



The 2021 Ageing Report

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A joint Commission-EPC report

- Prepared every three year by the Ageing Working Group
- 7th edition published on 07/05/2021
- 2 volumes: [assumptions & methodology](#) and actual [projections](#)
- ECOFIN council conclusions (18/06/2021)
- Long-term projections: until 2070
- 27 Member States + Norway
- Baseline projections + several alternative scenarios

Covering four large spending categories



pensions
11.6% of GDP*



healthcare
6.6% of GDP



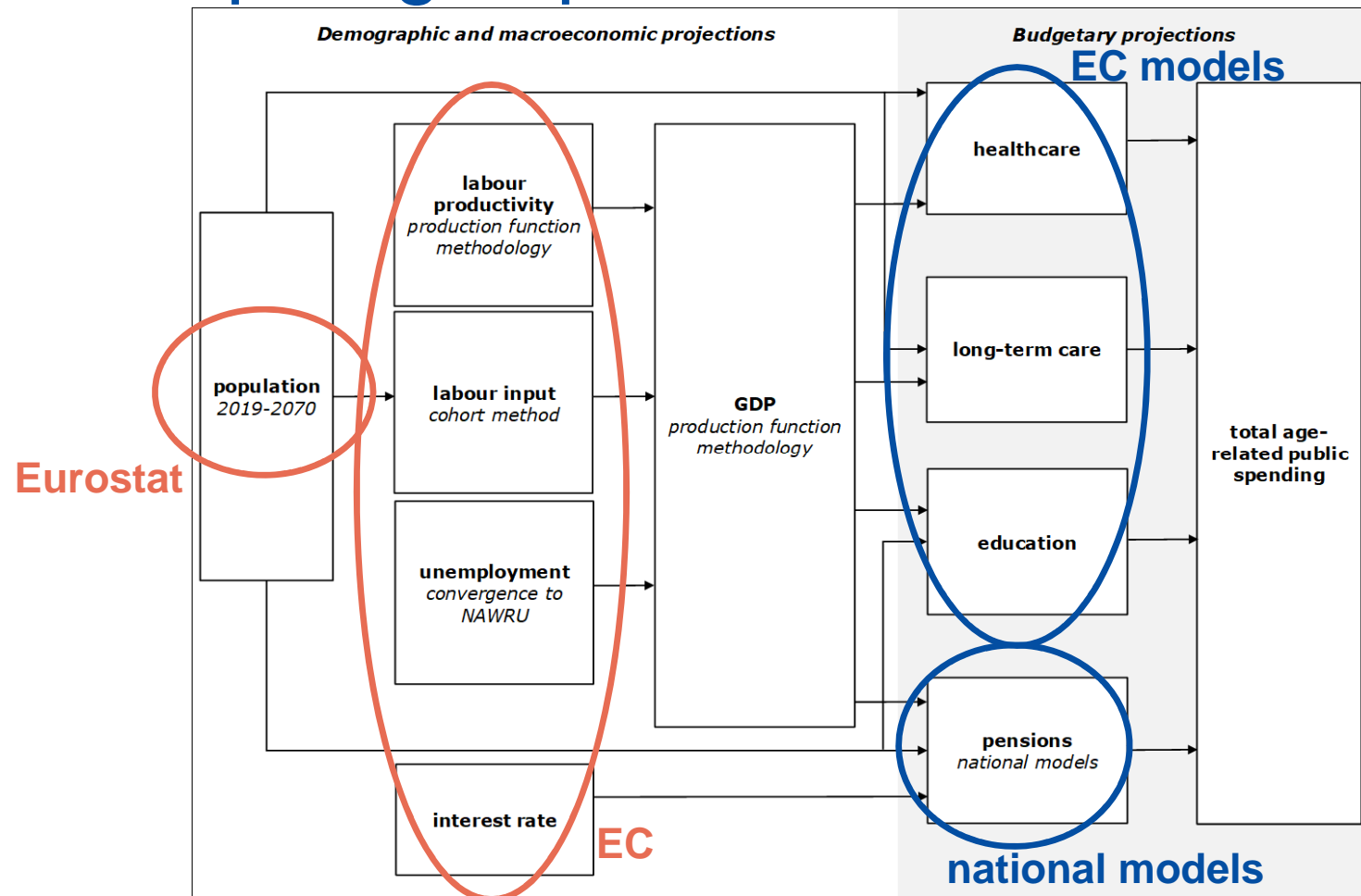
long-term care
1.7% of GDP



education
4.1% of GDP

³ * avg EU spending in 2019

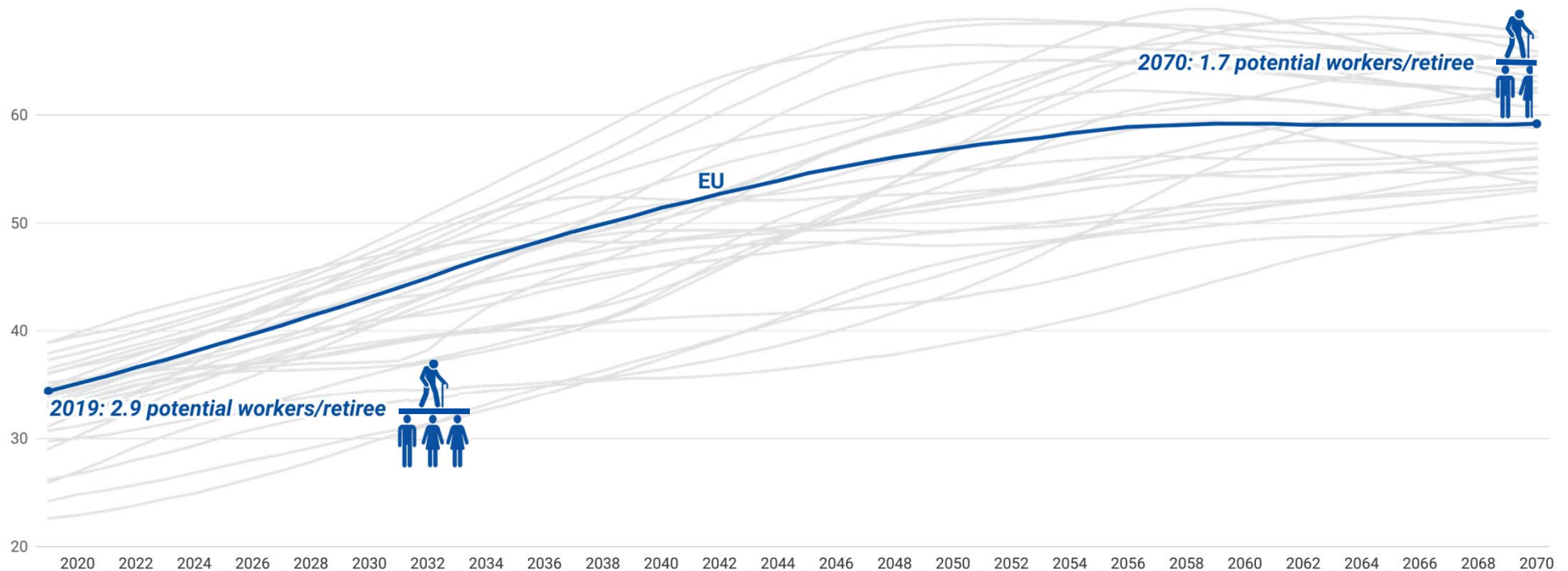
A two-pronged process



The premise: a profound demographic shift

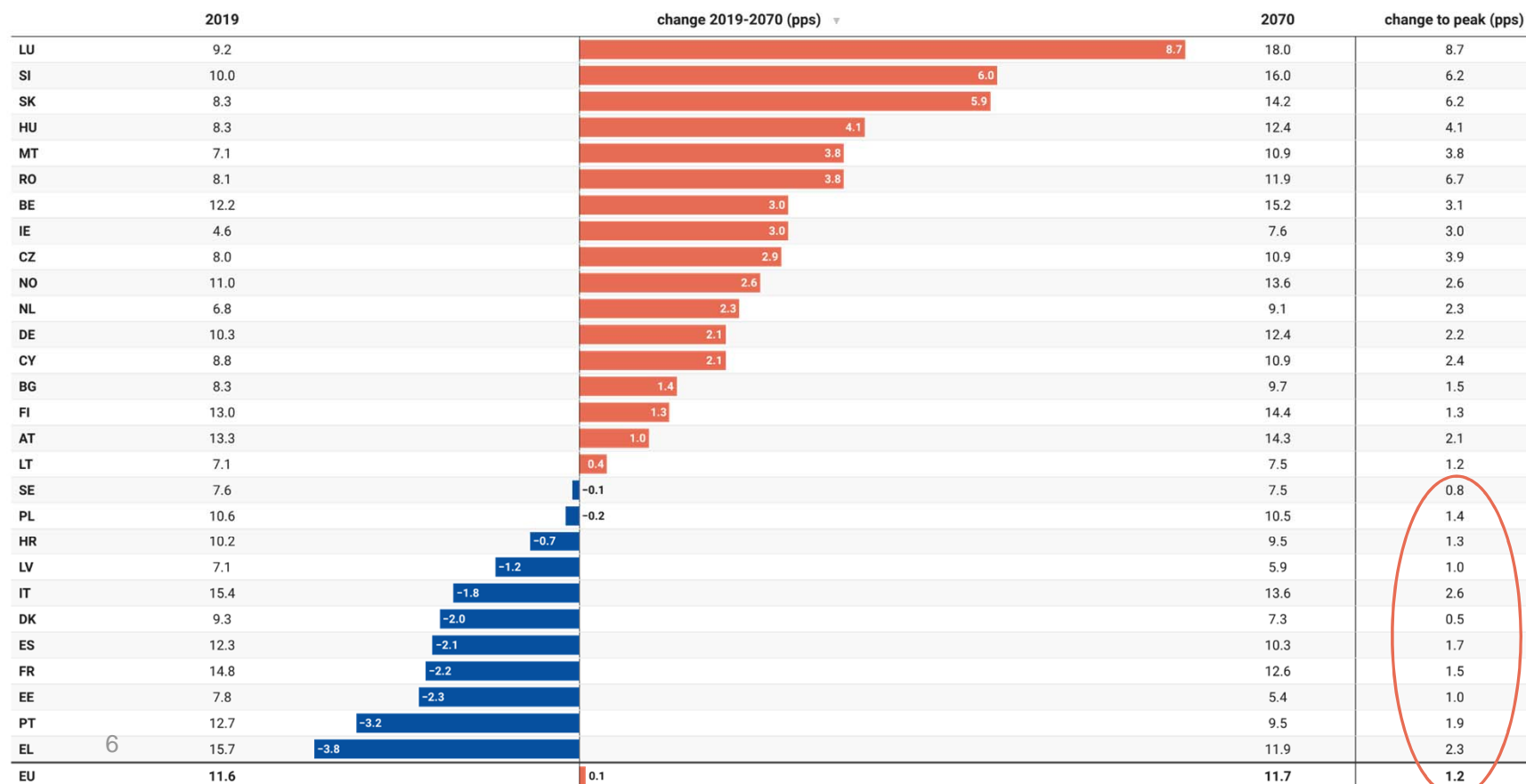
Old-age dependency ratio (%)

number of people 65+ / number of people 20-64



Spending to rise considerably in many countries

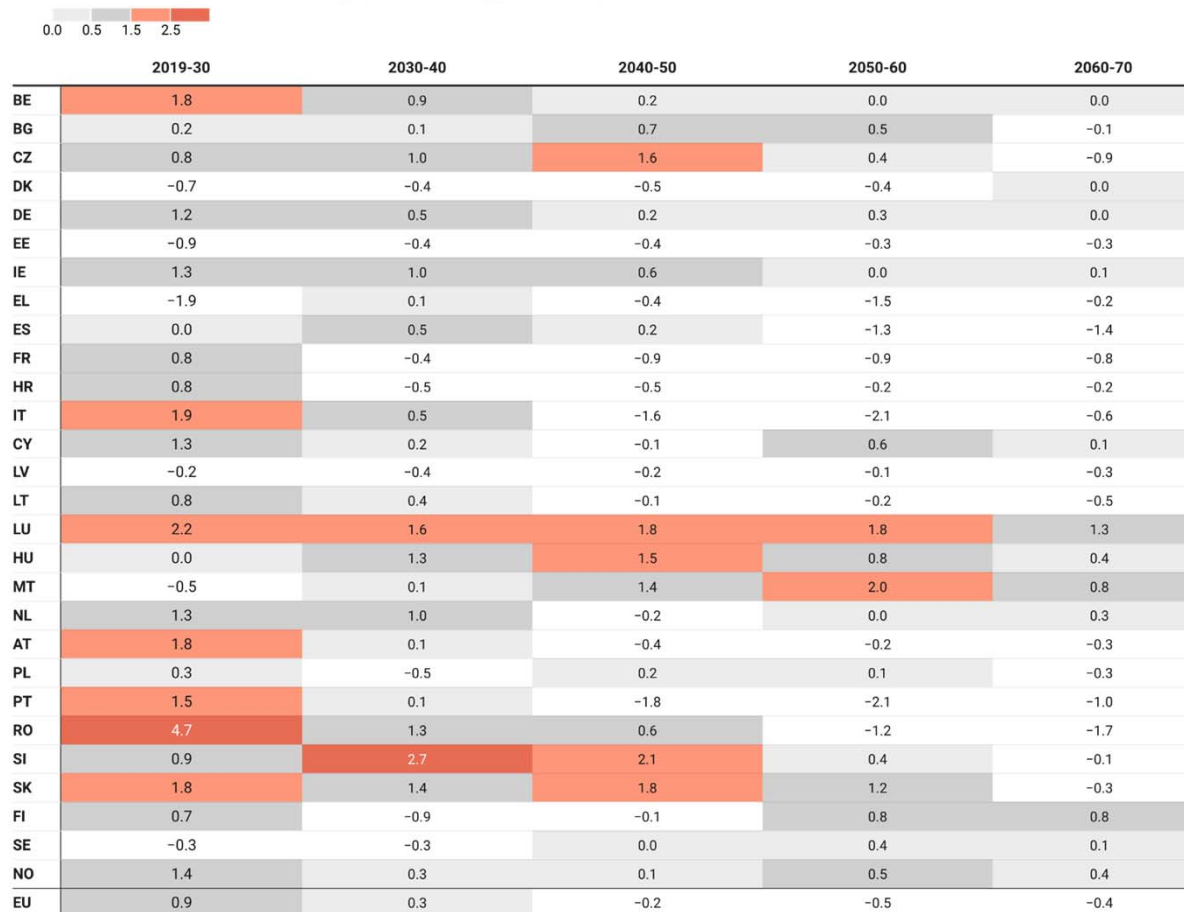
Public pension expenditure (%GDP) - baseline



Source: 2021 Ageing Report • Created with Datawrapper

Increase is concentrated in next decades

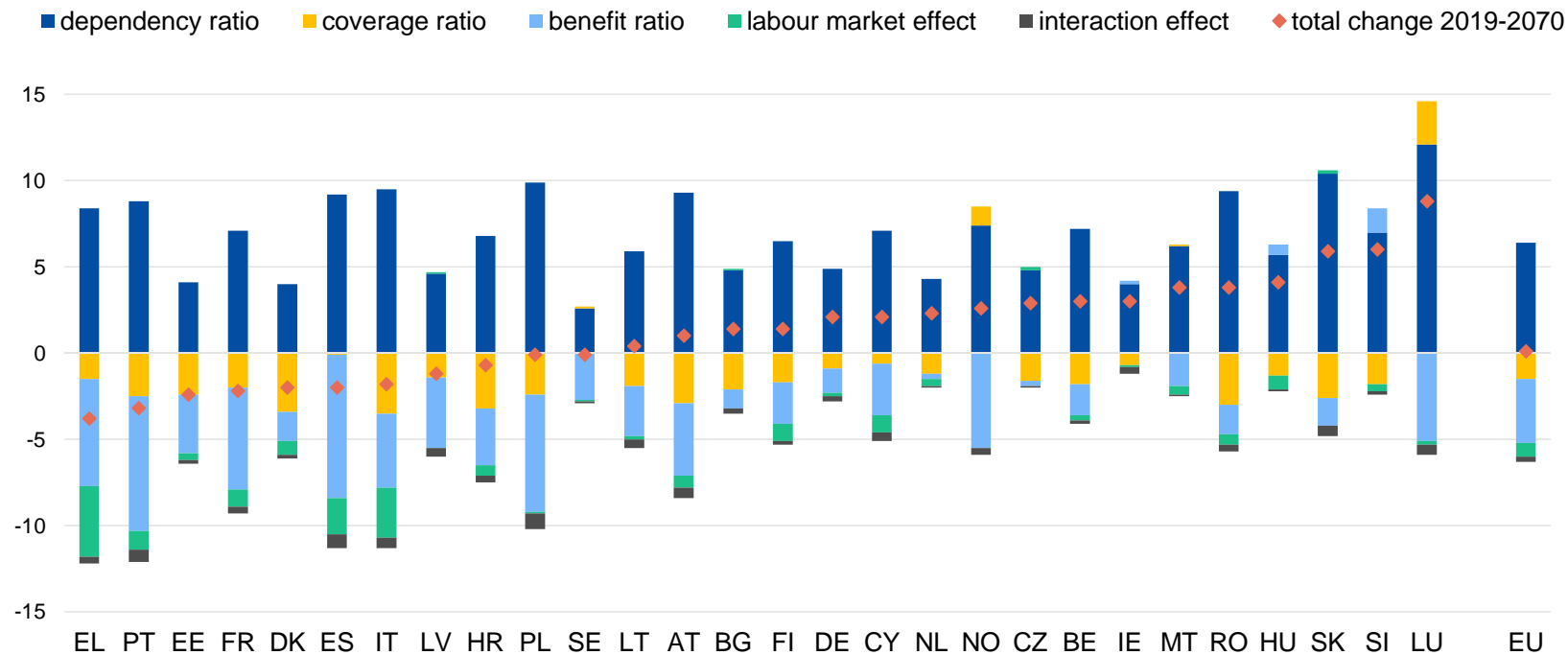
Public pension expenditure: change per decade (pps of GDP)



Source: 2021 Ageing Report - Created with Datawrapper

Driven by the demographic factor

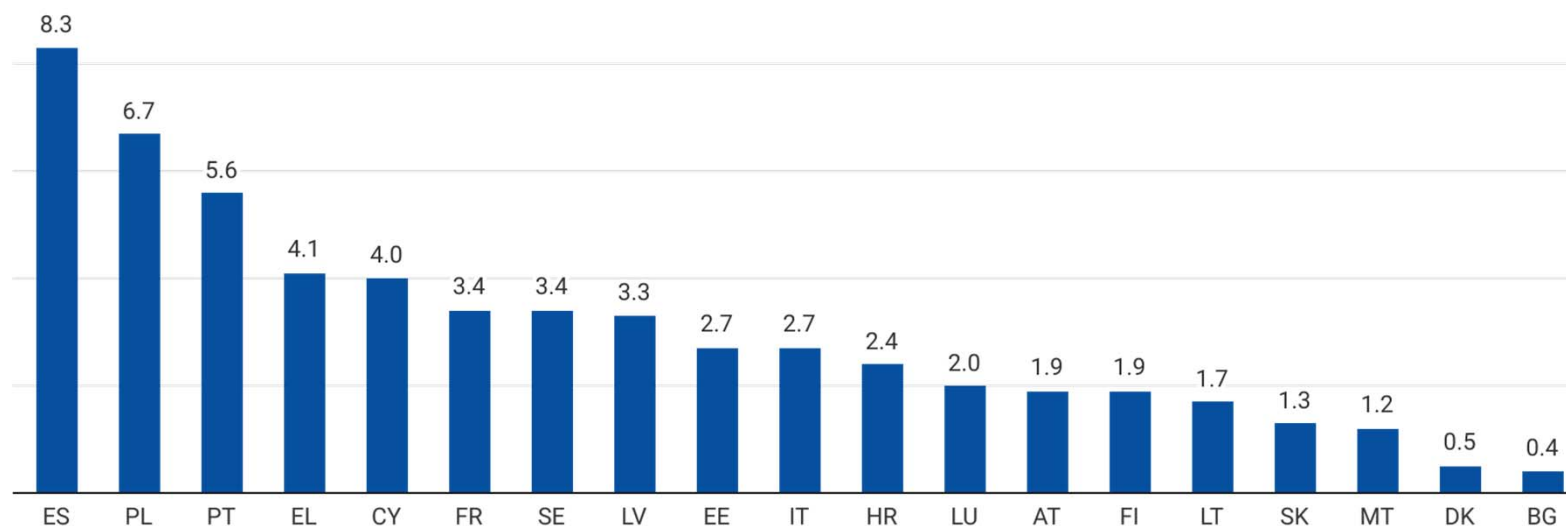
Contribution to change in pension expenditure (pps of GDP)



What if... measures were taken to prevent pension adequacy from falling?

Public pension expenditure - offset benefit ratio scenario

pps of GDP change in 2019-2070, deviation from baseline



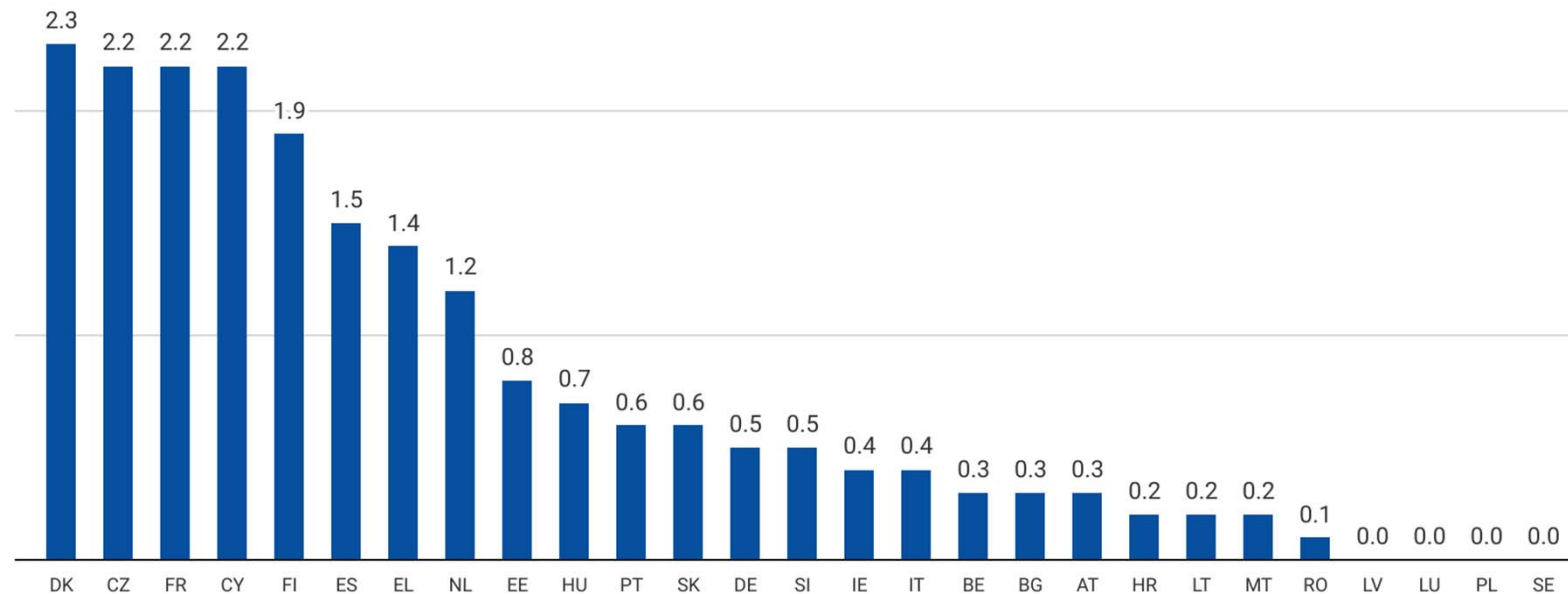
This scenario prevents the earnings-related public benefit ratio from falling below 90% of 2019 value. It was not run for BE, CZ, DE, IE, HU, NL, RO, SI & NO as under the baseline projections the benefit ratio does not fall below 90%.

Source: 2021 Ageing Report • Created with Datawrapper

What if... people were to retire at current ages?

Public pension expenditure - constant retirement age scenario

pps of GDP change in 2019-2070, deviation from baseline

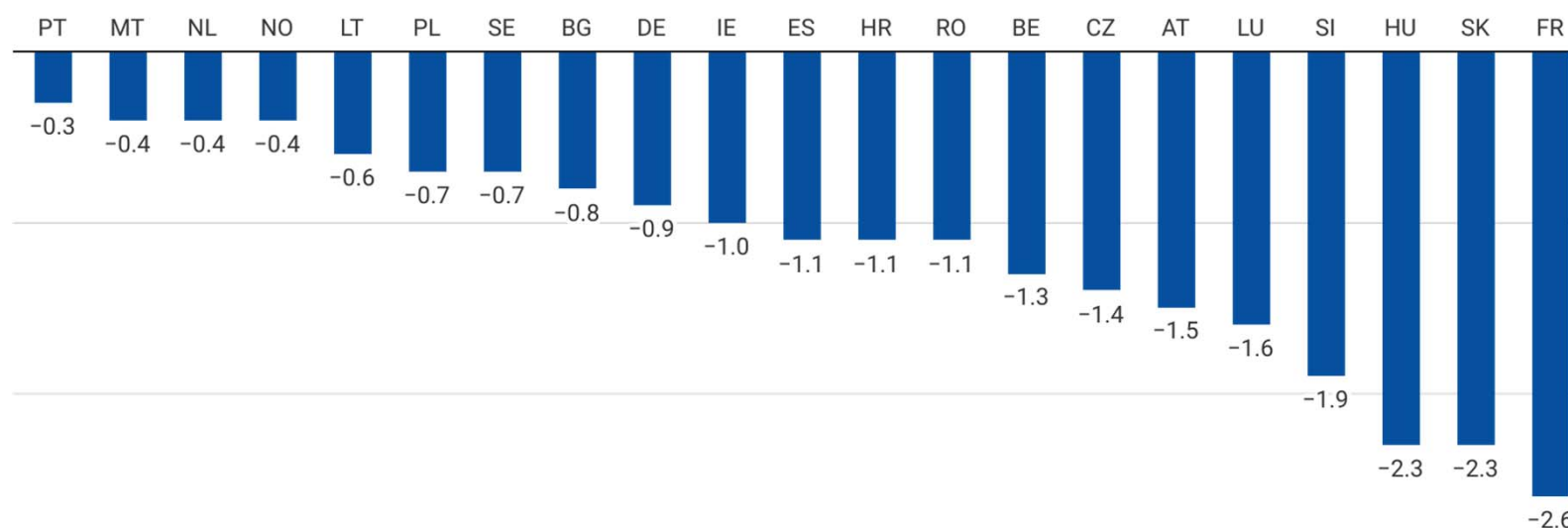


Source: 2021 Ageing Report • Created with Datawrapper

What if... retirement ages were linked to gains in life expectancy?

Public pension expenditure - link to life expectancy

pps of GDP change in 2019-2070, deviation from baseline



Scenario assumes 3/4th of gains in longevity is passed through in the effective exit age. The scenario is only run for countries that currently do not have a link; NL & PT apply a partial link.

Source: 2021 Ageing Report • Created with Datawrapper

Conclusion (1): reform reversals might further increase expenditure and erode adequacy

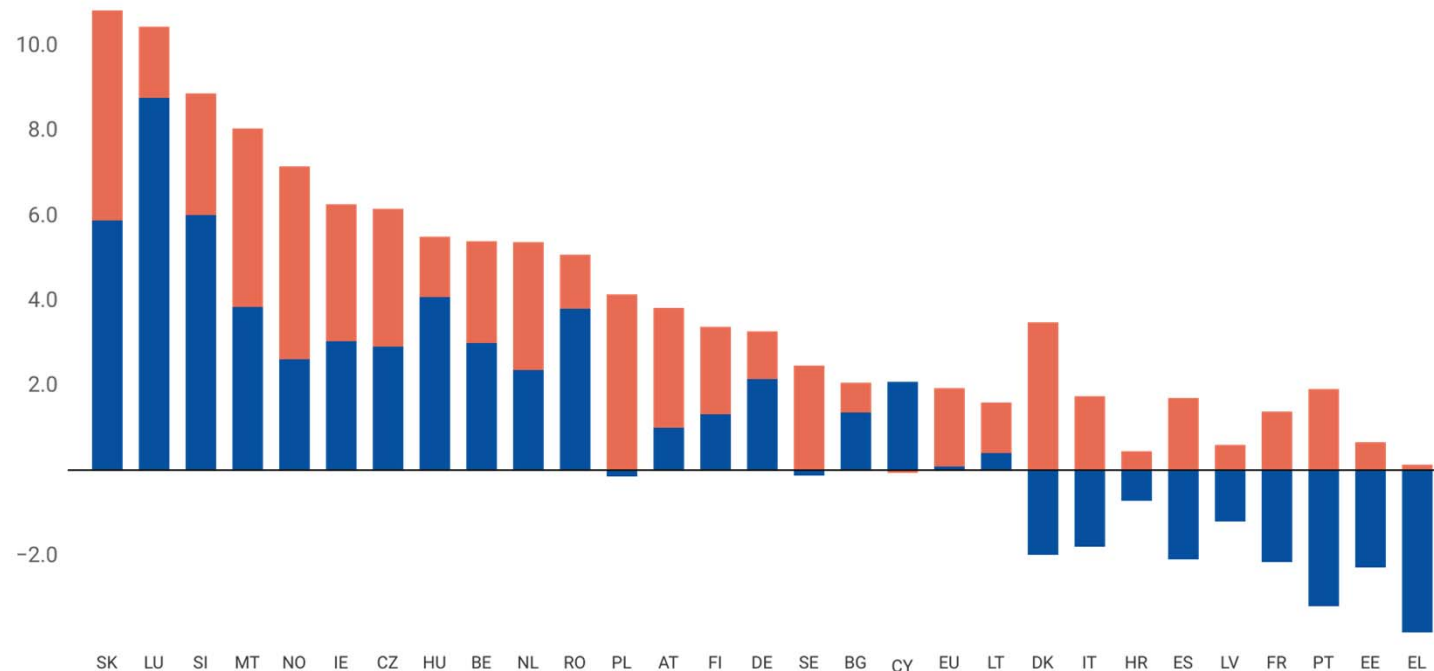
Importance of focusing on exit behaviour

- Avoid backtracking reforms, also given adequacy concerns in several Member States
- Adopt additional measures to lengthen careers
 - Jointly address adequacy & fiscal sustainability risks
 - In a timely, gradual and predictable manner

Conclusion (2): non-pension ageing costs

Total cost of ageing (%GDP)

■ pensions ■ other (healthcare, long-term care and education)



Thank you

[2021 Ageing Report: Economic and budgetary projections](#)

[2021 Ageing Report: Underlying assumptions and projection methodologies](#)

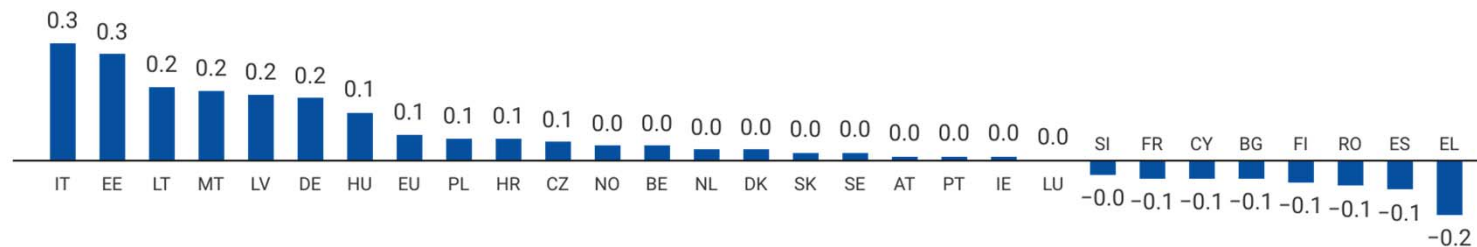
[Pension country fiches and tables](#)

Extra slides

More negative COVID macro scenarios

Public pension expenditure - lagged recovery scenario

pps of GDP change in 2019-2070, deviation from baseline

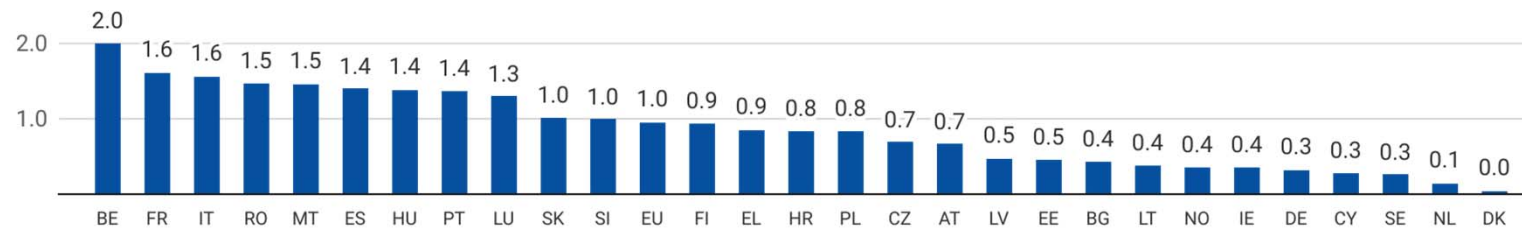


this alternative COVID-19 macroeconomic scenario assumes a more pronounced cyclical downturn and a longer recovery phase

Source: 2021 Ageing Report • Created with Datawrapper

Public pension expenditure - adverse structural scenario

pps of GDP change in 2019-2070, deviation from baseline



this alternative COVID-19 macroeconomic scenario assumes that, on top of a stronger cyclical downturn, the growth potential will be lower over the next decade so that potential output growth would be permanently lower than under the baseline scenario

Source: 2021 Ageing Report • Created with Datawrapper

Sensitivity to alternative assumptions

	baseline 2019-2070 (%GDP)	<i>impact of unfavourable scenarios (pps of GDP)</i>						<i>impact of favourable scenarios (pps of GDP)</i>			
		Higher life expectancy	Lower migration	Lower fertility	TFP risk scenario	Unchanged ret. age	Offset BR	Higher migration	Higher empl. 55-74	Higher TFP growth	Link to life expectancy
LU	8.7	0.5	1.5	2.2	0.7	0.0	2.0	-1.1	-0.1	-0.9	-1.6
SI	6.0	1.0	0.5	2.1	0.2	0.5	0.0	-0.4	-1.4	-0.4	-1.9
SK	5.9	0.6	0.2	2.1	0.3	0.6	1.3	-0.2	-0.4	-0.5	-2.3
HU	4.1	0.5	0.2	1.5	0.5	0.7	0.0	-0.4	-0.7	-0.5	-2.3
MT	3.8	0.5	1.2	1.0	0.6	0.2	1.2	-0.8	-0.3	-0.7	-0.4
RO	3.8	0.7	-0.3	1.9	0.8	0.1	0.0	0.4	-0.4	-0.5	-1.1
IE	3.0	0.4	0.1	1.0	0.1	0.0	0.0	-0.1	-0.3	-0.1	-1.0
BE	3.0	0.8	0.7	1.8	1.0	0.3	0.0	-0.5	-0.9	-1.1	-1.3
CZ	2.9	0.7	0.3	1.5	0.3	2.2	0.0	-0.3	0.2	-0.3	-1.4
NO	2.6	0.2	0.2	1.4	0.0	0.0	0.0	-0.7	-0.6	0.0	-0.4
NL	2.3	0.0	0.4	1.3	-0.1	1.2	0.0	-0.3	-0.2	0.0	-0.4
DE	2.1	0.4	0.4	1.0	0.0	0.5	0.0	-0.3	-0.2	0.0	-0.9
CY	2.1	0.3	1.0	1.2	0.3	2.2	4.0	-0.8	-0.2	-0.1	0.0
BG	1.4	0.5	0.1	1.5	1.0	0.3	0.4	-0.1	-0.3	-0.2	-0.8
FI	1.3	0.1	0.7	1.6	0.6	1.9	1.9	-0.6	-0.2	-0.5	0.0
AT	1.0	0.7	0.7	0.6	0.4	0.3	1.9	-0.6	-0.3	-0.4	-1.5
LT	0.4	0.5	0.2	0.1	0.1	0.2	1.7	-0.2	0.0	0.0	-0.6
EU	0.1	0.4	0.4	1.2	0.5	0.9	3.2	-0.3	-0.3	-0.5	-1.1
EA	0.1	0.4	0.4	1.2	0.5	0.9	3.2	-0.4	-0.3	-0.5	-1.1
SE	-0.1	0.2	0.4	1.0	0.0	0.0	3.4	-0.3	-0.2	0.0	-0.7
PL	-0.2	0.3	0.2	1.1	0.4	0.0	6.7	-0.2	-0.3	-0.4	-0.7
HR	-0.7	0.8	0.2	1.5	0.3	0.2	2.4	-0.2	-0.7	-0.4	-1.1
LV	-1.2	0.2	0.0	0.3	0.1	0.0	3.3	0.0	0.1	-0.1	0.0
IT	-1.8	0.2	0.7	1.0	0.6	0.4	2.7	-0.5	0.2	-0.6	0.0
DK	-2.0	0.2	0.2	0.9	-0.1	2.3	0.5	-0.2	-0.3	0.1	0.0
ES	-2.1	0.1	0.7	1.0	0.9	1.5	8.3	-0.5	-1.4	-0.9	-1.1
FR	-2.2	0.6	0.2	1.8	0.9	2.2	3.4	-0.2	-0.3	-1.0	-2.6
EE	-2.3	0.4	0.0	0.1	0.2	0.8	2.7	0.1	0.1	-0.1	0.0
PT	-3.2	0.0	0.2	1.3	0.7	0.6	5.6	-0.3	-0.3	-0.8	-0.3
EL	-3.8	-0.1	0.5	1.1	0.7	1.4	4.1	-0.5	-0.1	-0.7	0.0

Public pension expenditure (2019=100)

