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Institute on Comparative Regional Integration Studies



Future Trends Series - GR:REEN Project

Title of the report

The 2012 Ageing Report: Economic and budgetary projections for the EU27 Member States (2010-2060)

Area

Demography and Economy

Reporter

Joint Report prepared by the European Commission and the Economic Policy Committee

Type of the Reporter

International Organisation and Government

Periodically updated?

Yes

First issued year

2009

Latest update

2012

Official website

http://ec.europa.eu/economy_finance/publications/index_en.htm

Language available

English

Short summary

This report analyses the economic and budgetary impact of an ageing population over the long-term. The first part of the report describes the assumptions underlying the population projection, the labour force projection and the other macroeconomic assumptions. The second part presents the projection of expenditure on pensions, health care, long-term care, education and unemployment transfers.

Key trends

Fertility Rates

- For the EU as a whole, the total fertility rate (TFR) is projected to rise from 1.59 in 2010 to 1.64 by 2030 and further to 1.71 by 2060. In the euro area, a slightly lower increase is projected, from 1.57 in 2010 to 1.68 in 2060.
- In all Member State countries, the fertility rates are expected to remain below the natural replacement rate of 2.1 in the period to 2060.

Life Expectancy

- In the EU, life expectancy at birth for males is projected to increase by about 8 years over the projection period, from 76.7 in 2010 to 84.6 in 2060. Life expectancy at birth is projected to increase

by 6.5 years for females, from 82.5 in 2010 to 89.1 in 2060, implying a slight convergence of life expectancy between males and females.

- In the EU as a whole, life expectancy at age 65 is projected to increase by 5.2 years for males and by 4.9 years for females over the projection period. In 2060, life expectancy at age 65 will reach 22.4 years for males and 25.6 for females, with the projected difference (3.2 years) being smaller than the projected 4.5 year difference in life expectancy at birth.

Inward Net Migration

- For the EU as a whole, annual net inflows are projected to increase from about 1,043,000 people in 2010 (equivalent to 0.2 per cent of the natural EU population) to 1,332,500 by 2020 and thereafter declining to 945,000 people by 2060.
- The net migration to the EU over the entire projection period is 60.7 million, of which the bulk is in the euro area (45.8 million).

Population

- The overall size of the population is projected to be slightly larger in 50 years, but much older than it is now. The EU population is projected to increase (from 502 million in 2010) up to 2040 by almost 5 per cent, when it will peak (at 526 million). Thereafter, a steady decline occurs and the population shrinks by nearly 2 per cent by 2060. Nonetheless, according to the projections, the population in 2060 will be slightly higher than in 2010, at 517 million.

Labour Market Projections (Three distinct period projections)

- 2007-2012 – demographic developments still supportive of growth: both the working age population and the number of persons employed are projected to increase. However, the increase slows down as the effects of an ageing population take hold, even without incorporating the potential negative impact of the current financial and economic crisis.
- 2013-2021 – rising employment rates offset the decline in the working-age population: the working-age population starts to decline as the baby-boom generation enters retirement. However, the assumed reduction in unemployment rates, the projected increase in the employment rates of women and older workers cushion the impact of demographic change, and the overall number of persons employed would continue to increase, albeit at a slower pace.
- From 2022 – the ageing effect dominates: the trend increase in female employment rates will broadly have worked itself through. In the absence of further reforms, the employment rate of older workers is also projected to reach a steady state. Consequently, there is no counter-balancing factor to ageing, and both the working age population and the number of persons employed enter a downward trajectory.

Budgetary Projections

- Strictly-age-related public expenditure is projected to increase on average by 4.1 percentage points of GDP by 2060 in the EU - and by 4.5 percentage points in the euro area.
- Most of the projected increase in public spending over the period 2010-2060 will be on pensions (+1.5 p.p. of GDP), long-term care (+1.5 p.p. of GDP) and health care (+1.1 p.p. of GDP) in the EU. In the euro area, spending on pensions and long-term care will be higher, rising by 2 p.p. and 1.7 p.p. of GDP, respectively.

Suggestions

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Methodology

Research from primary and secondary sources and modelling

Reference to other trends reports? If yes, which reports?

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