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Op-ed

LIVING LONGER, PAYING MORE WHY SOUTH AFRICA MUST CONFRONT THE FISCAL RISKS OF LONGEVITY

By Dr Fanie Joubert and Daryl Swanepoel

South Africans are living longer and that should be cause for celebration. Life expectancy, once dragged down by the HIV/AIDS epidemic, has rebounded impressively. Since 2002, it has climbed by nearly 12 years, with projections suggesting that by 2055, the average South African could expect to live into their 80s. And yet, behind this triumph of medicine and social progress lurks an uncomfortable truth and that is that longevity is not just a blessing, it is also a profound fiscal risk.

A new report by the Inclusive Society Institute warns that unless policymakers act now, South Africans' longer lives may push state finances beyond breaking point. The numbers are stark and shows that debt has ballooned from 23.6% of GDP in 2009 to nearly 74% in 2024. Interest costs alone now consume more of the budget than higher education or policing. At the same time, an aging population means more spending on pensions, healthcare and long-term care, precisely when the state can least afford it.

South Africa thus faces a cruel paradox: a country with rising longevity, but stagnant growth, weak job creation and worsening fiscal fragility and if not managed wisely, this demographic shift could make the promise of long life a financial curse.

The demographic squeeze

South Africa is still a relatively young country, but it is aging faster than many realise. The median age rose from 22 in 1996 to 28 in 2022 and the share of the population aged 65 or older grew from 4% in 1994 to 6.5% in 2023. By 2055, that figure could reach as high as 11%, which is nearly double today's level.

This may not sound alarming compared to Europe or Japan, but the fiscal consequences are magnified by South Africa's weaker economic base and threadbare savings culture. Fewer than half of employed South Africans make formal retirement provision, meaning the state will remain the default safety net for millions. Add to that the high number of unemployed who also make no contributions, but who are entitled to social pensions when they reach the age of 60.

The old-age dependency ratio, elderly as a share of the working-age population, rose from 8 in 2011 to 10 in 2022. By mid-century, that ratio will climb further, straining a workforce already reeling under record unemployment. With official joblessness hovering around 33% and youth unemployment at a devastating 61%, South Africa is entering its demographic transition without the productive economy needed to support it.

A fiscal house already on fire

Were state finances in robust shape, the costs of longevity could be absorbed, but South Africa enters this demographic era with public finances already stretched to the limit.

The country's gross loan debt soared to over R5 trillion in 2024, roughly ten times higher than in 2008. Debt-service costs now eat up 16% of total government expenditure, outpacing spending on health or social protection and between 2008 and 2022, interest payments grew at an average annual rate of 13%, which is far faster than overall spending growth.

At the same time, growth remains anaemic. The South African Reserve Bank, Treasury and IMF all forecast growth of just 1.5 - 2% a year for the foreseeable future. This is insufficient to lift per capita incomes, let alone expand tax revenues. And so the reality is that South Africa is trying to fund European-style social commitments on an economy growing at sub-Saharan African rates.

When longevity is factored in, the picture darkens further. The report estimates that by 2055, age-related public spending on pensions, healthcare and long-term care will rise by an additional 1.7% of GDP compared to baseline projections. That may sound modest, but in an already debt-constrained environment, it is enough to push deficits persistently higher, lifting the debt-to-GDP ratio above 90% by the mid-2040s and to 93% by 2055.

Add in the prospect of a Basic Income Grant, replacing the temporary Social Relief of Distress grant, and debt could breach 100% of GDP as soon as 2044, which for an emerging economy are fiscally toxic.

Why longevity is different

One might argue that South Africa has faced fiscal crises before, so what makes longevity risk different? The answer lies in its persistence and irreversibility.

Most fiscal shocks, be they commodity booms, pandemics or political scandals, can be reversed with better management or cyclical recovery. Longevity, by contrast, is a slow-moving, but relentless structural shift. Once life expectancy rises, it does not recede and so each year of extra life expectancy adds permanent spending obligations in pensions and healthcare.

Moreover, longevity interacts with existing weaknesses. A poorly diversified tax base, high unemployment and a large informal sector all limit the state's ability to collect revenue. Unlike richer countries, South Africa cannot simply raise taxes indefinitely, because personal income taxpayers are already highly burdened, with just 7.4 million people above the tax threshold supporting over 60 million citizens.

This means longevity is not just an incremental pressure, it is an amplifier of existing fragility.

The policy choices ahead

The report rightly notes that delaying action will only make the eventual adjustments more painful. So what can South Africa do? The IMF recommends a three-pronged strategy: acknowledge longevity risk, share it between government, private providers and individuals, and transfer some of it to capital markets. Translating that into local policy requires bold, but pragmatic choices.

- **Link retirement ages to life expectancy.** South Africa currently allows access to the Old Age Grant from age 60, one of the lowest thresholds globally and so by gradually raising the retirement age, in line with rising life expectancy, the growth of pension costs could be slowed.
- **Reform the pension system.** Expanding private retirement savings is essential, because currently, fewer than one in five working-age South Africans save adequately for retirement. Incentives for savings, auto-enrolment in retirement funds and preservation of savings when changing jobs could help build buffers.
- **Target social assistance better.** With nearly 19 million people receiving some form of grant, South Africa's welfare net is both vital and expensive and therefore, as longevity drives costs higher, more precise targeting will be needed to ensure grants reach the truly vulnerable, while avoiding unsustainable expansion.
- **Contain healthcare costs.** As the elderly population grows, so too will the burden of non-communicable diseases and so without reforms, public healthcare spending will balloon. Greater use of preventative health programmes, partnerships with the private sector and investment in digital health could improve outcomes without exploding costs.
- **Restore growth.** Ultimately, no amount of expenditure control can offset stagnant growth and without sustained GDP expansion, debt dynamics will spiral. This demands a political commitment to structural reform, such as fixing Eskom and Transnet, stabilising state-owned enterprises and creating conditions for private investment.

A political test of will

The real question is whether South Africa's politics can deliver these reforms. Raising retirement ages, restructuring grants or restraining public-sector wage growth are deeply unpopular measures and yet, failing to act will push the country toward a debt trap that leaves even fewer options.

The government's recent commitment to achieving a primary surplus by 2025/26 is welcome, but without addressing the demographic realities, such gains will be temporary and so policymakers must frame longevity not as a looming disaster, but as a success story that requires responsible adaptation.

Conclusion: Turning longevity into a dividend

South Africa stands at a demographic crossroads. Longer lives should be a victory and is a testament to medical advances, expanded access to healthcare, nourishment and human resilience. But unless fiscal sustainability is secured, this victory could become a burden that undermines future prosperity.

The choice is stark, either confront the fiscal challenges of longevity now, through measured, but decisive reforms or allow them to accumulate into a crisis that forces chaotic retrenchments later.

The lesson of the report is clear and points out that longevity is not just about living longer, but about living wisely, both individually and collectively. If South Africa rises to this challenge, it can transform longer lives into a demographic dividend, but if it does not, the gift of longevity may become the weight that breaks its fiscal spine.

Dr Fanie Joubert is the author of the Inclusive Society Institute's soon to be published report: "The impact of longevity on the fiscal sustainability in South Africa". Daryl Swanepoel is the Institute's Chief Executive Officer.