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Countries With Older Populations Set for Weak Income Growth

BY PAUL HANNON

Incomes in rich countries are going to grow much more slowly as populations age in coming decades unless more women, older people and migrants can be persuaded to work, the Organization for Economic Cooperation and Development said Wednesday.

The Paris-based research body said that as a result of lower fertility rates, by 2060 the number of people who are of working age in its 38 members will have declined by 8%, while it will have dropped by more than 30% in over a quarter of those countries.

With people living longer, the ratio of those who are past working age to those between 20 and 64 likely will jump to 52% by 2060 from 31% in 2023. In Italy, Japan, Poland, Spain and South Korea, that ratio will be above 75%. As a result, economic output per head—a key determinant of incomes—will grow at a slower pace because a smaller slice of the overall population will be working.

"The impact of aging populations threatens the very engine of economic growth, which depends on human resources to produce output," said Stefano Scarpetta, the OECD's director for employment. "The economy has entered a new era, where the challenge shifts from a short-age of jobs to a shortage of workers."

The OECD estimates that gross domestic product per capita—a measure of output per person—will increase at an annual average rate of just 0.6% in the years to 2060, down from 1% in the decade leading up to 2020.

The U.S. and Ireland are set to be exceptions, with per capita GDP rising at an unchanged pace, while Denmark, France and Portugal will see only modest slowdowns. In the U.S., that is because the share of the population who are available for work already has fallen in recent decades.

The research body said that across its members that slowdown can be avoided if more women, older people and migrants join the workforce.

It estimated that if all countries could keep older people employed for as long as the leading economies, per capita income growth could be lifted by 0.2 percentage points in half of the OECD's members.

Cutting back on migration, as the U.S. and some other countries aim to do, would make it more difficult to increase incomes.

The OECD also is skeptical about the potential for artificial intelligence to help offset the decline in the number of workers, arguing that there is no substitute for people.