

HOW TO COPE WITH POPULATION AGEING

THE LABOUR MARKET AS A KEY DETERMINANT

European Social Partners
Demographic Change in the European Union
24.11.2020

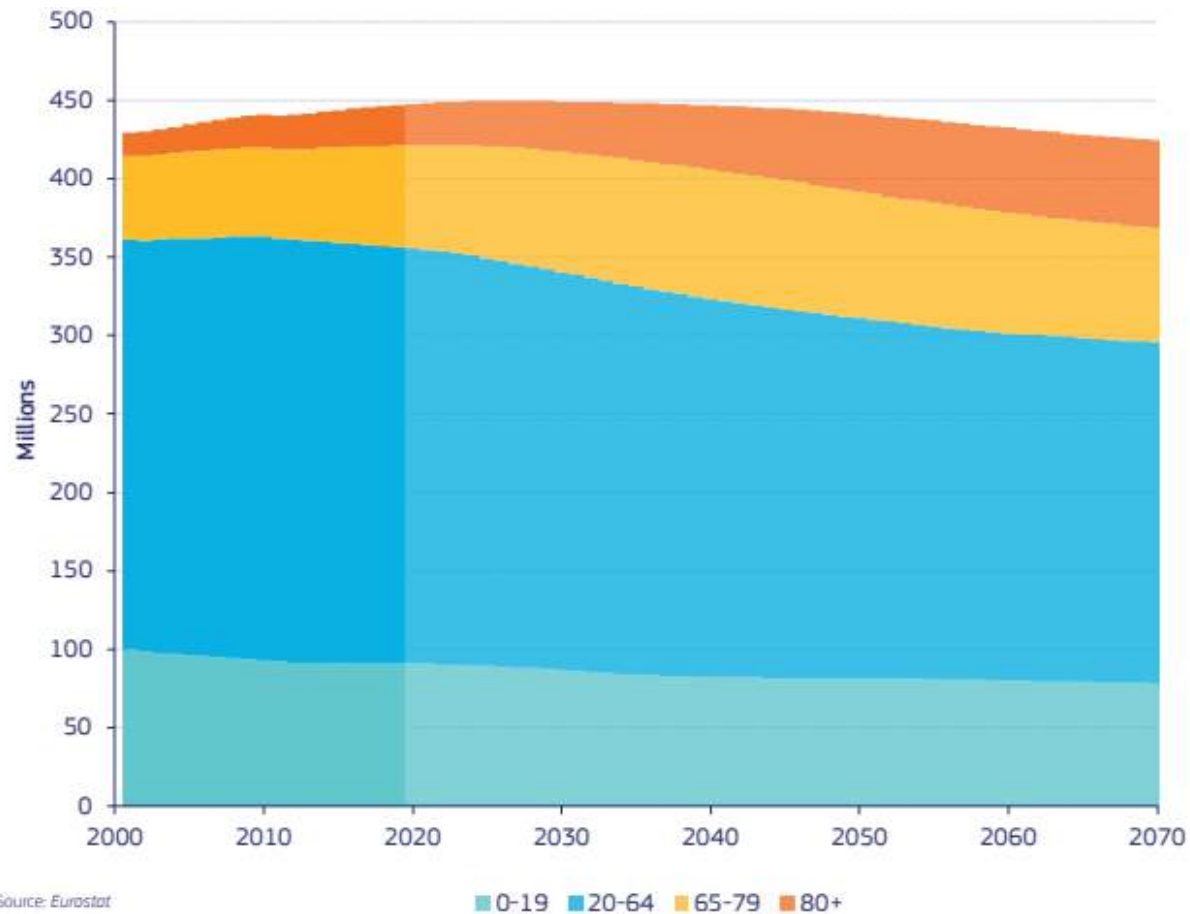
Josef Wöss, AK Wien

OVERVIEW

- Demographic Change
- Dependency Ratios
- Impact of Labour Markets
- Strategies on How to Respond to Population Aeging
- Conclusions

DEMOGRAPHIC CHANGE – EU-27

- Sharp Increase in the No. of Older People
- Shrinking Working Age Population

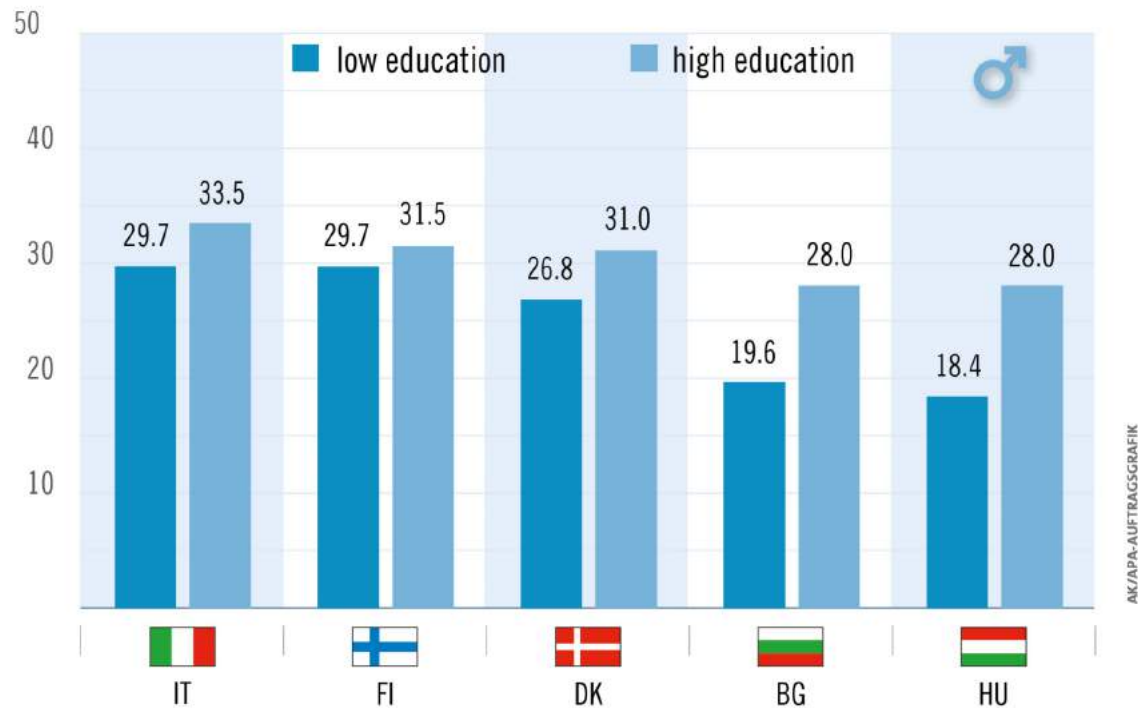


Source: Eurostat

■ 0-19 ■ 20-64 ■ 65-79 ■ 80+

FURTHER LIFE EXPECTANCY AT AGE 50 – MALES

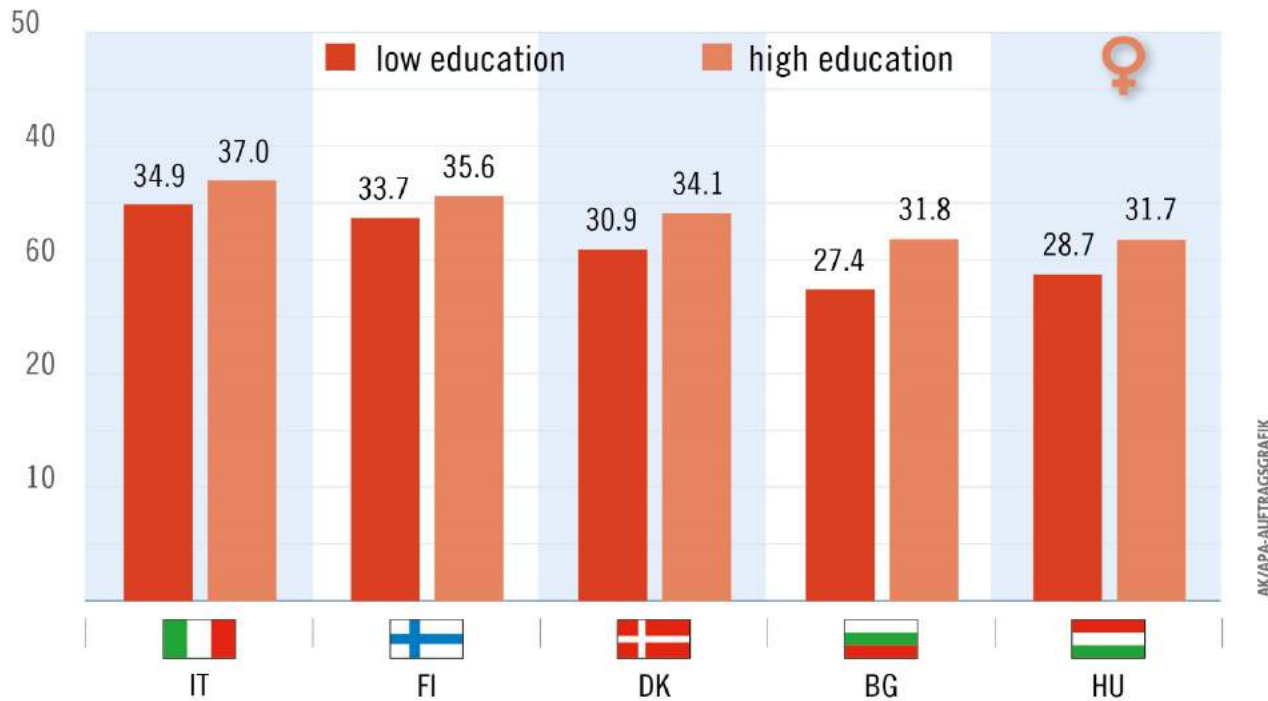
→ Enormous Disparities along Educational Attainment



Source: Eurostat, Highly educated men and women likely to live longer; Statistics in Focus 14/2010; own graph

FURTHER LIFE EXPECTANCY AT AGE 50 – FEMALES

→ Remarkable Disparities along Educational Attainment



Source : Eurostat, Highly educated men and women likely to live longer; Statistics in Focus 14/2010; own graph

DEPENDENCY RATIOS

→ TREMENDOUS GAP BETWEEN ECONOMIC AND DEMOGRAPHIC ,DEPENDENCY‘

| | (Demographic) Old-age Dependency Ratio People aged 20-64/Persons aged 65+ | (Pension) Support Ratio Contributors/Pensioners |
|--------------|---|---|
| EU-27 | 3.1 : 1 | 1.6 : 1 |
| DE | 2.9 : 1 | 1.6 : 1 |
| FR | 3.0 : 1 | 1.4 : 1 |
| IT | 2.7 : 1 | 1.6 : 1 |
| ES | 3.2 : 1 | 2.0 : 1 |
| PL | 3.9 : 1 | 1.8 : 1 |
| RO | 3.5 : 1 | 1.1 : 1 |
| SE | 2.9 : 1 | 2.3 : 1 |
| EL | 2.8 : 1 | 1.7 : 1 |

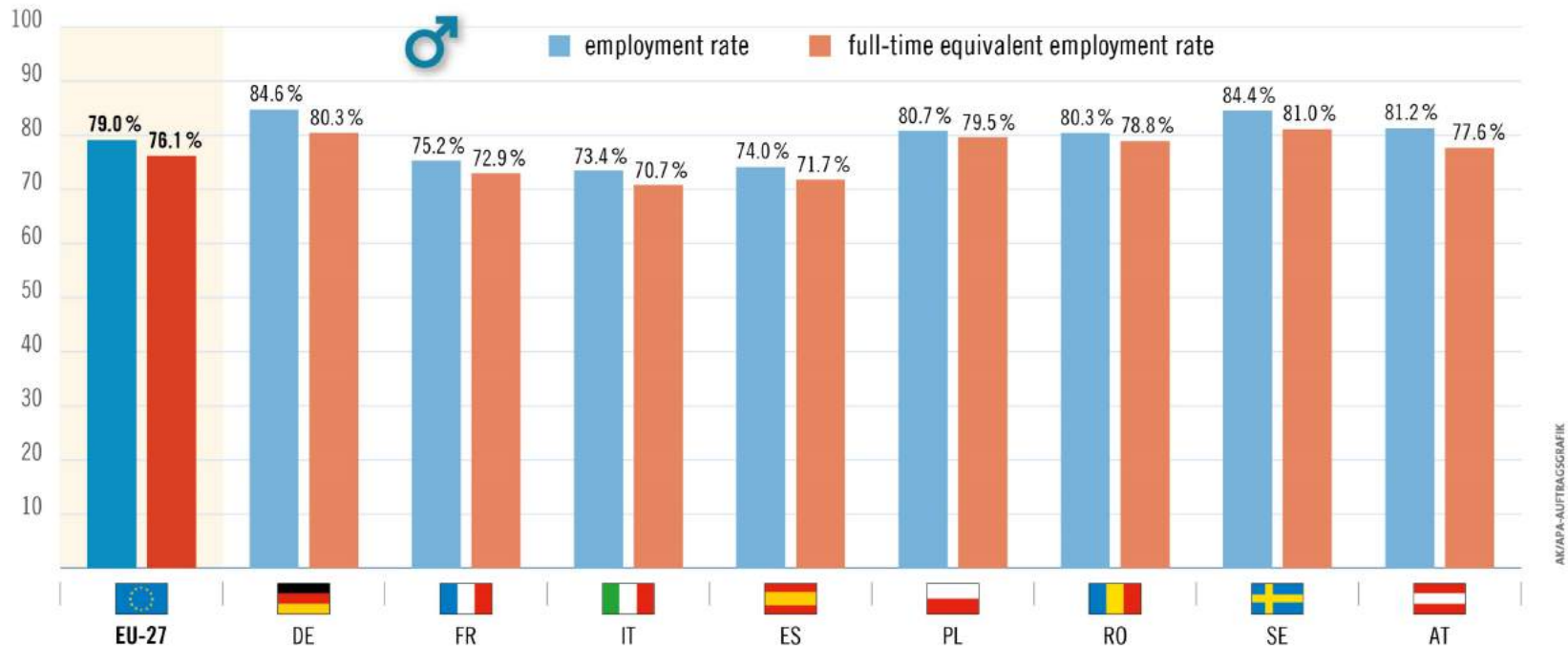
Source: EU Commission, The 2018 Ageing Report; 2016 values; own calculations

WHY SUCH A HUGE GAP BETWEEN DEMOGRAPHIC AND ECONOMIC DEPENDENCY

- Low Employment Rates among Women, Youth, Older Workers, Migrants, etc.
- High Number of Precarious Jobs, Unemployed, Underemployed, Inactive, etc.
- Huge Share of Pensioners Aged below 65 (28 % / 2016)

MALES EMPLOYMENT RATES 20-64 (2019)

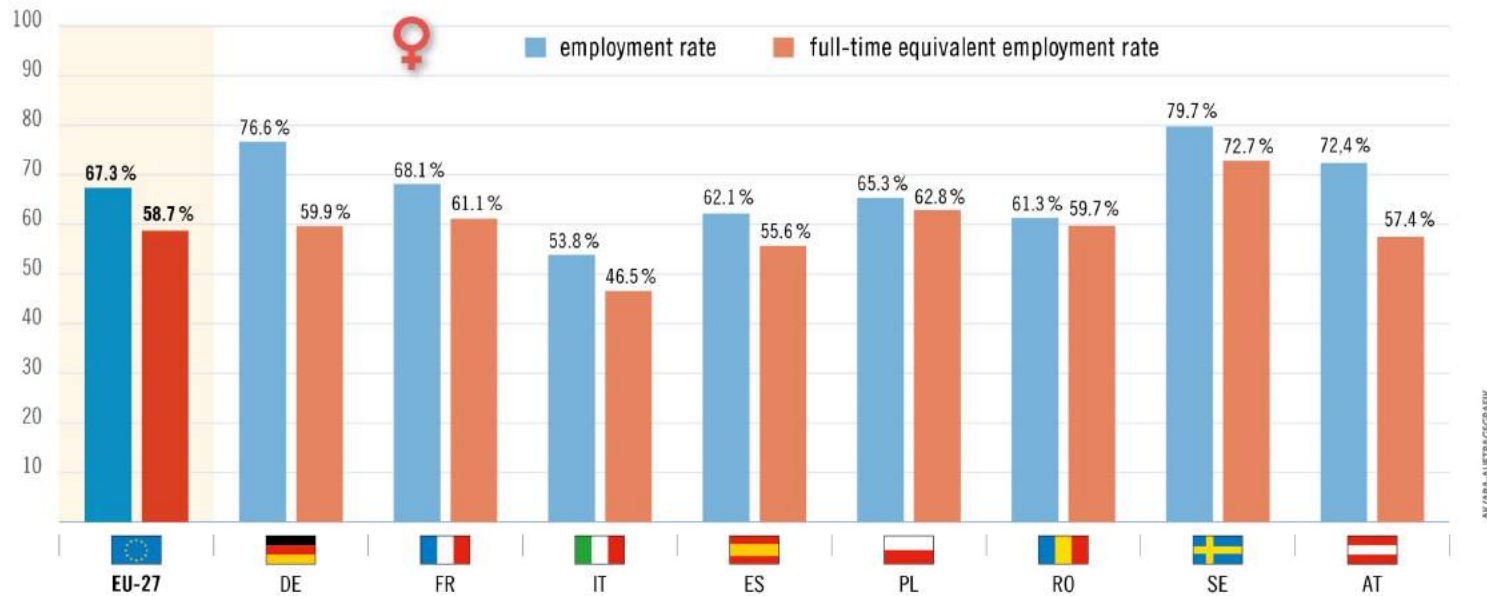
→ EU Average More Than 5 Percentage Points Below Best Performers



Source: Eurostat; own graph

FEMALES EMPLOYMENT RATE 20-64 (2019)

→ Full-Time Equivalent Rate 8.6 Percentage Points lower (EU 27)

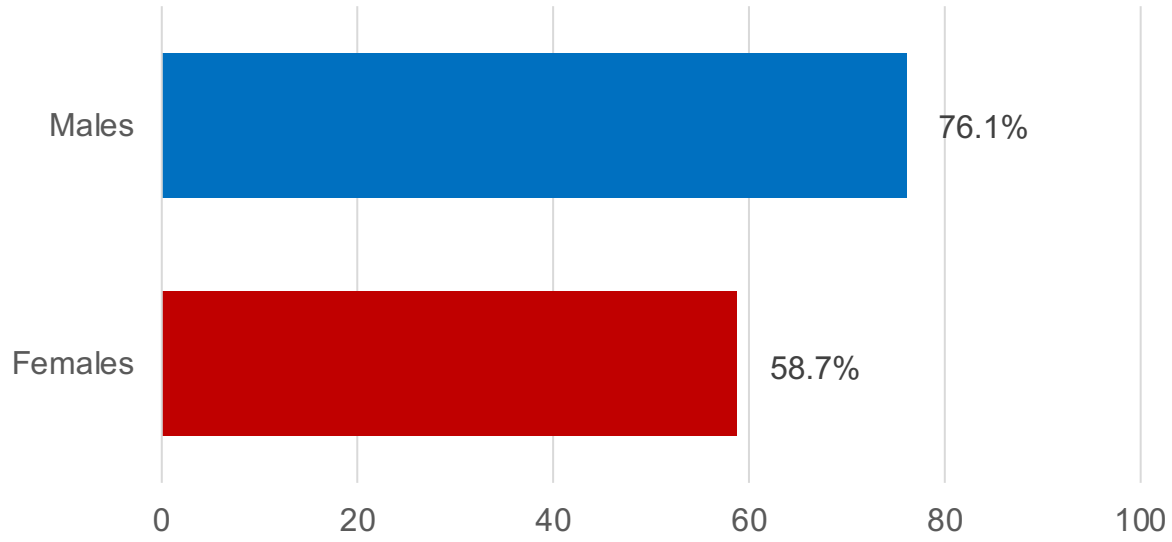


Source: Eurostat; own graph

GENDER EMPLOYMENT GAP – FULL-TIME EQUIVALENTS

AGE GROUP 20-64 (2019)

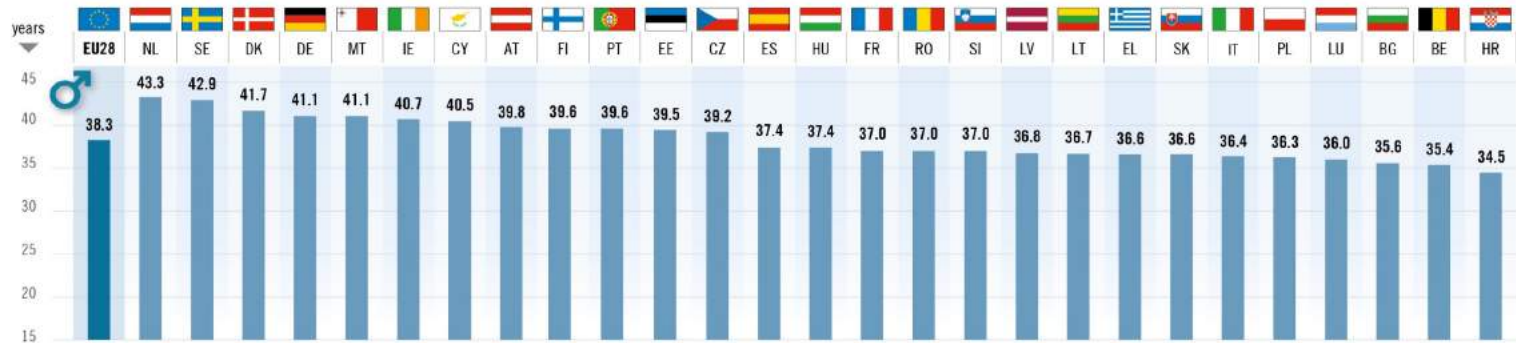
→ 17.4 Percentage Points Difference



Source: Eurostat (EU 27 / 2019); own graph

AVERAGE DURATION OF WORKING LIFE

→ Large potential for ,working longer‘ by closing career gaps



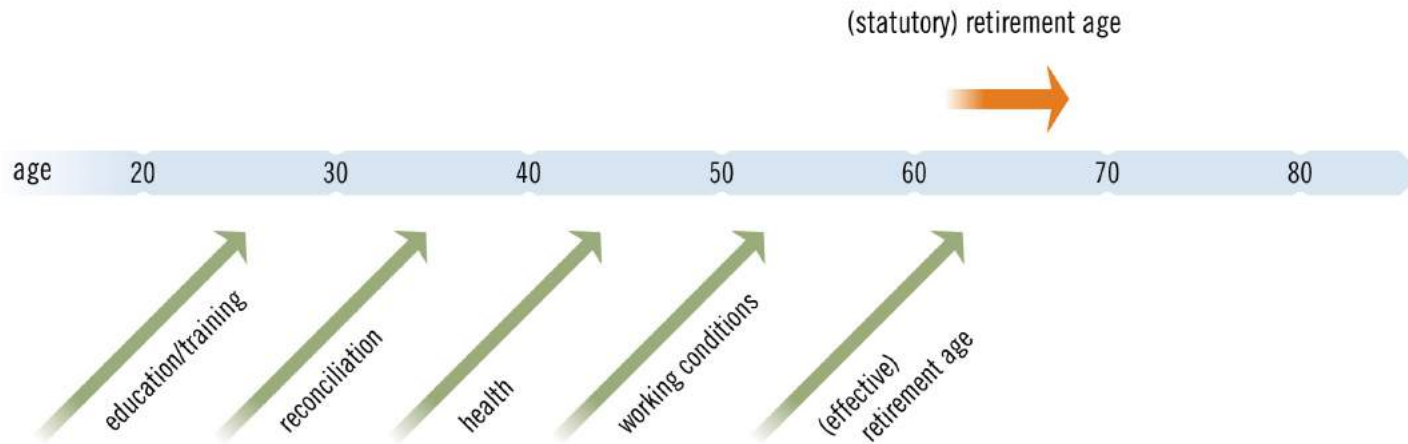
AK/APA-AUFTRAGSGRAFIK

Estimated duration of working life for a 15-year old in 2019 (periods of unemployment included)

Source: Eurostat; own graph

HOW TO COPE WITH POPULATION AGEING

● Strategy 1 (Mainstream) – Raising Statutory Retirement Age



● Strategy 2 (Trade Unions) – Improving Labour Market Integration throughout Working Life

Own graph

HOW TO DEFINE ECONOMIC DEPENDENCY

EU COMMISSION'S WHITE PAPER ON PENSIONS

„The ageing challenge is often illustrated by the doubling of the old age dependency ratio (population 65+ to population 15-64) from 26% in 2010 to 50% in 2050.

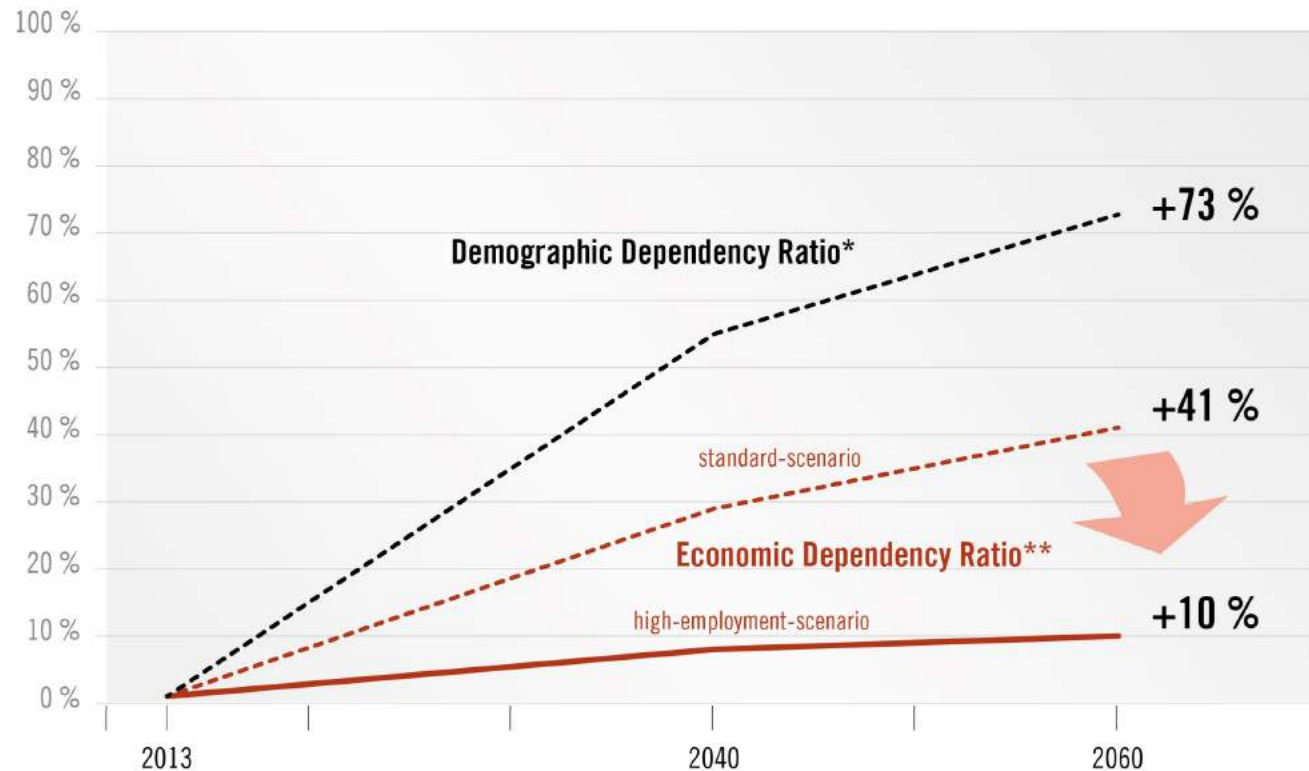
Yet the real issue is the economic dependency ratio, defined as the unemployed and pensioners as a percentage of the employed.

If Europe achieves the employment goal of the Europe 2020 strategy of 75% employment rate in the age group 20-64 and further progress is made in the period 2020-2050 the economic dependency ratio will only increase from the current level of 65% to 79% in 2050.“

EU Commission (2012), An Agenda for Adequate, Safe and Sustainable Pensions. White Paper (Chapter 2.3)

CALCULATION OF EMPLOYMENT SCENARIOS

GERMANY 2013-2060



* Age group 65plus relative to age group 15-64

** Number of pensioners + unemployed relative to the number of people in employment

Source: Türk/Blank/Logeay/Wöss/Zwiener, Den demografischen Wandel bewältigen: Die Schlüsselrolle des Arbeitsmarktes. IMK-Report 17, April 2018; https://www.boeckler.de/pdf/p_imk_report_137_2018.pdf; Graphic: AK Wien

CONCLUSIONS (I)

- Population Ageing and its Impact on Dependency Ratios Is One of the Key Challenges across Europe
- Labour Market Developments will Largely Determine to what Extent the Future Increase In Demographic Dependency will Translate into an Increase in Economic Dependency
- Focus on Relevant Indicators Needed
(Disparities in Life Expectance; Full-Time Equivalent Employment Rates; Average Duration of Employment; Economic Dependency Ratio; etc.)

CONCLUSIONS (II)

- There is Huge Potential for Containing the Future Increase of Economic Dependency, despite Massive Population Ageing, by Improving Employment Integration in Quality Jobs, especially among Women, Youth, Older Workers And Migrants
- Life Cycle Approach Needed - 'Working Longer' Primarily Necessitates Closing Career Gaps throughout working life
- Promoting Good Labour Market Integration across all ages is Key to Strengthening Employment Opportunities at an Older Age

CONCLUSIONS (III)

- Improving Employment Integration Across All Age Groups, in Quality-Jobs, would help
 - to Alleviate the Financial Burden Of Ageing
 - to Better Balance Time Spent in Work and Retirement
 - to Achieve the Main Pension Policy Objectives (Adequacy / Sustainability)
 - to Address other Key Challenges of our Societies (Working Poor, Inequality, Poverty, etc.)

**“RAISING EMPLOYMENT LEVELS [WITH QUALITY JOBS]
IS ARGUABLY THE MOST EFFECTIVE STRATEGY
WITH WHICH COUNTRIES CAN
PREPARE FOR POPULATION AGEING”**

(EU-Commission, Demography Report 2008)

References:

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- EU-Commission (2012), An Agenda for Adequate, Safe and Sustainable Pensions. White Paper COM(2102)55
- OECD (2019), Working Better with Age
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<http://www.etui.org/Publications2/Policy-Briefs/European-Economic-Employment-and-Social-Policy/Dependency-ratios-and-demographic-change.-The-labour-market-as-a-key-element>
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