AARP INTERNATIONAL OPINION LEADER RESEARCH ON GLOBAL AGING

AARP

OBJECTIVES

AARP’s objective in conducting this international opinion leader research is to understand how global aging has an impact on the economics of the G7 countries, and how the countries compare to each other regarding how they are preparing for the aging of their populations.

The research was conducted in conjunction with AARP’s Reinventing Retirement Conference in November 2004 in London. Specifically, AARP seeks to accomplish the following objectives in this research and at the conference:

• Build partnerships between international stakeholders including policy makers and leaders in business, labor, NGOs, and media;
• Advance the international dialogue on addressing the needs of aging populations and the challenges and opportunities of global aging.
• Continue and support AARP’s mission of helping mid-life and older persons live longer, healthier, financially secure and more productive lives.

METHODOLOGY

Wirthlin interviewed a total of 158 opinion leaders in seven countries across four audiences beginning on July 8, 2004 and ending on October 4, 2004. The breakdown of the audiences is as follows:

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Because the research sample was designed as a purposive sample and the level of respondent was at the highest level within organizations, the resulting findings are not meant to be projectable within accurate statistical ranges. However, the findings offer insights into the thematic and directional information from respondents.

SUMMARY OF FINDINGS

- Aging is considered an important issue by all.
- G7 leaders believe that the trend will have a definite impact on their countries, but most are not confident that they are prepared to deal with the effects of an aging population.
- Labor shortages are anticipated as a result of an older workforce and immigration is expected to take place in order to balance the effects of an aging population.
- Leaders are optimistic that their countries will be able to handle the challenges and opportunities of population aging, but admit that there are few concrete plans in place.
- Italy, Germany, France and Japan will potentially face the greatest challenges.

AGING COMPARED TO OTHER ECONOMIC ISSUES

There are a variety of economic issues facing developed countries that opinion leaders believe are important and will significantly impact them. Leaders in France, Japan and the UK are more likely than others to consider aging to be an important issue. Others like Germany and Italy mention concerns surrounding public pensions, which also encompass the aging issue. Leaders in the US and Canada view globalization of trade and skilled labor shortages as the most important issues.

- All audiences agree on the importance of the aging issue.

Global aging, specifically, is seen as a trend with significant economic implications by most opinion leaders of the G7 countries. Higher costs for social services, pensions, and health care, as well as possible labor shortages and other changes resulting from an older labor force, are seen as likely outcomes of this trend.
IMPACT OF AGING

Most opinion leaders feel that their countries will be greatly affected by aging but are not well prepared to deal with it. This feeling is especially prevalent in Germany, Italy and Japan. North American leaders generally feel more optimistic about its preparedness to deal with the effects of aging.

- All audiences agree both that their countries will be affected by an aging population, and that their country is not very or not at all prepared to deal with potential changes that may result. Most claim that their countries are aware of the problem, but are not moving at all or are not moving very quickly to find a solution.

- Corporate, Government and Media leaders forecast being more greatly affected by population aging compared to other audiences, but government and media leaders are less confident than those in corporate that their countries are well prepared to deal with its effects.

HANDLING CHALLENGES AND OPPORTUNITIES OF GLOBAL AGING

Overall, instead of taking proactive steps to address the aging issue, there is an overwhelming attitude among opinion leaders that their countries will “muddle through”. As most are not prepared and are not actively preparing themselves for the effects of the aging trend, most believe that they will eventually find the proper solutions, but not without first encountering difficulties and challenges.

Seven out of 10 opinion leaders feel that their countries will be able to effectively handle the challenges and opportunities they will face as a result of the aging of their populations, but fewer than one in ten feel strongly optimistic in this regard. This optimism tends to be based less on concrete factors than a general confidence in their country’s historic ability to handle challenges in an effective manner. Opinion leaders from Canada, Germany and the US tend to be the most optimistic in this regard, while those from Italy express the most concern.

- Corporate and Government leaders and the A/T/NGO/U community all tend to think their country will deal effectively with challenges and opportunities created by the aging population. Media leaders as a group are more skeptical, almost half doubt their country will handle the situation effectively.
PREPARATION FOR AN OLDER WORK FORCE

Despite the likelihood of future labor shortages and the varied possibility of more immigration, opinion leaders feel ill prepared and few see any meaningful efforts directed at dealing with an older work force. Opinion leaders also see only limited efforts to train or retain older workers or to remove active barriers to continued employment. North American and UK leaders were more positive about their country’s ability to deal with an older work force, while leaders in Japan and Europe were more pessimistic.

- Corporate and government leaders are more likely than media and A/TT/NGO/U leaders to believe that their countries are prepared for an older workforce.

Despite a lack of preparation for an older work force, six in 10 opinion leaders of the G7 believe their country will experience a labor shortage – 28% say this is very likely and 32% say it is somewhat likely. The likelihood of labor shortages seems more likely in some industries than others and the potential varies by country. Leaders in Japan, Germany and France are most likely to predict experiencing a labor shortage, while those in the US, UK, Canada and Italy appear to be more confident. Unskilled and untrained work forces are seen as at least a partial cause of any likely labor shortage. France, Canada, the UK, and Germany to a lesser extent, expect that immigration policies are likely to be made less strict to accommodate labor shortages. Japan, Italy and the US are more evenly divided on whether this is a likely outcome.

- Corporate leaders are relatively more confident than other audiences that their countries will not experience a labor shortage in the next 20 years, but the prospect of labor shortages remains a concern across all audiences.

- All audiences believe it is likely that immigration policies will be relaxed to accommodate labor shortages: Government leaders are most likely to believe that this will happen.

PREFERRED PROVIDER OF RETIREMENT INCOME

There is a consensus that retirement income needs to be provided by a combination of public pensions, occupational pensions, and individual savings and work. Over three-quarters of opinion leaders believe that the responsibility of providing retirement income should be a combination of individuals, government programs and employer-based pensions. More individual planning, diffusion of risk, use of public programs as a safety net,
and a greater emphasis on employer pensions were all seen as important factors in any retirement income system.

Overall, opinion leaders believe the optimal mix of retirement income for average retirees leads with the public sector, followed by employer based pensions, and then individual savings and employment. European leaders, especially those in Italy and Germany, would allocate the greatest percentage of support to the public pensions. Leaders in Japan, US and Canada put a greater responsibility on the part of the individual compared to other countries.

- All audiences concur that the responsibility for providing for retirement income should be shared, with individual savings, government programs and employer-based pension schemes all playing a role.
  - Corporate leaders do not allocate any responsibility to the government and Media leaders do not distribute any responsibility to employer-based pensions.
  - Compared to all other audiences, the A/TT/NGO/U audience gives a larger share of responsibility to government programs, while Government leaders indicate that a greater burden should be placed on the employer as well as the individual.

- Corporate and Government leaders both think the optimal sourcing mix of retirement income is one-third each for public pensions, employer-based pensions and individual savings. The Media and the A/T/NGO/U community would allocate relatively more weight (about 40%) to public sourcing of retirement income.

### QUALITY OF LIFE FOR THE AVERAGE RETIREE

Most opinion leaders do not feel that their nation’s retirement benefits enable the average retiree to live comfortably in retirement. This feeling is especially apparent in the UK, Canada, and Italy, less so in Germany, France and Japan. Some leaders consider today’s older persons to be better off than in the past, whereas others view government pensions only as providing minimum support and expect it to run dry.

- A majority of all audiences, with an emphasis on Government and Corporate leaders compared to the Media and A/TT/NGO/U audiences, do not think that the average retired person in their country today has a pension or benefits that are sufficient to provide for a comfortable life.
CHANGES TO PUBLIC PENSION SYSTEMS

Extent of Change Needed to Public Pension Systems

Most opinion leaders feel that their public pension systems need to be changed to accommodate the impact of aging in their countries. Forty-six percent of leaders believe that great change is necessary and 34% believe that moderate change needs to occur. Europe, notably Germany and the UK, and Japan demand the greatest changes to public pensions compared to the US and Canada. Concern over long-term solvency and the need to put a greater emphasis on individual savings are cited by many in this context. Better funding of these systems, raising and/or eliminating mandatory retirement ages, and educating/encouraging individual savings were the possible changes most frequently advocated.

- Leaders in all audiences also believe that changes need to occur in the public pension system. Media and Corporate leaders tend to believe that a greater degree of change is necessary compared to the A/TT/NGO/U and Government audiences.

Political Achievability of Change to Public Pension Systems

Opinion leaders are ambivalent regarding the potential of meaningful change to their public systems given their political environment. Over half of opinion leaders believe that changes to the public retirement system are at least somewhat politically achievable, with one-fifth considering them very achievable. Change is seen as most possible in Japan, the UK, and Canada, less likely in France, Germany, Italy, and the US.

- The A/T/NGO/U community is the most pessimistic on this issue, believing that a great deal of change is required and doubting that such change is politically achievable, while Government, Media and Corporate leaders are more neutral overall.

Leaders believe that the ability to initiate change depends largely on public support and the political party in power. Those who doubt their country’s ability to change say that the stalwart is that their government has yet to admit the problem even exists.

CHANGES TO EMPLOYER-BASED PENSION SYSTEMS

Extent of Change Needed to Employer-Based Pension Systems

The employer-based pension systems are also seen as ripe for change in most nations, although this feeling is less prevalent in Canada and Japan. Thirty-two percent of lead-
ers report their occupational pension systems need great change and 29% report that they need moderate change. Potential funding shortfalls and the lack of pension security were most often mentioned in this regard, along with a desire to help workers move toward more individual retirement funding.

- Media leaders are more likely than other audiences to believe that changes to their country’s employer-based retirement system are necessary, while Corporate leaders are least likely to believe that changes to occupational pensions are necessary.

Political Achievability of Change to Employer-Based Pension Systems

Opinion leaders are cautiously optimistic regarding the potential for meaningful change to employer-based pension systems, with those in all countries but Italy expressing this degree of optimism. Over half of opinion leaders believe changes to the occupational systems are at least somewhat politically achievable – one-fourth expects them to be very achievable. In Europe, particularly, the perceived need for change will be hindered by anticipated low political achievability. Leaders also believe that similar to changes to the public pension retirement systems, changes to the occupational systems depend on public support and the political party in power.

- Government and Corporate audiences are more hopeful than A/TT/NGO/U and Media that changes to the employer-based pension systems can be achieved.

MAIN TAKEAWAYS

- Aging is considered an important issue by all.

- G7 leaders believe that the trend will have a definite impact on their countries, but most are not confident that they are prepared to deal with the effects of an aging population.

- Labor shortages are anticipated as a result of an older workforce and immigration is expected to take place in order to balance the effects of an aging population.

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