



The U.S. Aging Challenge in International Perspective

Insights from the CSIS Global Aging Preparedness Index

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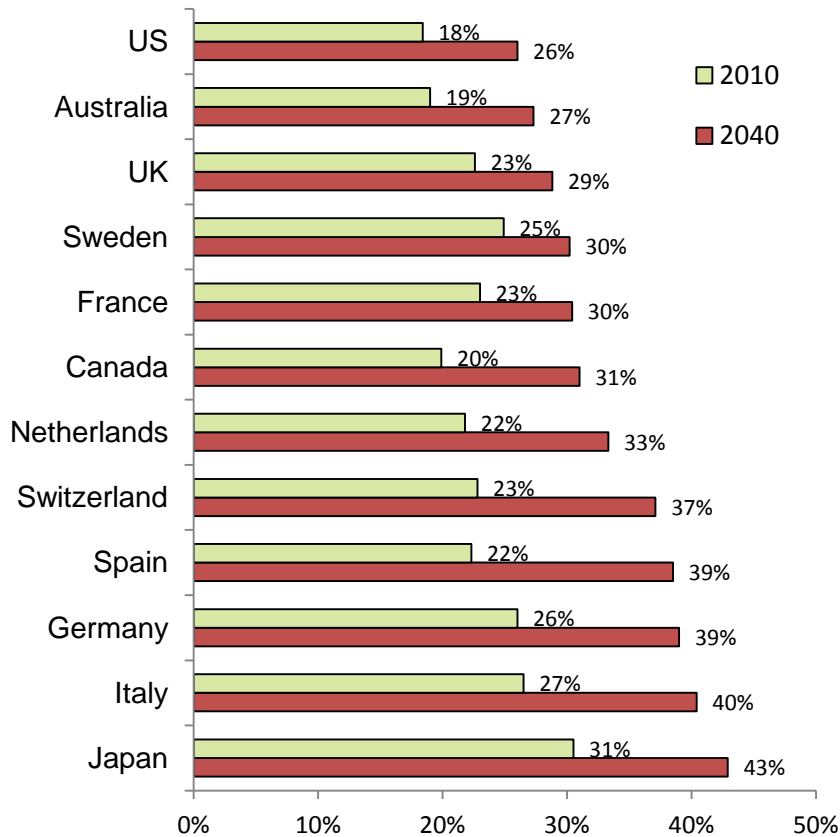
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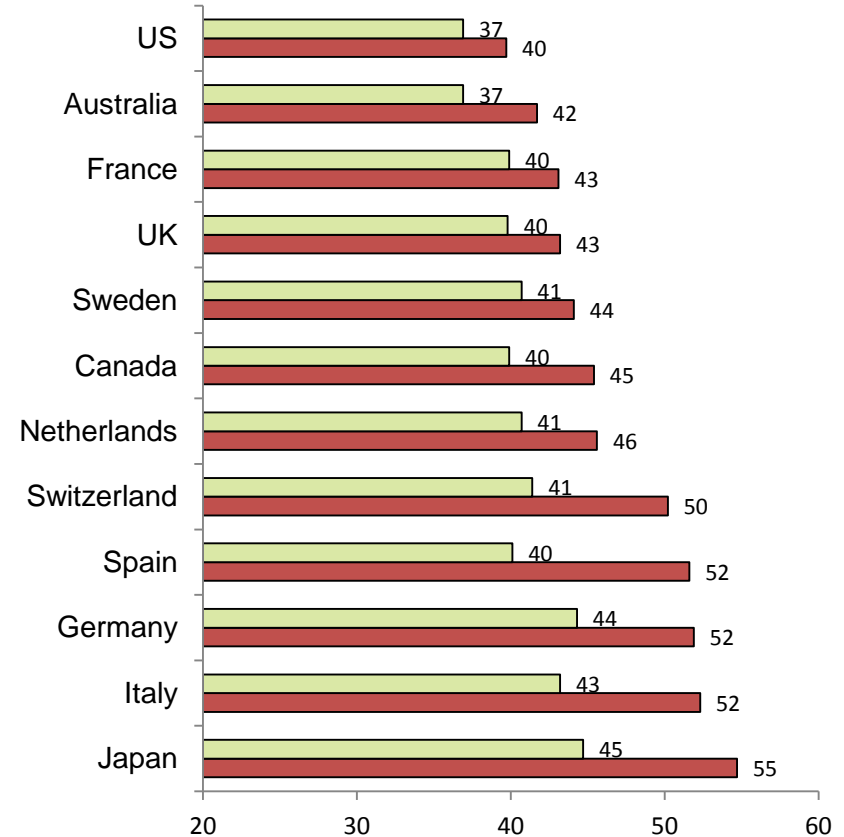
The Good News

The United States is now the youngest of the major developed countries – and will still be the youngest even after the last of the Boomers have retired.

Elderly, as a Share of the Population in 2007 and 2040*



Median Age of the Population in 2007 and 2040

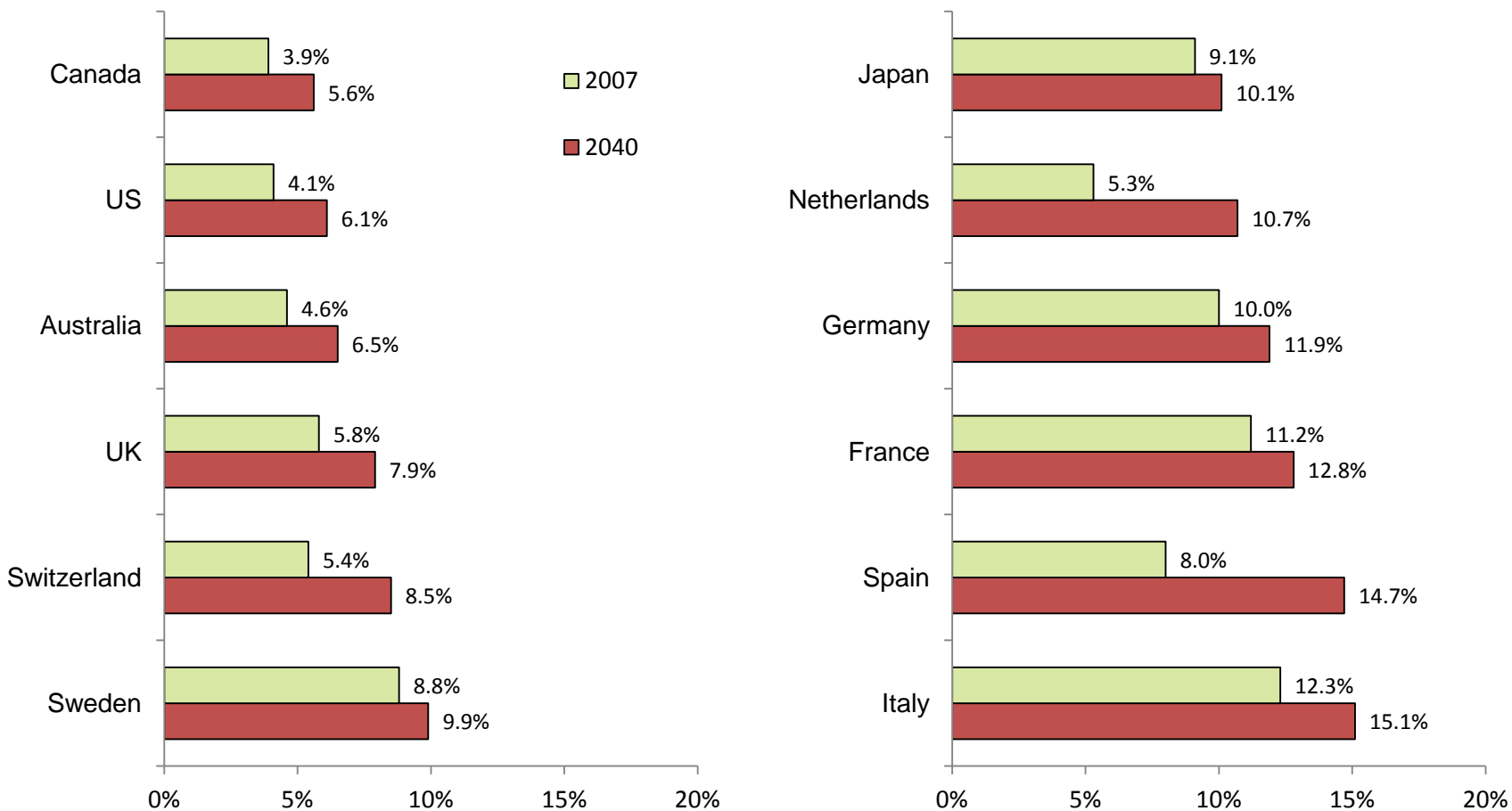


* "Elderly" in this presentation refers to adults aged 60 and over unless otherwise indicated.

Source: UN (2011)

Along with its favorable demographics, the United States has a relatively inexpensive public pension system.

Public Pension Benefits to the Elderly, as a Percent of GDP in 2007 and 2040*



*"Public benefits" in this presentation refer to benefits from all levels of government that are financed on a pay-as-you-go basis.

Source: CSIS (2010)

Even including health benefits, the projected old-age spending burden in the United States is relatively low by developed-world standards.

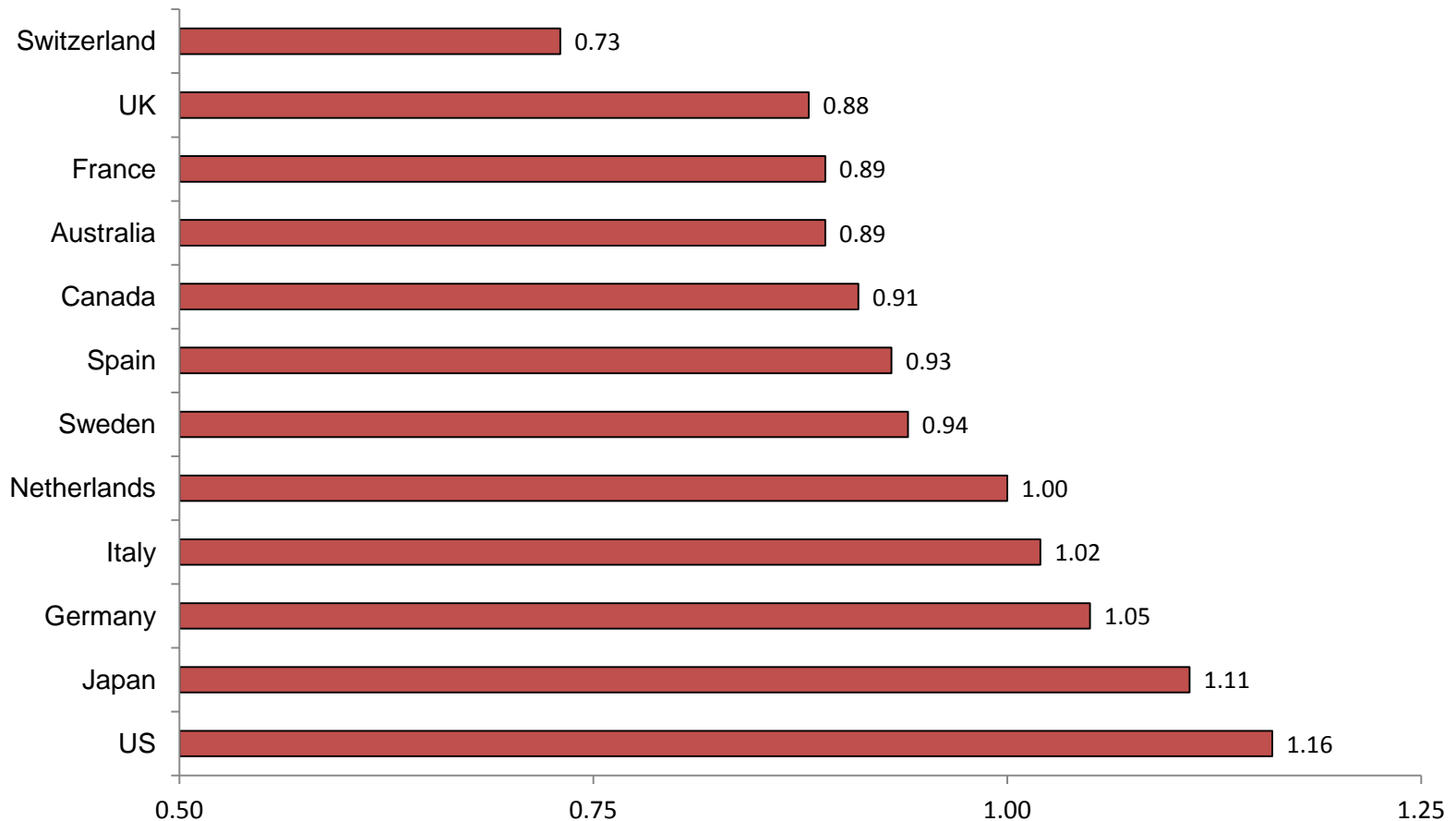
Total Public Benefits to the Elderly, as a Percent of GDP in 2007 and 2040



Source: CSIS (2010)

Yet despite the low public spending burden, the relative living standard of the typical U.S. elder is very high by developed-world standards.

Per Capita Ratio of Median After-Tax Elderly to Nonelderly Income in 2007*

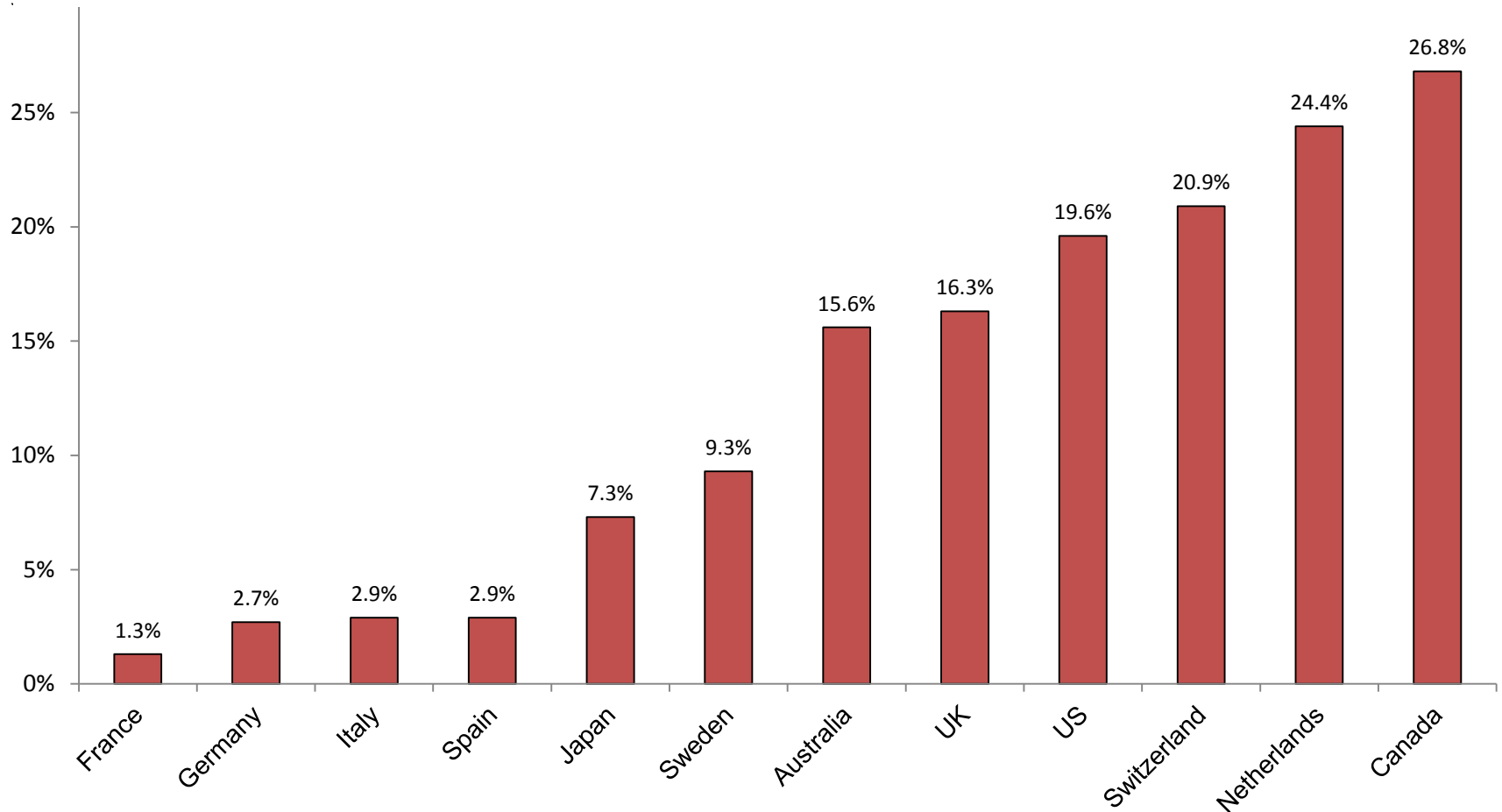


Data for both the elderly and nonelderly refer to the third quintile of the income distribution.

Source: CSIS (2010)

One explanation: The United States has a well-developed funded pension system.

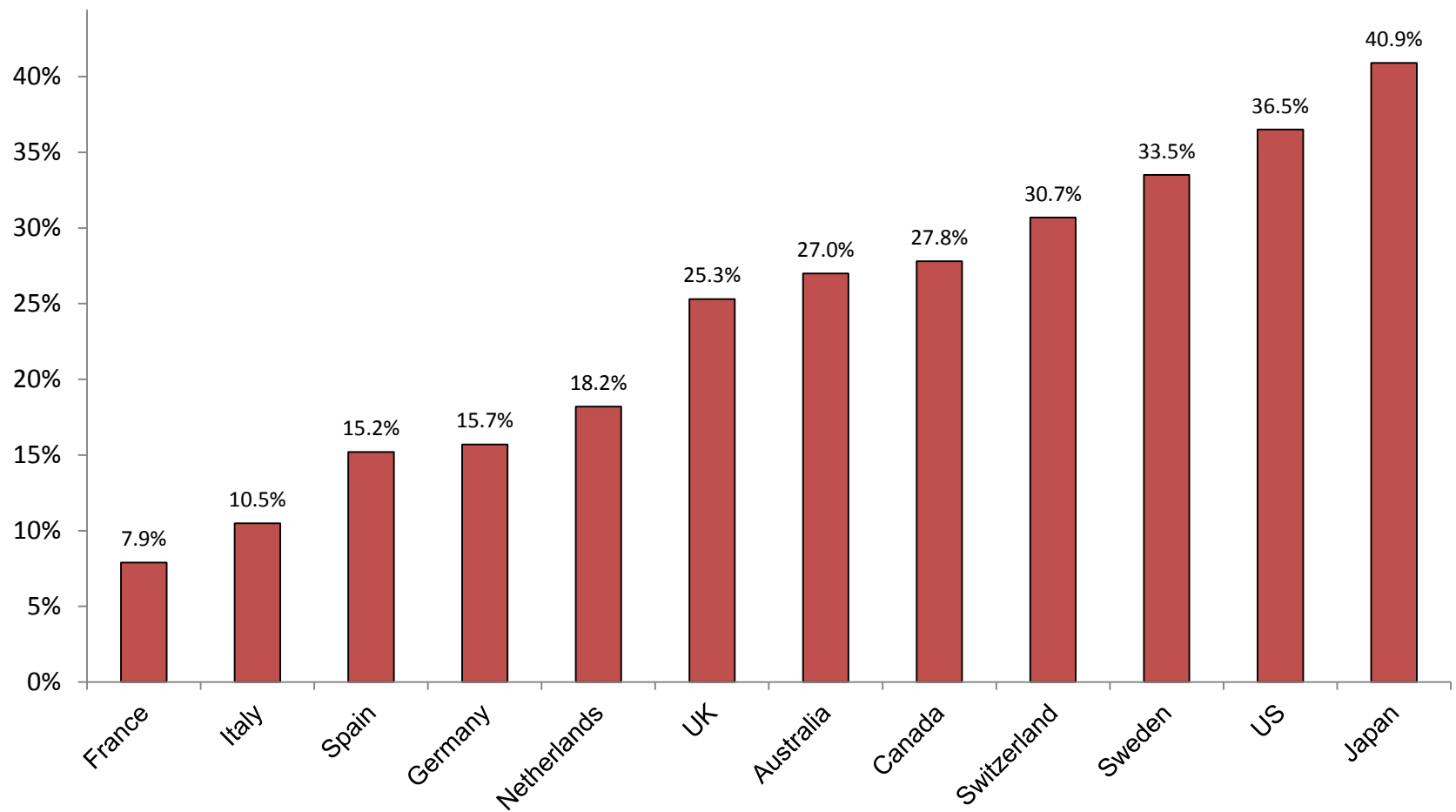
Funded Pension Benefits, as a Percent of Elderly Income in 2007



Source: CSIS (2010)

Another explanation: The United States has a high rate of elderly labor-force participation.

Labor-Force Participation Rate of the Elderly (Aged 60–74) in 2007

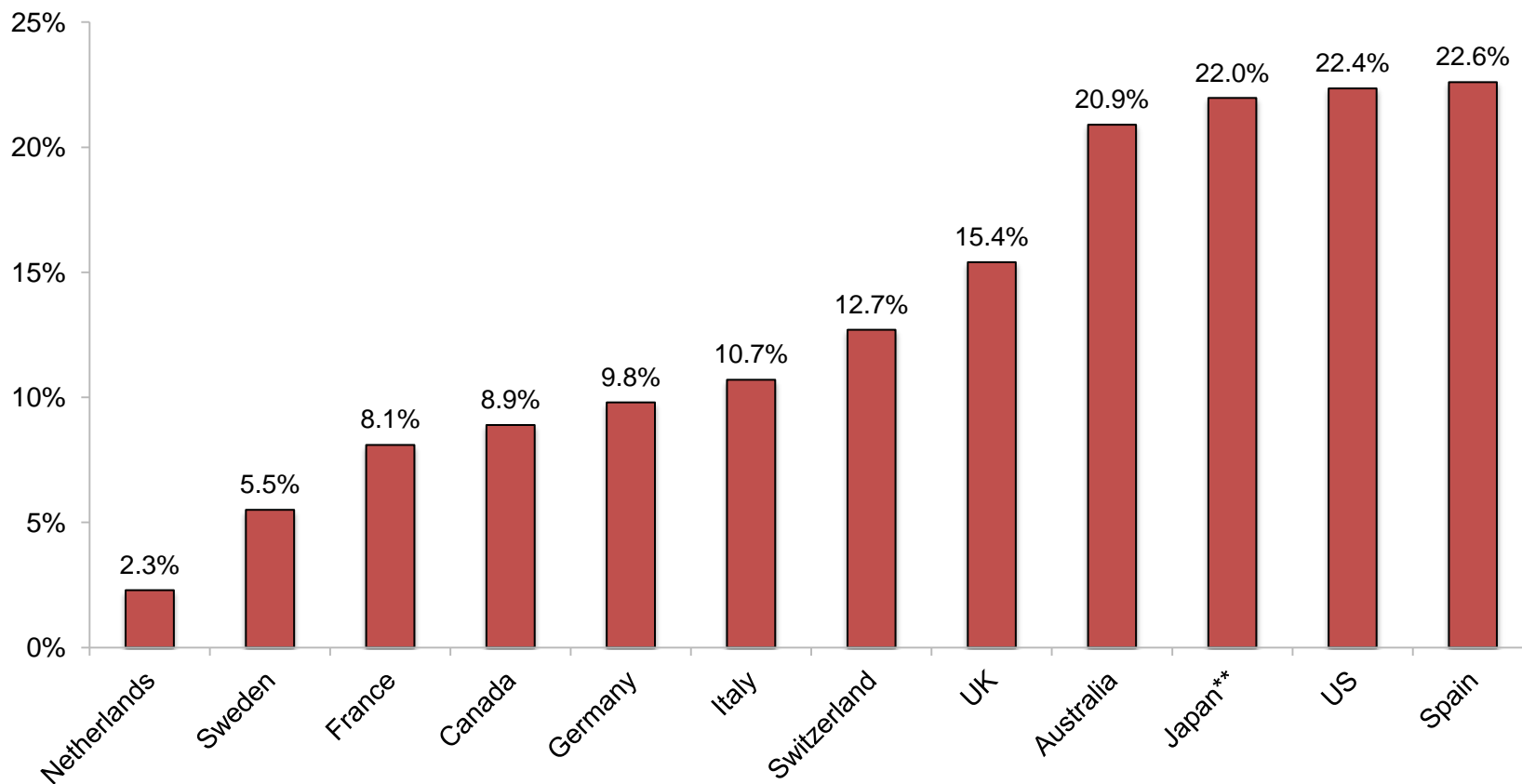


Source: CSIS (2010)

The Bad News

The comparatively high living standard of the typical U.S. elder notwithstanding, the share of the elderly living in poverty is very high.

Percent of the Elderly Living in Poverty Today*



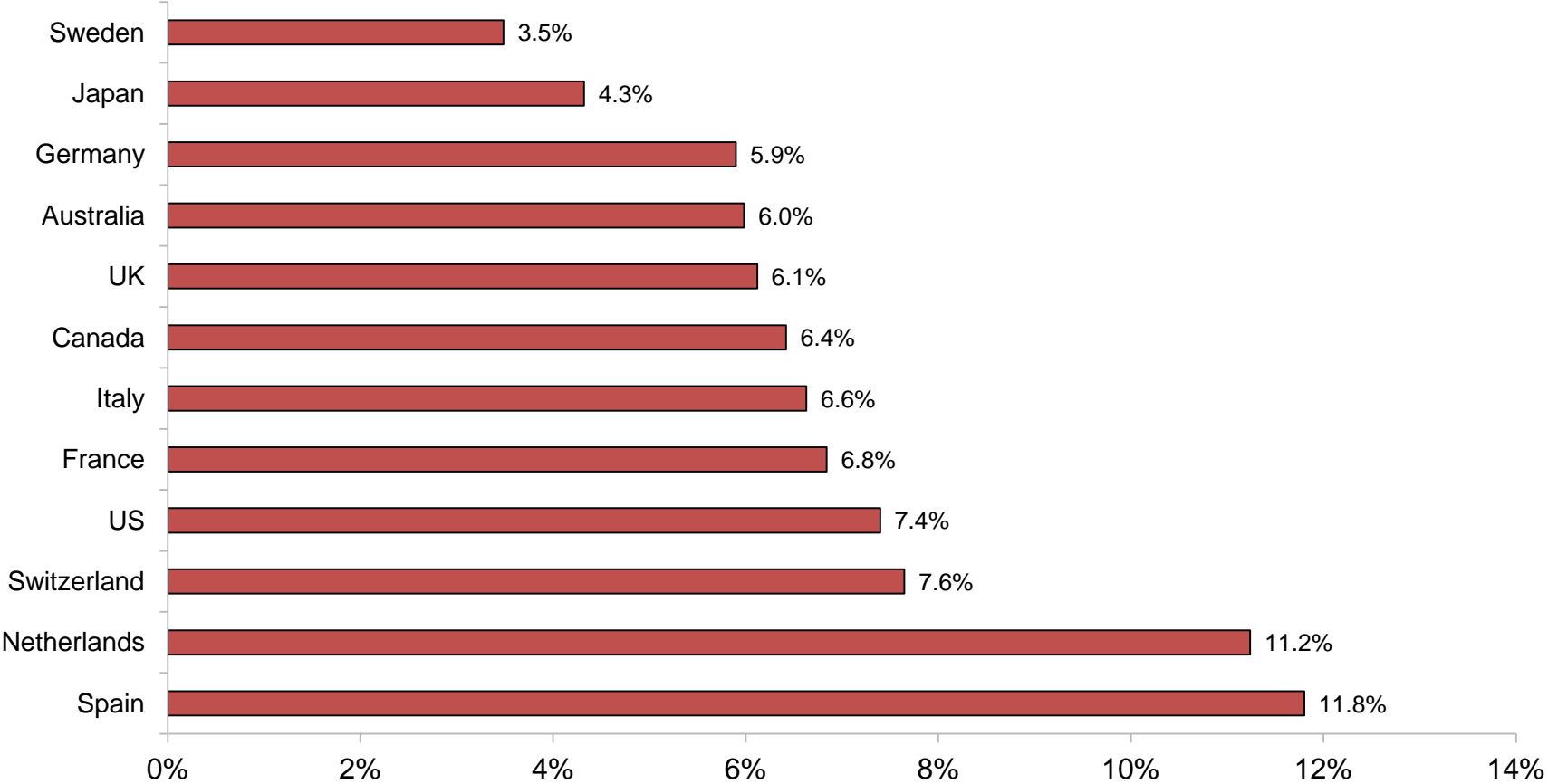
* Data refer to various years between 1999 and 2007. Poor persons are persons with incomes beneath 50 percent of the median income for all persons.

** Data for Japan refer to the elderly aged 65 and older.

Source: CSIS (2010)

Although the projected *level* of U.S. old-age benefit spending is relatively low, the projected *growth* in U.S. old-age benefit spending is relatively high.

Growth in Public Benefits to the Elderly from 2007 to 2040, as a Percent of GDP



Source: CSIS (2010)

One explanation: Real per capita health-care spending is growing faster in the United States than in any other developed country.

Average Annual "Excess Cost Growth" in Public Health-Care Spending from 1982 to 2007*

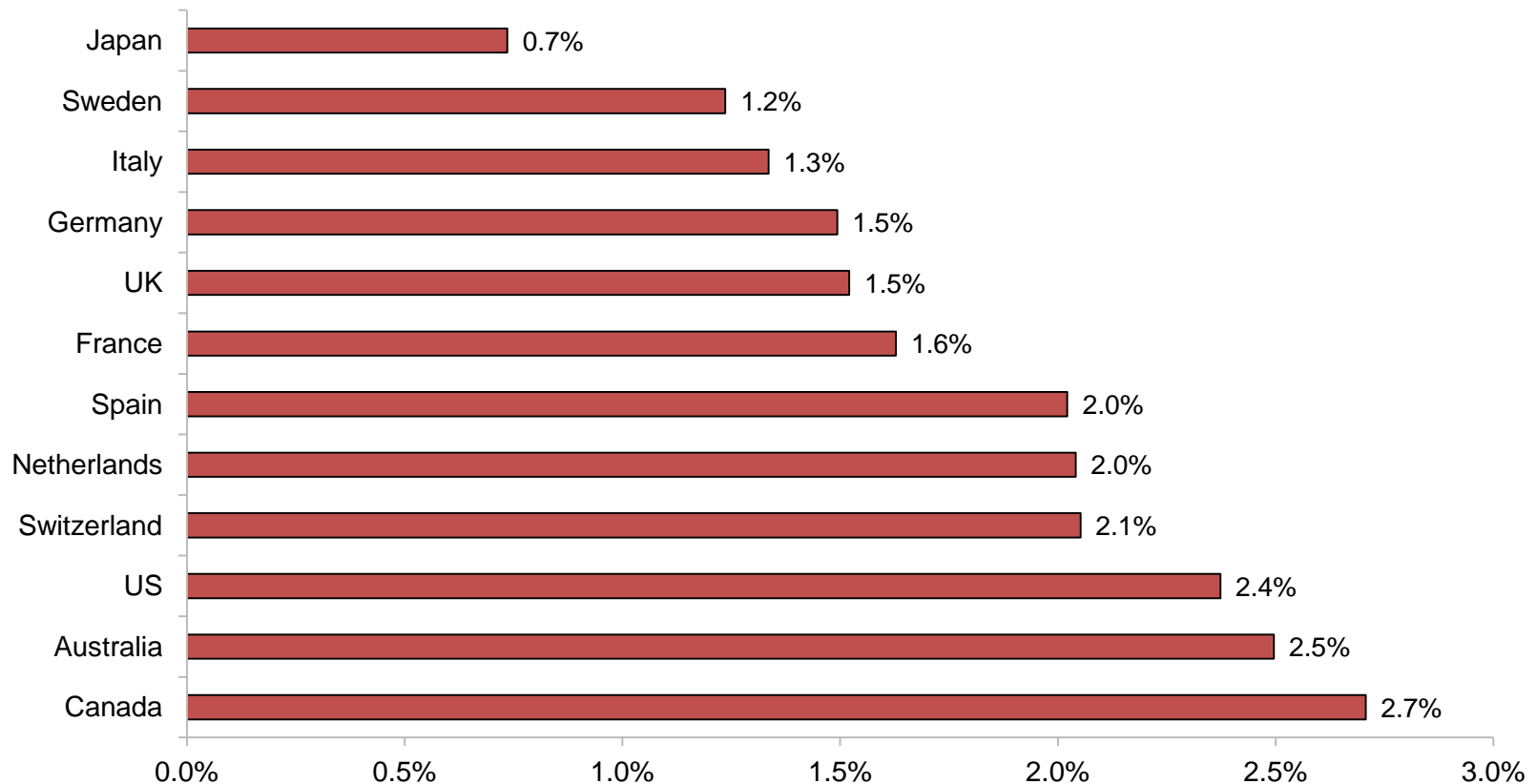


*Excess cost growth is the growth in real age-adjusted per capita spending minus the growth in real per capita GDP.

Source: OECD (2010) and CSIS calculations

A second explanation: Although the United States will not age as much as other developed countries, its large baby boom means that it will age very rapidly.

Average Annual Growth Rate in the Elderly Population from 2010 to 2030



Source: UN (2011)

A final explanation: Many other countries have enacted reforms of their public pension systems that greatly reduce their projected old-age dependency burdens.

Public Pension Benefits to the Elderly, as a Percent of GDP in 2007 and 2040: Current-Law versus Current-Deal Scenario*

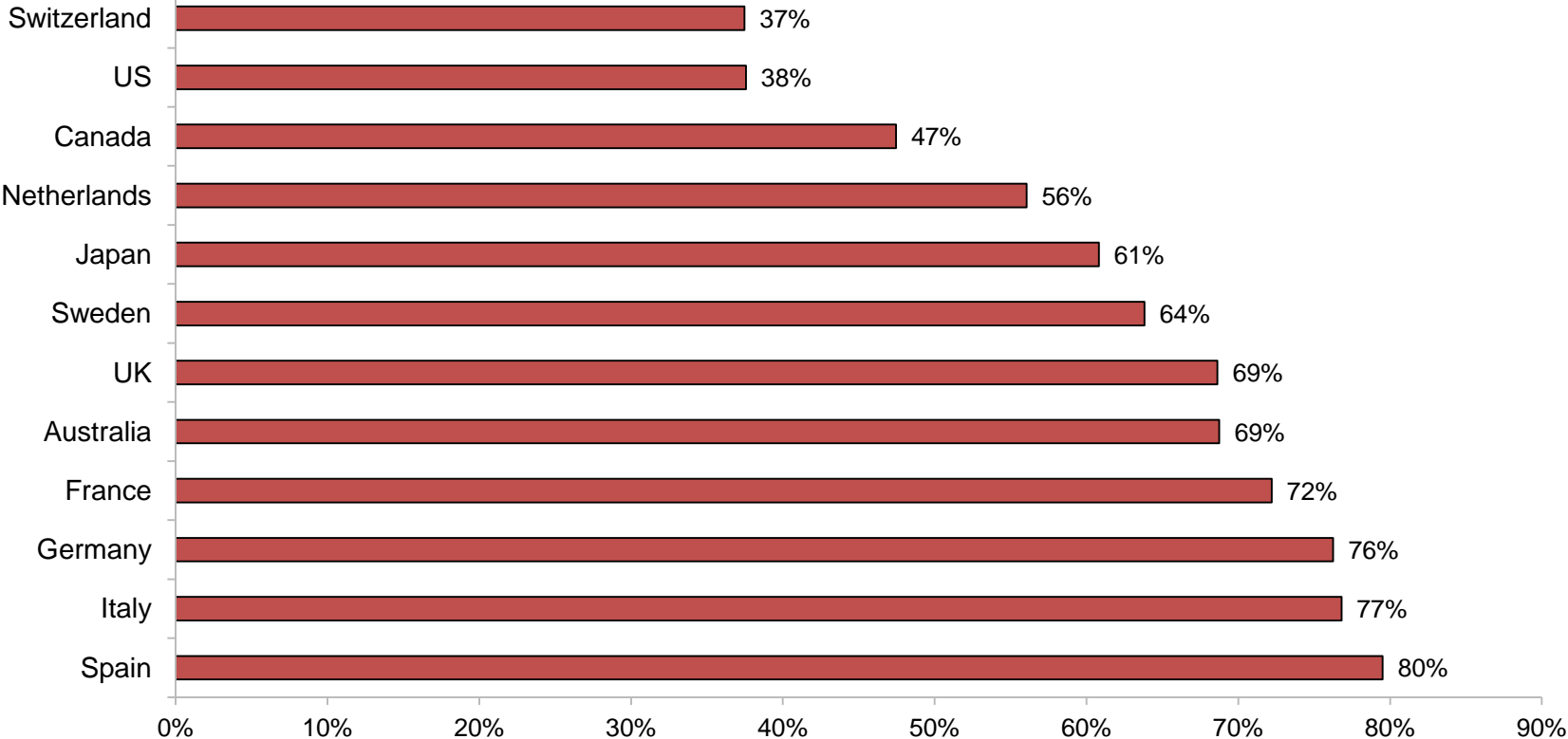
	2007	Current Law 2040	Current Deal* 2040	Percent Reduction in Current Law Relative to Current Deal
Netherlands	5.3%	10.7%	10.0%	7.0%
UK	5.8%	7.9%	8.1%	-2.5%
Switzerland	5.4%	8.5%	9.2%	-7.6%
US	4.1%	6.1%	6.8%	-10.3%
Spain	8.0%	14.7%	17.4%	-15.5%
Sweden	8.8%	9.9%	11.8%	-16.1%
Australia	4.6%	6.5%	8.0%	-18.8%
Canada	3.9%	5.6%	7.7%	-27.3%
France	11.2%	12.8%	19.0%	-32.6%
Germany	10.0%	11.9%	18.5%	-35.7%
Italy	12.3%	15.1%	23.5%	-35.7%
Japan	9.1%	10.1%	17.4%	-42.0%

*Current-deal scenario assumes that workers in the future on average retire at the same age they do today and that average benefit levels remain unchanged relative to average wages.

Source: CSIS (2010)

Paradox: The level of elderly dependence on public benefits is much lower in the United States than in most developed countries, yet entitlement reform is more difficult.

Public Benefits to the Median-Income Elderly, as a Percent of Median Elderly Income in 2007*



Data refer to the third quintile of the income distribution.
Source: CSIS (2010)