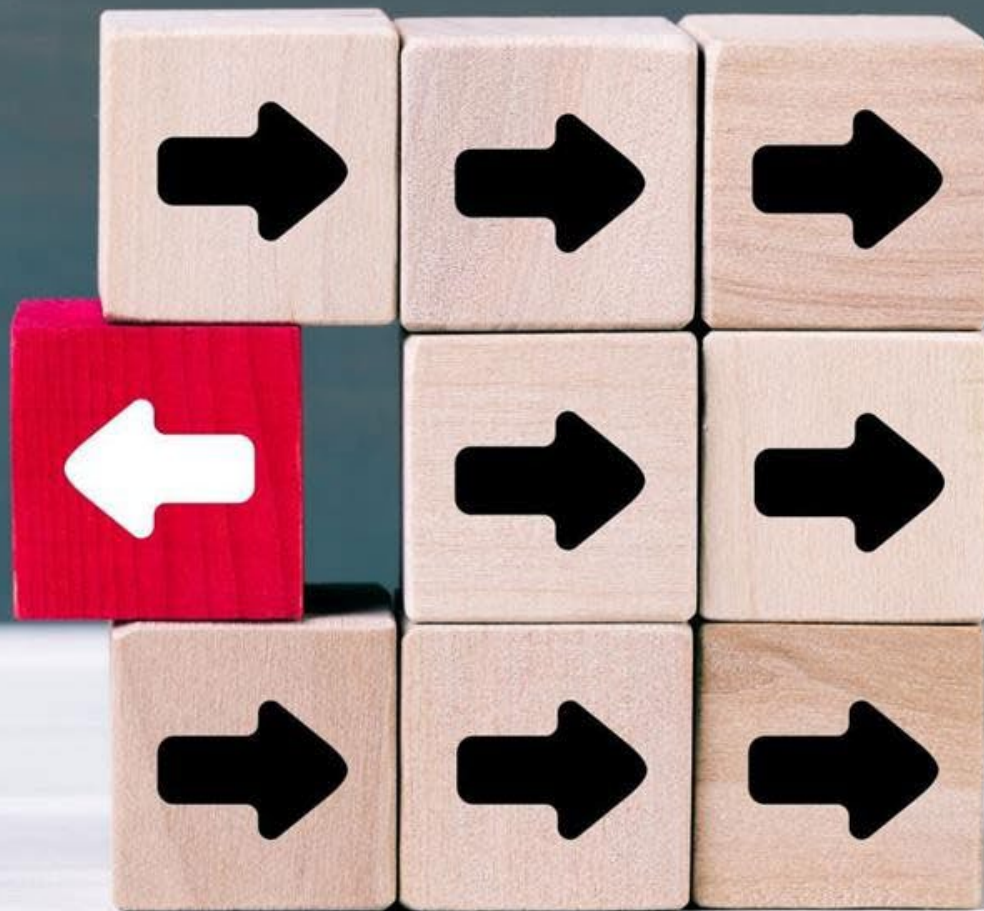




Hellenic Republic
Ministry of Labour and Social Insurance
Panos Tsakloglou, Deputy Minister

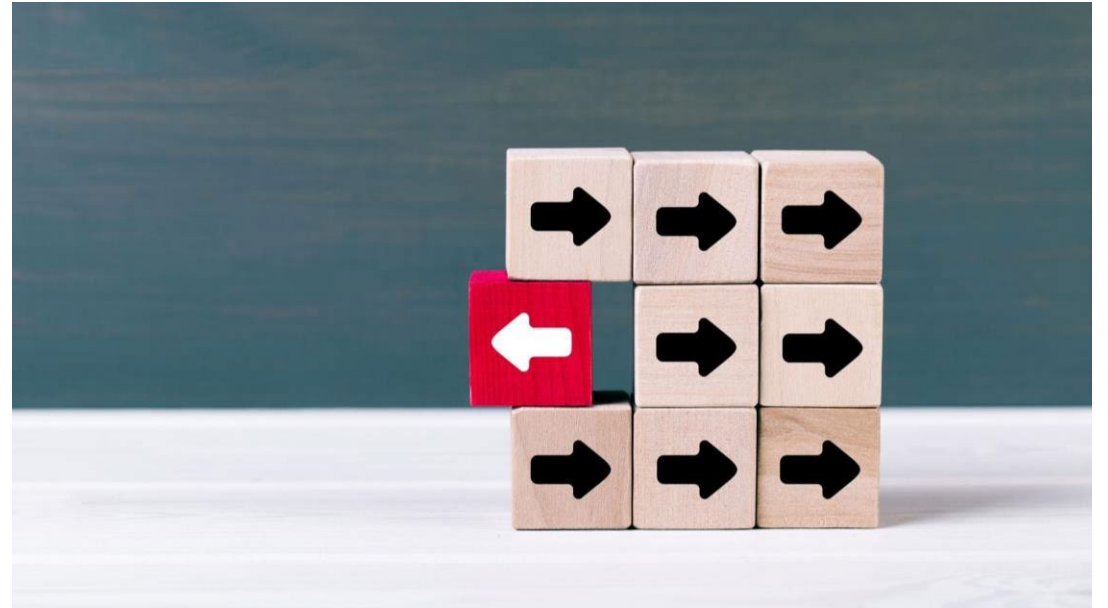
High-level conference
“Navigating the future:
Challenges and
opportunities of
longevity in Europe”

How can national decision-
makers manage longevity
and fiscal pressures?

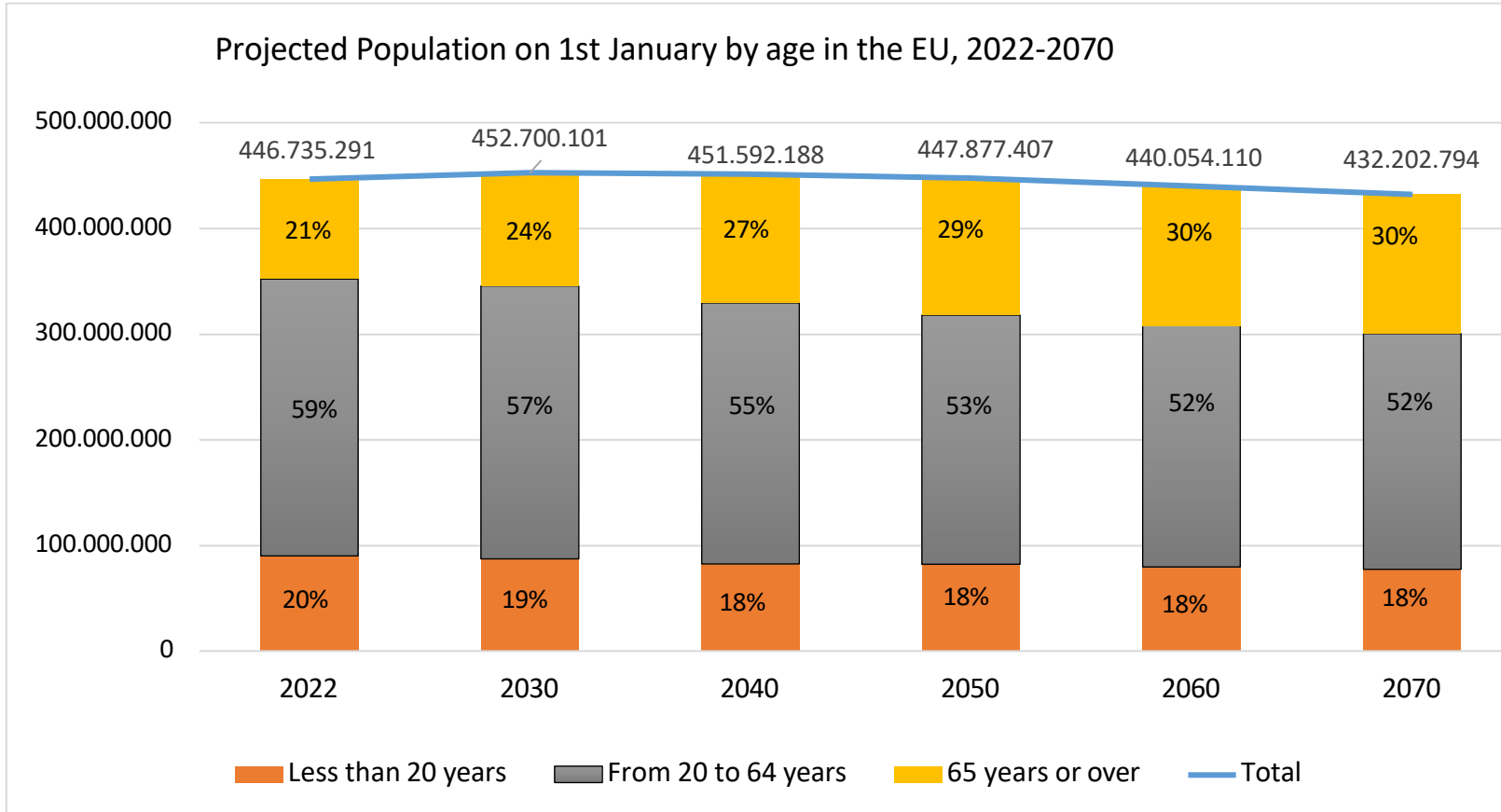


27 June 2024, Brussels

Increased longevity is a blessing. It becomes a risk when combined with low birth rates and decreases in population.



EU population is changing composition



Source: Eurostat, [proj_23np__custom_11869476]

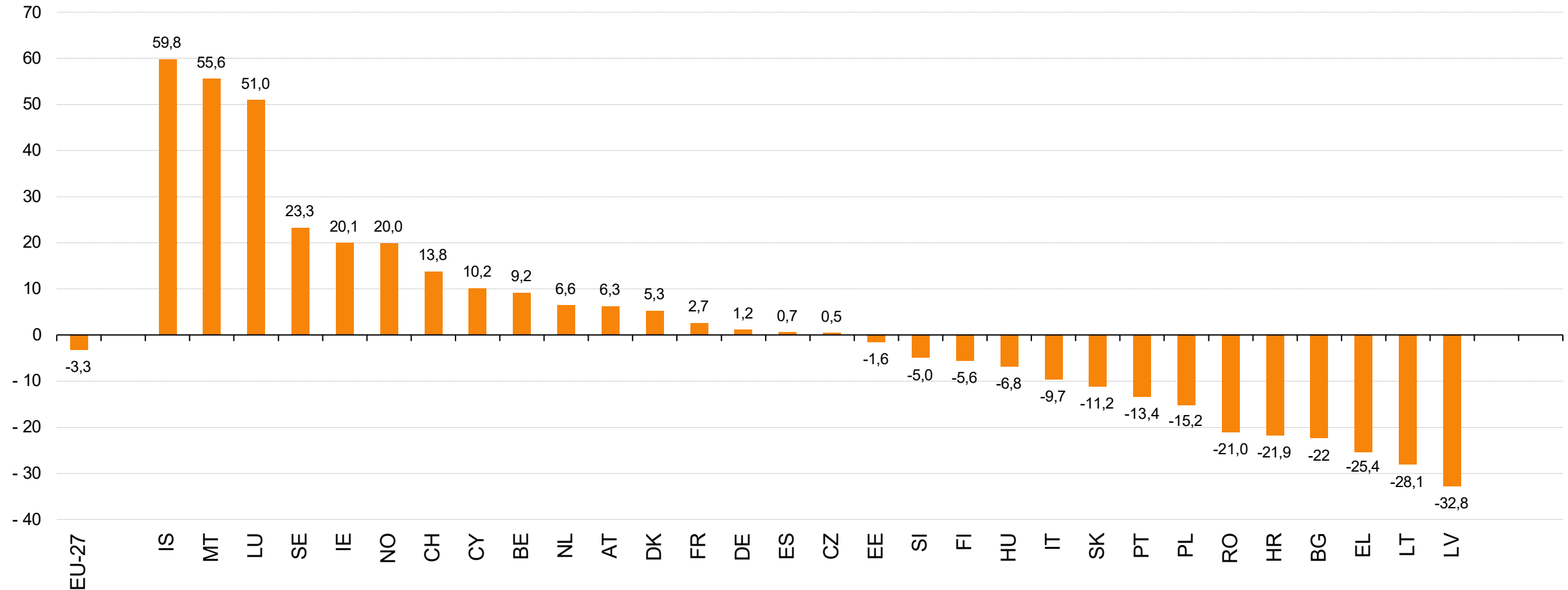
- ✓ According to Eurostat projections, the total population of EU countries is expected to experience only a slight decline.
- ✓ However, there are notable shifts in age demographics: the proportions of both the population aged 20-64 (-7 p.p.) and those under 20 years old are decreasing (-2 p.p.).
- ✓ Conversely, the age group projected to increase significantly from 2022 to 2070 is that of the population aged 65 and older (+ 9 p.p.).

The only demographic age group that is projected to grow is for those aged 65+, indicating a continuation of population ageing.

Large cross-country differences in population changes in EU countries

Projected population change (total population), 2022-2070, EUROPOP 2023

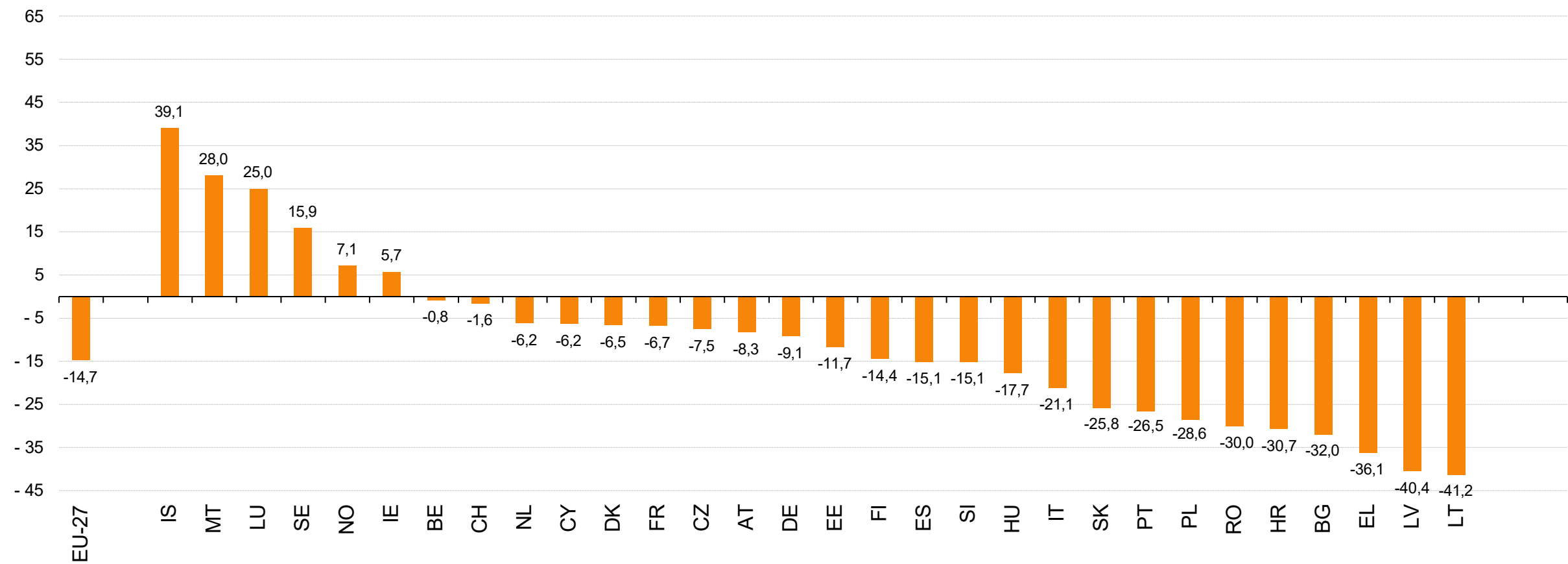
(%)



Source: Eurostat, [Proj_19np_custom_5938619] and [Proj_23np_custom_5938613]

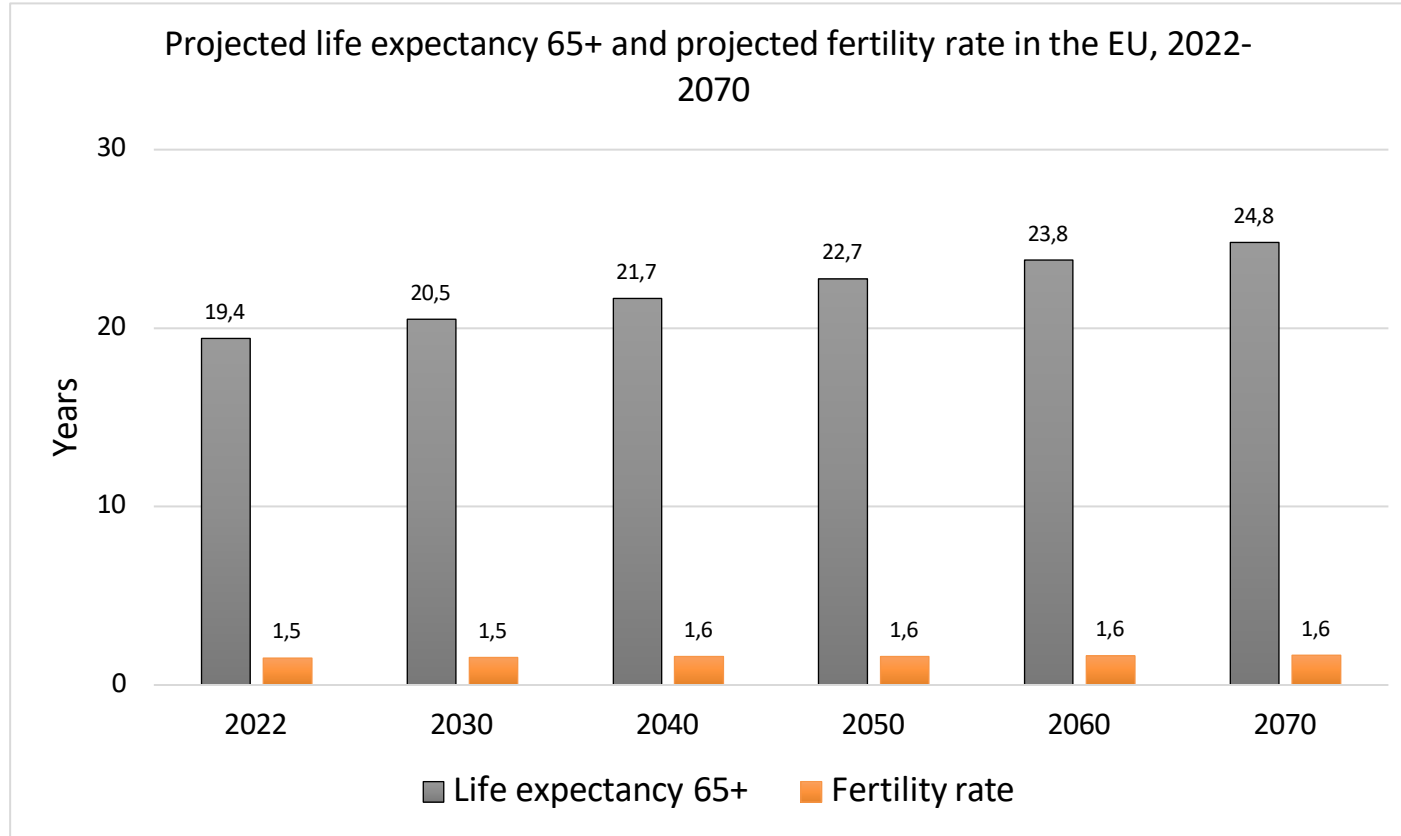
Drop in potential labour force even larger

Projected population change (aged 15-64 years), 2022-2070, EUROPOP 2023
(%)



Source: Eurostat, [Proj_19np_custom_5938619] and [Proj_23np_custom_5938613]

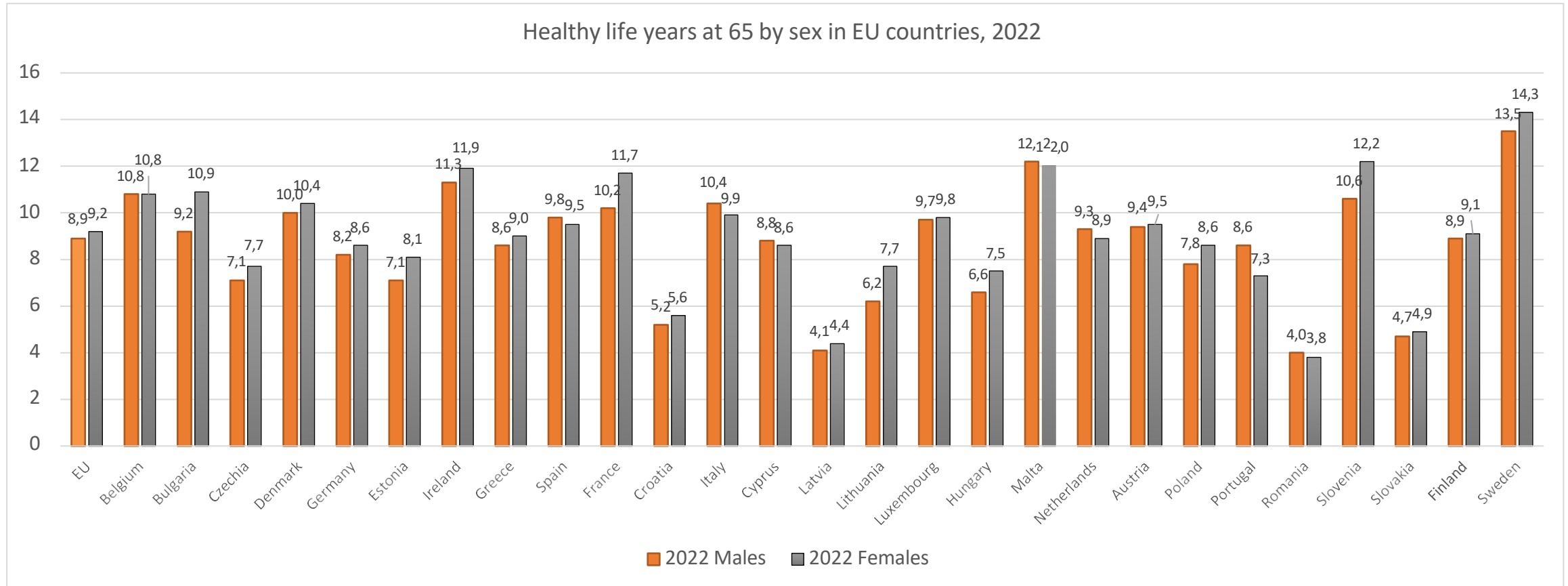
Large increases in life-expectancy combined with low fertility rates



Source: Eurostat, [proj_23nalexp__custom_11869810] and [proj_23naasfr__custom_11870106]

- ✓ Life expectancy at 65 is projected to increase significantly, from 19.4 years in 2022 to 24.8 years in 2070,.
- ✓ During the same period, the fertility rate is expected to remain relatively stable, rising slightly from 1.5 children per woman in 2022 to 1.6 children per woman in 2070.

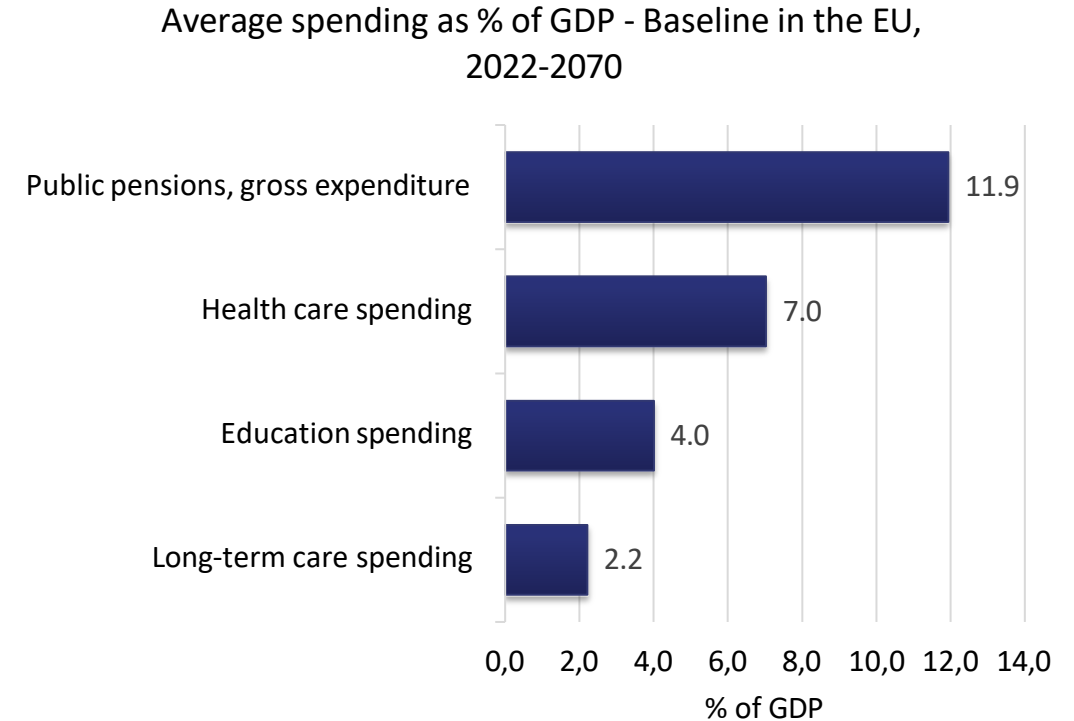
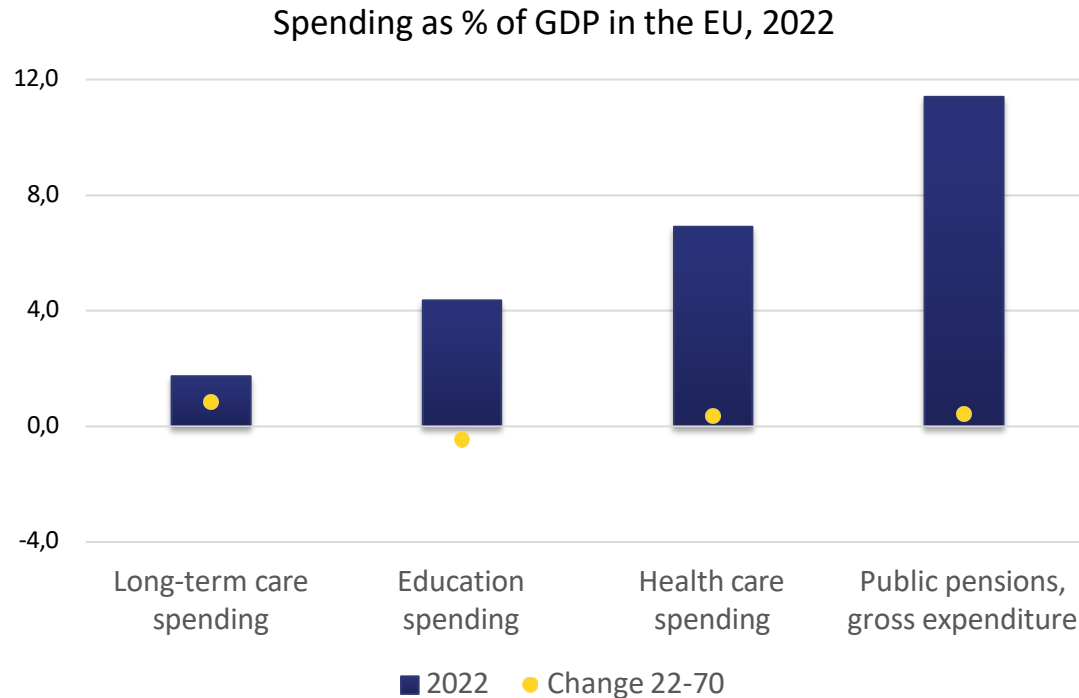
Another important factor: healthy life years



Source: Eurostat, [PROJ_23NP__custom_5699350] and [PROJ_19NP__custom_5699601]

Healthy life years at age 65 and beyond vary significantly across different countries and between genders. On average, across Europe in 2022, women enjoy slightly more healthy life years (9.2 years) compared to men (8.9 years).

Ageing Costs: EU

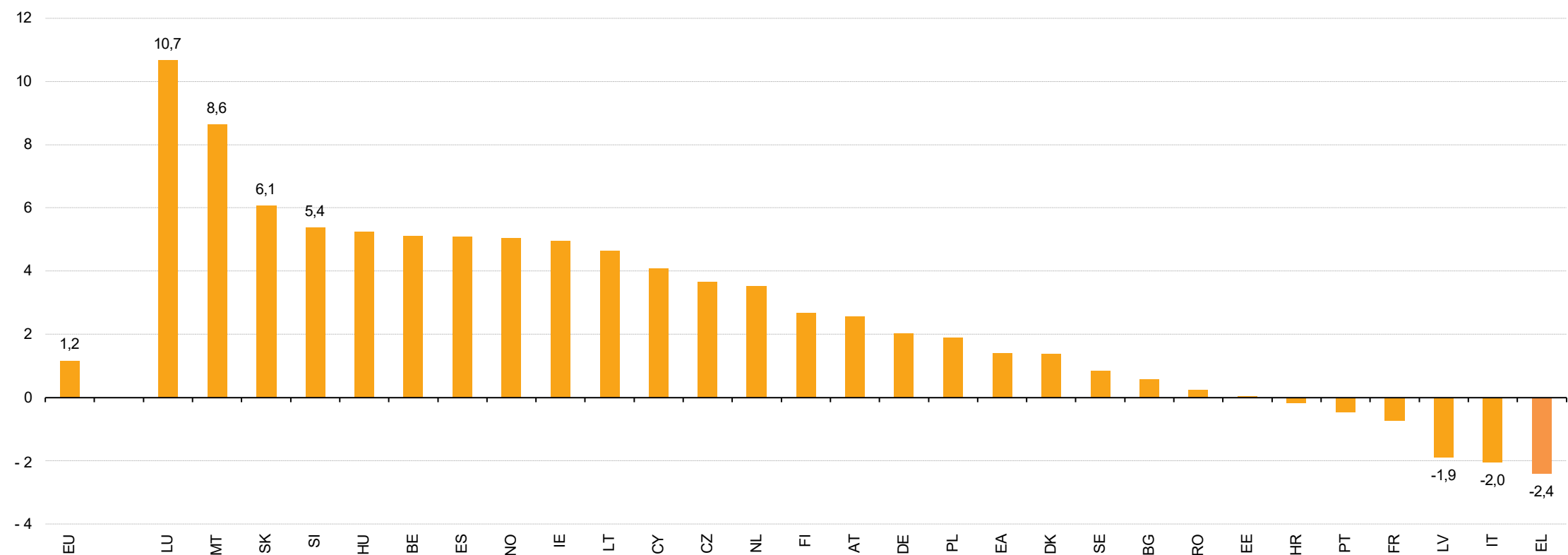


Source: The 2024 Ageing Report. EC

Public pensions constitute the largest share of expenditure, averaging around 12% of GDP in the projection period. This is followed by health spending at 7%, education at 4%, and long-term care at 2.2% of GDP

Projected total cost of ageing

Projected total cost of ageing as % of GDP - Baseline in EU countries, change from 2022 to 2070



Source: The 2024 Ageing Report. EC

Policy Measures



How did national decision-makers manage longevity and fiscal pressures? Evidence from EU countries - pensions

Reversing
incentives for
early retirement

Readjusting
accrual rates

Increasing
statutory
retirement age

Expanding
labour force
participation

Increasing social
insurance
contribution rates

Diversifying away
from
demographic risk

Increasing the Statutory Retirement Age – the most effective and controversial option

Helps balancing the ratio of contributors to beneficiaries - crucial for the sustainability of pay-as-you-go pension systems

Extends the contribution period while reducing the period over which benefits are paid.

Helps the system to remain solvent and meet its future obligations - esp. in view of rising healthy life expectancy

Full link SRA to life expectancy

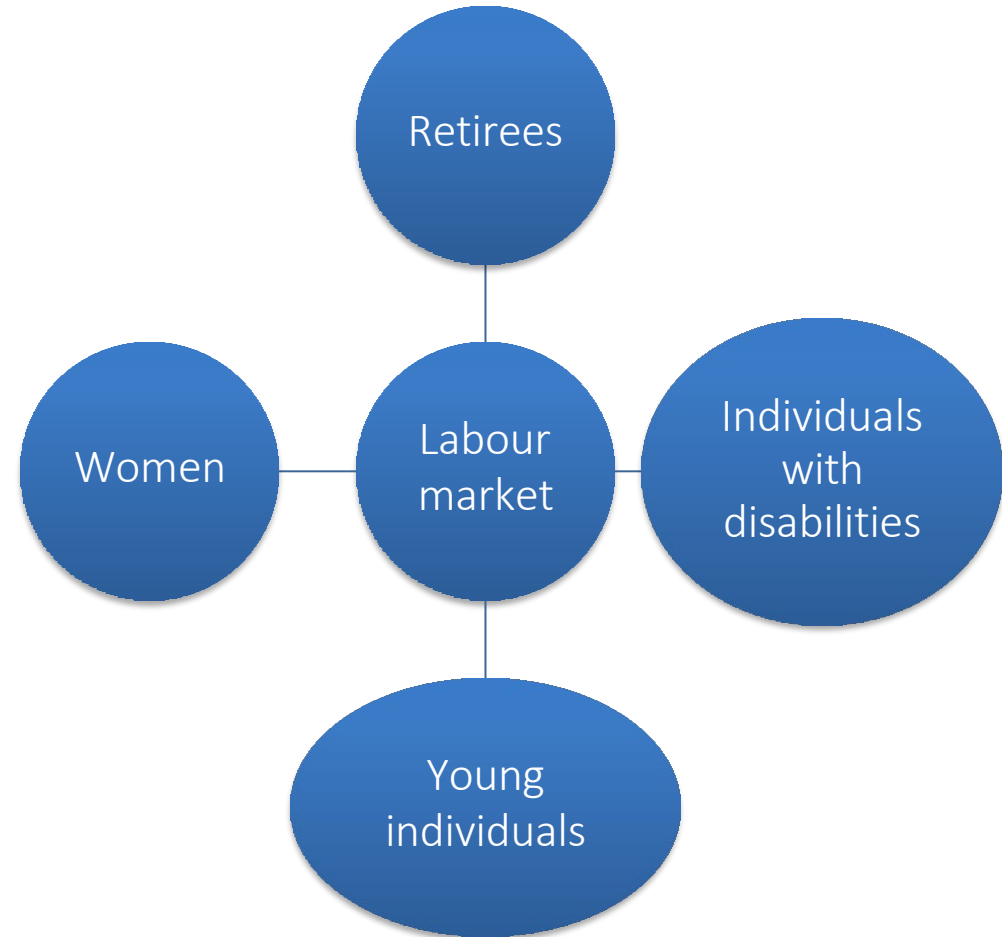
- CY, DK, FI, EL, EE, IT, SK

Partial link SRA to life expectancy

- NL, PT, SE

Expanding labour force participation

- ✓ By promoting lifelong learning, retraining programs and incentives for older workers to remain in the labor force
- ✓ By creating inclusive and flexible work environments, we can harness the skills and talents of these groups, thereby increasing social security contributions and broadening our revenue base
- ✓ Not a “permanent” solution



Diversifying away from demographic risk



- ✓ Fully funded systems supplementing pay-as-you go distributive systems
- ✓ Historical evidence: Higher variation of returns but substantially higher returns of fully funded vis-à-vis distributive systems (esp. in ageing societies)

Non-pension spending

- **Health care**

- Expensive new technologies

- Age-related costs but, mainly, “death related” expenditures

- Prevention; promotion of healthy living

- **Long-term care**

- “Elephant in the room”? Certainly, rise in GDP share

- No clear “model” for the future has emerged yet

- Not long, unnecessary expensive hospitalizations; home based care

- New technologies can help; labour force re-training

- **Education**

- Fiscal benefit?

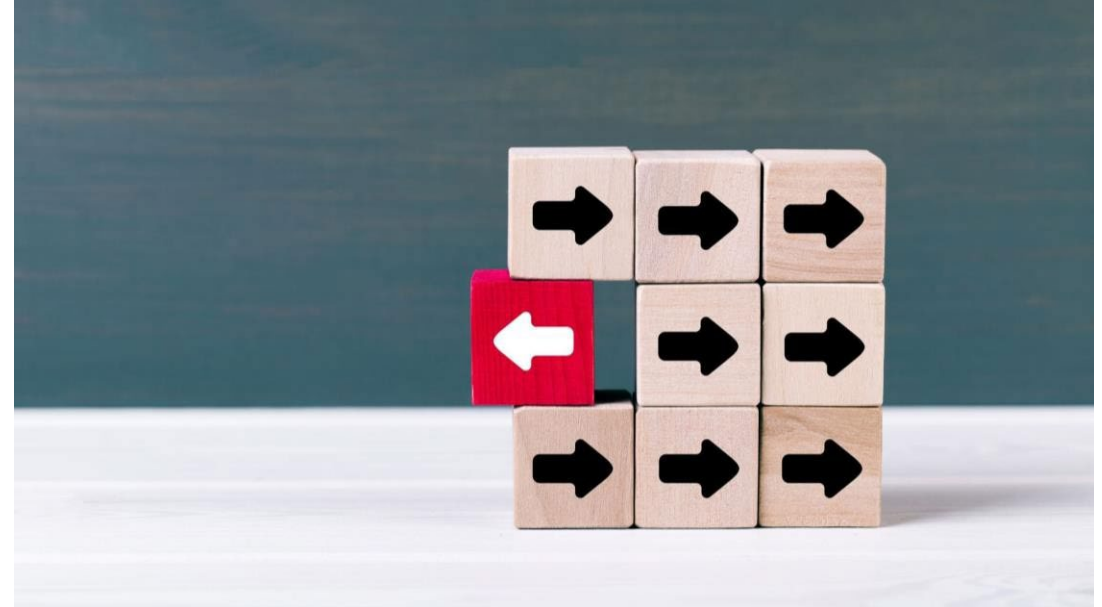
- But, need for very productive labour force in the context of PAYG systems



Hellenic Republic
Ministry of Labour and Social Insurance

Panos Tsakloglou
Deputy Minister

A: Stadiou 29, 105 64, Athens, Greece
E: panos.tsakloglou@yeka.gr



Thank you for your attention!