Institute and Faculty of Actuaries

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IFoA response to House of Lords Economic Affairs Committee inquiry: '*Preparing for an ageing society*'

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

Key points

- A key question for actuaries is how individuals should finance their increasing longevity and ensure everyone can retire with an adequate pension. Actuaries are at the coalface of the ageing population challenge. Working across the pensions, life insurance, health and social care sectors, IFoA members are central to how individuals manage these risks and have explored this issue in great depth.
- The IFoA has a significant global presence. We educate, develop, and regulate actuaries worldwide, representing over 32,000 members across various regions. When it comes to navigating demographic transition, the UK can draw key lessons from both "ahead-of-the-curve" countries (like Italy, Japan, South Korea) that are facing the sharpest aging challenges now and are experimenting with bold policies to mitigate the effects (examples included).
- The key factors affecting population trends include economic uncertainty, work-life balance, gender equality, marriage rates and cultural attitudes – government should focus on long-term, holistic strategies and look to childcare and housing reform.
- We can support older people to work by removing common barriers, through assistance from employers and through positive government-led initiatives such as 'returnerships' and 'skills bootcamps'.
- In this response, the IFoA has spotlighted a need for change in the support given to younger generations to navigate the savings landscape and secure a comfortable retirement
- Currently adult social care in the UK is underfunded, means-tested, and fragmented – a portable care saving scheme in the UK could create a dedicated, predictable funding stream for individuals' future care

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IFoA response

About the IFoA

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Introduction

The IFoA are pleased to respond to this inquiry by the House of Lords Economic Affairs Committee on '*preparing for an ageing society*'. In 2023, the IFoA released Beyond the next Parliament: the case for long-term policymaking [1]. In this report we showed the impact of short-term thinking across several areas including supporting an ageing population. The fact that we are living longer should rightly be celebrated. But on the assumption that life expectancy will remain high or continue an upwards, albeit slower, trajectory, the longevity dividend presents us with a raft of questions and policy challenges that developed societies around the world are grappling with.

We have focused on the questions to which actuarial expertise can provide greatest insight. We are happy to pick up on any of the points raised.

NB. The topics explored in this response will become a key focus of a new Working Party at the IFoA on ageing populations. The group will serve as a platform for actuaries across the globe to share insights, research and best practices related to ageing populations. The group seeks to identify actionable strategies and solutions for mitigating risks and enhancing opportunities arising from demographic changes. As the work of this group develops it would be good to regularly communicate key findings with this Committee.

[1] https://actuaries.org.uk/thought-leadership/thought-leadership-campaigns/beyond-the-next-parliament-the-case-for-long-term-policymaking/

Population trends – causes and consequences

Q1 - What factors might affect the currently projected demographic trends? Are there critical inflexion points for the birth rate, with qualitatively different effects should the rate fall below a certain level? If so, what policies might protect against falling below that level?

Several factors affect current demographic trends, particularly declining birth rates. While financial incentives—such as child allowances or tax benefits—are common policy responses, the experiences of countries like South Korea and Hungary suggest these alone are insufficient. Instead, demographic trends are shaped by a more complex interplay of economic, social, cultural, and gender-related factors.

IFoA 'Think' piece: The population implosion: what choices do we have?

Population as a topic is relevant to actuaries both from a technical perspective and from a broader social perspective. The latest 'think'[2] piece from the IFoA focuses on population implosion, its causes, consequences and some of the choices that society may have to make to counteract it. In this way the findings are directly relevant to question 1 of the Committees' inquiry. All three of the main demographic variables are experiencing significant changes:

- We're generally living longer, even if improvements are slowing down in some places.
- Birth rates are falling everywhere and are now low in many places.
- People are moving within countries and across borders more often and for longer.

Causes

The combination of increased life expectancy, which has reached 76 years for women and 71 years for men globally, and lower fertility, with a global fertility rate down to 2.4, has caused the median age of the global population to increase from 22 in 1950 to 30 now. The median age is projected to increase to 42 by the end of the century.

The 'think' piece from the IFoA shows that the causes of the fall in fertility rates across all countries can be analysed on two levels. Firstly, the socio-economic drivers. The impact of increased urbanisation and education, reduced infant and childhood mortality, increased wealth, and cultural changes such as lower levels of religious practice and belief and increased environmental concerns all play a role. The second level covers the more immediate influences on birth rates such as rates of marriage and partner formation and female and male sterility and reduced fertility.

Consequences

Falling birth rates will impact societies in several ways, not limited to economic impact. A country with increasing life expectancy and low fertility will have a larger proportion of its general population in older age groups.

As birth rates fall, countries can often experience a positive known as a 'demographic dividend'. The number of children decreases, the number of working age adults increases, and the number of older retired people has not yet increased. As time passes, this fades away and is replaced by an old age dependency ratio.

[2] The aim of the IFoA's '**think**' series is to challenge the status quo, question the orthodoxy, and shine a light on complex or under-examined issues, thereby stimulating discussion and dialogue to help tackle issues in a different way.

There is a cost burden to this transition. Goodhart and Pradhan in their book The Great Demographic Reversal[3] forecast increased pressure on public policies in many countries, both fiscal and monetary, because of the ageing population, and particularly the increased costs of looking after a higher proportion of the elderly living with dementia in all its forms. They predict that this will lead to increased taxes, inflation and interest rates.

Key Factors Affecting Demographic Trends:

1. **Economic Uncertainty**: Insecure employment, high housing costs, and the cost of raising children deter family formation, especially among younger adults. Even dual-income households with children experience a 30% drop in disposable income compared to childless couples.
2. **Work-Life Balance and Gender Equality**: In societies where women face a stark trade-off between career and motherhood, fertility rates are lower. Without supportive parental leave, affordable childcare, and equitable domestic labour sharing, many women delay or avoid childbirth - the opportunity cost too great.
3. **Marriage Rates**: There is a strong correlation between marriage and birth rates. Across many societies, women who marry tend to have more children over their lifetime. As marriage is increasingly delayed or foregone altogether, fertility rates have declined. In the UK, marriage rates have halved since 1972, and the average age of first marriage is now over 30 for women . Unmarried women have significantly lower lifetime fertility, and this shift in social norms is reducing long-term family size.
4. **Cultural Attitudes**: Norms about gender roles, individualism, and family structures also influence decisions about marriage and childbearing.

South Korea has among the lowest fertility rates globally, despite aggressive government spending on family subsidies and childcare incentives. Despite spending billions on child allowances, housing subsidies, and fertility incentives, its birth rate has plunged to 0.75 — the lowest in the world.

The deeper issues include a rigid work culture, persistent gender inequality, and high expectations around education and parenting. Marriage rates have also plummeted, with growing numbers of young people opting out of both marriage and childrearing due to social and economic pressures.

Hungary implemented a suite of pro-natalist policies—including tax breaks, housing subsidies, and even debt forgiveness for mothers. Yet its fertility rate has remained below replacement level. These policies have had only marginal success because they don't address the broader structural challenges: job insecurity, emigration, and shifting cultural values about family and independence.

Once fertility falls below a certain level—commonly cited as 1.3 children per woman, known as the "lowest-low" fertility threshold—it becomes much harder to reverse. Societies may enter a demographic trap of shrinking population, aging labour forces, and reduced economic dynamism. A sharp drop in birth rates can also create feedback loops: fewer children mean smaller future generations of potential parents, accelerating decline.

[3] The Great Demographic Reversal, Charles Goodhart, Manoj Pradhan.

Governments should focus on holistic, long-term strategies, such as:

- **Encouraging marriage and family formation**, not just childbirth—by making housing more affordable, promoting stable employment, and reducing the economic risks of childrearing.
- **Promoting gender equality**, especially in domestic roles, so women don't face a zero-sum choice between family and career. Normalising and funding shared parental leave to improve uptake among men and introducing use-it-or-lose-it leave for fathers would all help normalise shared parenting, breaking current stereotypes.
- **Creating family-friendly workplaces** with flexible hours, hybrid work, parental leave for both parents, and real work-life balance.
- **Cultural change**: Governments and institutions can help shift societal expectations around parenting, relationships, and gender norms through media, education, and public discourse.

Boosting birth rates is not just about money—it's about making it easier and more desirable to build a family, especially within stable, supportive partnerships. Korea and Hungary show that without addressing these root causes, through structural reform, even lavish financial incentives are unlikely to reverse demographic decline. Current support in the UK is fragmented, and disjointed - modest maternity pay, expensive childcare, and patchy housing support all deter parenting.

Housing reform

In the UK, an increasingly large proportion of the population is reliant on the private rental sector to provide a roof over their heads. According to the English Housing Survey, 34% of households in the private rented sector had dependent children, yet the system assumes renting is temporary.

By looking to Germany, a country with a large private rental sector, we can find examples of policies that could help improve housing stability for young couples and families, even in the absence of high homeownership.

Germany has one of the lowest homeownership rates in Europe (about 50%) , yet it achieves remarkable housing stability for families. The system offers predictability, affordability, and legal protections — key for family planning. Some of the key policies include:

- Long-term tenancies by default — renters can stay indefinitely unless they violate the lease or the landlord has a legitimate reason to end it (e.g. personal use).
- Evictions are rare, and tenants have notice periods up to 9 months depending on duration of tenancy.
- Rents can only be increased once every 15 months, and only by a capped percentage (typically max 20% over 3 years). In high-demand areas, this cap can be as low as 15%.
- Security deposits are limited to 3 months' rent, making moving more accessible.
- No common UK-style "letting agent fees" for tenants.
- Renting is socially normal, not seen as a failure.
- There's a robust supply of well-maintained, family-sized rental homes.
- Rent control is balanced with supply-side policies, avoiding landlord exit or market shrinkage.

Childcare reform

While childcare alone doesn't "fix" fertility, it plays a crucial role in making family life compatible with modern work and gender roles — especially when combined with parental leave, housing support, and gender equality.

France treats family policy as a pillar of the welfare state, as core social infrastructure, not as a side issue. The entire system is designed around the idea that raising children is a collective good, not just a private choice. And that families should be supported at all income levels, not only targeted for poverty relief. The approach is backed by consistent long-term investment, cross-party supported. There is also clear administrative coordination through the CAF (Caisse d'Allocations Familiales) — a one-stop-shop for family benefits and childcare subsidies.

France's fertility rate remains among the highest in Europe (~1.7 children per woman). The country also has high female labour force participation and relatively low levels of child poverty. Strong state support reduces the "cost of motherhood." The focus is on subsidised, high-quality care with flexibility of options. France provides multiple pathways for childcare, letting parents choose what best suits their family.

- Crèches (public nurseries) subsidised by the state and local government.
- Tax credits and cash benefits for in-home care or childminders (assistantes maternelles), giving parents choice.
- Childcare costs are income-based — families pay as little as €1/hour.
- Childcare system scales up from infancy to age 3, before school begins at 3 (which is free and full-time).

Key features and principles of systems that work well are: Universal access, affordability (with a sliding scale), quality and regulation, compatibility with work and integration with parental leave and employment.

In comparison, the UK has amongst the highest childcare costs in the OECD (up to £14,000 /year for full-time care for 1 pre-schooler). There is also patchy access, underpaid workers, and an inflexible support system (e.g. Tax-Free Childcare underused and complex to navigate).

What would help? Universal childcare entitlement from age 1, subsidy caps based on income (like France), better childcare workforce pay and training to improve quality and supply and simplified, automatic access — replacing maze-like systems like Universal Credit or tax credits.

Family Allowances (Allocations familiales) increase with the number of children, regardless of income. Tax splitting (quotient familial) reduces income tax liability for families, rewarding larger households. Birth grants, child-rearing bonuses, and schooling allowances ease long-term costs. This mix means middle-class families don't feel punished financially for having children — a key contrast with the UK. A supplementary benefit for low-income families, the Complément Familial is paid on top of family allowances for low-income households with three or more children.

One of the most powerful tools in French family policy, the quotient familial reduces tax liability for families by splitting income across household "units" (called parts). Each adult = 1 part. First two children = 0.5 part each, a third child = 1 full part. For example, a two-parent, three-child family has 4 parts. The family's total income is divided by 4 before calculating tax, dramatically lowering the families effective tax rate. This policy helps middle-class families, especially dual-earner households, by reducing the marginal tax burden. It also encourages larger families — the more children, the greater the tax relief. It also keeps more net income in the household, reducing the "parenthood penalty". A similar middle-income family in France ends up with £000s/month more in net disposable income. The UK currently has no structural tax adjustment for children. This isn't just family policy – its economic strategy.

French society has more of a norm of dual-earner families. Motherhood is not seen as incompatible with ambition — and childcare is not stigmatised. Parents don't feel they have to sacrifice everything to have children.

The role of immigration

Q2 - What role does immigration play in developing trends? Do different types of immigration entail different trends? Are any changes to the Government's immigration regime needed to reflect the UK's future demographic characteristics?

The UK currently has one of the highest net migration rates in Europe, helping compensate for our below-replacement fertility. Migration is now the primary driver of UK population growth. As of 2023 in the UK the Total fertility rate (TFR) was 1.6 children per woman (down from ~1.9 in 2012). This is well below the replacement ratio of 2.1, without factoring in immigration. Without migration, the UK's population will begin to decline and age rapidly over the next 20–30 years. Migration compensates for the fertility shortfall by increasing the working-age population and bringing in younger people who may have higher fertility rates (though this converges over time). As of now, immigration more than offsets natural decline, meaning the population is still growing (especially in England and Wales).

According to the latest ONS projections, which assume a long-term TFR of 1.45, and net migration of 340,000 people per year, the UK's population is projected to still increase from 67.6 million in mid-2022 to 76.6 million by mid-2047, representing a growth of 8.9 million people over 25 years . If the actual/assumed migration were to drop, the required fertility rate would rise, moving back towards 2.1.

Immigrants can address labour shortages in key sectors (e.g. healthcare, construction, transport, agriculture). Diverse talent pools can also help drive innovation, entrepreneurship, and economic growth.

Immigration delays but does not "solve" demographic decline — especially if fertility falls across all groups. Immigration should not be a substitute for solving the root causes of low native birth rates (e.g. housing, gender norms, childcare costs)

To harness the benefits while minimising risks, a coherent, long-term strategy is required. Key elements might include:

- Clear, transparent visa pathways that respond to labour market needs (both high and low-skilled)
- Flexibility to adjust flows over time, depending on demographic and economic shifts
- Strong integration policies - language support, employment services, cultural orientation, and access to education and healthcare
- Housing policies that avoid concentration and support social mixing
- Investment in public services - expanding infrastructure (e.g. schools, GP surgeries) in high-growth areas to keep pace with population shifts
- Political leadership that explains the demographic need for migration, and counters disinformation
- Celebrate contributions of immigrants to health, care, business, etc.

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Changes in the workforce required for older populations/incentives for participation

Q3. What changes to the workforce are needed to support an ageing population? How does the productivity of older workers compare to those who are younger? How might the productivity of older workers be improved?

Q4. What incentives regarding workforce participation by older individuals are created by the various existing tax and pension arrangements? What policies should the Government pursue to encourage and support people to remain in the workforce later in life? How can the recruitment and retention of older people be supported? What effects would greater workplace participation amongst the older population have on economic growth?

We're living (and working) longer

The challenge, as set out by questions 3 and 4 of this inquiry, is that as we live longer lives, more of us will need to work for longer. According to the International Longevity Centre (ILC), the proportion of people in their 50s and early 60s who are either working or actively looking for work has increased in the last 20 years[4].

Between 2000 and 2050, the number of people in the UK aged over 65 is expected to double, and the number aged over 85 to quadruple, while the 'working age' population (20 to 64) will only increase by 20.1%. Our life expectancy at 67 could increase by as much as two years by 2040 (up to 88, from the current average of 86), and the total number of people over state pension age is projected to exceed 17 million[5].

Seizing the longevity dividend

In '*beyond the next parliament'* (referenced above) the IFoA presented the challenge of living and working longer as an opportunity to 'seize the longevity dividend'. Much of the evidence points to a clear need to provide support to help workers who need or choose to work later in life identify and get access to training or resources they need, including facilitating them to work flexibly.

This approach makes good economic sense, too. According to the Centre for Ageing Better, not facilitating older people to work 'comes with a huge price tag for society, with hundreds of thousands of people in their 50s and 60s who want to work shut out of the labour market for good'[6].

What can be done to help?

We can support older people to work by removing common barriers, through assistance from employers and through positive government-led initiatives. One of the most pressing barriers for older people is the lack of accessible and relevant training opportunities. A study by the City & Guilds Group[7] undertaken just after the pandemic found that in the previous five years only 53% of people aged 55 and over have taken part in formal workplace training, compared to 67% of 35–54-year-olds and 83% of 18–34-year-olds. Ensuring that older people have access to appropriate and flexible training opportunities could help them to remain in the workforce for longer.

Employers too can help. In addition to retraining, employers can encourage open conversations to facilitate, as the ILC refers to[8],'generational knowledge transfer'. Mentorship programs that pair experienced

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[4] https://actuaries.org.uk/document-library/thought-leadership/think-thought-leadership-series/think-issue-7-uk-longevity-are-we-missing-a-trick/

[5] https://ilcuk.org.uk/wp-content/uploads/2024/01/One-hundred-not-out-report-final.pdf

[6] https://ageing-better.org.uk/work

[7] https://www.cityandguilds.com/news/october-2021/re-skilling-for-the-future

[8] https://ilcuk.org.uk/unlocking-the-potential-of-an-ageing-workforce/#:~:text=Flexible%20work%20arrangements%20are%20highly%20valued%20by,flexibility%20to%20balance%20work%20and%20personal%20commitments.

employees with younger ones can enable the exchange of skills and insights. Embracing age diversity not only promotes a culture of learning but also enhances creativity and problem-solving capabilities.

As noted by McKinsey in 2024[9], employers can increase productivity by:

- Focusing on skilling and reskilling, including attracting talent from unconventional pools, offering more flexible work, and internal mobility.
- Shaping retirement policies to encourage people to work beyond standard retirement ages and take steps to attract more women into the workforce, for example, by offering elder or childcare infrastructure.

There are several government-led initiatives than could be ramped up and bolstered to help older workers. Good examples are ‘returnerships’, ‘skills bootcamps’ and ‘Sector Based Work Academy Programmes’

Normal minimum pension age

The biggest incentives that tax and pension arrangements in respect of the workforce participation are the ability (or not) of individuals to retire without a significant drop in living standards. Broadly speaking those with poorer provision will tend to work later than they would wish, and those with higher pension assets (whether from higher income saving or a high level of employer provision such as in public sector schemes) may be able to retire earlier than necessary because they want to and can afford to.

Our understanding is that there are no longer any general requirements for people to leave an employer’s employment before taking any pension they have built up with that scheme. This allows people to reduce their working hours, with their income supplemented by accessing their pension.

However, we are aware that some public sector schemes “abate” pensions where the recipient continues to work or resumes work for a sponsoring employer of the scheme. This reduces incentives to return/continue to work in those sectors.

We also know that not every scheme includes a late retirement option – the member could decide not to take their pension at their normal retirement age but, once they take it, payments will simply be backdated to that age rather than starting from the later age at a higher level. This includes some of the public sector schemes with abatement, as well as some members of private sector schemes. Again, this reduces the incentive for an individual to work since their employment income will often fall into a higher tax bracket as a result of their pension income.

The “normal minimum pension age” of 55, rising to 57 in April 2028, is generally (there are various exceptions) the earliest age a saver can access their pension rights, without evidence from a registered medical practitioner that they are incapable of carrying on their occupation because of physical or mental ill-health. The minimum age exists so that pension saving is held back for later life and not depleted during working life other than in circumstances of ill-health. The increase in this age (which was generally 50 until 2010) will mean some people not meeting the ill-health requirement will delay accessing their benefits until the minimum age when they would otherwise choose to. Policy makers have considered whether this minimum age should rise further and the 2014 “Freedom and Choice in Pensions” paper said, “the minimum pension age in the tax rules will rise in line with the State Pension age so that it is always ten years below.” Whether this continues to be Government policy is unclear to us (for example, state pension age is already legislated to be 68 for those born after 1978).

An increase in the minimum age prevents pension savings being accessed “mid-career”. However, when we consider the delaying of retirement, we would note that the effect of increasing the age further will fall differently on groups with different levels of wealth. Those who are affluent enough and have saved enough to want to cease work and live off their pension in their 50s, though could they continue to work, would often be able to draw on non-pension savings and wealth to “bridge the gap” until they can access their pension

[9] https://www.mckinsey.com/mgi/our-research/help-wanted-charting-the-challenge-of-tight-labor-markets-in-advanced-economies

rights. Conversely, those who are forced to delay because they don't have non-pensions wealth to live off may well have good reasons to want to access their pension rights during middle age, and we expect situations of hardship will inevitably arise from the delay in access. For example, an individual might be in declining health but not necessarily have the necessary level of medical evidence to access their pension at an earlier age. Individuals unable to work for non-medical reasons, e.g. for caring responsibilities, would also be affected.

More broadly, an overly high minimum age might be widely seen as a reason not to save more into a pension: for many lower earners the tax incentive is modest in return for locking away savings for a long time.

Policies aimed at younger generations

Q5. What policies aimed at younger people are necessary given the broader ageing of the UK? How might the course of working lives have to change as the UK transitions to an older population?

Younger generations are living longer – will they have a comfortable retirement?

Question 5 of the inquiry focuses on the policies that might be necessary for younger people given the broader ageing of the UK. The IFoA has spotlighted a need for change in the support given to younger generations to navigate the savings landscape and secure a comfortable retirement. In February 2025 the IFoA sponsored the Pensions Policy Institute to produce a detailed report on the 'concerns of Gen Z'[10]. This report examined the unique financial challenges facing Gen Z and how these will shape their ability to achieve financial security in retirement. While some of Gen Z's retirement challenges are shared across generations, they also face distinct barriers and opportunities shaped by their economic and social context. An ageing population means that they will potentially be working for, and living, longer. Addressing these issues is crucial not only for Gen Z's financial security but also for the sustainability of the pensions system. Policymakers and industry leaders have a key opportunity to mitigate risks, improve engagement, and build a more inclusive pensions landscape that reflects the needs of this generation and those that follow.

The key findings of the report included:

- Housing costs and student loans significantly impact Gen Z's ability to save. High living costs reduce disposable income, making long-term saving a lower priority.
- Irregular employment patterns create pension gaps. Gig workers and the self-employed often lack access to employer-sponsored pensions, limiting their retirement savings.
- Automatic Enrolment (AE) provides a strong foundation, but minimum contribution rates may be insufficient.
- Fragmented savings and small pension pots are a growing issue. Career changes and multiple jobs lead to small, disconnected pension pots, increasing the risk of lost savings.
- Digital platforms like TikTok and Instagram are primary sources of financial information, but unregulated guidance risks poor decision-making. Pension communication should align with Gen Z's digital habits to improve engagement.

[10] https://www.pensionspolicyinstitute.org.uk/research-library/research-reports/2025/the-concerns-of-gen-z/#:~:text=This%20report%20examines%20the%20unique,career%20paths%20affect%20pension%20savings.

- Delays in marriage and parenthood reduce immediate financial pressures but concentrate them in later life, potentially affecting retirement planning

The role of artificial intelligence (AI)

Q6. Will AI and other technologies deliver a sufficient rise in productivity to offset the impact of an ageing and shrinking workforce on the economy?

Although AI has significant potential to improve productivity across the economy, we do not attempt to quantify the impact. Hence, we do not have a view on whether the associated productivity gains will fully offset the impact of an ageing/ shrinking workforce. Possible AI applications which could raise productivity are quite extensive. Current and prospective examples include, for example:

- automating time-consuming, routine, 'low risk' tasks, thus freeing-up individuals for more value-adding/ impactful work.
- automating repetitive tasks.
- AI-powered text or voice customer chatbots to attend to basic customer service inquiries, perhaps using human oversight for more complex or material queries.
- fraud and anomaly detection in financial transactions.
- more efficient customer service by better identifying customer needs, including '24/7' customer service, when the customer wants it.
- development of personalised user-interfaces with products and services.
- AI-powered investment tools helping individuals better engage with their long-term savings and pension investments.
- upskilling employees by using GenAI as a tutor, including on AI content.

It is also quite likely that AI will lead to considerable displacement of roles across the economy, with some sectors likely to be more impacted than others. As above, AI has significant potential to replace administrative and manual processing jobs. However, there could be scope for individuals to reskill and focus on alternative, value-adding roles, including in interpreting AI-generated outputs.

International comparisons

Q7. Which countries can the UK learn from in facing the demographic transition to an older population?

When it comes to navigating demographic transition, the UK can draw key lessons from both "ahead-of-the-curve" countries (like Italy, Japan, South Korea) that are facing the sharpest aging challenges now, and innovative reformers that are experimenting with bold policies to mitigate the effects.

South Korea

- Total fertility rate: ~0.7[11] (world's lowest)
- Challenge: A rapidly shrinking workforce and extreme urban concentration; marriage and parenting have become unaffordable and unattractive for younger generations.

Policy response:

- Huge public spending on fertility: cash bonuses, free IVF, childcare vouchers.
- Expanded parental leave and pay.
- Housing loans for newlyweds and parenting couples.

Lesson for UK:

Financial incentives alone don't work. The deep crisis is cultural, economic, and gendered — tied to housing, work stress, and low gender equality. Korea shows how hard it is to reverse a low-birth-rate spiral once trust in the system erodes.

Italy

- Total fertility rate: ~1.2[12]
- Challenge: Long-term stagnation, brain drain, and one of the oldest populations in Europe.

Policy gaps:

- Weak childcare infrastructure and female workforce participation.
- Strong family norms, but little state support.
- Low internal mobility and poor housing options for young families.

Lesson for UK:

Delaying reform can lock in decline. Italy shows how fragile growth becomes when younger generations lack support to form families and contribute productively.

Japan

- Fertility rate: ~1.2[13]

Policy response:

- Serious investment in elder care technology and health systems.
- Pioneering “productive aging” policies — keeping older people active in society and labour markets.
- Urban redesign for aging populations.
- Attempts to raise fertility have largely failed.
- Resistance to large-scale immigration.

Lesson for UK:

While reversing low fertility may be hard, a dignified, productive aging society is possible. UK should invest now in healthy aging, workforce flexibility, and community infrastructure.

France

- Fertility rate: ~1.7[14] (highest in EU)

Policy response:

- Strong childcare from infancy.
- Family-based tax system (quotient familial).
- Affordable housing and long-term rental protection.
- Cultural narrative: parenting is compatible with modern life.

Lesson for UK:

France shows that a supportive state can sustain fertility and dual-earner family models — without major trade-offs in gender equality or employment.

[13] https://data.worldbank.org/indicator/SP.DYN.TFRT.IN? FR

[14] https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=FR

Germany

- Fertility rose from 1.4 in 2000, to around 1.6 in 2021, although now fallen back to around 1.4[15]

Policy response:

- Major reforms in 2007–2013: better parental leave, expanded childcare.
- Workplace flexibility encouraged for both genders.

Lesson for UK:

Long-term, consistent reform can work. Germany shows that investing in women's workforce participation and removing childcare bottlenecks can change demographic trends over time.

Other interesting, creative and effective responses and approaches to aging populations include:

Singapore

- Very low fertility (~1.0[16]), rapidly aging, limited immigration capacity.

Singapore treats aging as a design challenge, integrating housing, health, and community into cohesive urban policy. This includes innovative approaches such as:

- "Action Plan for Successful Aging" with over 70 initiatives.
- Retirement villages, senior co-living, and active ageing hubs.
- Financial literacy and "re-employment" incentives to keep seniors working post-retirement.
- National step-tracking and wellness campaigns for lifelong health.

Singapore's Action Plan for Successful Ageing, launched in 2015 and updated over time, is one of the most ambitious and comprehensive national strategies to prepare for a rapidly aging population. It's not just about care or pensions — it's a whole-of-society approach that treats aging as an opportunity for lifelong contribution, innovation, and social cohesion. The government recognised that aging touches everything — work, housing, healthcare, community, transport, and digital inclusion. The Action Plan was co-developed with over 4,000 Singaporeans through public consultations.

[15] https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=FR

[16] https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=FR

Finland

Finland is aging fast but has a strong welfare tradition. Key policies here include:

- Preventive healthcare focus: regular home visits for over-75s.
- Community-based elder care instead of institutions.
- Smart tech integration into homes to allow independent living.

Netherlands

Netherlands is experiencing aging and housing pressure, especially in cities. They are implementing some creative solutions that tackle both housing shortages and social isolation creatively:

- “Granny flats” and modular housing designed for aging in place.
- Intergenerational living models: e.g. students living rent-free in retirement homes in exchange for companionship.
- Home-sharing platforms that match older adults with younger tenants.

Denmark

Denmark is a model for “productive aging”, seeing older adults as contributors, not dependents. Success is shown by the high employment rates they have for 65+-year olds at c22.6%[17]. This compares to a comparable rate in the UK of 12.5%[18].

The approach includes:

- No formal retirement age — flexible transition encouraged.
- Employers incentivized to offer gradual retirement, part-time roles, and retraining.
- Active ageing policies focus on social participation, not just work.

Some key lessons for the UK from these examples include:

- Workforce participation: build an inclusive, multigenerational labour market

- Community infrastructure: co-locate health, housing, and social support
- Housing: make downsizing and ageing-in-place viable
- Preventive health and active ageing: scale public health beyond the NHS
- Care and social support: grow a high-trust, high-status care economy
- Cultural framing: reimagine ageing as a life stage of possibility

Solving the Care elephant in the room - portable care saving schemes

Currently adult social care in the UK is underfunded, means-tested, and fragmented. There is no clear and predictable pathway for people to prepare and plan for care costs in later life. As a result, there is increasing reliance on unpaid family carers (often women). Private insurance products are limited, expensive, and unpopular.

Portable care savings schemes are personal, dedicated savings accounts or contribution schemes that follows you through life, building up funds to pay for your care when needed. They are designed to help individuals prepare for long-term care needs in later life — much like a pension, but focused on funding future personal or social care, not just income.

They're especially relevant in countries facing rapid aging, rising care costs, and strained public services — and are increasingly being discussed as a sustainable, dignified alternative to relying solely on the state or private insurance.

Some global examples include:

Singapore – ElderShield/CareShield Life

- Mandatory long-term care insurance funded by regular contributions from age 30.
- Pays out monthly benefits when one becomes severely disabled and needs care.
- Integrated with CPF (their national savings scheme), making it portable, automatic, and funded by individuals, not employers.
- Government co-funding for lower-income individuals. Low-income individuals receive premium subsidies of up to 70%.
- By 2021, nearly all citizens aged 30–40 were enrolled.

Germany – Pflegeversicherung (Long-Term Care Insurance)

- Mandatory public long-term care insurance, funded through payroll taxes (shared between employee and employer) since 1995.
- Benefits are portable, and individuals choose how to use them — home care, residential, or informal support.
- Has helped stabilise care funding and reduce reliance on family or means-tested systems.
- 90%[19] of Germans are covered under the public scheme.

Japan – Long-Term Care Insurance (LTCI)

- Public insurance scheme funded by taxes and premiums from those over 40.
- While not an individual savings account, it's universal, transparent, and dedicated to care, ensuring public buy-in.
- Entitlement-based: benefits determined by assessed need.
- Huge increase in care access and take-up since launch in 2000.
- Eased the burden on women and family carers.
- Linked to lower hospitalisation rates among older adults, as more needs are met at home.

A portable care saving scheme in the UK could create a dedicated, predictable funding stream for individuals' future care. This would help to encourage early planning and personal responsibility, especially from midlife onwards. There would be an ability for funding to be pooled or matched by the state for those on low incomes. People would be empowered to choose the type of care that best fits their values and situation — whether family-based, home-based, or institutional.

Linking a portable care savings scheme to broader pension and social care reform in the UK offers a chance to create a fairer, more sustainable, and more transparent system for funding ageing — one that doesn't pit generations or income groups against each other, and that better reflects how people actually age, work, and care.

A parallel care fund ("CareSaver") could sit alongside workplace pensions, following a similar opt-out model, with draw-down rules linked to verified care needs rather than retirement age. A "partnership model", like the Dilnot Commission proposed, blending personal responsibility with collective security, could be used – the individual CareSaver covering moderate costs, the State covering catastrophic care costs above a lifetime capped amount. This would shift the whole system toward early intervention, dignity, and choice — rather than emergency intervention.

A major gap in the current system is how little family care is formally recognised – for young and old. A possible reform idea would be to let people transfer CareSaver funds to a spouse or parent, or pool within families. This would recognise and support informal carers (who lose pension credits) via top-ups to their CareSaver pots with portable credits for unpaid care years, like a “Carer’s Pension Boost”. This would value and reward care work and reduce the current gender imbalance in later-life poverty.

Implementing changes along these lines could reshape how the UK sees ageing — from a looming liability to a shared responsibility with practical tools, clearer expectations, and dignity built into the design. The UK has a real chance to innovate in this space, learning from and building on the numerous examples from other countries that have implemented targeted policies in this space before us.

Intergenerational fairness considerations

Q8. Which countries can the UK learn from in facing the demographic transition to an older population?

A key focus for the IFoA

Our members conduct public-interest work that affects the financial futures of millions of people, whether it is performing complex and highly specialist analysis to enable pensioners to receive their pensions or ensuring insurance products are priced accurately for customers and businesses. Our members also have a deep interest in upholding intergenerational fairness.

As noted by a former IFoA President, Colin Wilson.

‘At the IFoA we are strongly of the belief that the intergenerational fairness question should not be framed as a war between the generations, nor should we be wedded to a narrative that pits disgruntled Millennials against high-flying Baby Boomers. Rather, we should consider how public policy can help to balance the needs of current generations with those of future generations, without placing an unfair burden on either.’

There are several issues raised in relation to intergenerational fairness and an ageing society including retirement, climate change and health and social care.

Intergenerational fairness and retirement – a ‘great risk transfer’

Since the start of 2020 the IFoA has been campaigning on what we have termed ‘the Great Risk Transfer’ (GRT). We have been exploring a trend to transfer risks from institutions – such as employers, the state and financial services providers – to individuals. Our work suggests that the causes of this trend are complex, covering a variety of factors from increasing longevity to technological advances, the low interest-rate environment and changes in financial regulation.

The move from DB to DC pensions as the main form of retirement saving in the UK over the past decade has shifted the responsibility for retirement income from employers to individuals. While many (but not all) of those in older cohorts are likely to be able to rely on DB pensions to fund some, if not most, of their retirement, younger cohorts will be much more reliant on defined contribution (DC) pensions. Pension freedoms offer savers greater choice and flexibility in drawing down their pension. However, research commissioned by the IFoA, ‘Freedom and Choice: Public attitudes a decade on’[20], consistently shows that

[19] (PDF) The German Long-Term Care Insurance Program: Evolution and Recent Developments

[20] https://actuaries.org.uk/media-release/ten-years-on-from-pensions-freedoms-many-savers-still-not-accessing-advice/

people are not confident in managing this risk and that they are not always seeking advice and guidance on how to do so.

‘Collective Defined Contribution’ (CDC) schemes

A third type of pension framework, “collective defined contribution” or CDC is currently under development in the UK. This seeks to address the individuals’ risks, and their confidence in managing risks, in investing and longevity associated with traditional DC pensions, as well as the employers’ risks in high funding costs associated with DB pensions. A well-designed CDC scheme is able to balance these risks with minimising intergenerational cross-subsidies, as highlighted in the IFoA’s research paper “CDC – the route to effective scheme design”. We are working closely with the DWP to finalise regulations that will enable a broad range of CDC schemes to be developed.

Now, however, only Royal Mail has a CDC scheme, though it is hoped other large employers or industries will also set up their own “whole of life” schemes (so-called because members accrue CDC rights during their employment and then those rights are paid out by the scheme in retirement).

Another approach called “decumulation-only” CDC or “D-CDC” would open up CDC to ordinary (individual) DC savers when they retire. In short, it would allow them to buy an income stream with their DC pot – those pots would be collectively managed to make payments to retirees, with payment levels depending on the collective investment, inflation and mortality experience of members. This would be both an alternative to traditional annuities (because payment levels are not guaranteed) and drawdown (because of the collective risk sharing, trustee management, and focus on an income stream). For this to be successful we believe it would need to be adopted by a sufficient number of trustees under their forthcoming “Guided Retirement” default duties, shortly to be set out in the Pension Schemes Bill. We would therefore strongly encourage the Government to press ahead with enabling D-CDC, partly so that any necessary primary legislation is included in the Bill, but mainly so that the market can respond and make D-CDC a live option when trustees come to consider their Guided Retirement duties in a few years’ time. Our concern is that if trustees have already spent time making their Guided Retirement decisions before D-CDC is a live option, then there will inevitably be some inertia in moving away from their existing decisions.

The ’triple lock’

Additionally, increasing longevity and demographic change has cast a direct focus on the long-term future of the state pension. Intergenerational fairness is a key consideration if we are to ensure a stable, happy and financially sustainable life in retirement for all.

We have already mentioned, in response to question 5, the different pension and savings challenges between younger workers and the generations who have already retired. On average, the older generations have built up significant housing wealth and benefited from valuable defined benefit rights. By contrast, younger generations are increasingly renting and in less generous DC schemes, which both present challenges to building up pensions and housing wealth.

As many of our members work in the pensions field it may be appropriate for us to briefly mention the triple lock, the effects of which we do not think are widely or well understood. The Work and Pensions Secretary recently stated the Government’s “ironclad commitment to the Triple Lock gives pensioners across the country the certainty and security they need to live a full life in retirement”. However, although the political commitment may currently be strong it is not clear how long-term that commitment is and nor is it set out in law (legislation only requires the Secretary of State to revalue the basic state pension and the single-tier state pension by the annual increase in the general level of earnings).

Nor is it clear how and when the state pensions will increase relative to prices or earnings over the long term. The nature of the triple lock (minimum annual increases of earnings inflation, price inflation, and 2.5% each year) mean, in practice, that in the long-term the triple-locked pensions must rise faster than each of those individual measures. In particular, the 2.5% floor means that state pensions will increase most sharply relative to both prices and earnings in times of low inflation or earnings growth. We note than means-tested pensioner-age and working-age benefits are not “guaranteed” to rise in this way and often do not receive the certainty and security they need to live full lives.

We cannot think of another major area of public expenditure that is “guaranteed” to rise faster over the long-term, per person, than average earnings or prices, and in such an unpredictable way, irrespective of the needs of its recipients. This creates a generational tension between what the Government is willing to spend on different age groups, with an apparently systemic preference to spend on older citizens to the detriment of the young. It also puts increasing pressure on the state pension age – all things being equal a higher state pension for all tends to make lower state pension ages less affordable. There is a risk that older citizens benefit from a combination of state pension ages and increases that will be unaffordable for younger generations.

We recognise that the triple-lock policy was intended to raise the level of the state pensions in real terms. However, the end point is unclear. In our view, a sensible long-term approach would be for the Government to set out what level of state pensions were intended and affordable relative to both earnings and prices, how to get there, and how to maintain that position in the long run. This could be then set down in legislation and properly allowed for in long-term fiscal planning. That may involve some sort of “lock” but we do not expect it would be the present one.

END.