

The implications of Britain's ageing population

In Britain in the 1990s, the gradual ageing of the population has become an increasingly important political issue: the financial problem of finding sufficient resources to provide pension payments. It is linked to the idea of the dependency ratio and the fact that a smaller proportion of the



Senior citizens enjoying their retirement

working population will be working to produce the wealth required to support a larger elderly population. The present system of state-provided pensions was introduced in the early years of the 20th century when fertility was significantly higher and life expectancy was lower. The system is based on a 'pay-as-you-go' principle, in which the National Insurance contributions of those in work pay for the pensions of retired people. This was fine so long as the ratio of dependants to those in work was low. In 1950, there was one pensioner for every five people of working age. By 2030 it is estimated that there will be three to every five. A number of solutions have been suggested:

- Reduce the size of individual pensions. This seems unfair to those who have paid National Insurance contributions throughout their working life and expect to receive the benefits of those payments on retirement.
- Raise additional funds through higher taxes. This is currently an unpopular option and governments have tried to avoid any measures that raise taxes, for fear of electoral repercussions.
- Abandon state pensions and replace them with compulsory private pension funds.

These arguments are part of a wider debate about the role of the state in providing support for its citizens. The debate about pensions is just one issue raised by the 'greying' of Britain's population. With increasing age there is an increased demand for medical care and support services. This is especially significant because of

increases in life expectancy.

The 1993 National Health Service and Care in the Community Act requires local authorities to assess and provide for the care needs of elderly people. Many authorities have tried to minimise costs by encouraging elderly people to stay in their own homes, supported by

visiting care staff. In addition, those elderly people with more than £16 000 assets are required to pay for residential care. This has been particularly controversial, since many have had to sell their homes in order to fund their own care.

The numbers of elderly people in residential care are set to increase by more than 100 000 in the first ten years of the 21st century. This raises important questions about the role of 'informal carers' – usually the children of elderly people – when many are in work and involved in raising their own children. There has been a spectacular increase in private-sector nursing homes, but the cost of residential care is high, ranging between £1000 and £2000 per person each month. The state currently guarantees to pay the cost of care for those who cannot afford it, but this is a politically controversial area, especially when governments are seeking to limit expenditure and keep taxes low.

NOTING ACTIVITIES

- 1 What factors explain the gradual ageing of Britain's population?
- 2 Explain what effect this trend will have on the dependency ratio.
- 3 Why are governments concerned about the ageing of the population?
- 4 What solutions have been suggested to overcome these problems?