

Europe's Ageing Population

According to the Centre for European Reform, "Europe stands on the cusp of a demographic revolution. Europe's changing demographic profile poses political, economic and social challenges that are as important as climate change, security and globalisation."

Background on demographic change in the UK and the EU

- EU population in 2008: Germany (82.2m people), France (61.9m), the UK (61.3m), Italy (59.5m), Spain (45.3m) and Poland (38.1m)
- Forecast EU population in 2060: UK (76.7m people), followed by France (71.8m), Germany (70.8m), Italy (59.4m), Spain (51.9m) and Poland (31.1m)
- Experts anticipate that the EU-27 will face a population boom from now until 2035, where the number of people will reach 521 million, against the current 495 million. The figure is expected to drop to 506 million in 2060
- A rising share of older people will be living in the EU in the future
- Octogenarians will represent 12.1% of the EU population in 2060 compared to the current rate of 4.4%
- Many central and eastern european countries are already experiencing population declines
- The EU is moving from having four working-age people for every person aged over 65 to a ratio of only two to one
- In the short term the UK population is expected to continue growing - the population of the UK will rise from 61m to 71.6m by 2033 if current trends in growth continue

[Ageing in the UK - interactive graphics](#)

Main causes:

1. Ageing of the baby-boom generation (1945-65) as they reach 65+ in 2010 and beyond;
2. Lower fertility since the baby boom phenomenon - fertility rates in the EU are now among the lowest in the world - the average fertility rate in Europe is 1.5 children per woman
3. Rising life expectancy at older ages (a factor that is likely to continue!)
4. For some CEECs a rise in average age has been prompted by net outward migration of younger workers

Economic and social issues relating to the consequences of an ageing population

Traditionally the focus has been on whether an ageing population will act as a **drag on economic growth** by having a negative impact on the trend rate of GDP growth (long run aggregate supply). Much depends on the scale of the demographic change and also the effectiveness of economic and social policies designed to offset some of the negative consequences of an ageing population:

There are **opportunities** and **threats** from this long run change in the age structure of the population.

Some of the issues include:

- Challenges of a shrinking and ageing workforce
 - Rising **dependency ratio** i.e. number of people above the age of 65 as a proportion of working age people
 - Labour shortages may cause increases in wages in some industries - an inflationary threat?
 - Impact on **productivity growth** and competitiveness of EU economy in the global system - will productivity suffer?
- Impact on **state welfare spending** and **budget deficits** - this is a major long-term threat to the fiscal stability of EU countries, many of whom already have a high level of **public sector debt**.
 - State pension liabilities will increase in the absence of pension reforms
 - In the UK the population of pensionable age will rise by 32% over the next 25 years to 15.6m, with the number aged over 85 more than doubling to 3.3m
 - State-funded pension systems have encouraged early retirement - most government will seek to move away from largely state-funded systems - but how best to incentivise and encourage more to save (and to start earlier?)
 - Extra claims on welfare benefits made by the elderly (especially those suffering from pensioner poverty)
- Increased demand for health care as the population ages (even though years of healthy life expectancy will have risen too)
 - In the UK, over 65s make up around 16 per cent of the population but consume 30 per cent of healthcare resources
 - Spending in the EU on pensions, health care and long-term care will rise - estimated to be 27.5 percent of GDP by 2035 and 29.5 percent of GDP by 2060.
- Overall - an expected rise in government spending and a rise in the **tax burden** on those still in work - this could create disincentives to work and for firms to invest, therefore there could be a fall in productivity, capital spending and a decline in the trend growth of **long run aggregate supply**
- Risks of increased **income and wealth inequality** / relative poverty - one European in six has no pension provision at all
- Greater risks of **age discrimination** in the workplace
- Maintaining **social coherence** across younger and older generations
- **Infrastructure decisions** as patterns of demand change (older people have different needs and wants)
 - Changing demands on the transport network
 - Changes in housing needs and wants
 - Increasing cost per user of maintaining infrastructure such as sewage systems or electricity supply in regions where population is declining

Ageing population and policy responses

- **Migration policies**
 - Ageing societies will consider attracting younger workers from other societies as it will ease labour shortages
 - Migration on its own is unlikely to be enough to offset the natural ageing of the population
 - It requires a steady stream of net inward migration over many years rather than short-term inflows
 - Migrants age too!

- **Social and economic policies** to increase **economic activity** among older age groups (so called "active-ageing")
 - Changes in retirement ages
 - Policies to increase the participation rate of people of working age
 - Investment in adult education and training to improve the human capital and labour mobility of older workers
- **Policies to encourage higher private sector saving / pension provision**
 - But millions of people in the UK and across Europe are on low wages and cannot afford to save regularly
- **Pro-natal policies**
 - Cash incentives for women to bear more children ([Russia -2007](#))
 - Improved child care access and affordability
 - Paid and unpaid child-rearing leave with re-employment guarantees
 - Restricted sale of contraceptives
 - Mandatory paid parental leave
 - Encouraging more family-friendly workplaces and employment contracts
 - Countries with fertility rates above 1.8, including France, the UK and Sweden, do not need further pro-birth policies as immigration will fill the demographic gap

Evaluation arguments

- Forecasts for population change look many years ahead and are subject to significant uncertainties
- Demographic change is a global issue rather than a narrower European one - many advanced nations face many of the same issues
- Developing countries too must address [the issues of ageing](#)
- An ageing population is not the only (or perhaps the biggest) factor driving health care costs up in the long run
- An ageing population is a challenge to businesses to make more efficient use of their labour resources
- Far from stifling innovation and entrepreneurship - population pressures may stimulate more creativity and enterprise
- Disability-free life expectancy is accelerating faster than overall life expectancy
- It is not inevitable that fertility in EU nations will continue to fall

Suggestions for wider reading

[UK population expected to continue rising](#) (BBC news)

[Ageing UK puts strain on workers](#) (BBC news)

[Japan fears population collapse](#) (BBC news)

[End of retirement age signalled](#) (BBC news)

[Europe of the future: Germany shrinks, France grows, but UK population booms](#) (Guardian)

[Data on world population growth](#) (Guardian)

[New Scientist reports on population](#) (New Scientist)

[Population paradox - Europe's time bomb](#) (Independent)

[An ageing population means a ticking time bomb for the UK](#) (Telegraph)

[Solving Europe's population crisis](#) (BBC news)

[Ageing - working or saving more?](#) (Vox EU Blog)