

# HOW TO TACKLE DEMOGRAPHIC CHANGE? PAST AND FUTURE CHALLENGES

**PROGE – European Youth Conference**

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*[adapted version]*

original presentation by Josef Wöss/Erik Türk (Chamber of Labour of Vienna)



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# OVERVIEW

## 1. Demographic change

- Age groups 0-14 / 15-64 / 65+
- Working age (20-64)

## 2. „Dependency Ratio Calculator“

## 3. How to cope with demographic change?



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# Key messages:

- **Demographic changes differ across countries and are often (mis-)interpreted! ... Who benefits from that?**

→ cuts in social system, potential race to the bottom concerning (social and working) standards = further weakening of worker's position!

- ***(Positive) re-interpretation of demographic change is needed!***

→ *(SOCIAL) INVESTMENT PACT ...*

→ Mobilizing the existing (“unutilized“) potential on the labour market ...

*[ ... used to be EC-position, eg Demography report 2008]*

- **Integrative labour market performance is the essential key**

to address challenges caused by demographic change!

[see: scenarios of the “Dependency Ratio Calculator” by the Chamber of Labour of Vienna]



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# **1. Demographic change in the EU:**

**Demography report 2010 (EC)**

**Country analysis (EU 27, DE, FR, UK)**

**Population ageing (1970-2050)**

**“Demographic“ vs “economic“ dependency ratios**

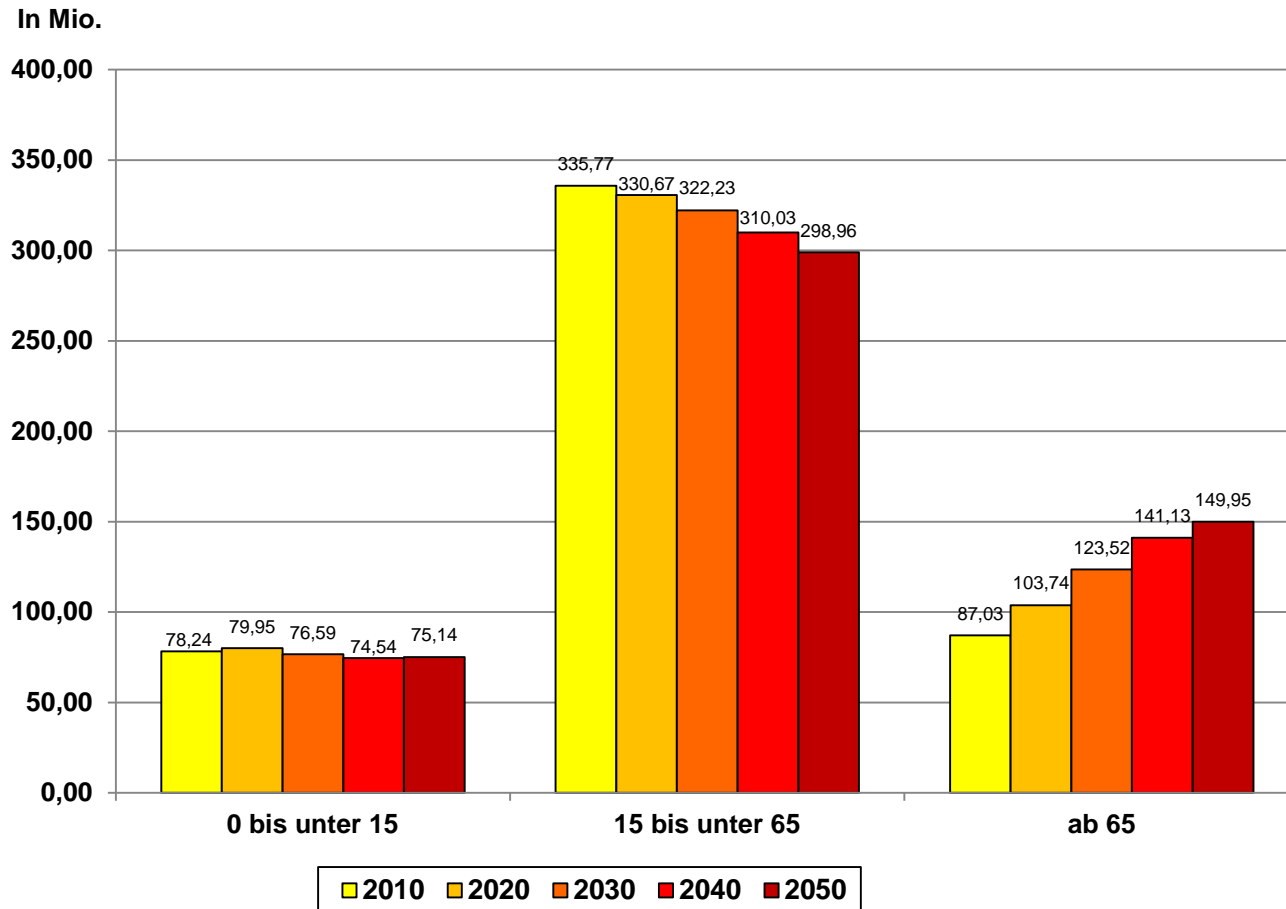


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# DEMOGRAPHIC CHANGE (2010 – 2050)

## EU-27

### Age groups 0-14 / 15-64 / 65+



Source: Eurostat (europop 2010); own calculations



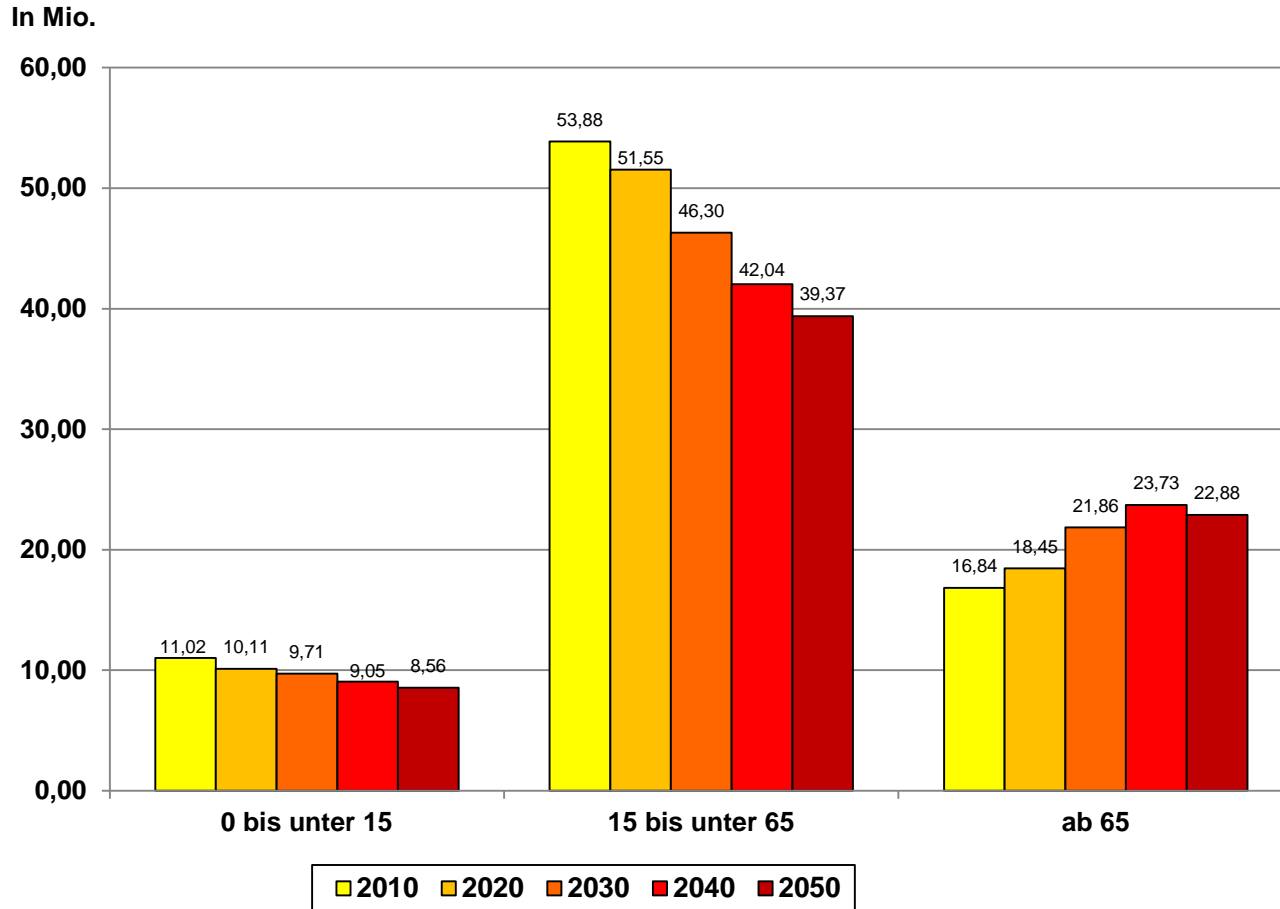
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# DEMOGRAPHIC CHANGE (2010 – 2050)

## GERMANY

### Age groups 0-14 / 15-64 / 65+



Source: Eurostat (europop 2010); own calculations



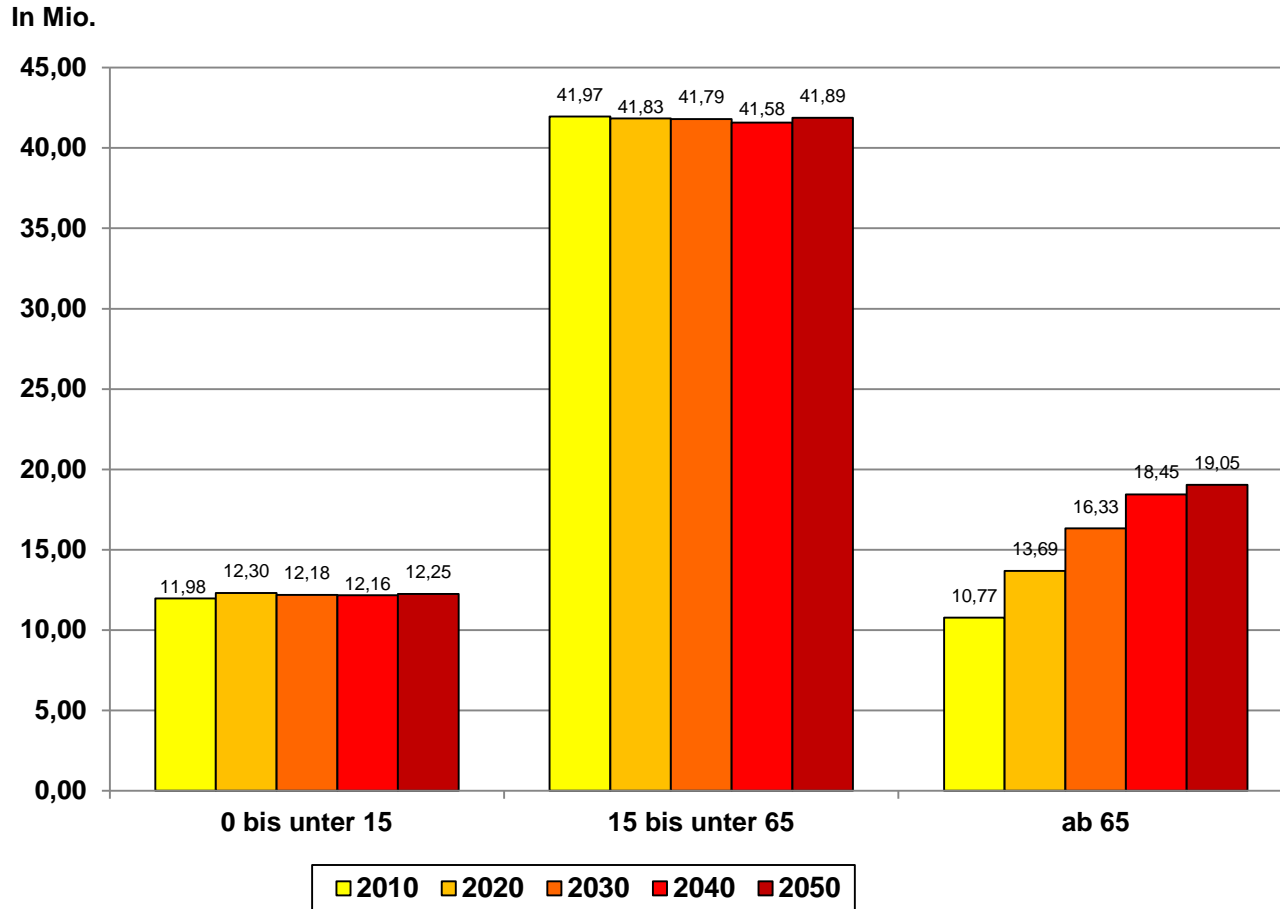
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# DEMOGRAPHIC CHANGE (2010 – 2050)

## FRANCE

### Age groups 0-14 / 15-64 / 65+



Source: Eurostat (europop 2010); own calculations



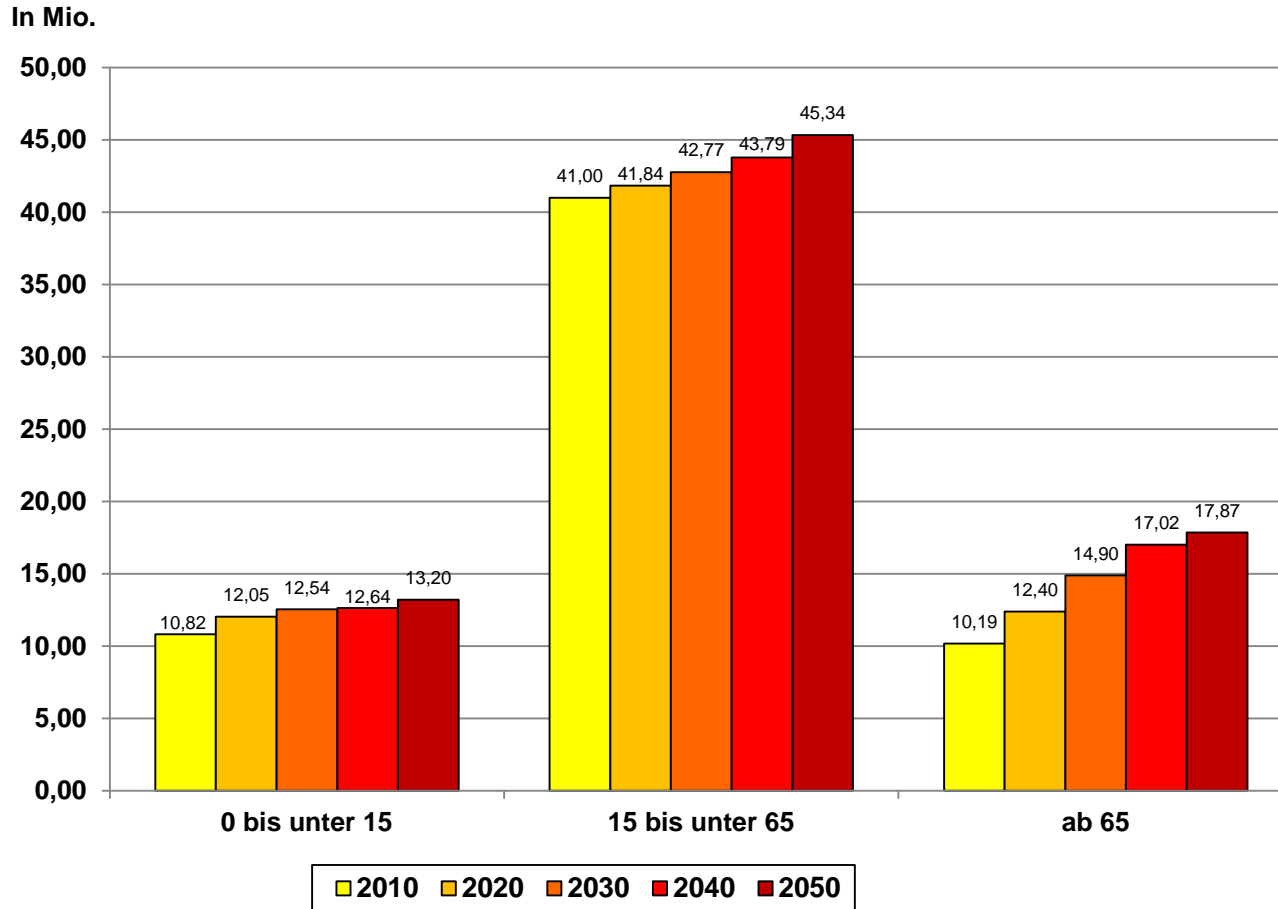
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# DEMOGRAPHIC CHANGE (2010 – 2050)

## UNITED KINGDOM

### Age groups 0-14 / 15-64 / 65+



Source: Eurostat (europop 2010); own calculations



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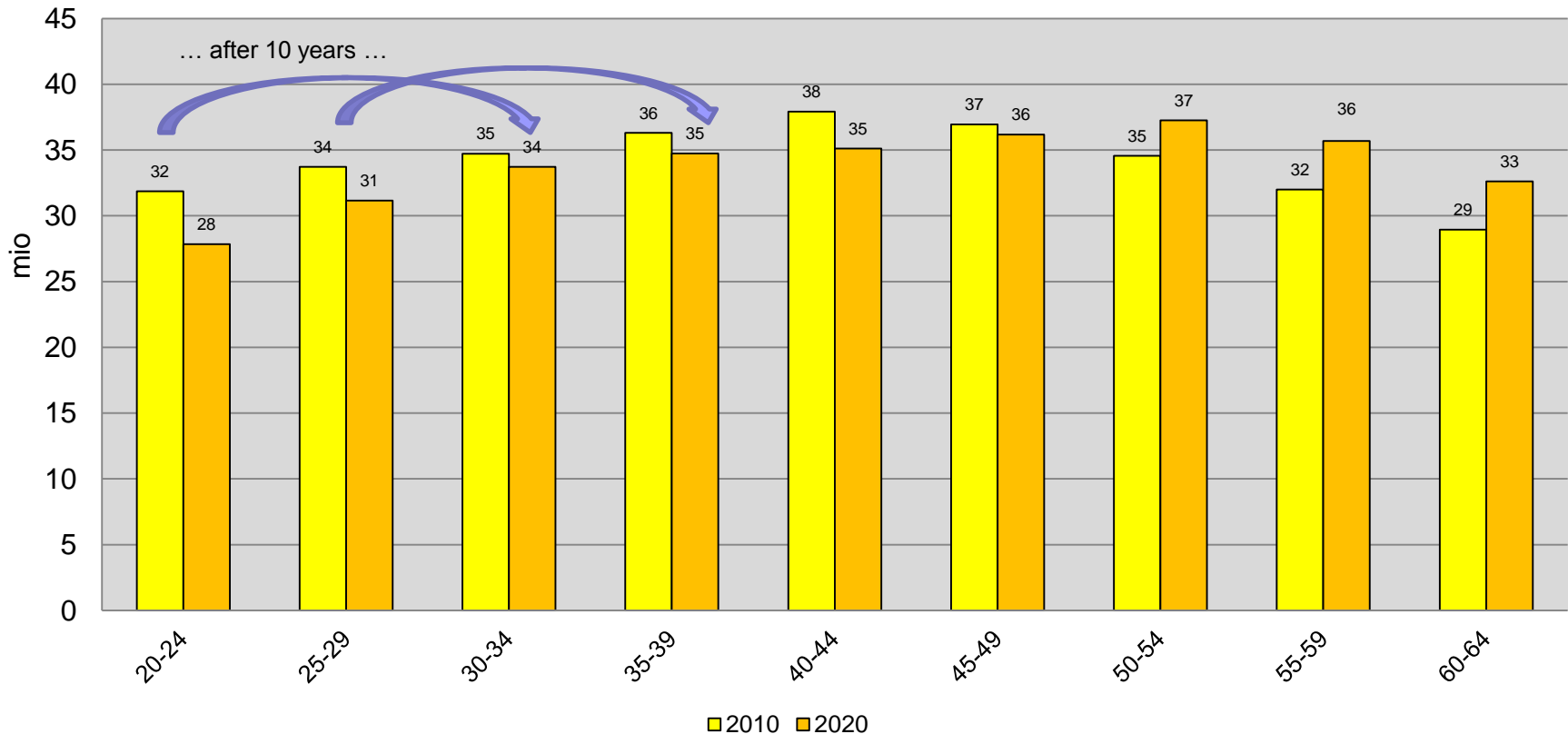
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# DEMOGRAPHIC CHANGE (2010 – 2020)

## EU-27

### Working age / 5 year brackets (20 – 64)



Source: Eurostat (europop 2010)



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# POPULATION AGEING - MEDIAN AGE (1970 – 2050)

	1970	1990	2010	2030	2050
D	34.0	37.6	44.2	48.8	51.2
FR	32.5	34.7	39.8	42.7	43.9
UK	34.3	35.8	39.5	40.9	41.7
PL	28.3	32.2	37.7	45.3	50.8
AT	33.9	35.6	41.7	45.5	47.8
NOR	33.0	35.3	38.6	40.8	42.4
IT	32.7	36.9	43.1	48.4	49.8
CZ	33.5	35.1	39.4	45.8	47.2
ES	30.2	33.4	39.9	47.4	48.9

Source: Eurostat, Statistics in Focus 23/2011



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# 2. Dependency Ratio Calculator

## DEMOGRAPHIC vs. ECONOMIC DEPENDENCY

developed by E. Türk/J. Wöss  
(Social Policy Department,  
Chamber of Labor of Vienna)



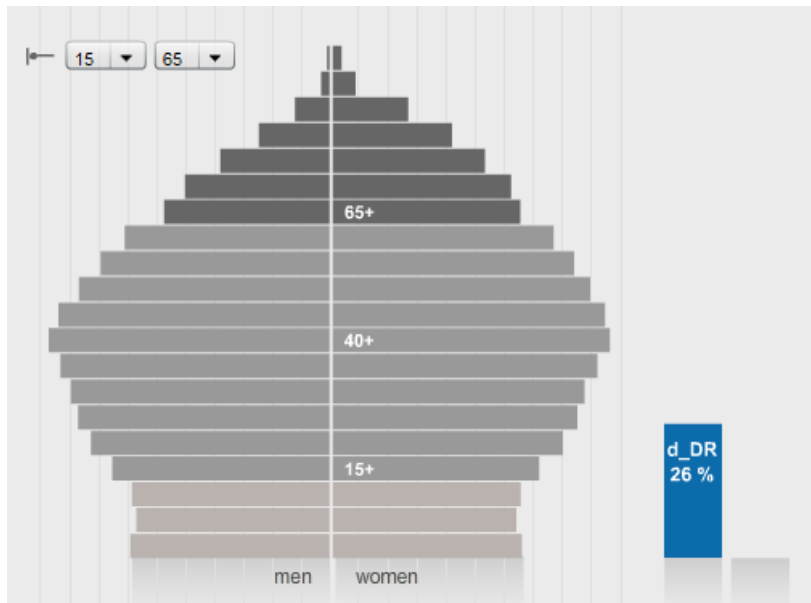
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# Dependency Ratio Calculator

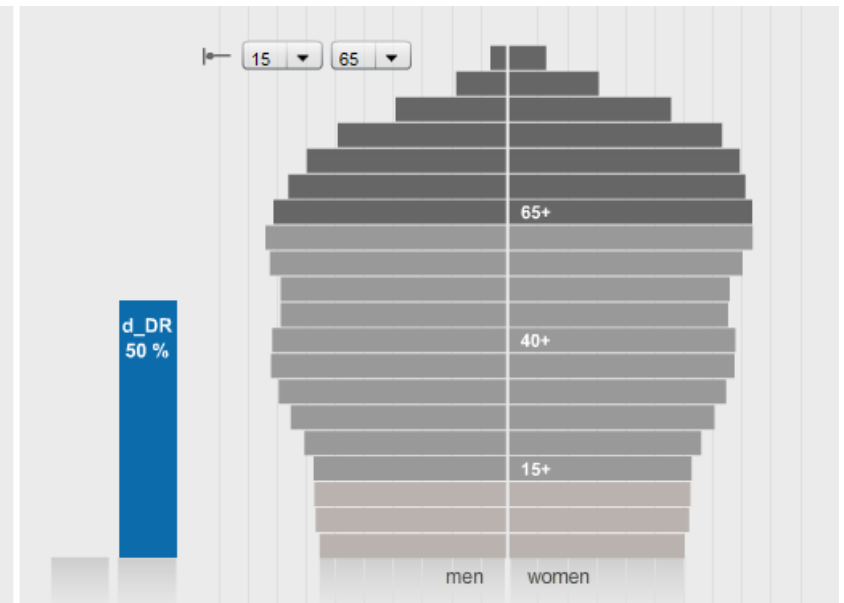
## AGE STRUCTURE 2010–2050

### (EU-27)

2010  
Demographic dependency ratio: 26 %



2050  
demographic dependency ratio: 50 %



d\_DR = demographic dependency ratio: population 65+ relative to 15-64

Source: Chamber of Labour of Vienna / Dependency Ratio Calculator (data: europop 2010)



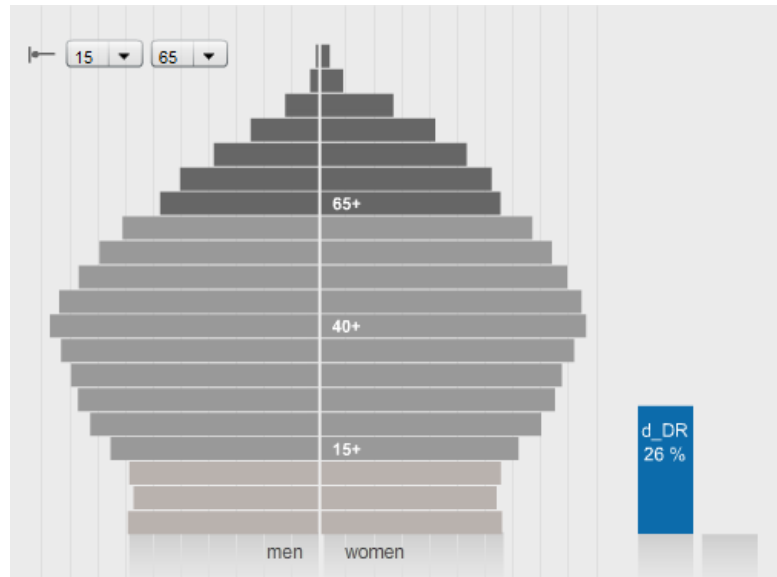
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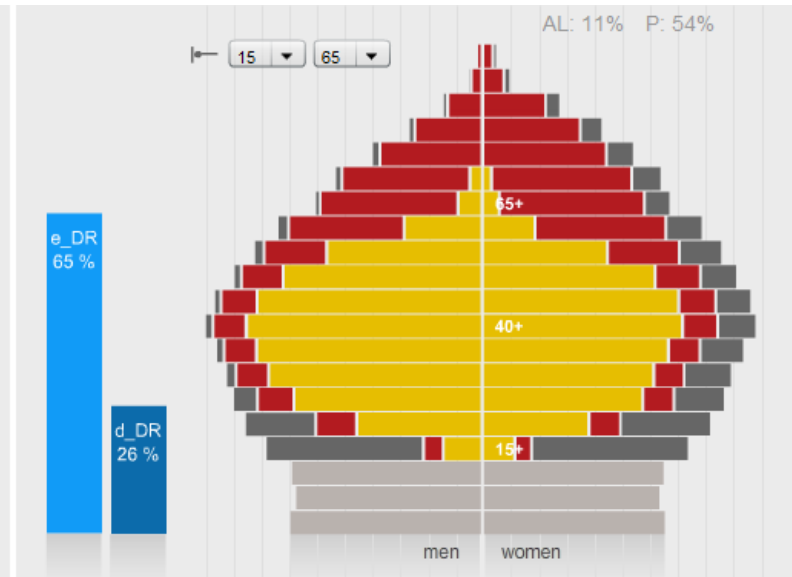
# Dependency Ratio Calculator

## DEMOGRAPHIC vs. ECONOMIC DEPENDENCY 2010 (EU-27)

2010  
demographic dependency ratio: 26 %



2010  
demographic dependency ratio: 26 %  
economic dependency ratio: 65 %  
employment rate (20-64): 68.6 %



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

■ people in employment ■ pensioners and unemployed ■ neutral - housewives/husbands etc. (right picture)

Source: Chamber of Labour of Vienna, Dependency Ratio Calculator (database: Eurostat – europop 2010 / Labour Force Survey 2012; EU-Commission – Ageing Report 2012; own calculations)



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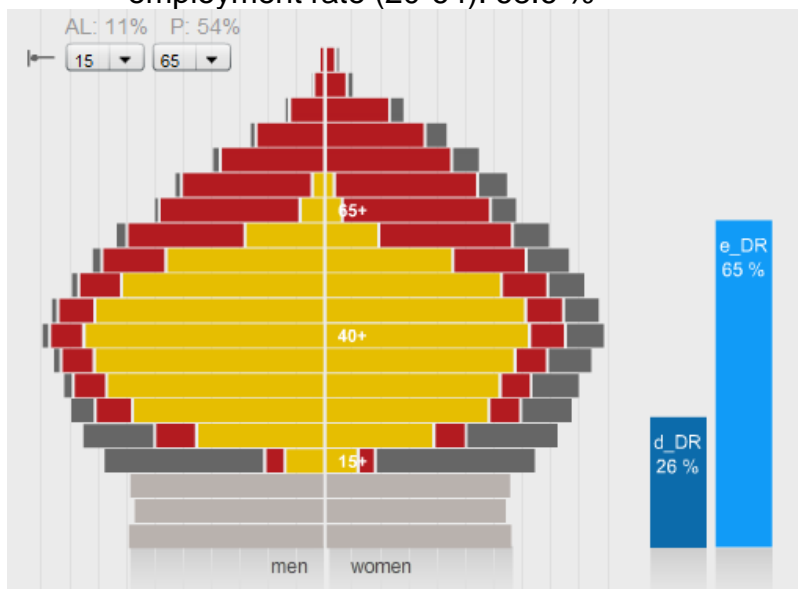
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# Dependency Ratio Calculator

## ECONOMIC DEPENDENCY 2010 – 2050 STANDARD-SCENARIO (EU-27)

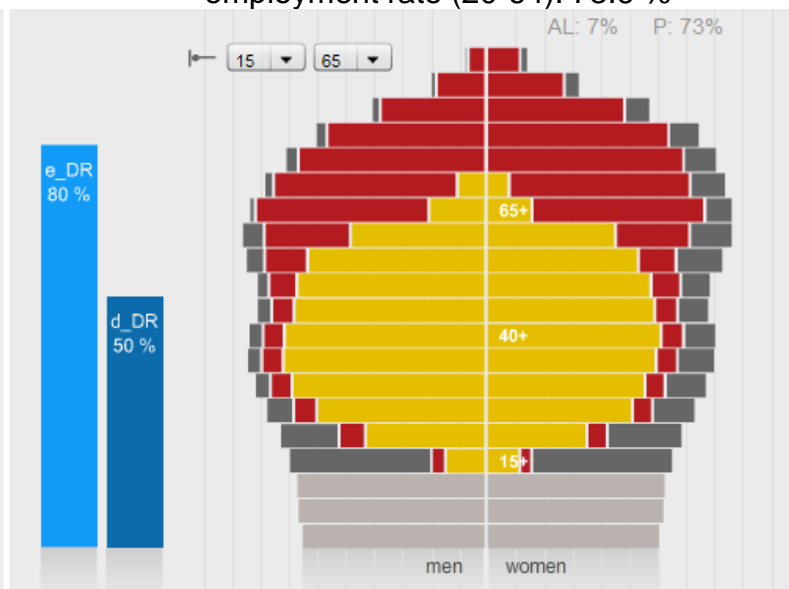
2010

demographic dependency ratio: 26%  
economic dependency ratio: 65 %  
employment rate (20-64): 68.6 %



2050 - „Standard-Scenario“

demographic dependency ratio: 50%  
economic dependency ratio: 80 %  
employment rate (20-64): 73.6 %



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

people in employment
  pensioners and unemployed
  neutral - housewives/husbands etc.



Source: Chamber of Labour of Vienna, Dependency Ratio Calculator (database: Eurostat – europop 2010 / Labour Force Survey 2012; EU-Commission – Ageing Report 2012; own calculations)

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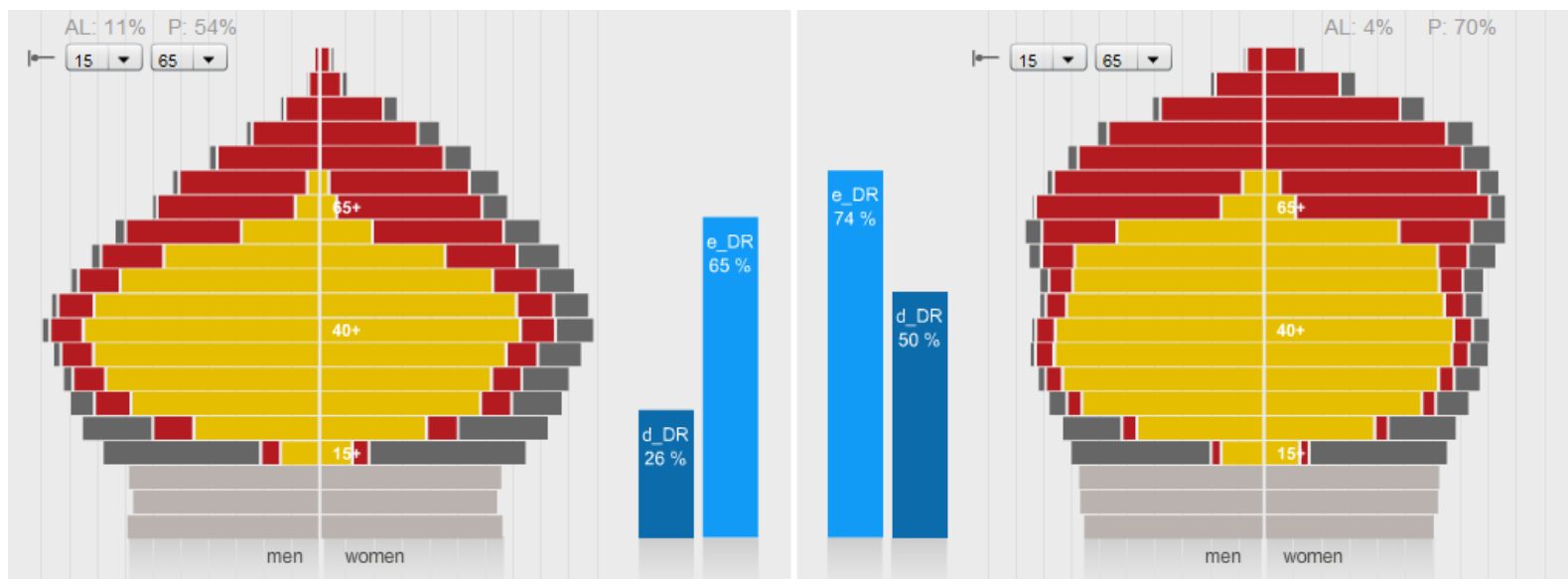
# Dependency Ratio Calculator

## ECONOMIC DEPENDENCY 2010 – 2050

### EU-2020plus-SCENARIO (EU-27)

2010  
 demographic dependency ratio: 26%  
 economic dependency ratio: 65 %  
 Employment rate (20-64): 68.6 %

2050 - „EU-2020plus-Scenario“  
 demographic dependency ratio: 50%  
 economic dependency ratio: 74 %  
 employment rate (20-64) : 80 %



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

people in employment
  pensioners and unemployed
  neutral - housewives/husbands etc.

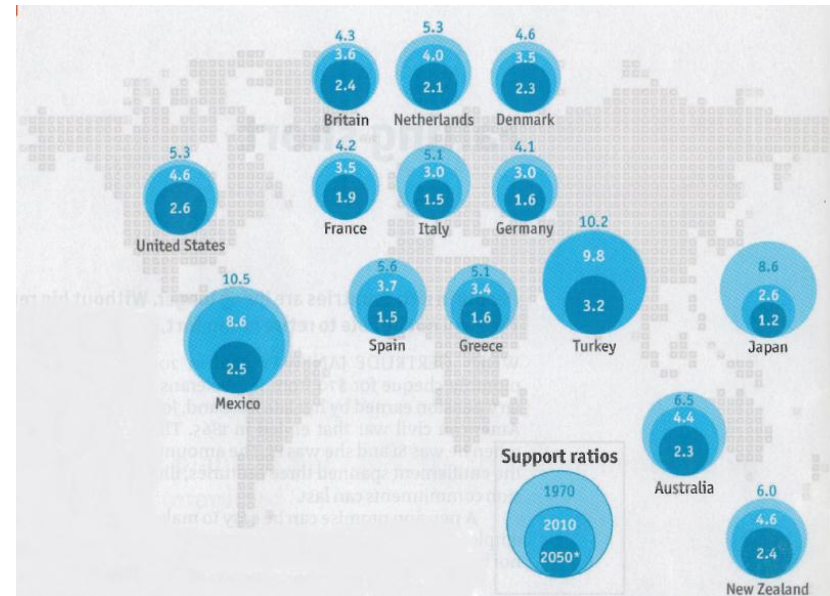


# DEPENDENCY RATIOS – CONFUSION BY MISTAKE?

THE ECONOMIST, 9<sup>th</sup> April 2011



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“ [20-64 relative to 65+ ]





## CONCLUSIONS PART 2:

There's an essential DIFFERENCE between  
“*demographic*“ and “*economic*“  
dependency ratios

... because ...

... it matters whether people are employed or not!!!



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# ... it matters whether people are employed or not (3) ...

Due to demographic changes there is a rise in beneficiaries (YES, that's true!) ...

**BUT: THE MORE PEOPLE GET EMPLOYED, THE LESS THE ECONOMIC DEPENDENCY RATIO WILL RISE TOO!**

*See the differences between the 2 „ratios“ (demographic vs economic):*

**Scenario 1:** unemployment doubles cet par  
unemployment doubles cet par

→ demographic ratio doesn't change!  
→ economic ratio is **influenced negatively!**

**Scenario 2:** employment doubles cet par  
employment doubles cet par

→ demographic ratio doesn't change!  
→ economic ratio is **influenced positively!**

**That is – besides other arguments – why we should concentrate all our efforts towards full-employment in Europe!**



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# 3. How to cope with demographic change? WORKFORCE?

## EU-COMMISSION WHITE PAPER ON PENSIONS (2012)

Positive re-interpretation of demographic change  
→ best practice „nordic model“!



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# EU-COMMISSION WHITE PAPER ON PENSIONS (2012)

## ANALYSIS

*„The ageing challenge is often illustrated by the doubling of the old age dependency ratio ... Yet the real issue is the economic dependency ratio, defined as the unemployed and pensioners as a percentage of the employed.“*

*„Many countries have considerable scope for improving the future adequacy and sustainability of their pension systems by raising employment rates, and this not just in the higher age groups“*

## RECOMMENDATIONS

Unfortunately, the key **recommendations of the White Paper do not reflect this analysis** - mobilizing existing employment potential in all age groups is not among the key recommendations!



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# HOW TO COPE WITH DEMOGRAPHIC CHANGE?

**Possible CONCLUSION of trade unions aiming for a „renaissance“ of full-employment in the EU:**

**(A) Broad (social) investment strategy:**

Education/training, adaption of workplaces to enable working longer in a healthy way, sufficient infrastructure of social services, ...

**(B) Mobilizing existing employment potential ...**

(in all age groups / with quality jobs)

**... is the most effective strategy with which countries / companies can prepare for an ageing population!**



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# ... this fundamental discussion also effects the future of the „EUROPEAN SOCIAL MODEL“ ...

## European Social Model – Core elements:

*[Def. by Austrian Social Partners (Bad Ischl 2010)]*

- Society has responsibility for the welfare of individuals and for the reduction of individual risks, such as unemployment, sickness, old-age
- Economic dynamics and social progress are not regarded as opposites but as mutually supporting each other
- Conflicts of interest between employers and employees are dealt with in institutional form by strong employers' and employees' institutions (social dialogue)



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# European Social Model

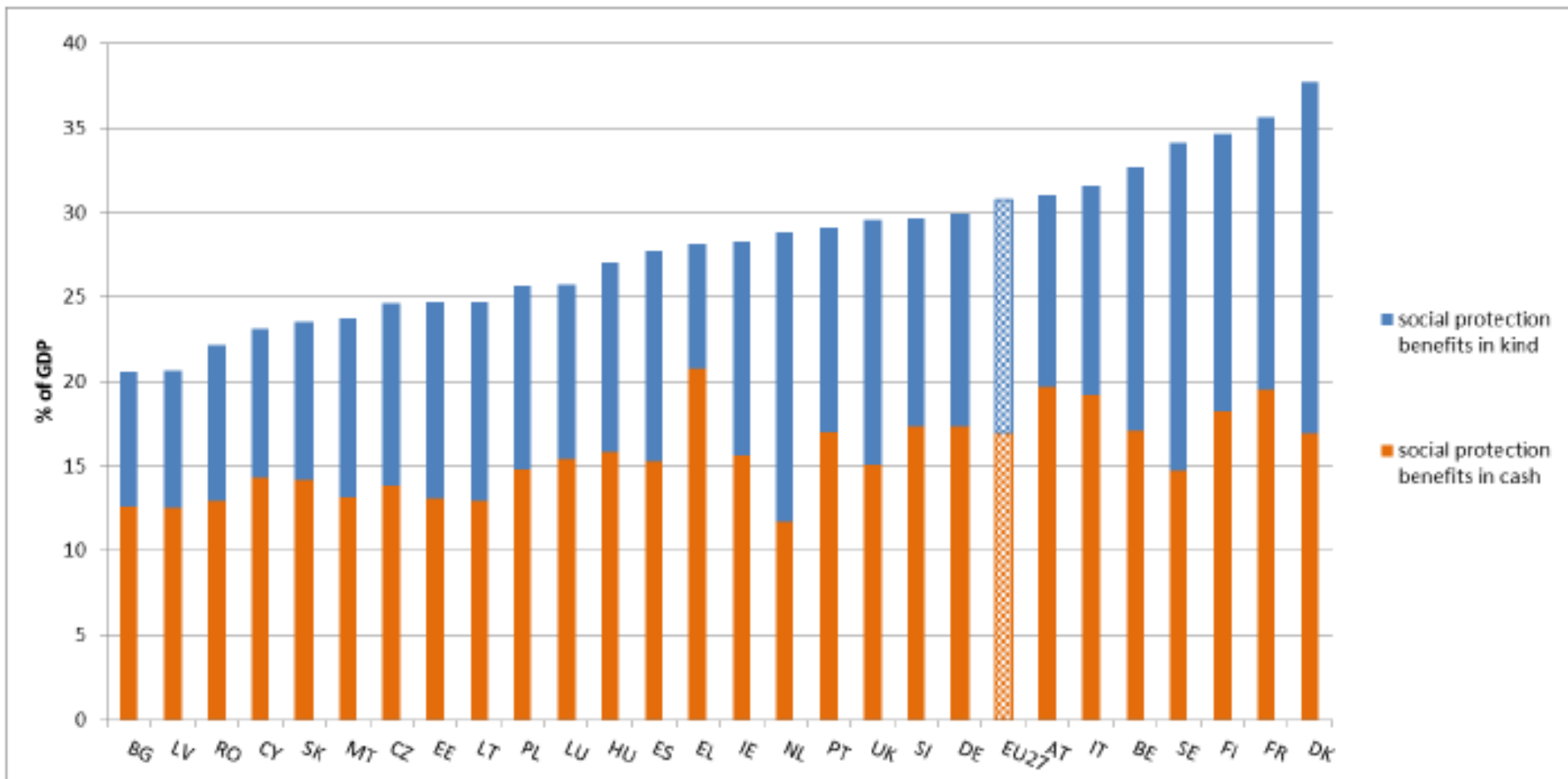
## MAIN MODELS OF EUROPEAN SOCIETY

- Nordic universalistic model  
(Denmark, Sweden, Finland, Netherlands)
- Continental corporatist model  
(France, Germany, Belgium, Luxembourg, Austria)
- Anglo-saxon liberal model  
(United Kingdom, Ireland)
- Mediterranean family-oriented model  
(Italy, Spain, Portugal, Greece)



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# Social protection expenditure in cash and in kind (percentage of GDP, 2010)



Source: Eurostat, National accounts and European Commission Economic Forecast — Spring 2012.





# European Social Model

## NORDIC UNIVERSALISTIC MODEL

- Basic social protection (health protection, pensions, etc.) for all citizens
- Emphasis on redistribution, social inclusion and minimum standards for all
- Generous infrastructure of social services
- High level of tax rate / high level of social expenditure
- High employment rates (incl high female employment)
- Focus on active labour market policy
- Important role of social partners / centralised wage-bargaining



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# Ad ECONOMIC AND SOCIAL INDICATORS – CONCLUSIONS

Countries with high standards of social protection and sufficient supply of social services – i.e. countries of the Scandinavian Model and Continental Model – are performing better:

- **stable expectations and private consumption expenditure**
- **higher income equality** [p80/p20: EU 27=4.9; SE/FI=3.7]
- **higher employment rates (esp. of women!) → higher GDP/capita**
- **domestic demand is stimulated**
- **‘flexicurity’-strategy without neglecting the ‘security’-dimension**
- **less poverty and social conflicts**
- **broad consensus on institutional settings**



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