

In aging, one size does not fit all

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Conventional measures of age usually define people as 'old' at one chronological age, often 65. In many countries around the world, age 65 is used as a cutoff for everything from pension age to health care systems, as the basis of a demographic measure known as the 'old-age dependency ratio,' which defines everyone over 65 as depending on the population between ages 20 and 65.

In new study in the journal *Population and Development Review*, IIASA researchers Warren Sanderson and Sergei Scherbov provide new measures to replace the old-<u>age</u> dependency ratio.

"There are better measures available for every aspect of population aging to which it is applied," says Sanderson. "Aging is a suite of



multidimensional phenomena. In this study we deal with a number of aspects of aging and show that better measures exist for all of them."Previous research by the <u>team</u> has shown that defining people as 'old' at age 65 no longer fits the real-world data, as people live longer, healthier lives around the world. The new study pulls together a collection of demographic methods that replace the old-age dependency ratio for a variety of purposes, providing more useful information for policymakers as well as demographic research.

For example, health care costs on average increase significantly for people in their last few years of life. Yet as people live longer, those last few years come later and later, and people may stay healthy well into their 60s and 70s. When projections of future health care costs use age 65 as the cutoff, they may massively overestimate future costs to a health care system. The new study therefore proposes a health-care specific calculation that takes into account the postponement of deaths that occur because of the increase in life expectancy. The old-age dependency ratio is also based in part on traditional retirement age being around 65. But today, a growing number of people over 65 are still working, and in response to increased life expectancy, many countries have begun increasing their public <u>pension</u> ages. Yet increasing pension ages can be unfair to younger generations, who may work longer and get less retirement money than previous generations. The study includes a new proposal for an 'intergenerationally equitable pension age,' in which each generation receives as much in pension payouts as they pay in, the average pension as a percentage of salary is the same for all generations, and the pension tax remains the same. "There are many policy issues for which good estimates of the future consequences of aging are needed," says Scherbov. "In some instances, the large exaggerations in the extent of aging produced by the conventional measures could lead to inappropriate policies."



More information: Sanderson W, Scherbov S (2015). Are we overly dependent on conventional dependency ratios? *Population and Development Review*. 41(4): 687–708. 15 December 2015. <u>onlinelibrary.wiley.com/doi/10 ... 015.00091.x/abstract</u>

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