

Scenarios for the future of pensions and healthcare in rapidly ageing world

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Geneva, Switzerland 23 September 2008 – The world is ageing at an unprecedented rate. This will undermine the financial sustainability of not only traditional pension systems, but also conventional healthcare systems. A new report from the World Economic Forum argues that urgent action in many countries around the globe is required to meet these challenges.

The World Economic Forum's report, [The Future of Pensions and Healthcare in a Rapidly Ageing World – Scenarios to 2030](#), released today, indicates that new forms of collaboration between key stakeholders – individuals, financial institutions, healthcare providers, employers and governments – will be critical to finance the ongoing well-being of current and future generations in a sustainable manner.

“The ageing of our societies is one of the most profound challenges that the world is facing today. New solutions are required to afford adequate and accessible retirement and healthcare services for the world's ageing population in 2030 and beyond,” said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum. ([watch a five-minute interview](#) with the co-authors of the report, Bernd Jan Sikken, Associate Director, Financial Institutions; Head of Project Management, Centre for Global Industries, and Chiemi Hayashi, Associate Director, Scenario Planning Team, both of the World Economic Forum.)

The World Economic Forum's report takes an innovative approach to the analysis, describing three thought-provoking scenarios to 2030. The scenarios are designed to challenge current thinking, create new insights, facilitate the debate between key decision-makers and provide momentum for action.

The Winners and the Rest, the first scenario, is a world in which global economic growth delays the financial consequences of the emerging demographic crisis. Despite growing liabilities from ageing populations, most governments are able to maintain scaled-back versions of existing social security systems, which they do as a matter of political expediency. However, amid growing inequality and underinvestment in the public sector, such systems are seen as increasingly inadequate by those forced by low incomes to rely on them, creating a conflict-ridden climate of “The Winners and the Rest” on a global scale.

We Are in This Together, the second scenario, is a world distinguished by a concerted effort on behalf of leaders and electorates to rein in growing inequality and reassert the idea of collective responsibility and accountability for social services. In this world, growth is moderate, but lower than expected returns on capital are compensated for by an emphasis on finding innovative, efficient and inclusive ways to manage the financial implications of the demographic shift, including family- and community-based solutions.

You Are on Your Own, the final scenario, is a world in which an economic recession is prolonged in the early 2010s, causing fiscal difficulties for most state-funded pension and health systems. Individual responsibility is forced upon many people by the failure of existing social security systems under extreme financial pressure. Struggling to borrow or raise taxes sufficiently, many governments take aggressive measures – such as “retiring retirement” – to push healthcare and pension liabilities onto individuals and the private sector, maintaining only an absolutely minimal role in social security provision for the very needy.

Given the impact of politics and public policy on this issue, the implications of these global scenarios are also explored in two country deep-dives on the People’s Republic of China and Italy. Key challenges explored for China include unequal coverage and access to both pensions and healthcare, institutional structures for the provision of pensions and healthcare, and the opening and deepening of financial markets. The Italy deep-dive focuses on the sustainability of the public pension system, future reforms and the effect of skyrocketing healthcare costs. Although both countries face pressing challenges from ageing societies, their futures may evolve very differently due to cultural, economic and political drivers.

Employing a multistakeholder approach to produce this report, the Forum engaged over 200 leaders, representing 60 companies (financial institutions and healthcare providers) and 40 non-business organizations (ministries, academic institutions and international organizations).

“This report is timely because all stakeholders recognize that a secure retirement and access to healthcare in older age are significant forces for social cohesion. This, in turn, is essential to global economic and social stability. In publishing this report, the World Economic Forum has contributed to the deeper understanding of a profound global trend,” said Michele Burns, Chairman and Chief Executive Officer, Mercer, and Chair of the Advisory Board Financing Demographic Shifts.

While developing scenarios is crucial to better understand the future, the Forum is also committed to catalysing solutions. Hence, to explore the strategic options in further detail, the World Economic Forum has embarked on a second phase of the Financing Demographic Shifts project. This will consider innovative and highly effective solutions for stakeholders to capitalize on opportunities and overcome risks and challenges. The scenarios and interim findings on strategic options will be discussed in detail by world leaders at the World Economic Forum Annual Meeting 2009 in Davos-Klosters.

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