

Economic and social impacts of an ageing population

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Synopsis

This **Geofile** examines some of the social and economic impacts of an ageing population. Because people are living longer (increase in life expectancy), more people are aged over 65 and they are staying in this age bracket longer now than ever before.

Over-65s can be both good and bad for the economy. Old age can have certain benefits, both for businesses and for governments alike. However being old does clearly involve costs to any country's economy. An ageing population puts certain strains on state-run services such as care services and health care.

By 2050, for the first time ever, globally the over-65s will outnumber those under 15. This population change will have different impacts, and how governments and businesses respond to them will vary, but one thing is clear: there are and will be more over-65s than ever before.

Key terms

ageing population, life expectancy, social impacts, economic impacts, dependency ratio, greying population, grey pound, centenarian,

Learning objectives

At the end of this **Geofile** you will have learnt about the economic and social impacts of an ageing

population, and how different governments and businesses are responding to this demographic shift (population change). You will learn about both the positive and negative impacts of an ageing population.

Exam Board	Link to specification
AQA	Unit 1, GEOG1 Physical and Human Geography, Core Human Section, Population Change, see page 8 http://filestore.aqa.org.uk/subjects/specifications/alevel/AQA-2030-W-SP-14.PDF
Edexcel	Unit 1, Global Challenges, Topic 2: Going Global, 4 Roots, see page 28 http://www.edexcel.com/migrationdocuments/GCE%20New%20GCE/UA035234_GCE_Lin_Geog_Issue_4.pdf
OCR	A2 Unit F763: Global Issues, Section B: Economic Issues, Option B1: Population and resources, see page 40 http://www.ocr.org.uk/Images/69036-specification.pdf
WJEC	Unit G2, Changing Human Environments, Theme 1 – Investigating population change, see pages 22–23 http://www.wjec.co.uk/uploads/publications/6312.pdf
CCEA	Unit A2 1: Human Interactions and Global Issues, Section A, Human Interactions, Option A, Impact of Population Change, see pages 17–18 http://www.rewardinglearning.org.uk/qualifications/results.aspx?g=1&t=1&c=R&s=0&v=0&f=0&q=182&d=d
CIE	Paper 1: Core Geography, Human Core, 1 Population, 1.2 Demographic transition, see page 19 http://www.cie.org.uk/images/164517-2016-syllabus.pdf
International Baccalaureate	Geography Diploma Programme, Paper 1, Core Theme, Patterns and Change http://ibgeog2009.wikispaces.com/Populations_Transition?responseToken=588b49f7987a779df163b24d38776fa3

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Introduction

An 'ageing population' refers to the rise of the over-65s in a country. This is due to longer life expectancy. The increase in this age category means that the dependency ratio (the ratio between people who are working and those who are not) also changes, as there are proportionally fewer people of working age, and more and more over 65 who need supporting.

The United Nations have calculated that 23% of Japan's population is over 65 (Figure 1). Here adult nappies now outsell baby nappies. The number of global centenarians (people aged over 100) will rise from 316,600 in 2011 to 3.2 million in 2050.

Life expectancy rose steadily during the 19th and 20th centuries. Improving health care is the main reason for this change. It is estimated that half of those born after 2007 in Britain will live to over 100. The number of centenarians (people aged over 100) in the UK has risen by 71% in the last decade alone (Figure 2).

1. Economic impacts

A. Government impacts

The government needs to be able to provide state pensions to its citizens when they reach retirement age. With a low birth rate, there will eventually be fewer people of working age. Fewer people working will mean fewer taxpayers, but the government has to find more money from

somewhere to finance increasing number of people who are drawing their state pension. In 2020 the state retirement age will rise to 66, and by 2028 it will be 67.

The government also provides other benefits for pensioners, such as a free bus pass. The cost of providing this service is estimated at £1 billion a year. Then there is the Winter Fuel Allowance for the over-60s. This is currently £200 (£300 for people over the age of 80), which helps pensioners to pay for their winter electricity and gas. Currently it is paid to everyone, regardless of income, once a year. Other services that pensioners receive include free prescriptions, free TV

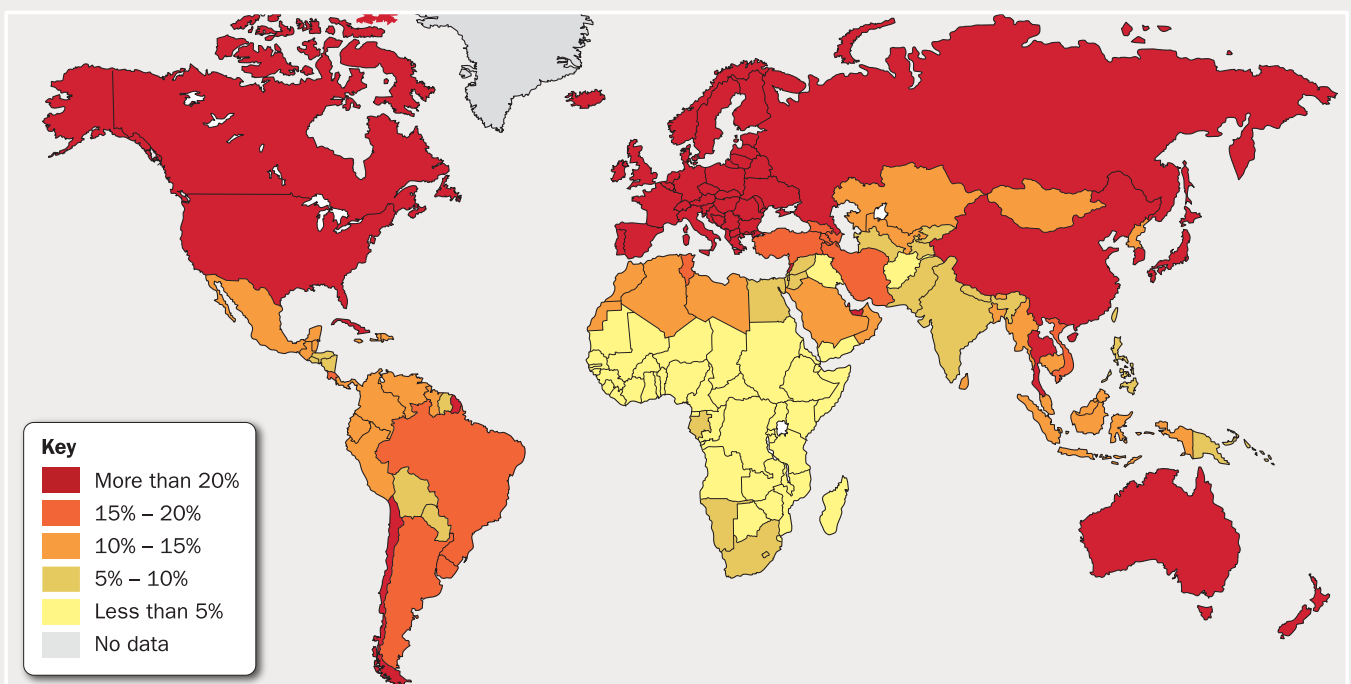


Figure 1 The percentage of the population over 65 in 2050. This map highlights the huge rise of the ageing population and who will be most affected

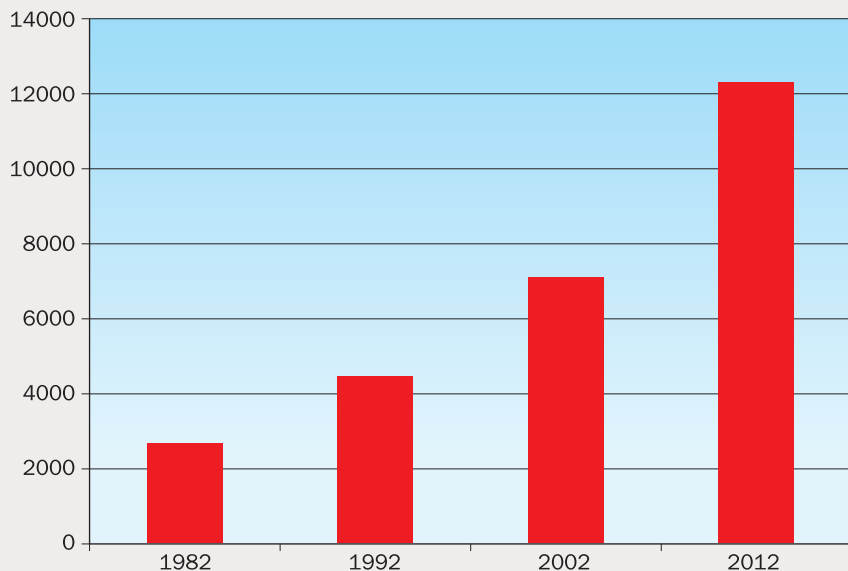


Figure 2 The number of centenarians in the UK

Source: Office for National Statistics

licences and reduced council tax payments. All these must be funded by taxpayers.

B. Company pensions

Private companies are also finding the pension problem a difficult one to solve. Tesco announced that it is raising its age of retirement to 67. Tesco explained that when the scheme was established in 1973, the average

pensioner would live until they were 77; now it is closer to the age of 90 for a 40-year-old Tesco employee. It seems likely that other companies may do the same.

C. Career opportunities

Of course an ageing population provides many economic opportunities, such as careers within the health care profession

(Figures 3 and 4). Other jobs include:

- construction jobs to help build new care homes
- gardeners to maintain the grounds of care homes
- hairdressers to cut the hair of the residents within care homes
- chefs to cook and prepare the food, and cleaners to clean the rooms.

Undertakers and funeral directors (Figure 3) are also experiencing a rise in business. Local businesses are benefitting economically.

D. Businesses catering for pensioners

Many older people do have money to spend (the 'grey pound'). Saga is a business which offers specialist services for people aged 50 or over. The 2.1 million customers have bought services like Saga holidays, insurance services and personal finance. The ageing population enjoy the benefits of these services, and consequently Saga continues to grow as a successful business.

As people are living longer, certain illnesses are rising fast, such as dementia. This is when people's short-term memory starts to fail. The Dragons' Den entrepreneurs, Deborah Meaden and Peter Jones, invested £100,000 in RemPods, a pop-up 'remembrance pod'. The pod opens up to form an artificial backdrop that helps to relax dementia patients. They sell different designs including,

- an old cinema
- a 1950s sitting room



Figure 3 Two services that are in growing demand as the population ages – care workers and funeral directors

Source: Andy Pinks

- a dance hall
- a pub.

These relieve boredom and help patients and care staff to bond. They cost £1600 each and this business venture is one that seems set to take off in the future.

MindMe is a company that produces discrete GPS tracking devices that patients with dementia can wear. If an elderly patient suffering from dementia does get confused and lost, and can't get back to where they live, the GPS tracker alerts police to their location.

E. Pensioners still working?

It is estimated that one in 10 pensioners is working or looking for work. This is due to people wanting to stay in work longer, or needing to top up their pension plans. The DIY chain B&Q has scrapped any retirement age after an entire store in Macclesfield, Cheshire, was staffed with over-50-year-olds and the profits rose by a fifth.

2. Social impacts

A. Where do all the over-65s live?

When people retire they sometimes move to areas that are quieter and where they think the quality of life will be higher, for example at the coast or in the countryside. But moving may take them away from their relatives, who will more likely be in or near a city for their work. As a result there are a lot of old couples who are increasingly lonely, as their family finds it harder to visit them.



Figure 4 There is an increasing demand for professionals in care homes. Jobs range from nurses and physiotherapists to receptionists and handymen
Source: Andy Pinks

B. Socially isolated?

Social isolation also occurs when someone's health deteriorates to a level where they can no longer drive themselves and they may need to rely on the bus service. Medical studies show that being lonely or isolated can affect blood pressure and is closely linked to depression. The NHS in the UK need to make sure that they help to alleviate loneliness, and it may be that voluntary organisations (or private companies) work to combat this issue.

C. Care Homes

When people are no longer able to look after themselves, due to failing health and mobility, they may chose to move into some form of care home (Figure 4). These provide social care that gives the occupants security that cannot be provided if they were living on their own. Most offer basic

services like 24-hour nursing care, help with personal care, food, entertainment, outings, activities and other support services.

D. Avery Care Homes

Avery Healthcare has 34 private care homes in the UK and they offer luxury residential accommodation for their residents. Their 72-bedroom care home at Silvermere in Cobham, Surrey (Figure 5) has an art studio, a hairdressing salon, a library, companion suites and all of the rooms have lake views. All residents are given an iPad to help them to keep in touch with their families through features like Skype or photo sharing.

E. Hogewey Care Home

A new type of care home called Hogewey has been built in the Netherlands. This is a care home with a difference. Hogewey is a



Figure 5 Silvermere Care Home in Surrey, a luxury care home in a woodland setting. The knock-on impact of this care home are felt across the local community

Source: Andy Pinks

self-contained ‘village’ with around 250 staff who are doctors and nurses, but they assume roles around the village to help the residents whilst they go about what they perceive is a normal life. The care home is set out like a village with

- a town square
- a supermarket
- a hairdresser
- a theatre
- 23 houses for different groups people.

The residents have been placed in a new, friendly and safe environment where the only entrance and exit is through a hotel-style lobby.

The idea was developed by two nurses who thought about what type of care home they would want themselves when they grow old. They came up with this model of

fake reality, an enclosed village safe from the dangers of the rest of the world. Each of the 23 houses has six to seven residents, who live with two carers. These houses are set out according to the tastes of the residents. For example one home is set up with chandeliers, lace tablecloths and dark wooden furniture, to house people of the Dutch upper class. The carers in the house behave like servants, as most of the people living there would have had a maid in the past.

The monthly cost for each resident Hogewey is not much more than the standard care costs that the Dutch authorities already pay. There is evidence that people there are happier and need less medication to keep well. This ‘Truman Show’ style of care home is one that has certainly

caught the attention of the rest of the world and it may not be long before more homes like Hogewey appear.

Conclusion

Whilst it is clear that the population is ageing, the world is adapting to this change in population structure. There will be more care homes, and businesses such as Saga and RemPods are making profits from there being more over 65s. However, governments everywhere are facing the tough question of what to do with all these old people and how best to provide for them. Only time will show just how large the impacts will be and whether the world has done enough to prepare itself for the changing demographic (population) structure.

Focus questions

- 1 Look at Figure 1. Which countries will have the highest percentage of their population over 65 by 2050.
- 2 Describe some of the social effects of an ageing population.
- 3 What are the positive impacts of an ageing population on a country?
- 4 Do you agree that an ageing population is an economic strain?

Learning checkpoint

As you read through this unit you should consider the following questions:

- Mention some of the positive impacts of an ageing population.

- What are some of the negative impacts of an ageing population?

- What things can governments do in preparation for an ageing population?

- My feelings on the Hogewey care home model are:

- What is your opinion on ageing populations? Are they more of a help or a hindrance? Why?

- Conclusion: