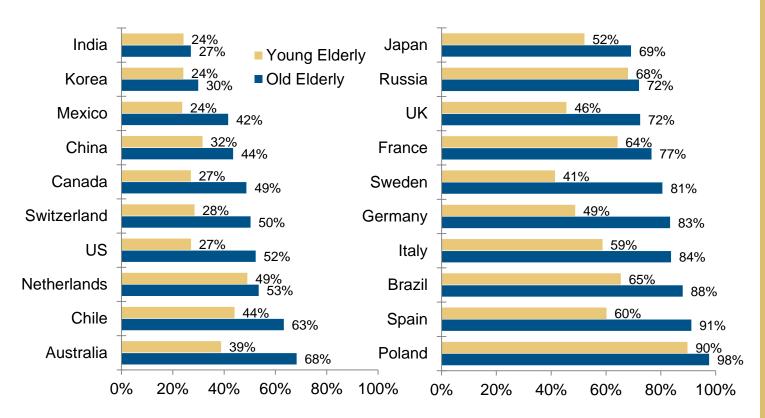
The Old Elderly versus the Young Elderly: Lower Living Standards





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.