

The demographic tipping point – we are there!

When we set up *in my prime* we thought that our main point of focus was the 50 to 75 year old section of the population – those who are clearly not elderly but who may be perceived so by the rest of the universe and, indeed, many members of that generation themselves.

However it is now quite obvious that if we wait for people to reach that magic age of 50 or thereabouts it is likely to be too late to put into place the groundwork necessary for that part of our lives to be truly “in our prime”.

The demographics have been heading only one way for some years now but, we believe, government, employers, and individuals themselves have been in denial hoping the problem will go away, won't affect us personally, or somehow will be someone else's problem, despite some introductory measures such as Age Discrimination legislation.

An issue for all

It is quite apparent that none of these is true and that the march of time has finally caught up with us. It has also been brought into very clear perspective by the arrival of the credit crunch and the recession. To roll together a couple of very apt quotations, “Only when the tide goes out can you see the rocks on the sea bed or who's swimming naked”.

House prices have fallen, pension funds have been depleted, savings levels have dropped and jobs are disappearing. All at a time when we can expect to live longer and longer.

The issue, therefore, does not relate solely to those who are in their prime but also to anyone who hopes at some stage to reach that position - it is an issue for us for all of our working lives - from the beginning to the end, and beyond.

Here now we provide an analysis of the latest official UK statistics which show just what is happening and will be happening.

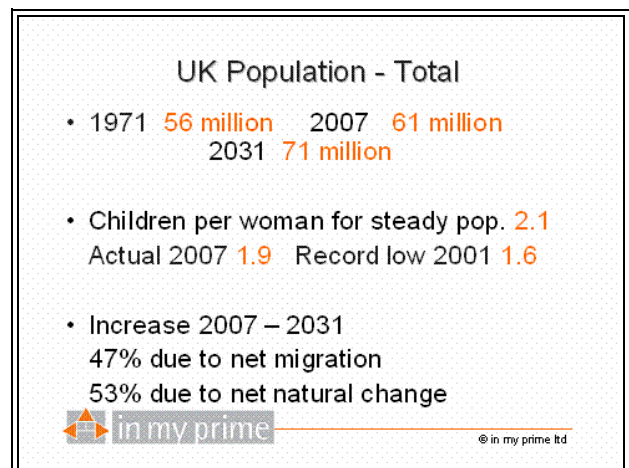
The period from 1971 to 2007 has seen the UK population grow from 56 million to 61 million, that is overall quite slowly, but it is now forecast to continue increasing at the rate of about 2 million every 5 years reaching 71 million by 2031. However, these figures

mask a range of changes taking place and issues arising within these figures.

Fewer young people

The number of children required per woman to keep the population steady is 2.1 but the present rate, although rising from an all time low in 2001 of 1.6, is only 1.9 (2007), on its own suggesting a drop in population. The increase is coming from people living longer and from a net migration inwards.

The increase from 2007 to 2031 is reckoned to be 47% due to net migration and 53% due to net natural change. As a result of the low birth rate we will see fewer young people entering the potential workforce pool.



Despite the current recession, which we have to assume we will come out of, the implications of this looking into the future are: skills shortages; initiatives to bring more women into/back into the workplace; increased numbers of workers from other countries; the need to retain older workers.


With lower birth rates and greater longevity we see that, within the total UK population figure there is a huge shift in demographics. In 1971 nearly 7 in 10 were under 50 and 3 in 10 were 50 plus. By 2031 the proportion of those over 50 will have reached nearly 4 in 10. Currently, slightly over one third of our sixty million people are over 50, that is in excess of 20 million.

At the end of 2008 it was headlined in some newspapers that we are now a nation of pensioners. The reason is that for the first time the numbers of those reaching state pension age (65 for men and 60 for women) had overtaken, just, those who are under 16, the percentages being about 19% of the population for each.

2007 - A nation of pensioners?

	<u>Thousands</u>	<u>%</u>
Under 16	11509	19
16 – 65/60	37905	62
65/60 and over	11561	19
Total	60975	100

Retirement: **men at 65/women at 60**



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Hence, we are about to see the first of the measures coming in, starting in 2010, to try to redress the balance, particularly in respect of the demands on the public purse.

Between 2010 and 2020 the state pension age for women will be increased until it reaches 65, the same as for men.

And so adjusting our numbers for this we can see that the 2007 figures for those 65 or over consequently drop to 16% compared with the 19% for those under 16.


However, this is only a temporary respite and by 2021 we are back to equal percentages again. And from then on it becomes progressively more and more stretched.

Falling support ratios

Only 20 years later, in 2041, almost one quarter of the population will be 65 or more, 17% will be under 16 and the working population, needed to support both ends of the spectrum, will constitute 59%.

UK Population – Age groups

	<u>Under 16</u>	<u>16 – 64</u>	<u>65 plus</u>
1971	26%	61%	13%
2007	19%	65%	16%
2021	19%	62%	19%
2031	18%	60%	22%
2041	17%	59%	24%
2061	17%	57%	26%
2081	17%	56%	27%




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Looking at this in the context of the “support ratio” as it relates to older people, that is financing their state pensions, health costs, welfare etc., we see that in 1971 there were 4.6 in the 16-64 arena for each person of 65 plus but this drops to 2.7 by 2031 and only 2.1 by 2081.

Support ratio (16-64 versus 65 plus)

1971	4.6
2007	4.1
2021	3.2
2031	2.7
2041	2.5
2061	2.2
2081	2.1



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And so we see the second of the state pension measures being introduced. Between 2024 and 2046, in three phases, the state pension age for both men and women will be raised from 65 to 68.

People will be expected to work longer and, obviously, the default retirement age will have to move by at least this, if not scrapped altogether, although this has yet to come.

Increasing life expectancy

There are two ways of estimating life expectancy used by the Office for National Statistics (ONS).

The one most quoted, “period” life expectancy, is arrived at by presuming that the existing mortality rates at a particular time will continue on into the future.

However, the one which ONS believes gives a better picture of expected longevity builds in the anticipated changes (to date improvements) in mortality going on into the future and therefore to be experienced by the people (“cohort”) concerned.

For a man who reached 65 in 1981 the period life expectancy was to live to 78, and for a woman to live to 82. By 2006 this had increased to 82 for a man and 85 for a woman.


However, if we take into consideration improving life expectancy a man can, in fact, expect to live to 86 and a woman to 88.

And, on this basis, a man reaching 65 in 2030 may expect to live to 88 and a woman to 90. By 2056 the figures become 91 and 93 respectively.

The issues are certainly not confined to only today’s over 50s.

	Men	Women
1981 (existing mortality)	78	82
2006 (existing mortality)	82	85

2006 (improving mortality)	86	88
2030 (improving mortality)	88	90
2056 (improving mortality)	91	93


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With improving mortality a male born in 2006 has a life expectancy at birth of 88 and a female of 91. If they reach 50 years old they can then expect to live to 90 and 93 respectively.

The chances at birth of reaching 65 are now 91% for a male and 94% for a female and will provide life expectancies of around 92 and 94 respectively.

	Male	Female
2006 (existing mortality - period)	77	81

2006 (improving mortality - cohort)	88	91
If reach 50 (2056)	90	93
Chance of 65 at birth	91%	94%
If reach 65 (2071)	92?	94?

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And so the figures pile up. Greater chances of living to 75, 85 and 100 plus and a larger and larger proportion of the population made up of the elderly.

The implications for retirement

And what does this say for our retirement? Well, even with the state pension age rising to 68 for both men and women, we will see an anticipated retirement of around 22 years for men and 24 years for women. The notion that retirement is a few twilight years after a lifetime of slog is no longer relevant.

And 22 or 24 years is a long time to finance oneself without working, a long time to fill in an interesting, fulfilling and valued way, and a long time to stay physically and mentally healthy.

It means people will work for, say, 40 to 50 years and then be without paid employment for 20 to 25 years. In itself this is a lot of years but it is also a large proportion of one's life.

Quality of life


But length of life is not automatically associated with quality of life and, although life expectancy is increasing, a number of our final years will be in less than perfect health.

The Office for National Statistics calculates two types of health expectations in this respect:

Healthy Life Expectancy (HLE) defines healthy life as years in good or fairly good self-perceived general health.

Disability-free Life Expectancy defines healthy life as years free from limiting longstanding illness. On average men can expect about 7 of their final years to be associated with a limiting longstanding illness and women about 9 years. There is still a lot to do.

	men		women	
	1981	2005	1981	2005
Start point	65.0	65.0	65.0	65.0
Years to go	13.0	16.9	16.9	19.7
Total	78.0	81.9	81.9	84.7
Healthy LE	10.0	12.8	11.9	14.5
Poor health	3.0	4.1	5.0	5.2
	13.0	16.9	16.9	19.7

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It's all very well increasing retirement ages but will we be fit enough to work and will the workplace provide an appropriate environment?

In terms of working longer we are already seeing increasing numbers of people working on beyond state pension age.

Since 2000 the proportion of men of 65 and over who are working has increased from 7.3% to 10.6%. And for women of 60 and over the figures are 8.4% and 12.5%.

The latter figure will obviously increase as the state pension age increases for women start to kick in. Although these numbers are still fairly low in absolute terms they are growing rapidly as many people choose or feel the need to continue working longer.

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(Figures courtesy of Office for National Statistics)