DEMOGRAPHIC CHANGE
CRISIS OR CHALLENGE?

Addressing Pension Challenges:
EU and Stakeholders’ Approaches
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TOPICS

- DEMOGRAPHIC CHANGE
- DEPENDENCY RATIOS
- THE LABOUR MARKET AS A KEY DETERMINANT
- CONCLUSIONS
DEMOGRAPHIC CHANGE
Demographic dependency ratio 2010–2050 (EU-27)

\[ d_{DR} = \text{demographic dependency ratio: population 65+ relative to 15-64} \]

Source: AK-Wien / Dependency Ratio Calculator (data: europop 10)
ECONOMIC STATUS OF PEOPLE
Demographic vs. economic dependency ratio 2010 (EU-27)

2010 (EU-27)
Age Structure

2010 (EU-27)
Economic Status of the people
employment rate: 64 %

\[ d_{DR} = \text{demographic dependency ratio: population 65+ relative to 15-64} \]
\[ e_{DR} = \text{economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed relative to people in employment} \]

WHERE WILL WE GO? - „STANDARD“-SCENARIO
Comparison 2010 – 2050 / EU-27

2010
Economic status of the people
employment rate: 64 %

2050 - „Standard“-Scenario
Economic status of the people
employment rate: 70 %

\[ d_{\text{DR}} = \text{demographic dependency ratio: population 65+ relative to 15-64} \]
\[ e_{\text{DR}} = \text{economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed relative to people in employment} \]

WHERE WILL WE GO? - „EU-2020+-SCENARIO“
Comparison 2010 – 2050 / EU-27

2010
Economic status of the people
employment rate: 64 %

2050 - „EU-2020+-Scenario“;
Economic status of the people
employment rate: 75 %

d_DR = demographic dependency ratio: population 65+ relative to 15-64

e_DR = economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed relative to people in employment

ABHÄNGIGKEITSQUOTEN IM VERGLEICH
ÄNDERUNG 2010 – 2050 / EU-27

Source: AK-Wien, Dependency Ratio Calculator
Text: „...the key figure is the ratio of workers to pensioners, known as the support (or dependency) ratio. This is deteriorating steadily in all rich countries (see chart).“

Charts: „Support ratio: The number of people of working age compared with the number of people beyond retirement age“ [65+ relative to 20-64]
EMPLOYMENT POTENTIAL
EU-27 (2007)

Population 15-64: 329 mio

Source: Eurostat, Labour Force Survey
(EU-Commission, Demography Report 2008)
CONCLUSIONS (I)

- The ageing of the populations is one of the main challenges across Europe.

- A clear distinction has to be made between
  - Demographic (old age) dependency ratios
    (people aged 65+ relative to people aged 15-64/20-64) and
  - Economic dependency ratios
    (pensioners/unemployed relative to people in employment)

- The evolution of economic dependency ratios is much more relevant and should be brought to the fore in the political debate.
CONCLUSIONS (II)

- TO COPE WITH DEMOGRAPHIC CHANGE POLITICAL ACTIVITIES HAVE TO BE FOCUSED ON SUSTAINABLE GROWTH AND “MORE AND BETTER JOBS”

- MOREOVER, SUCH A STRATEGY WOULD HELP TO SOLVE KEY PROBLEMS:
  - REDUCING UNEMPLOYMENT
  - IMPROVING JOB PROSPECTS FOR YOUNG PEOPLE
  - (RE)INTEGRATION OF SUBSTANDARD JOBS INTO “STANDARD” EMPLOYMENT
  - ENSURING/CREATING A HIGH STANDARD OF EDUCATION AND TRAINING
  - RECONCILING EMPLOYMENT AND FAMILY LIFE
  - IMPROVING WORKING CONDITIONS / BETTER HEALTH PROTECTION
  - IMPROVING LABOUR MARKET INTEGRATION OF OLDER WORKERS
    (RAISING EFFECTIVE RETIREMENT AGE)
RAISING EMPLOYMENT LEVELS IN ALL AGE GROUPS, WITH QUALITY-JOBS, WOULD HELP

→ TO CONSIDERABLY REDUCE THE FUTURE INCREASE IN ECONOMIC DEPENDENCY RATIOS

→ TO BALANCE TIME SPENT IN WORK AND TIME SPENT IN RETIREMENT / UNEMPLOYMENT

→ TO ALLEVIATE THE FINANCIAL BURDEN OF AGEING

→ TO ACHIEVE THE MAIN PENSION POLICY OBJECTIVES
  ○ SUSTAINABILITY
  ○ ADEQUACY
DEMOGRAPHIC CHANGE
CRISIS OR CHALLENGE?

■ NO DOUBT, POPULATION AGEING IS A HUGE CHALLENGE
■ NEVERTHELESS, THERE ARE GOOD WAYS OF TACKLING IT
■ MOREOVER, IT IS AN OPPORTUNITY FOR BETTER AND MORE
INCLUSIVE POLICIES

“... RAISING EMPLOYMENT LEVELS ... IS ARGUABLY THE MOST EFFECTIVE
STRATEGY WITH WHICH COUNTRIES CAN PREPARE FOR POPULATION
AGEING” (EU-Commission, Demography Report 2008)