

Ageing, macroeconomic implications, and financing social policies in Europe

Alexia Fürnkranz-Prskawetz

afp@econ.tuwien.ac.at

TU Wien, Institute of Statistics and Mathematical Methods in Economics (Research Group: Economics)

Vienna Institute of Demography (ÖAW), Wittgenstein Centre (IIASA, ÖAW, University of Vienna)

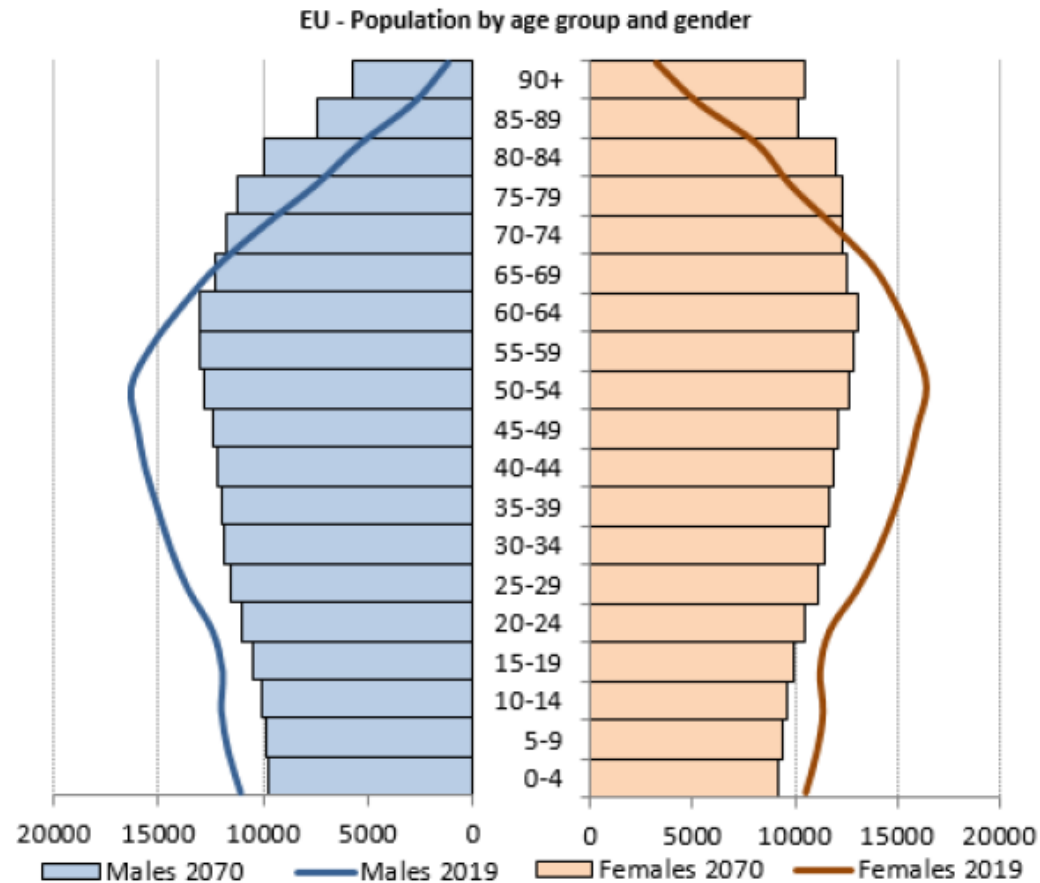
United Nations, Department of Economic and Social Affairs

Expert Group Meeting on Population and Sustainable Development, In Particular Sustained and Inclusive Economic Growth, New York, 21-22 July 2021

- (1) Diversity in ageing across Europe – role of migration
- (2) Ageing constitutes a challenge for the welfare state
- (3) Increasing intergenerational inequality

Fact 1: Europe is aging

Graph I.1.9: Population by age group and gender, 2019-2070 (thousands)



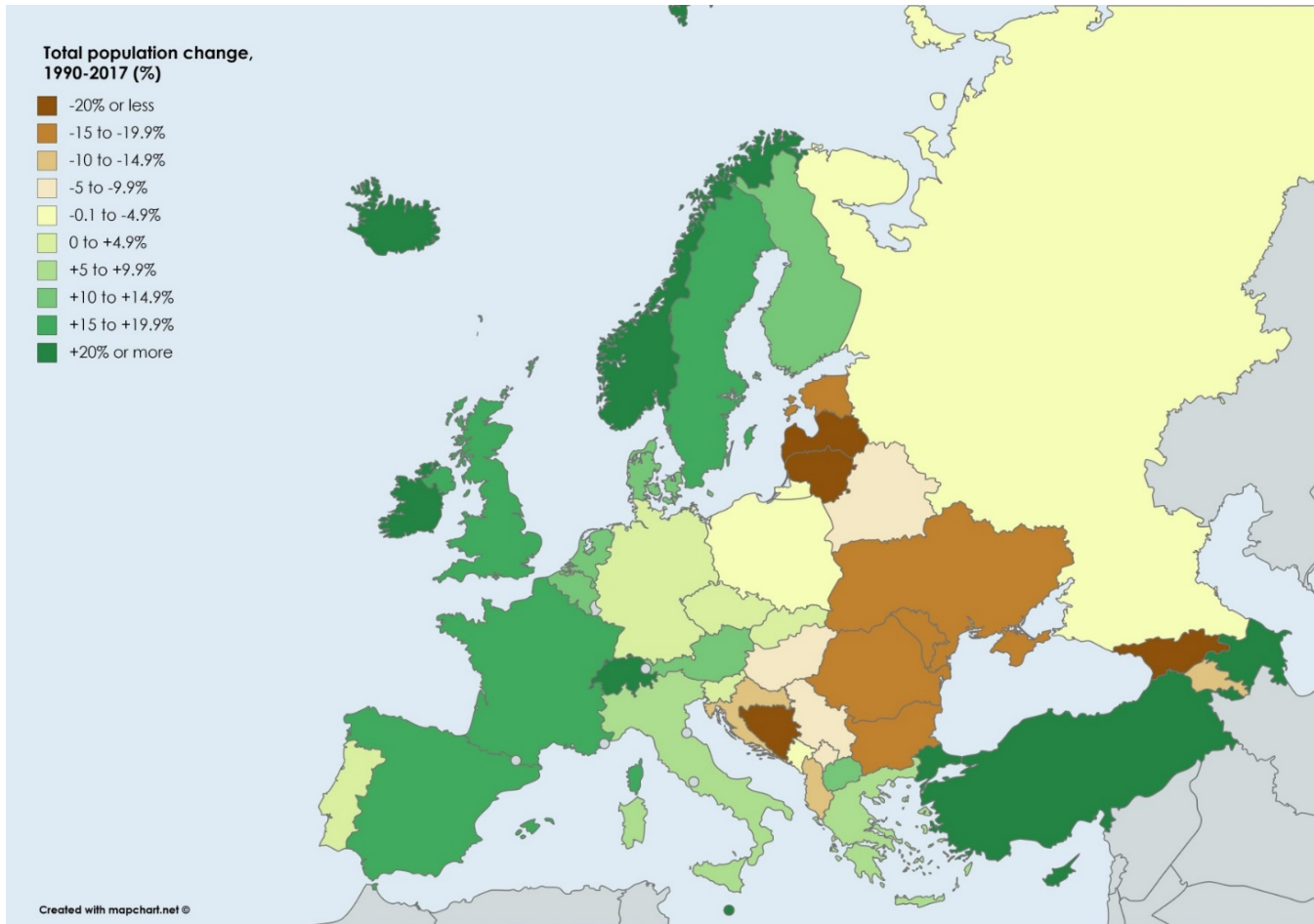
Dependency Ratio (%)

	2019	2070
65+ / (20-64)	34.4	59.2
80+ / (20-64)	9.9	25.7

Source: The 2021 Ageing Report

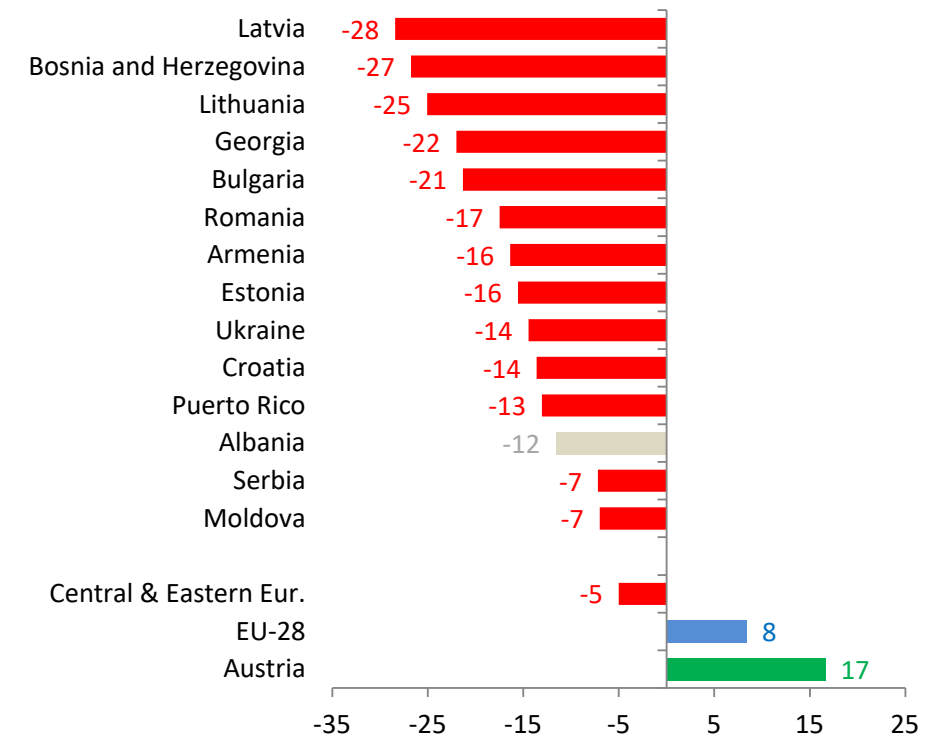
Fact 1a: Diversity in population change across Europe

East-West division in relative population change (in %) 1990-2017



Source: European Demographic Data Sheet 2018; www.populationeurope.org

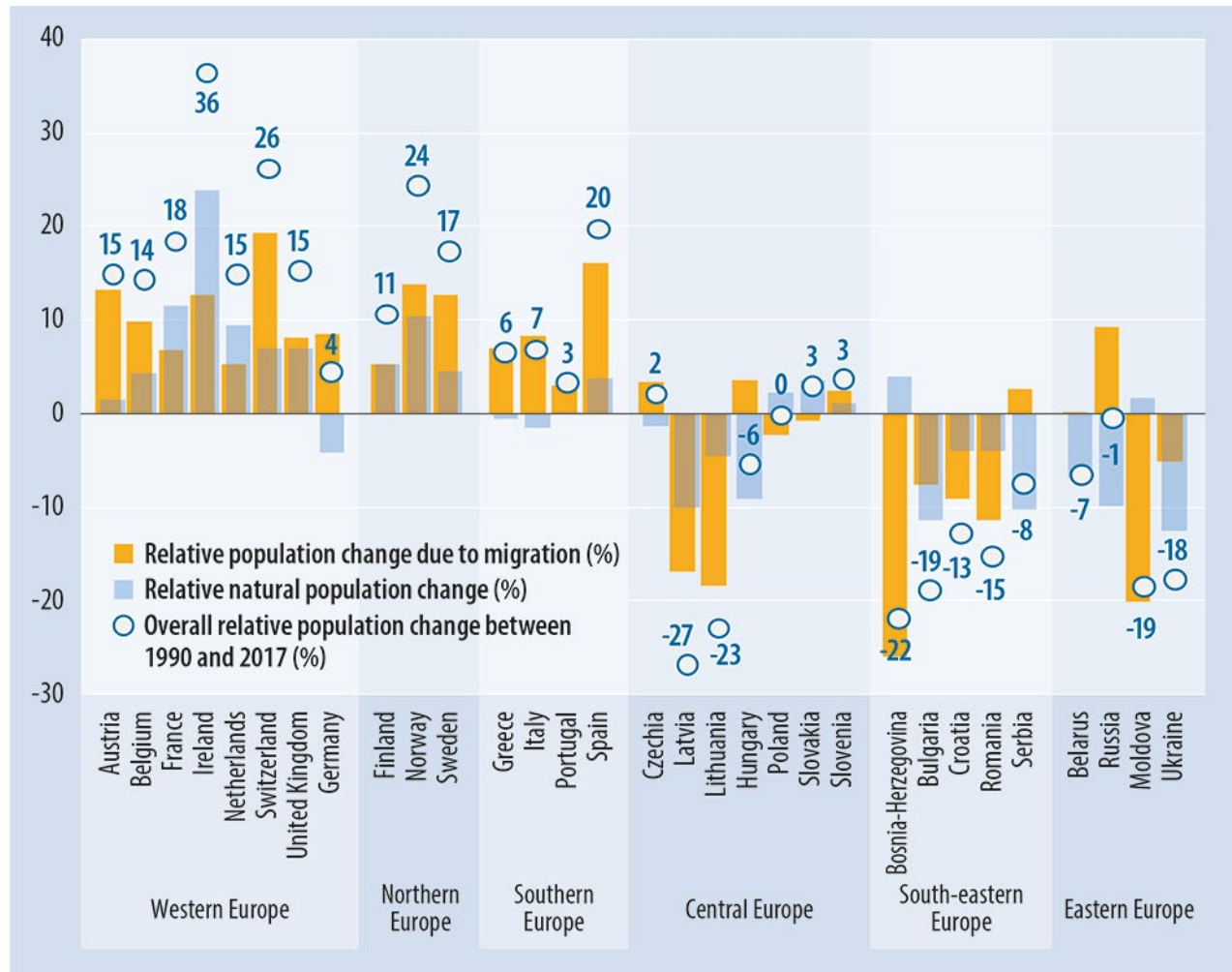
Countries with fastest population decline globally (%), 1989-2019; comparison with EU-28 and Austria



Note: Only countries with population > 1 million in 2019 ranked
Sources: UN World Population Prospects 2019: Estimated population size 1950-2020. Data for Georgia: NSO Georgia (2018) and own estimates for 1989. Data for EU-28 and Austria: Eurostat 2019

Fact 1b: Migration is the most important driver of population change

population growth/decline in Europe, 1990-2017



- **East-West** migration divide
- w/in Central and Eastern Europe high **diversity in migration**
- Reasons of outmigration:
 - (a) opportunity to leave and work abroad
 - (b) persistent economic disparities
 - (c) violent conflicts and upheavals

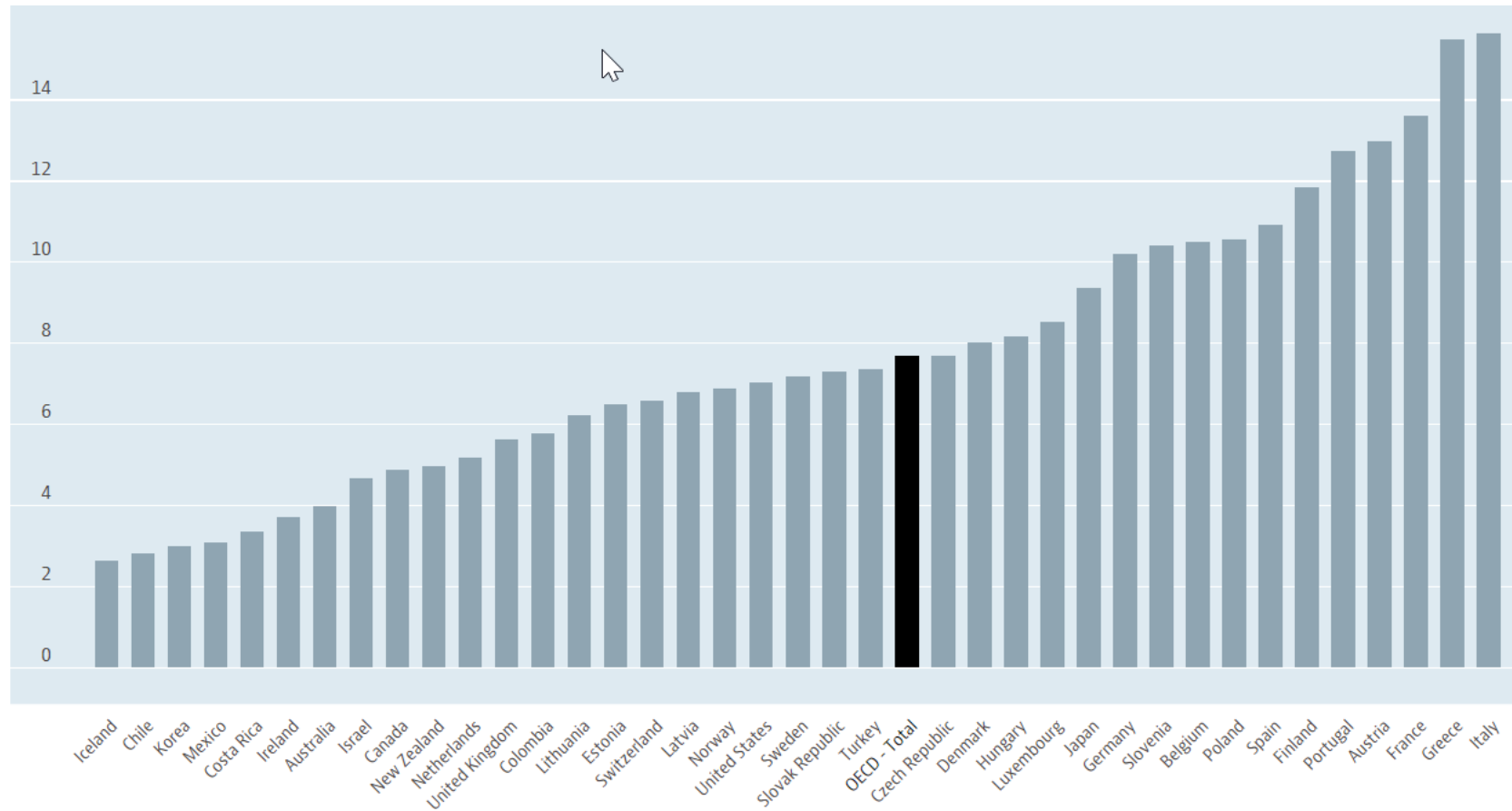
The impact of emigration on economic growth

- Direct effect: less workers -> lower GDP
- **“Brain Drain”**: Emigrants from CESEE (Central, Eastern and SouthEastern Europe) tend to have a higher education than the general population.
- Emigration therefore **lowers average productivity**.
- Emigration of younger, more educated people poses a **major challenge for healthcare, social security and pension systems** in CESEE countries (IMF 2019).
- Without skilled emigration, productivity growth could have been **significantly higher** in some CESEE countries.

Vicious cycle of demographic, social and economic decline!

Fact 2a: Role of public sector in old-age provision in OECD

Public Pension Spending, % of GDP, 2019 or latest available

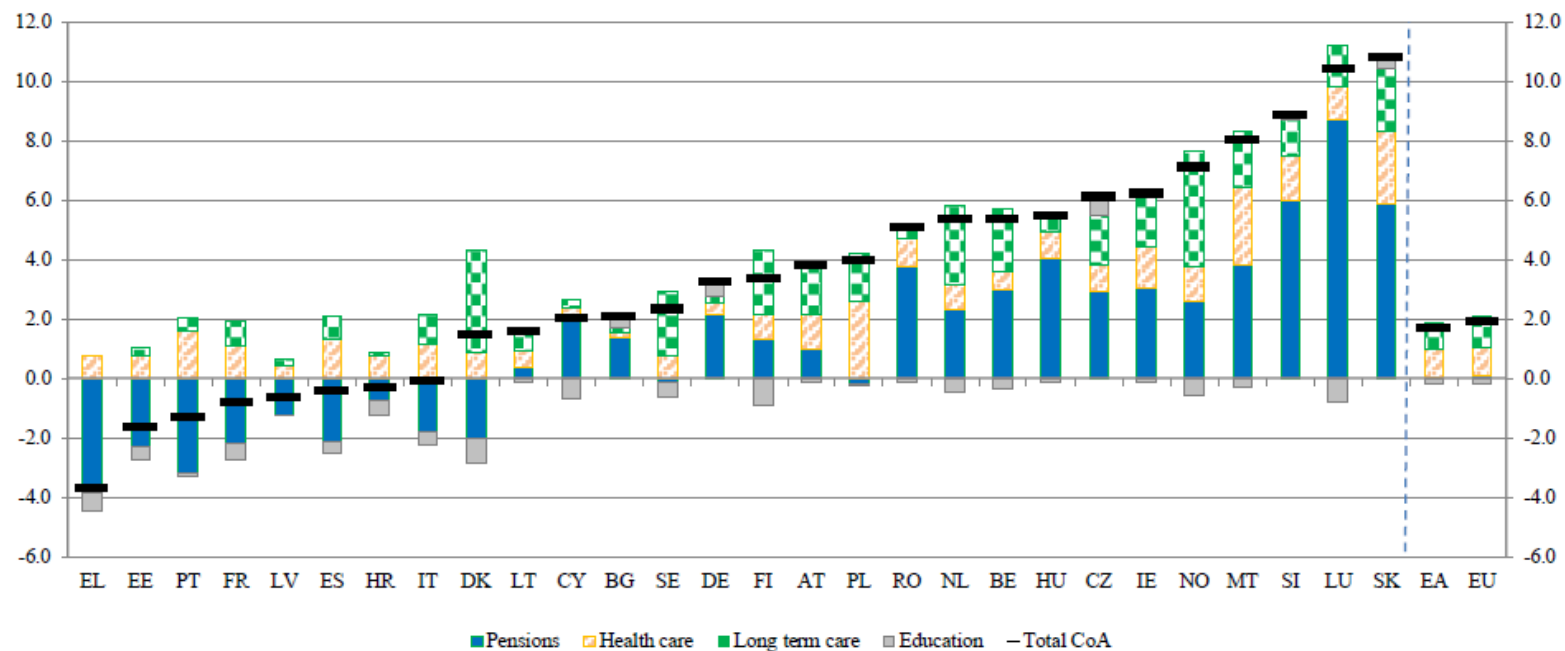


OECD (2021), Pension spending (indicator). doi: 10.1787/a041f4ef-en (Accessed on 16 July 2021)

Fact 2b: Increasing expenditures on long-term care & health

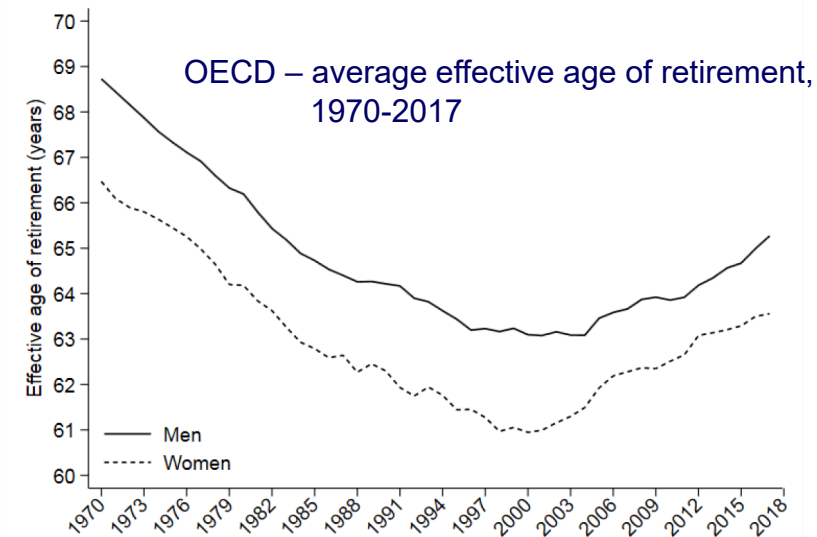
Long-term care & health care spending are important drivers of age related expenditures in the future

Graph 5: Projected change in age-related expenditure (2019-70), by expenditure component, pps. of GDP



Source: Commission services, EPC.

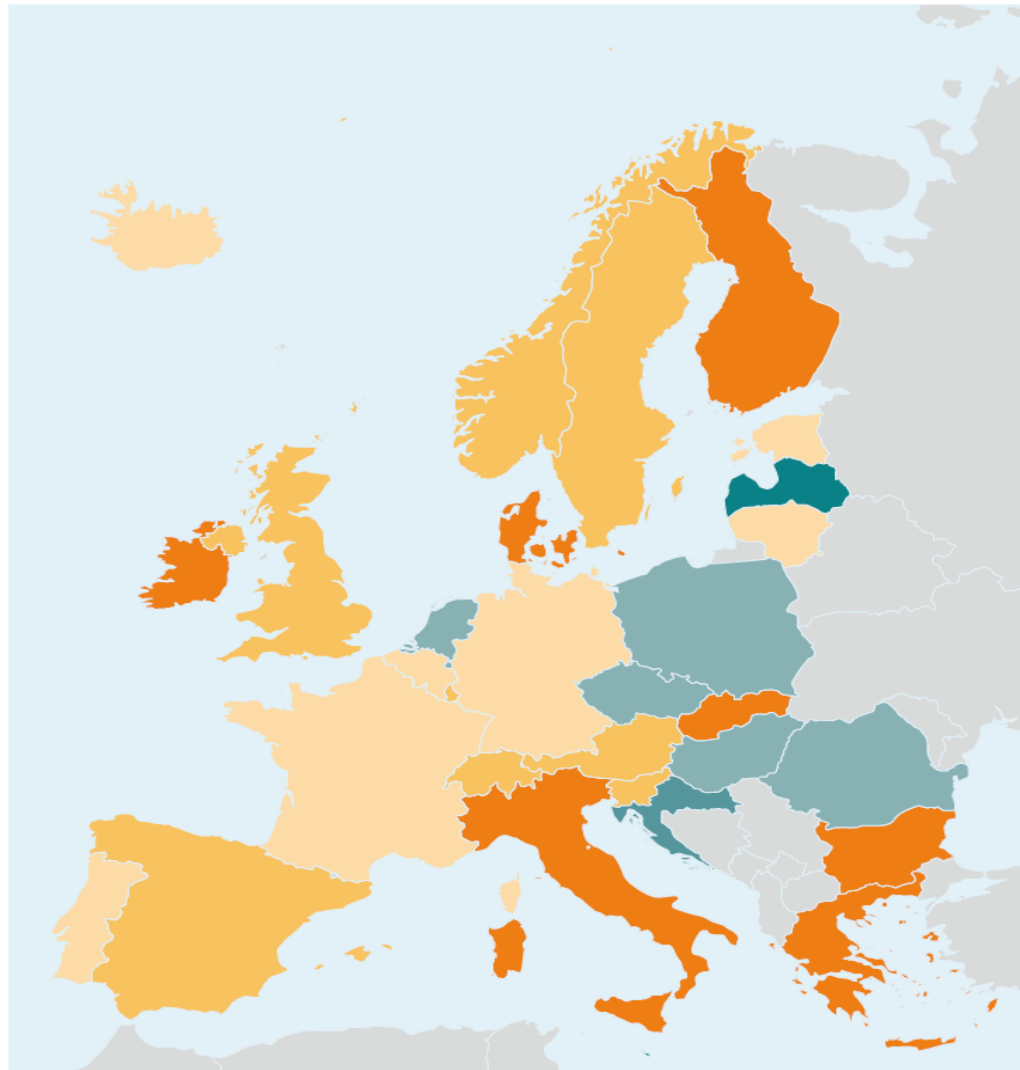
Pension reforms (reducing benefit ratio, increasing retirement age) relieve the burden on pension systems



Source: Boeri and van Ours (2021)

Source: The 2021 Ageing Report

Fact 3a: Inequalities between Generations (2008-2017)



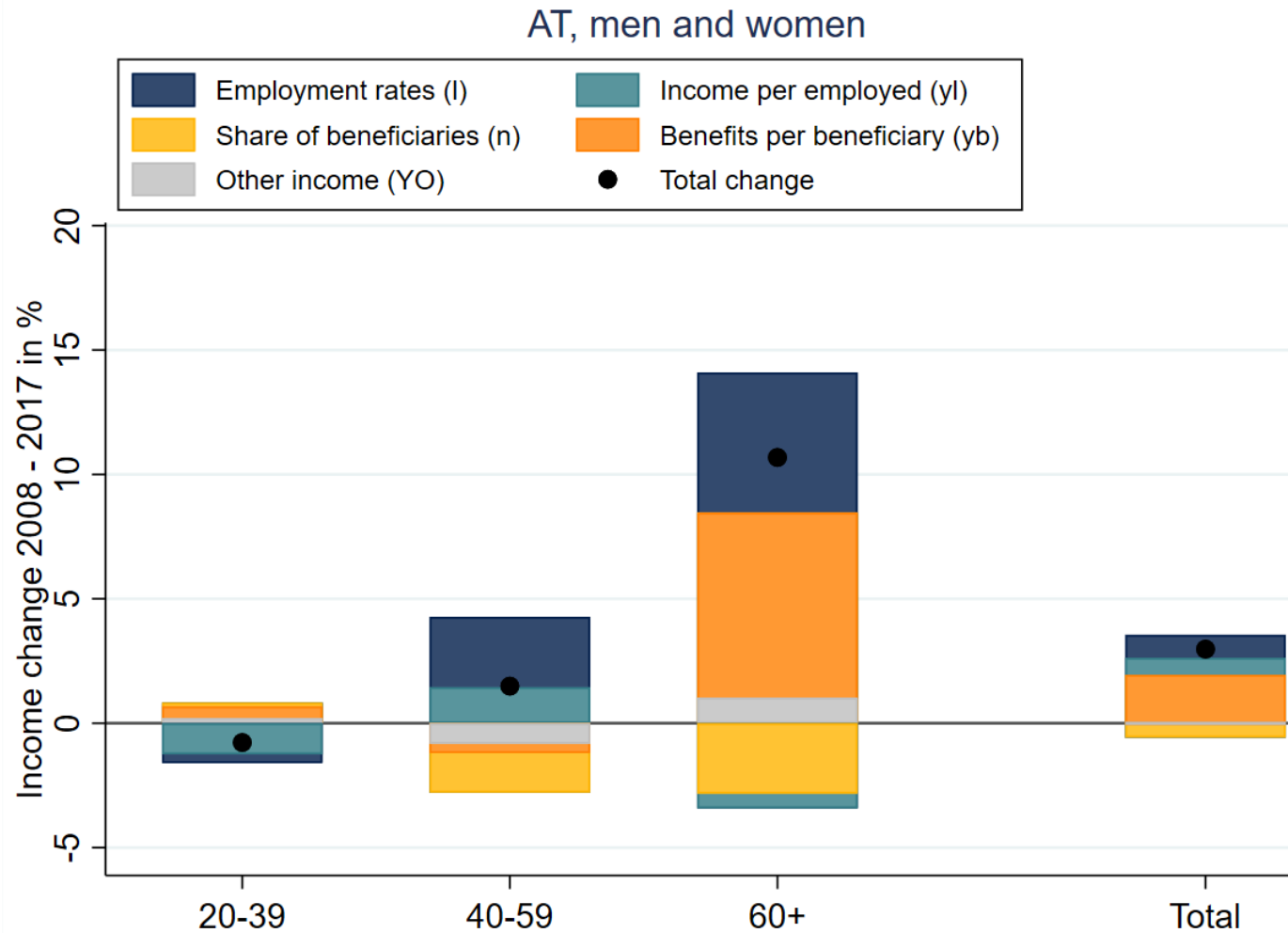
Income of the **young** decreased relative to income of the **older population** (except in Eastern Europe).

Change in the relative economic position of young adults (2008–2017):
median equivalised income at age 20–39 relative to total median

Source: European Demographic Data Sheet 2018; www.populationeurope.org

Fact 3b: The role of employment, wages and social transfers for age-specific income trends (2008-2017), Austria

Decomposition of income changes by age and gender 2008-2017 in %



→ Stagnating income for the **young**

→ Increasing per capita pensions and higher employment for the **older** population

- (1) **Diversity in ageing** implies **diversity of challenges**
- (2) **Role of public sector** in old-age provision shaped by **reforms & changing age structure**.
- (3) **Decreasing** income of young and **increasing** employment & benefits for old

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