
As national safety nets fray, employers may need to step up: Mercer

By Editor Test Wed, Dec 5, 2012

By 2020, Canada, Japan and Russia will each see a 4% decline in their working (ages 15 to 64) populations, while the UK, US and China could see a 2% decline, said a new Mercer report, based on International Labor Organization data.

As working age populations shrink in the next eight years, it will put stress on national pension systems and pressure companies to compensate with stronger health and retirement benefits, according to a new survey from Mercer, *IPE.com* reported.

By 2020, Canada, Japan and Russia will each see a 4% decline in their working (ages 15 to 64) populations, while the UK, US and China could see a 2% decline, said the report, based on International Labor Organization data. Hong Kong's working-age cohort will decline to 70% from 76% of the total population.

"While the changes seem small in percentage terms, this is a dramatic demographic shift and can have a major impact on state pension systems," said Deborah Cooper, partner in Mercer's retirement business.

Companies, already faced with demographic change in their own retirement plans, would be expected by employees in many countries to fill the gap in health and retirement benefits as the government raises the minimum pension age and/or reduces benefits.

"To do this effectively," Cooper said, "companies and employees need to revisit fundamental beliefs on how to prepare for and structure retirement."

The sustainability of the UK's pension system is apparently lagging. The 2012 edition of the Melbourne Mercer Global Pension Index gave the UK a score of 46.5, compared with an average of 52.1. In 2009, when the index was launched, the UK's sustainability score was 56.4.

The Index tracks the sustainability of the program in the face of factors like the old age dependency ratio, the state pension eligibility age, the opportunity for phased retirement and the labor force participation rates of older workers.

"Only about 50% of the workforce in the UK belongs to an employer-sponsored pension scheme, and there is a risk the system will fail the other 50%, since continuing demographic change will make it hard for the (sometimes self-) excluded group to catch up," the Mercer report said.