



The 2024 Ageing Report

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Introduction

- Joint product of the Economic Policy Committee (Ageing Working Group) and the Commission
- Mandated by Council and published every three years
- Long-term projections (2070 horizon) of ageing-related expenditure for EU Member States + Norway
- 2 Volumes:
 - Vol. 1 – underlying assumptions and projection methodology (Nov 2023)
 - Vol. 2 – Economic & Budgetary Projections (Apr. 2024)



Covering four large spending categories



pensions

*11.4% of GDP**



healthcare

6.9% of GDP



long-term care

1.7% of GDP



education

4.4% of GDP

** avg EU spending in 2022*



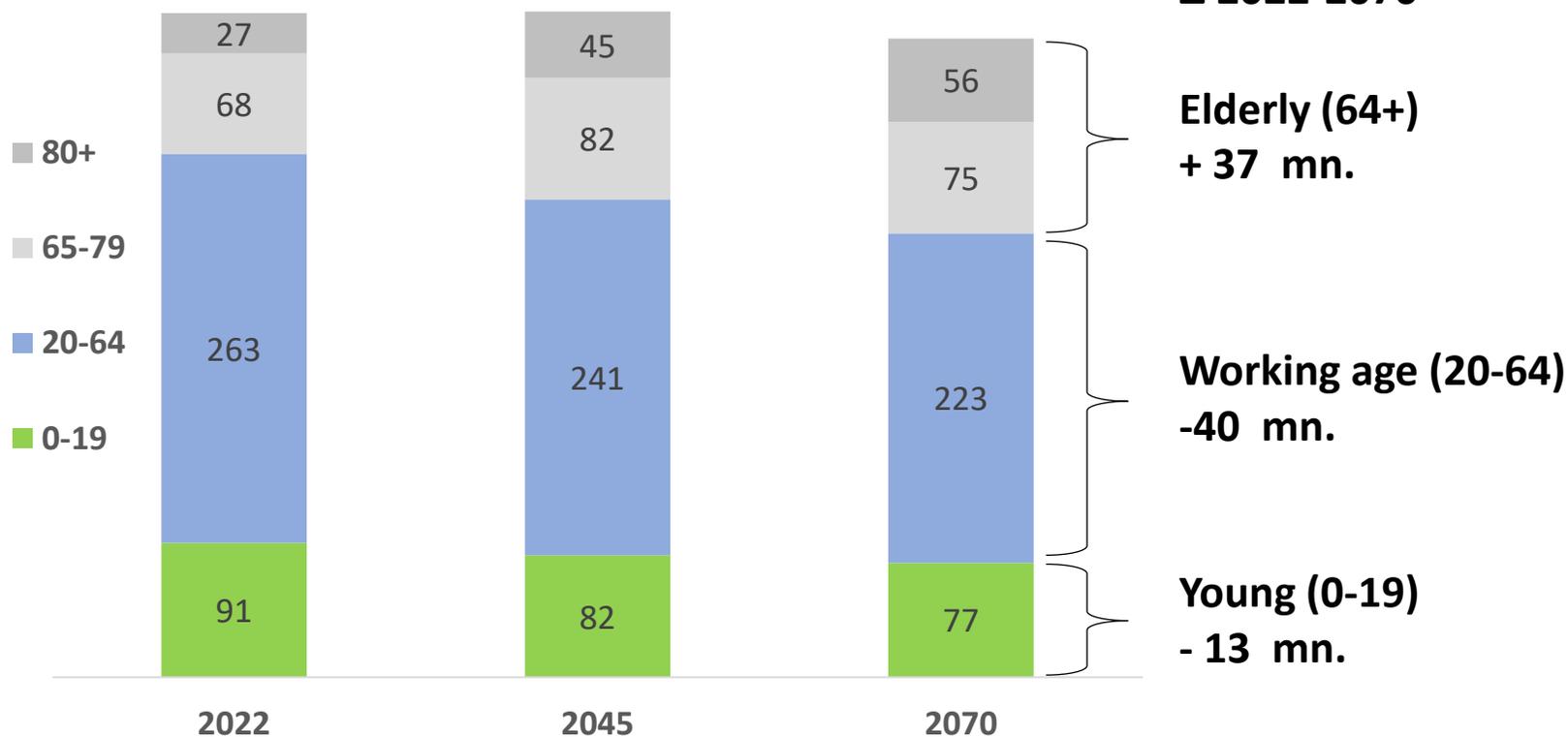
Projection exercise

- Based on Eurostat's EUROPOP projections
- Step 1: Macroeconomic projections for GDP and its drivers (production function methodology)
- Step 2: Budgetary projections for age-related expenditure
 - Pensions (national models)
 - Healthcare
 - Long-term care
 - Education
- No policy change – assumption
- Sensitivity / risk scenarios



Underlying demographics - ageing societies

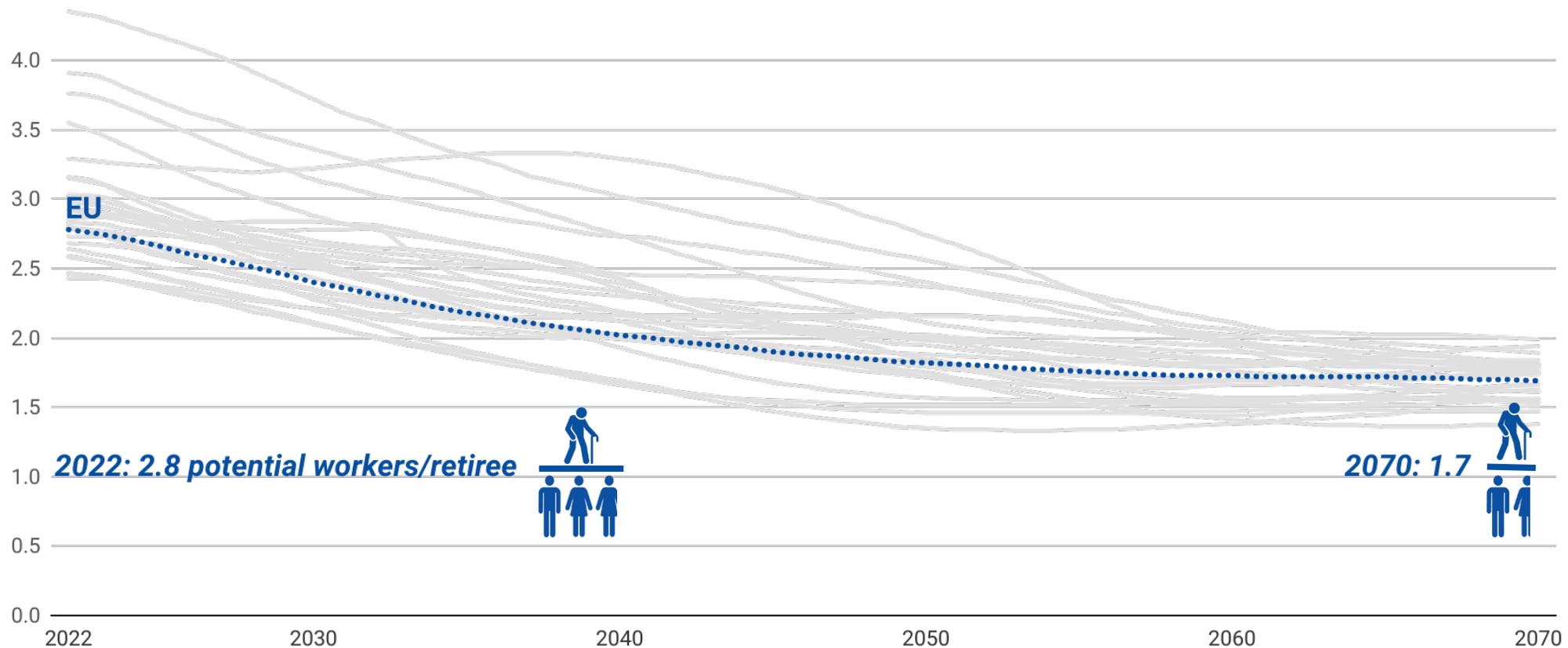
From working age to old and very old age
(population groups, mn.)





Underlying demographics - old-age dependency ratio

Number of people aged 20-64 for every person over 65





Macroeconomic projections

Against a sharp decline of the old-age dependency ratio:

- **Participation rate** rises (EU: +3%)
- **Employment rate** increases (EU: +4%)

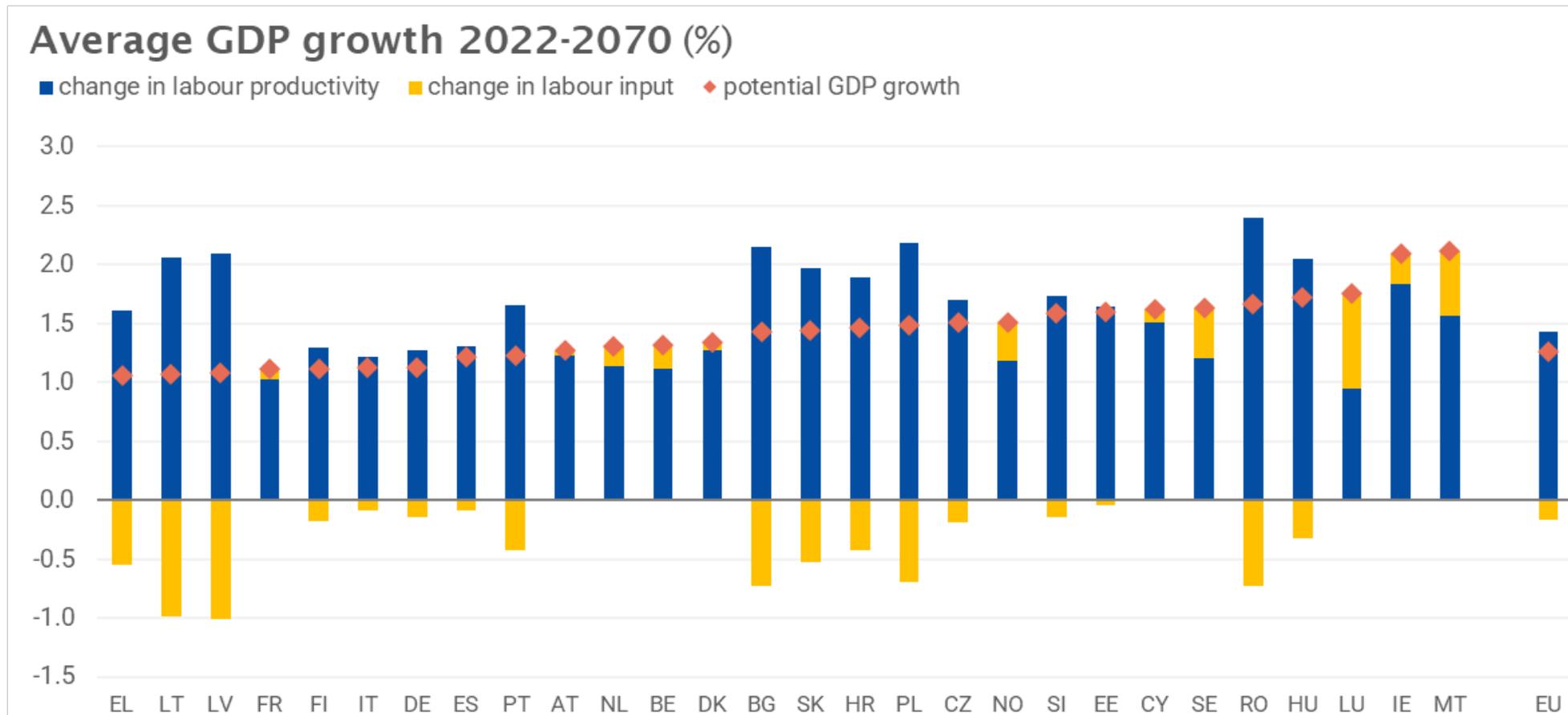
...but not enough to compensate shrinking working-age population

→ **total hours worked** decrease (EU: -9%)



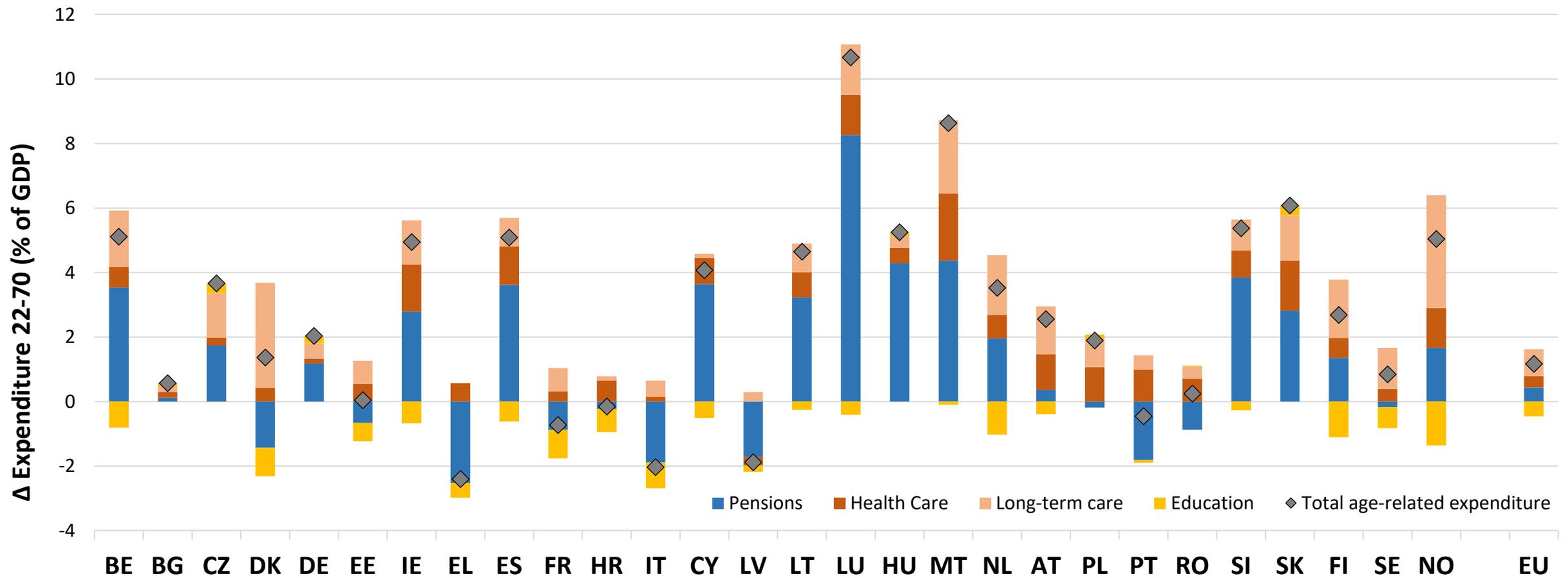
Macroeconomic projections – baseline GDP

Overall: **Moderate GDP growth** (EU annual average +1.3%), driven by productivity growth



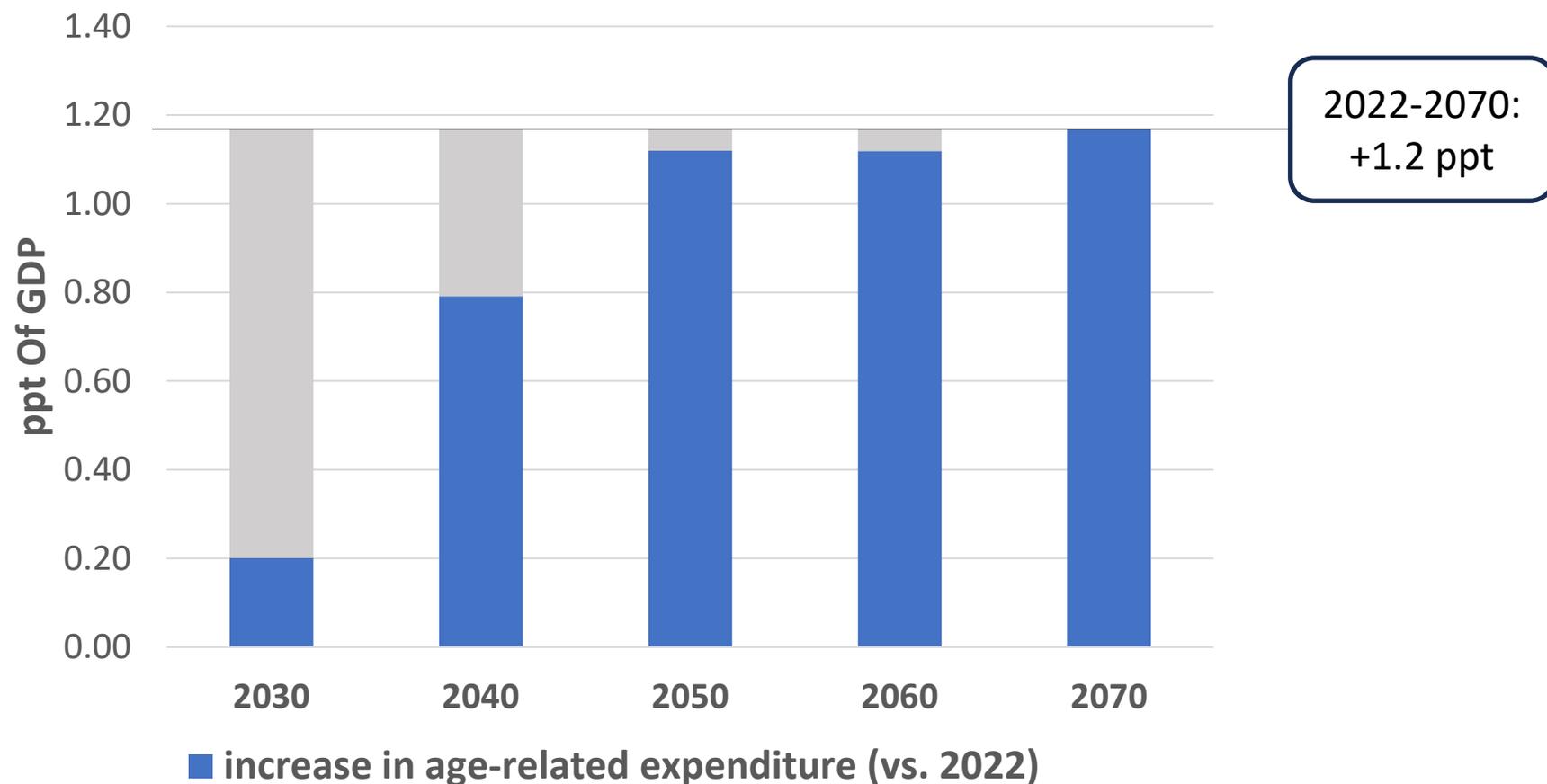


Budgetary projections – baseline



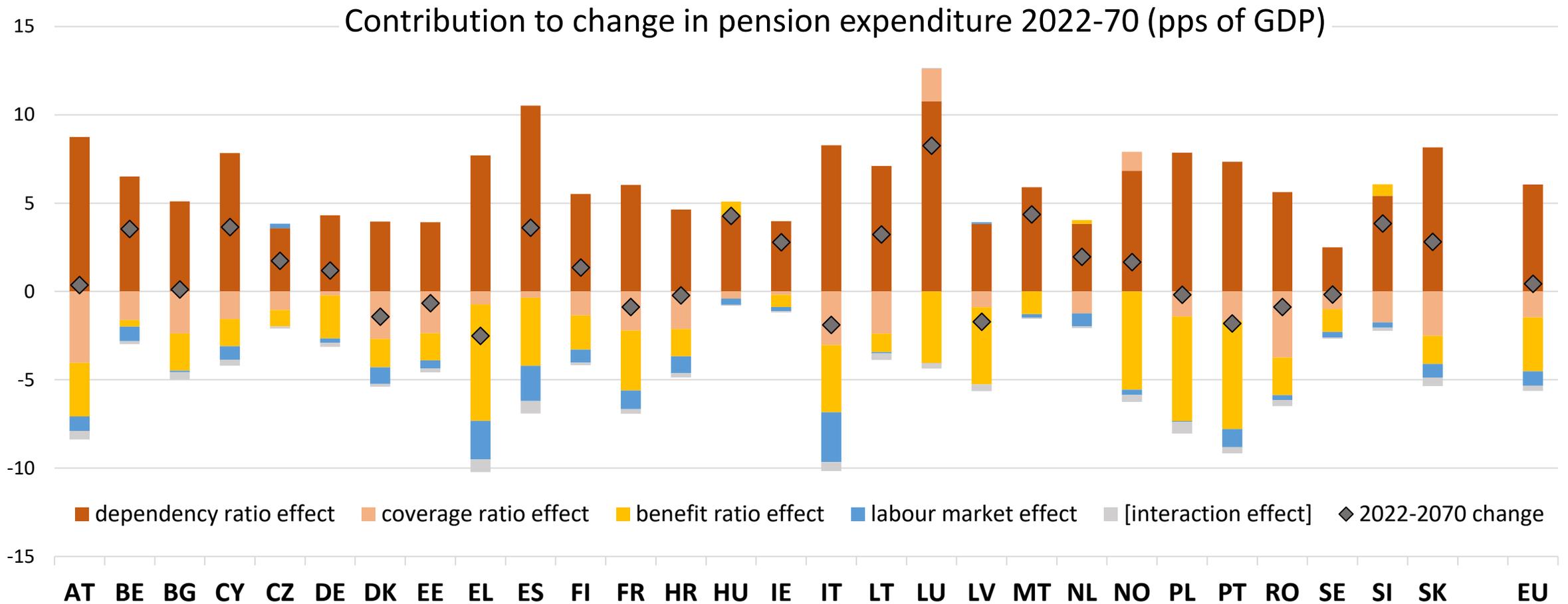


Budgetary projections – increase over time





Budgetary projections – pension expenditure





Risk scenarios & sensitivity tests

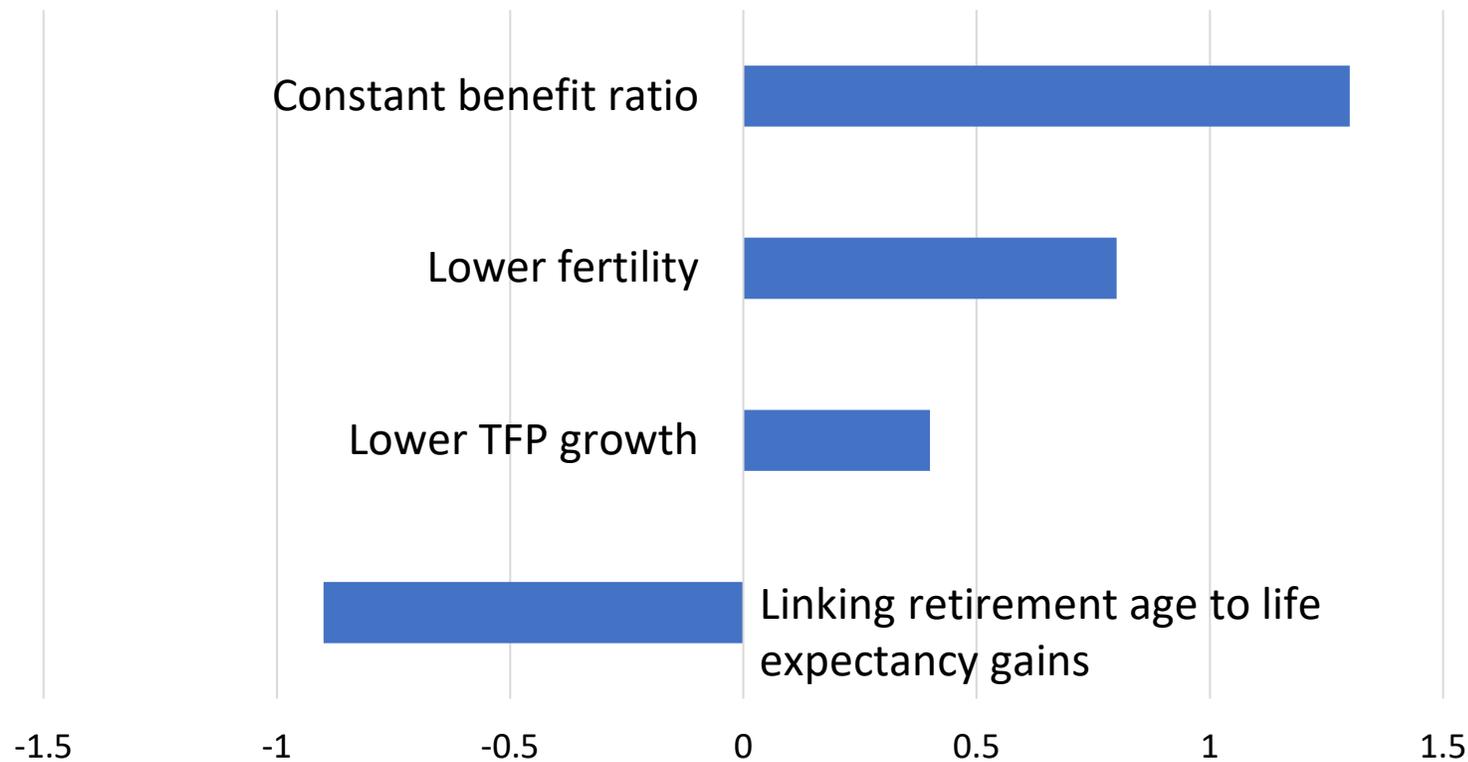
Demography			Labour force	Productivity	Pension policy scenarios		
Higher life expectancy	Lower/higher migration	Lower fertility	Higher employment rate older workers	Lower/higher TFP growth	Link retirement age to life expectancy	Constant retirement age	Constant benefit ratio
<i>Additional gain in life expectancy at birth of two years by 2070.</i>	<i>33% lower/higher non-EU immigration over the entire projection period.</i>	<i>20% lower fertility rate over the entire projection period.</i>	<i>Employment rate of older workers (55-74y) 10 pps higher than assumed in the baseline projection.</i>	<i>TFP growth converges to 0.6%/1.0% (instead of 0.8%).</i>	<i>Effective retirement age shifts in line with 3/4th of the expected change in life expectancy.</i>	<i>The early and statutory retirement ages, as well as career requirements, are fixed at 2023 levels.</i>	<i>When the benefit ratio declines by 10% relative to the base year, measures are taken to stabilise the benefit ratio from that point onwards.</i>

Additionally, scenarios for health care & long-term care



Risk scenarios & sensitivity tests, examples

Scenario effect on age-related expenditure
(change 2022-2070, pps of GDP)





Concluding remarks

Populations are ageing and the budgetary impact can already be felt.

- Age-related expenditure projected to rise considerably in many Member States
- Uncertainties and risks, mostly to the downside
- Adequate policy response is crucial to ensure fiscal sustainability



Thank you.

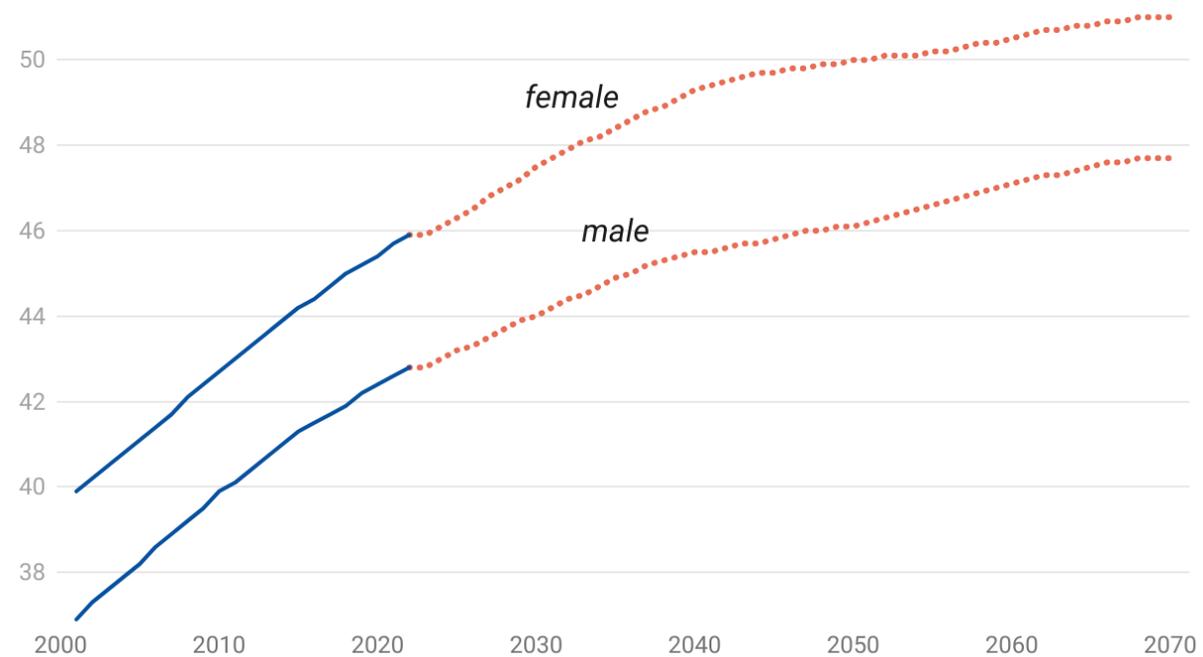


Annex



Underlying demographics

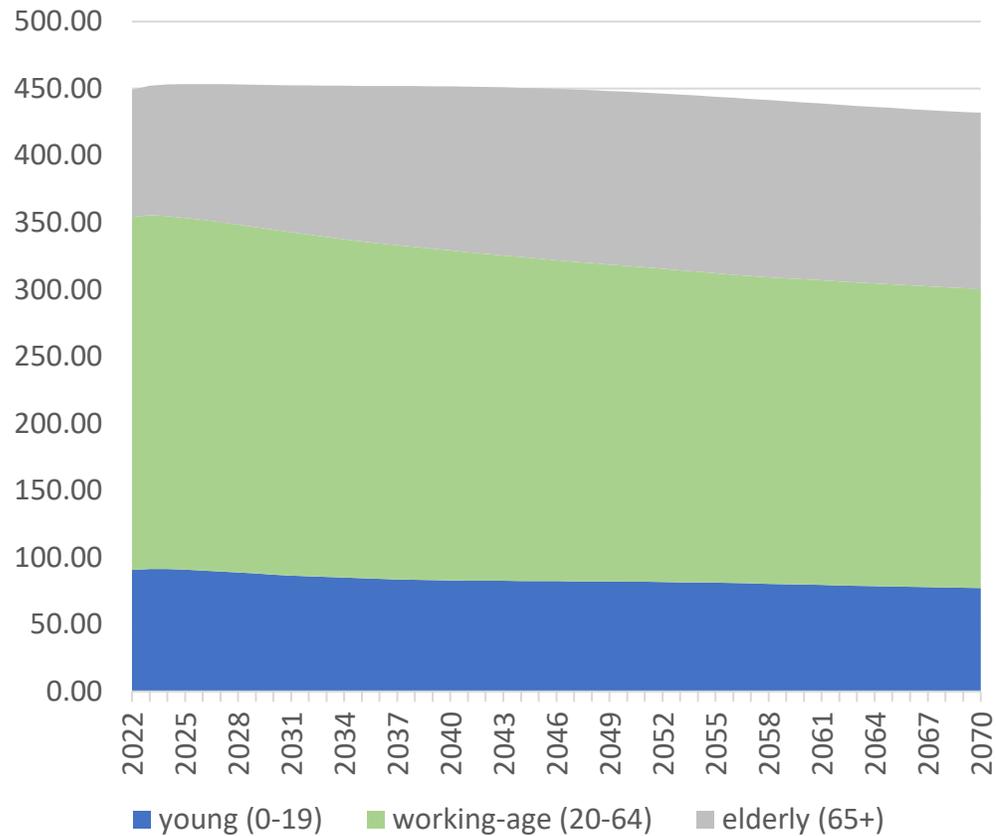
Median age (EU)





Old-age dependency ratio

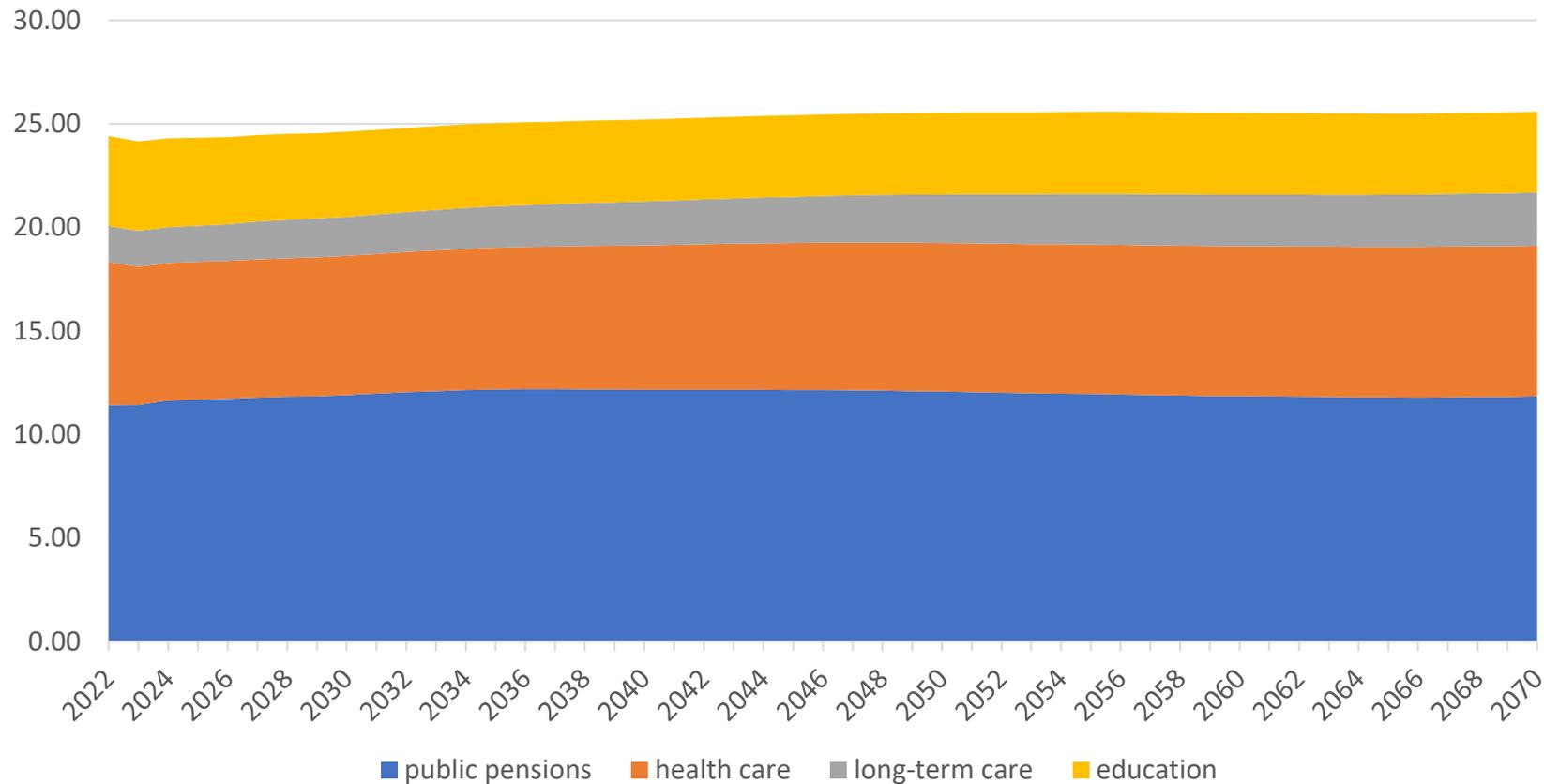
Population





Budgetary projections - baseline

Age-related expenditure (EU, % of GDP)

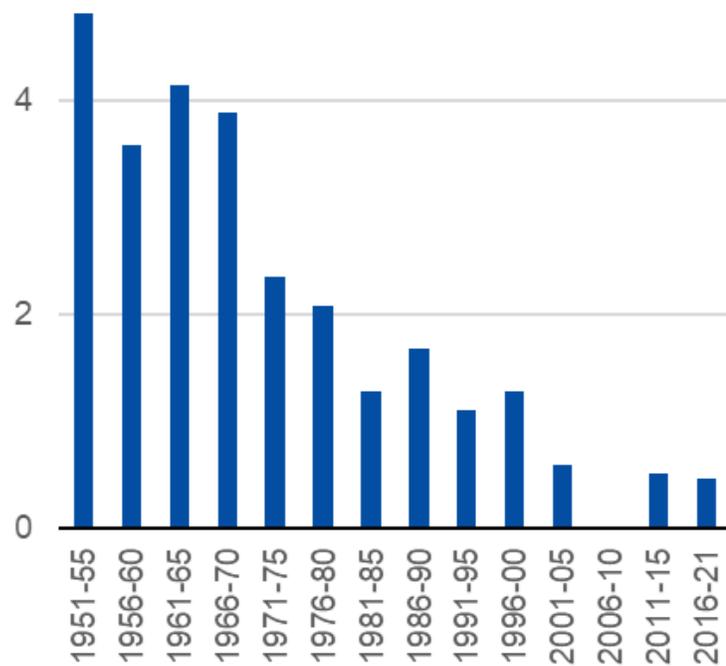




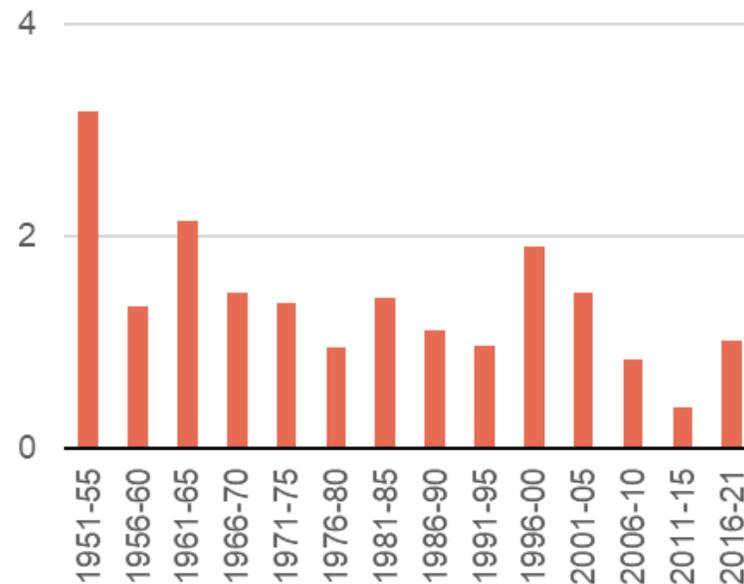
Macroeconomic projections – *caveat*

Trend decline in *total factor productivity* growth, outlook uncertain

EU14



US



EU13

