

Population Ageing

by Ursula Lehr

When does a population age?

If people live longer and have fewer children than before, the population is ageing. As a result, the share of elderly people in the total population rises. The so-called old-age dependency ratio displays collective ageing. Today, the German old-age dependency ratio 65 (people older than 65 years per 100 persons aged 15 to 64) is 26.5 and will rise up to 39.3 in 2025 and 55.8 in 2050.

German society will age significantly in the coming decades – a phenomenon, which embodies a part of “demographic change.” However, we should not talk about an excess of elderly people. Rather than having too many of them, we are lacking youth. Therefore, we should talk about a decrease in the percentage of young people.

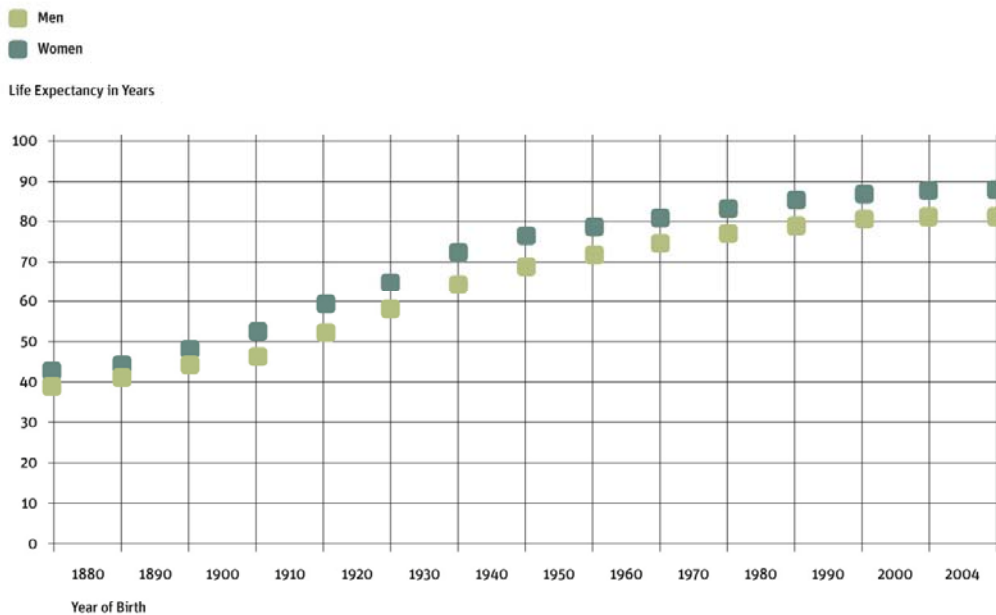
Individual ageing: People living longer

There are at least two important reasons for people living longer: First of all, healthy life styles in terms of improved nutrition, hygiene, and a growing emphasis on physical and mental exercise have contributed a big deal to greater longevity. Another crucial factor has been medical progress, which has reduced infant and maternal mortality rates significantly.

100 years ago, the average life expectancy at birth was 46.4 years for men and 52.5 years for women. Nowadays, a newborn boy spends an average of 81.7 years on earth, while girls can even expect a life that lasts 87.8 years. In other words, life expectancy at birth has doubled during the last century.

Average Life Expectancy in Germany

(Data source: Statistisches Bundesamt)



Germans live ever longer: On average, they win one year of life expectancy every three to four years. And it looks like this development will continue for the time being. Girls benefit significantly as compared to boys. According to projections of the Federal Office for Statistics, a boy born in 2004 may live 82 years. In comparison, a girl born in the same year may live six years longer.

Increased longevity lies at the core of the fact the group of people over 80 years of age will triple in the next 50 years to come: from 3.2 million (3.9 percent of the population) to 9.1 million (12.1 percent). Even more impressively, the group of people over 100 years will grow by a factor of 16 during the same time period (2000: 7,200, 2050: 114,700).

Collective ageing: society is ageing, because the proportion of old people is increasing

A society ages not only because of greater longevity, but also as a result of declining fertility rates. In Germany, such a decline could be witnessed as from the late 1960s onwards. The current figure of 1.37 is well below the value of 2.2, which was reached in 1950.

Reasons are diverse. First of all, contraception has become even more effective since 1970, when the use of the Pill became widespread. Alongside enhanced means of contraception the meaning of having children gradually shifted. Formerly, children were important means of facilitating household work – especially when their parents grew old – and thus functioned as a sort of old-age insurance. When family bonds incrementally loosened in the course of the 20th century, this reason for having children lost importance. Other reasons include life-long learning and increased educational possibilities that certainly played a part in the trend towards later marriage and consequently less children. Higher ages at marriage are also due to changing values in society, namely a greater social acceptance of cohabitation prior to marriage.

Last but not least, we have to take into consideration that about 15 percent of all couples stay childless against their wish.

The composition of Germany's population already differs a lot from the year 1960: the population-pyramid, is gradually transforming into a construction that more resembles a mushroom than an Egypt building.

From pyramid to mushroom



The age distribution is shifting in Germany: The proportion of very old people increases, while the young are becoming less numerous.

Surprisingly, the trend towards ageing societies can also be observed in developing countries. According to projections of the United Nations Population Fund (UNFPA), the average number of children per woman in the 50 least developed countries is going to halve from five to 2.6 until the year 2050. This decline in fertility should translate into wealth gains. In this context, one may expect that the average life expectancy in developing countries will rise from 51 years today to 66.5 years in 2050.

The portions of people older than 60 and 80 years will grow on a worldwide scale. Today, about one tenth of world population (672 million people) are older than 60 years. By the year 2050, this age group will account for one fifth of total world population (two billion). To put it in a nutshell: demographic change will not only affect Germany and Europe, but will leave its mark in all countries of the world.

Societies will change - in case they age

Many consequences of ageing are not yet well-understood. In Germany, potential effects on social security systems (old-age insurance, health care, etc.), economic development, labour markets, urbanisation, traffic and educational systems are highly debated issues.

There is a direct effect on Germany's social security system due to shifting relative weights of different age groups in society. For instance: The German pension scheme is a so-called pay-as-you-go system, which means that rather than saving for their own pensions, each generation pays directly for their parents' and grand-parents' pensions. At the moment, two workers finance one pensioner. Starting in the year 2015 – when the baby-boomers retire – this ratio will shift to 1:1. In response to this development, the so-called sustainability factor has been introduced to the German pension system, which dampens the annual pension adjustment to price level changes. Thus, pensions are shrinking in real terms. In addition to this, the retirement age will be increased from 65 today to 67 in 2029. Early retirement means lower pension levels. Theoretically, the retirement age would have to be increased to almost 75 until 2050 in order to maintain today's old-age dependency ratio.

What is more, Germany's unfunded pension system already heavily relies on state subsidies, i.e. taxes (about 80 billion Euros in 2006, i.e. 30 percent).

Working life will also change in the long term. Due to shortages of young workers on the labour market, demand for elder workers will rise. From a researcher's point of view, ageing may bring with it a gain in competence and potentials. Objective age no longer determines abilities, behaviour, and experience to the same amount as formerly. The functioning of various physical and mental abilities (the "functional age") is not tied to a chronological age, but determined by biological and social factors. Education, job training, way of living, and reactions to stress become important in this context. Consequently, fixed retirement ages have become obsolete and should be reconsidered.

Cities, municipalities, and traffic companies have to come to terms with old societies in the future. 75-year-old people are not necessarily dependent on care, but certain restrictions – in mobility and in sensual terms – accumulate. Concepts concerning city development have to rethink traffic guidance, sports possibilities for elderly people, availability of post offices, supermarkets, and medical care. Architecture will face challenges concerning housing for elderly people.

Changes in care are foreseeable as well. Today, about one third of all people aged 80 or older depend on care. What happens, if this proportion continues to rise? Statistically, the number of people depending on care will rise by one third until the year 2020 and will have doubled by 2030. Yet, one has to be cautious with such projections: Today's old people are healthier and more competent than their parents and grand-parents have been at the same age – and this trend will continue.

However, certain problems have to be solved in future. The reason: about 70 percent of the people in need for care are hosted by their families. However, family care has its limits, which is due to a shrinking portion of young people in society. Besides, ever more people stay childless and families are ever more dispersed widely.

The effects of demographic change will be even more significant in developing countries than in Germany. There, ageing will take place at a far greater pace. An illustration: In France, it

took more than 115 years to double the portion of people aged 60 or older from seven to 14 percent. By contrast, the same development will only take 20 years in Thailand.

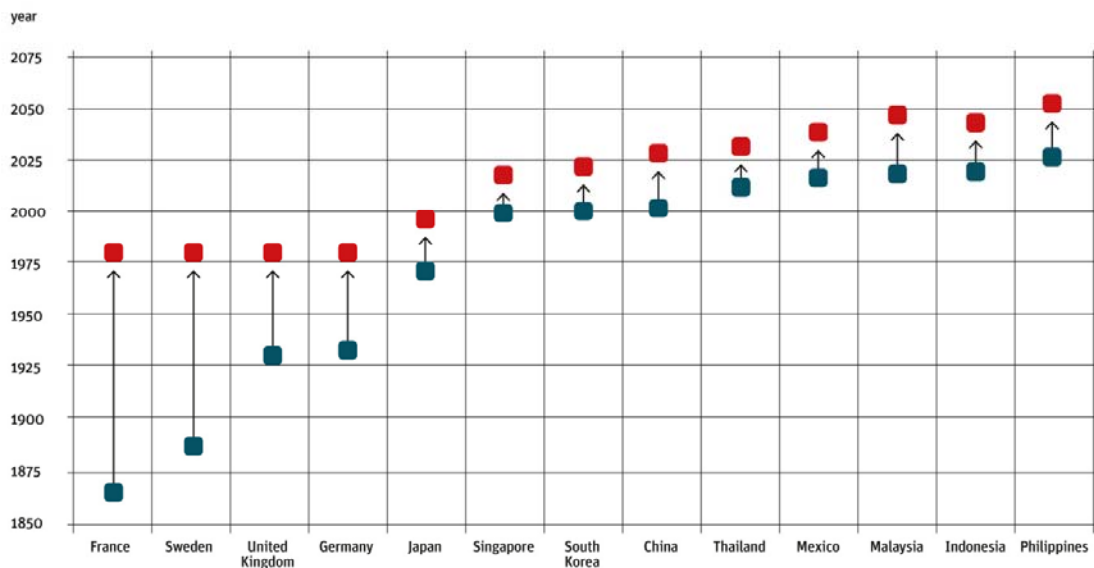
Ageing processes in industrial, emerging, and developing countries.

Period of time, in which share of people over 60 increased from seven to 14 percent

(Data source: UNFPA)



■ year, in which share of people over 60 is more than 14 percent
 ■ year, in which share of people over 60 is more than seven percent



The ageing process is delayed in emerging and developing countries. At the same time, it is temporally condensed.

In 2050, about 80 percent of all people aged 60 or older will live in developing countries. Many of them have never learned to read or write. They have no chance of getting a beneficial job in order to secure adequate funding during the latter part of their life. Most developing countries have just started to build a social security system. 84 percent of all people over 60 receive pensions in OECD countries. In Latin America this percentage amounts to 20, in South-East Asia to less than ten, and in Sub-Saharan Africa to no more than five. Usually, the few lucky ones have lived in cities and have earned good money. Elderly people in rural regions having irregular incomes get older without proper old-age arrangements.

In addition, traditional family networks, in which elderly people could expect care in former times, seem to break apart increasingly. On the one hand, people have fewer children. On the other hand, these children and grand-children will not find employment on countryside and therefore move to cities. Widows are particularly affected; due to higher life expectancy of women, they are all alone towards the end of their lives.

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