



GOVERNMENT OF BERMUDA
Ministry of Economy and Labour

POSITION PAPER ON

Addressing the Challenge of an Ageing Population in Bermuda





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I OVERVIEW

1. The purpose of this Paper is to state the Government's position on the demographic challenge of an ageing population, as measured by the old age dependency ratio, and to articulate the approach it will take to reduce that ratio by increasing the working population in Bermuda. The impact of executing this approach will be economic growth and the creation of new jobs.
2. Current statistics show that demographics are working against Bermuda in terms of total population and demographic profile. Even more concerning is the strong correlation between economic growth and the structure of the labour force. The anticipated decline in Bermuda's labour force will directly impact Bermuda's Growth Domestic Product (GDP) growth over the coming years. One of the biggest contributors to the contraction in the labour force is Bermuda's ageing population. Older residents are now becoming an expanding portion of the population at a rapid rate.
3. With the continuation of this trend, it is predicted that Bermuda's old age dependency ratio will be higher in 2026 than the projected OECD average. This signifies that there will be increased pressure placed on the working population to support our senior population.
4. To move Bermuda's ratio closer to the OECD average (Table 1) and maintain an appropriate level of economic growth, the Government will need to reduce the old age dependency ratio by increasing the working population, among other measures.
5. This Paper largely utilizes the data and analysis contained in the publication entitled, "Bermuda's Population Projections 2016 – 2026" to articulate the need for urgent action.

II PROBLEM

6. It is predicted that Bermuda's current working population will be unable to support the local economy in years to come. This situation is due to the following circumstances:

Decreasing Birth Rates and Increasing Death Rates

7. According to *Bermuda's Population Projections 2016 – 2026*, Bermuda's birth rate is projected to decrease from 9.3 per 1,000 people to 7.3 in 2026. Between 2016 and 2026, the total fertility rate for Bermuda's women is expected to remain constant at 1.4 children per woman. In contrast, Bermuda's death rate is expected to increase from 7.6 per 1,000 people to 9.4 during this same period. Bermuda's couples are having an insufficient number of children to replace themselves.

Population Expected to Age

8. One indicator of an aging population is an increasing median age. In 2016, the median age for Bermuda's total population was 44.1 years and by 2026 the median age is projected to increase to 48.6 years. The median ages of males and females are expected to increase by 4.5 years during this period. This means that with no intervention, there is no slowing of this trend in the foreseeable future.

9. As life expectancy increases and large groups born during past periods of high fertility become older there will be a proportional gain of 8 percentage points in the population 65 years and over resulting in seniors representing nearly one-quarter of the population in 2026. With the exception of the 15-24 and 65 years and over age groups, all other age groups are expected to have proportional declines.

More People will Retire

10. As baby boomers age over the coming years, more persons will be reaching retirement age than in the past. Due to the decline in the birth rate, it may be difficult for employers to secure enough qualified Bermudians to fill vacant positions. The rise in life expectancy will also have consequences on the structure of our society and economy.

III BERMUDA'S OLD AGE DEPENDENCY RATIO

11. The old age dependency ratio is the ratio of the population 65 years and over to the population 20 to 64 years. $(\text{Population 65 Years and Older} / \text{Population 20 to 64 Years}) \times 100$ (See Table 1). The old-age dependency ratio can be a gauge of society's capacity to maintain the quality of life of seniors. In 2017, the old-age dependency ratio was 28.0 and by 2026 it is projected to soar to 43.6. This means that in 2026 there are expected to be 44 seniors (65 years and older) for every 100 people of working age (20-64 years). This measures the working age population's ability to support persons 65 years and over.

Table 1: Old Age Dependency Ratios in OECD Countries

Country	2017	2026
OECD Average	28.9	35.4
Bermuda	28.0	43.6
Canada	27.5	36.9
Germany	36.4	45.1
Japan	49.9	55.8
China	15.6	22.1
India	10.0	12.4

UK	31.7	36.2
France	34.4	40.4
Italy	37.6	43.6
United States	26.2	33.9

IV IMPLICATIONS OF AGING POPULATIONS

12. According to the Department of Statistics data, total filled jobs in 2008 was 40,213. More than 10 years later, and severely impacted by the pandemic job losses, total filled jobs in 2020 was 32,427. That is a loss of 7,786 persons or more than a 19% decline in the number of jobs filled since the peak.

13. In January 2022, KPMG reported in its *ERP – Economic Growth Status Report* that “Over the next eight (8) years, demographic data indicate that the working population will decline significantly thereby affecting GDP.” The report forecasts the following:

- i. Reduction of the total population by 132 on an annual basis;
- ii. Reduction of the labour force by 490 people on an annual basis;
- iii. Increase in the population 65 and over by 527 on an annual basis;
- iv. Reduction in population 14 and under by 169 on an annual basis.

14. There are numerous implications of an aging population. As a result of the aged currently making up one quarter of the Bermuda population, there will be significant implications, including the following:

Effects on Economic Growth and GDP

15. From an economic perspective, continued population loss could have serious implications, especially if it occurs rapidly over a matter of years rather than decades, it is important for Governments to act quickly to reverse the trend. Given that the workforce will decline by approximately 500 persons per year over the next few years as a result of an ageing population, it can be assumed that, at a minimum they need to be replenished. It should be noted that maintaining the workforce at its current level will not generate any additional GDP (assuming that the current level of workforce participation and employment remains the same).

16. There is a correlation between the labour force and economic growth as measured by GDP. With all other factors remaining the same, a declining population will result in declining GDP. The demographic challenge that lies on the horizon is that an increasing number of persons over the age of 65 who are no longer in the workforce are expected to live longer lives.

Unfortunately, the number of new births is too low to replace those retirees in the workforce. Available indicators show that Bermuda is rapidly facing a decline and aging of its population directly impacting the size of its labor force. An increase in GDP in this context is only possible through an increase in the productivity of the workforce or an increase in the working population.

Health Care

17. Bermuda spends about \$750 million dollars a year on healthcare. That cost is in large part paid by employers that buy health insurance for their employees. As the Bermudian population continues to age, more people will leave the workforce. The impact of this will be a reduction in how much companies pay into the healthcare financing pot and a shifting of those costs onto the remaining employees or directly to those that are no longer employed – without employer help.

18. Actuaries have modelled that healthcare costs are expected to rise over the next 15 years, due to the cost of care required for persons 65 years and over. As our working age to senior population ratio is forecasted to drop to 1.7 workers per senior in the next 15 years, the cost of healthcare for non-seniors will rise dramatically unless seniors are required to pay more into the healthcare funding pot.

Other Implications

19. Other implications of our ageing population include:
- i. For each person who cannot afford to pay into the healthcare pool, at least \$16,198 a year has to be found, to keep the healthcare pool that cares for the entire country sustainable. That number rises when the person who can no longer afford to pay is the one that requires complex care;
 - ii. When a person retires or is not working, their proportional health and social welfare costs increase. They may need to purchase more medications and caregiving services and pay more visits to the doctor. Due to not having replacement funds they will incur more charges out of pocket;
 - iii. An ageing population is likely to have increased occurrences of chronic health problems requiring the assistance of care providers and driving the demand for more retirement facilities able to deliver medical care;
 - iv. An ageing population will place more pressure on private pensions and on the Contributory Pension Fund (CPF), which is 43% funded, with an underfunded amount of approximately \$2 billion as at 2013; and
 - v. The CPF is likely to be depleted by 2049, according to the Auditor General's report of 2018.

V THE BERMUDA GOVERNMENT'S POSITION

Increase working population to reduce dependency ratio below OECD average

20. Government acknowledges that aggressive action needs to be taken to minimize the above implications of an ageing population. While the Government will continue to focus efforts on the Reemployment and National Youth Strategies with the aim of getting Bermudians back into the labour force, the Government will also aggressively implement other measures to increase the working population.

21. In the November 2020 *Speech from the Throne*, the Government pledged, "...the Government will continue to protect the rights of Bermudians, while reforming policies to increase the residential population to support economic growth." Further, in the November 2021 *Speech from the Throne*, the Government reiterated its pledge to increase the residential population as one of the themes of economic recovery.

22. Based on population projections, the increase in the working population required to realign Bermuda's old age dependency ratio with the OECD average is estimated to be 8,418 individuals. The 8,418 represents a 25% increase in workers on the island, based upon a working population of 33,496 estimated in the most recent Labour Force Survey of November 2020.

23. The Government will work to develop a strategy to increase the working population in Bermuda by at least 8,418 individuals over the next five years. This will equate to an average of 1,684 additional individuals per year (or a 5% annual increase) being added to the working population over the next 5 years.

24. Should this be achieved, Bermuda's old age dependency ratio will fall by an estimated 8.2 points, from a projected 43.6 to an estimated 35.4, bringing it clearly in line with the OECD average.

VI STRATEGIES TO INCREASE BERMUDA'S WORKING POPULATION

25. In addition to ensuring that every able bodied Bermuda has an opportunity to participate in the workforce, the Government will utilize net immigration as one of its solutions to reverse the trend of Bermuda's evolving demographic profile in order to improve the old age dependency ratio and to spur further economic growth. The Ministry is considering implementing strategic options in the following areas:

- A. Emigration – the retention and repatriation of able bodied Bermudians;
- B. Immigration – closing the gap between the demand and supply of labour;

- C. New Business Development- local and international business growth; and
- D. Labour Policy Changes

VII CONCLUSION

26. In alignment with this, the Ministry of Economy and Labour will aggressively implement the above, but not limited to, strategic initiatives to increase Bermuda's working population.

27. Bermuda's challenge is clear. The prospect of Bermuda's declining and aging population in the coming years raises critical concerns about GDP, employment, health care, retirement benefits, and social support services. Bermuda is facing a demographic crisis that requires strong, decisive leadership and urgent action to be taken.

28. This challenge calls for objective and comprehensive reassessments of existing social, economic, and political policies, including immigration policies and programmes. Such reassessments will require a long-term perspective. Changing the demographic composition can result in sustainable economic growth, if complimented by effective public policies.