

Funding the Future

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Background

As **I mentioned yesterday**, I have written a column for the National on migration and the impending crisis that is going to envelop the UK, whether we like it or not.

The comments I made yesterday provoked a reaction here, with some people being quite angry with me for suggesting that inward migration was the only solution to the problems we face. In response, I have edited the article for use here.

But first, to highlight the issues I raised, this is a **TLDR** (too long, did not read) summary of what I had to say:

TLDR

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The UK's birth rate is low at fewer than 1.5 children per woman, compared to the 2.1 or more needed to sustain the population.

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Without migration, the working-age population will, inevitably, shrink, and it will not be possible for pensions to be funded.

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Pensions are not really about savings or financial engineering: they are about people at work supporting those in retirement. There will be too few such people to support those in old age on the basis of current projections, and AI is unlikely to have an economic impact altering this, in my opinion.

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In addition, there is a substantial risk that current private pension arrangements will fail because there won't be enough buyers for the

accumulated assets of pensioners in the future to match the quantity that those in retirement will be seeking to sell.

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The baby boomer generation has passed on too few actual capital assets and too few children to sustain the fundamental pension contract with the generations following them.

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Migration is the only viable way to maintain that fundamental pension contract.

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The UK must not only accept migrants but actively welcome them if it is to avoid a pensions crisis.

The argument: without migration, the UK cannot pay its pensions

Without people, there is no economy. And without enough working people, there are no pensions. This is the reality of the crisis the UK faces: soon, it will not have enough working people to pay the pensions of those who will be in retirement unless some radical changes in the structure of society in the UK take place.

This, in my opinion, is a fast-looming problem, and few politicians want to discuss it. Most especially, that is because, in my opinion, there is no solution to this problem without increased migration into the UK. Quite simply, we now need migrants, including economic migrants, to come to the UK. Without them, we will not be able to pay the pensions to which we are already committed.

This is not, I think, a matter of opinion. I think it is a matter of simple arithmetic. Unless there is a significant boost to our population, the economics of retirement in this country will not add up.

Why migration matters

Migration is nothing new. I am in England because my family migrated to this country. Most of my extended family are of Irish origin. Earlier generations of their families left Ireland when work was scarce, and the welcome for Irish migrants in the UK was often hostile. They came anyway, because they had no choice. That is why I live where I do now.

But people do not just move for economic opportunity. Migration is increasingly driven by persecution, war, and political hostility. And, very soon, climate change will create massive new waves of people on the move,

which is an issue that must be faced sometime soon, although it seems no politician is willing to mention the subject.

Whatever the reason, the outcome is usually the same: people arrive in a new country, settle there, integrate into their new home, contribute to its economy and culture, and almost invariably make it stronger. History shows that to be true. It would be futile to argue with that suggestion: this is how the UK came to be as it is.

The UK's demographic crisis

At present, the average number of children born to a woman in the UK is under 1.5, although figures are uncertain for last year. To maintain a stable population, that figure needs to be more than 2.

Like it or not, this means the UK's population will shrink unless something happens to replenish the numbers. And unless there is a radical and unlikely turnaround in the birth rate, which is something that will not happen while neoliberal policies keep wages down, housing unaffordable, and childcare inaccessible, the only realistic way to stabilise the population is through inward migration.

This is rarely acknowledged, but it is absolutely essential to our country's future. We need to embrace the reality of this. Doing anything else will make the current discussion on migration and its consequences very much harder to handle.

Pensions and the "fundamental pension contract"

Much debate on pensions focuses on pension funding mechanisms. The argument is about state versus private provision, implications for government debt, tax rates and tax allowances, and financial market returns. But all of this misses the key issue, which is that pensions are not really about money. They are about people.

As I have previously explained in [blog posts](#) on this site, there is, in effect, a **fundamental pension contract which represents an implicit bargain between generations. This deal requires that the working generation give up some of its income to support a now-retired generation, which might include their parents, in the expectation that the next generation will do the same for them. What, however, is quite critical to this fundamental pension contract is the idea that the generation at work should accept its responsibility to create sufficient capital assets of worth to pass on to generations to come by the time that they reach their retirement age, so that the generations that follow them can as a consequence then afford to forego part of their income to**

support the previous generation who are now in retirement. This is the fundamental inter-generational transfer of wealth that has to underpin the actual pension contract within society.

You can dress this up in financial markets, savings schemes, or investment funds, but the reality never changes. Unless there are enough people of working age, no pension promises - public or private - can be met. Vitally, what we have to understand is that the pension crisis that we have has arisen in no small part precise because financial markets have sold us a vision of pension saving that utterly fails to reflect the fundamental pension contract to which I refer above, and which, as a consequence, could lead to a significant financial crisis unless we begin to address the problems it is creating now.

Why private pensions will fail

Despite the pension mythology peddled by the City of London, future pensioners will not be able to live in retirement simply by selling financial assets to future generations because there will not be enough people in those future generations to buy the assets that they have to sell. There is, as a consequence, a full-blown financial crisis in our current financial services-based pension provision. That is because creating supposed financial wealth by piling ever greater quantities of funds into financial markets is not the same as making the tangible capital assets, such as housing, infrastructure, productive business assets, and more, that underpin both real economic capacity and the fundamental pension contract to which I have referred above.

To reiterate the point, because it is so important, private pension systems rely on there being enough people in the future willing and able to buy the financial assets that the previous generation accumulated. But UK demographic data shows that will not be the case. As a result, private pension systems will fail at some point in the next 15 to 20 years. The market bubbles created by existing pension arrangements will burst, and financial engineering will not resolve the crisis.

The baby boomer generation has failed twice over in that case. Firstly, it has not created enough real capital assets to hand on, and secondly, it has not had enough children to sustain the system. Their children are now repeating this pattern of behaviour because the government is directing them to do so, which compounds the problem and makes the crisis we are facing even bigger.

Migration is the only way out

The UK's pension problem is not going to be solved by tweaking contribution rates, by raising the pension age, or by dreaming up new forms of financial trickery.

The only way forward is to welcome more migrants. We need people who are educated,

motivated, and ready to work – people who want to build a new life here, integrate, and contribute to our communities.

This is not a burden. It is an opportunity. Migrants do not just fill jobs; they expand the economy, add to culture, and strengthen the very fabric of society. And crucially, they allow the pension contract between generations to survive.

Rolling out the red carpet

The UK does not just have a moral obligation to welcome migrants; it has an economic necessity to do so. Unless we take decisive action, our pension system will collapse.

Politicians who talk tough on migration while pretending to defend the "triple lock" are engaged in fantasy economics. One promise cannot be met without the other.

Without more working people, there will be no pensions. That is the unspoken truth.

And we have to tackle the hypocrisy inside the current migration system. Currently, individuals who are thought to add value to the UK economy by bringing in considerable funds are welcomed by our immigration system. In contrast, young professionals at the start of their careers, who have much to offer in terms of their economic potential that can add value to the UK, are denied access. If one type of economic migrant is welcome, it is straightforward hypocrisy to pretend that another type is unwelcome when, if anything, those young, ambitious and enterprising people who have taken the risk to up sticks and try to move to the UK have more to add to the well-being of this country.

Conclusion

There is no clever financial fix to this problem. There is no new pension scheme that can alter demographics. The numbers are clear. Without a significant inflow of migrants, the UK cannot sustain its population or pay its pensions. And let me be blunt: I see no alternative answer. Without welcoming a lot of migrants, we are heading for very deep trouble.

And finally, counterarguments and where this topic goes next

Despite the conclusion I have just offered, which reflects my original piece in the National newspaper, I am aware that some people have offered different opinions in comments posted to this blog. In particular, they suggested:

* As a matter of fact, ***we are facing a global food crisis***, which means we have no choice but to reduce the planet's population, as we will soon be unable to feed

everyone, leading to famine. I disagree, and will post evidence on this very soon.

* **People are now living healthier lives** and will therefore need less care in retirement, which is why I am wrong to presume otherwise. I completely disagree with this; I think that the real situation is quite the reverse. I believe that people are living increasingly unhealthy lives, meaning that they will live for less time, but will also live for much more extended periods in ill health before dying, meaning that the demand for care is going to increase, unless we make radical changes to lifestyles, the food we eat, and the way we understand the medical model, irrespective of the issue around migration. Again, I will write more about this soon.

* I am mistaken in thinking that people of retirement age do not provide constructive input to the economy, and that my assumption that they rely on working individuals to support their lifestyles is also incorrect. The argument is that **those in retirement are undertaking unpaid work** that enables those who are in paid work to function, for example, by providing childcare and volunteering elsewhere, which is essential. I do, of course, accept that such work goes on, but I would also suggest that it has always done so, meaning that nothing has changed, and therefore that the observations I have made remain relevant. However, I will try to tackle this in a future blog post.

Action points

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Acknowledge reality: Demand that politicians stop pretending pensions can be paid without an increase in the working-age population.

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Challenge the rhetoric: Call out political narratives that demonise migrants while promising to protect pensions – the two positions are incompatible.

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Write to your MP: Insist they address the link between demographics, pensions, and migration in honest, evidence-based terms.

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Support policies that make migration work: That means fair wages, decent housing, accessible healthcare, and integration policies that strengthen everyone in communities.

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Reject neoliberal distractions: Don't be fooled by promises of new savings schemes or financial fixes for this problem. Those fixes are one of the major reasons for the mess we now have to address.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [**here**](#).

**One word of warning, though: please ensure you have the correct MP.
ChatGPT can get it wrong.**

Comments

When commenting, please take note of this blog's comment policy, [**which is available here**](#). **Contravening this policy will result in comments being deleted before or after initial publication at the editor's sole discretion and without explanation being required or offered.**