„DEPENDENCY RATIO CALCULATOR" SIMULATION TOOL FOR THE INTERACTION BETWEEN DEMOGRAPHY, PENSIONS AND THE LABOUR MARKET

OECD - Workshop on public pensions sustainability and

disability pensions procedures and reforms

19.12.2011

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TOPICS

- **DEMOGRAPHIC CHANGE**

- **DEPENDENCY RATIOS – DEMOGRAPHIC / ECONOMIC**

- **IMPACT OF LABOUR MARKETS ON ECONOMIC DEPENDENCY RATIOS AND ON PUBLIC PENSION EXPENDITURE**

- **CONCLUSIONS**

Dependency Ratio Calculator
DEMOGRAPHIC DEPENDENCY RATIO 2010–2050 (EU-27)

2010 (EU-27)
demographic dependency ratio
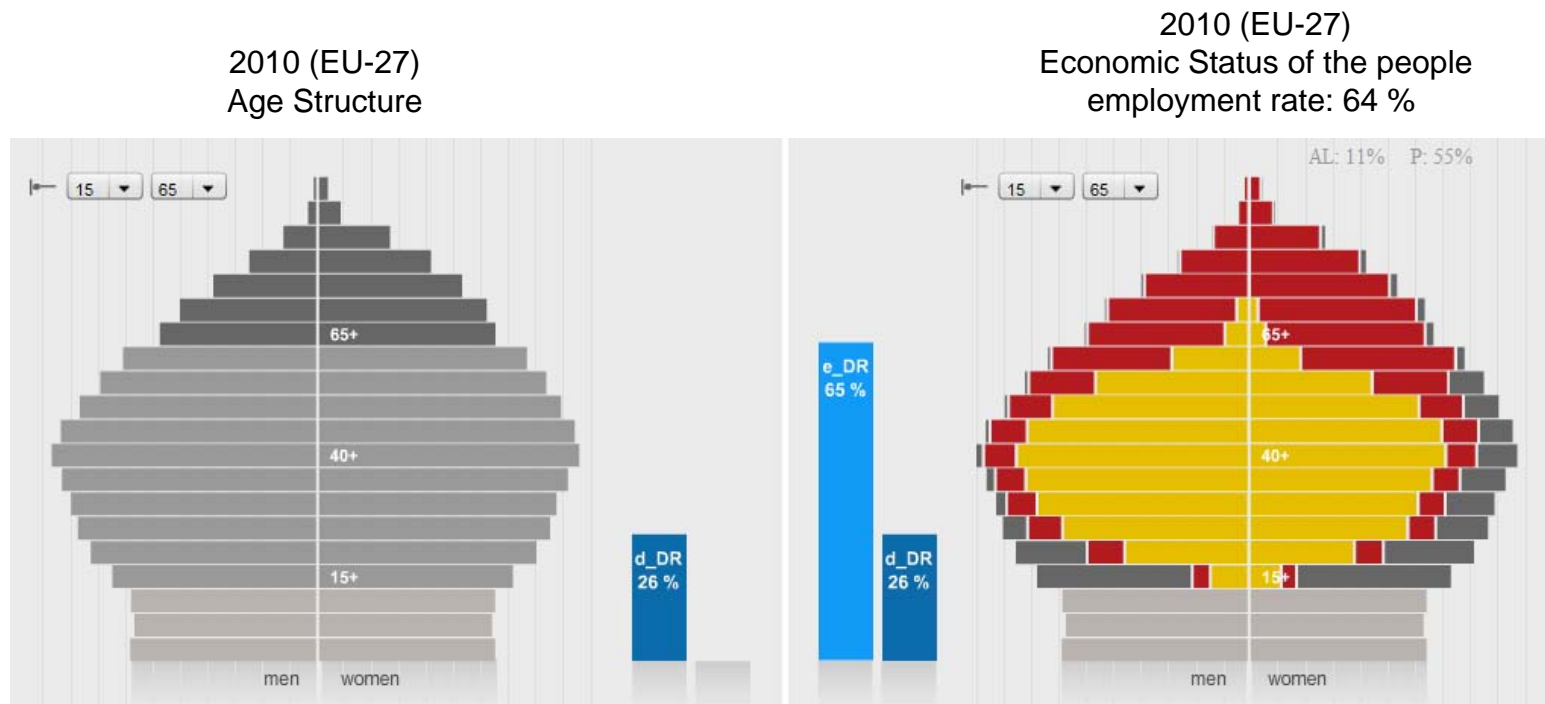
2050 (EU-27)
demographic dependency ratio
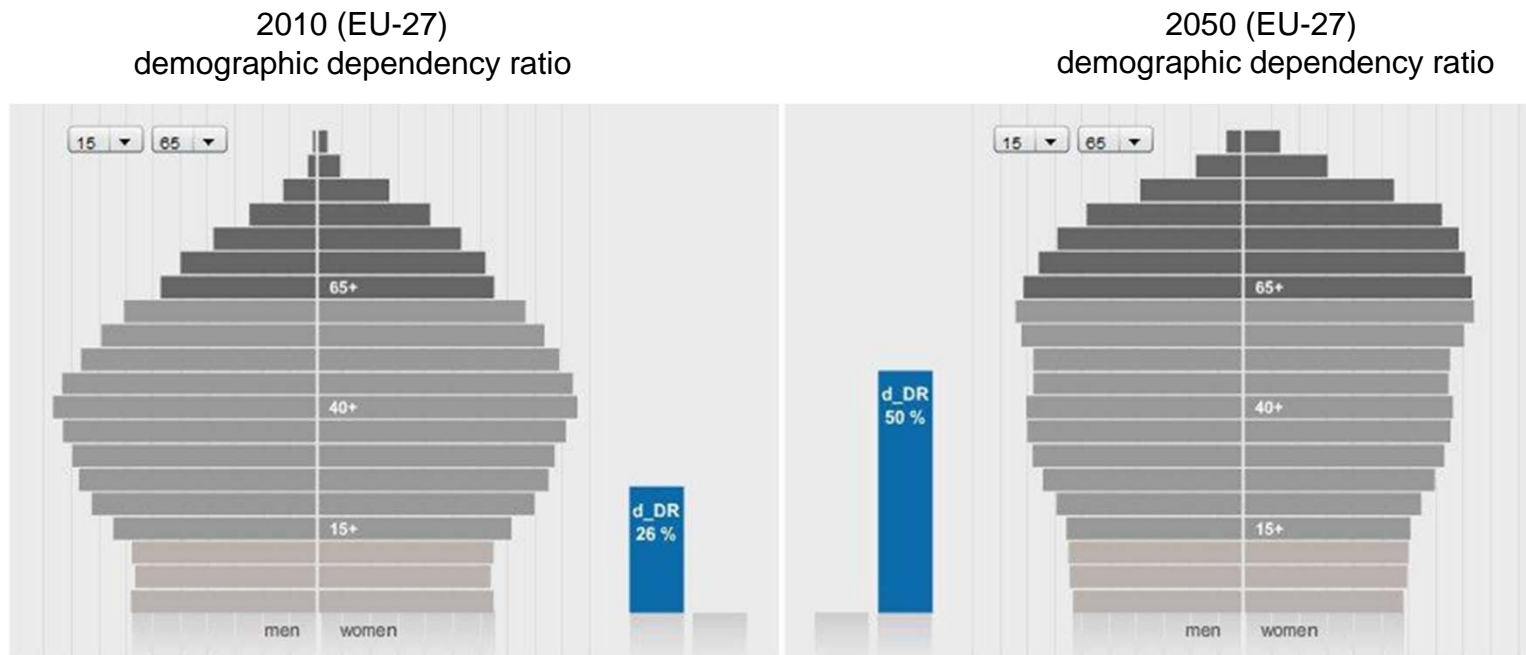
d_DR = demographic dependency ratio: population 65+ relative to 15-64

Source: AK-Wien / Dependency Ratio Calculator (data: europop 08)

Dependency Ratio Calculator
DEMOGRAPHIC vs. ECONOMIC DEPENDENCY RATIO
2010 (EU-27)

2010 (EU-27)
Age Structure

2010 (EU-27)
Economic Status of the people
employment rate: 64 %

d_DR = demographic dependency ratio: population 65+ relative to 15-64
e_DR = economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed
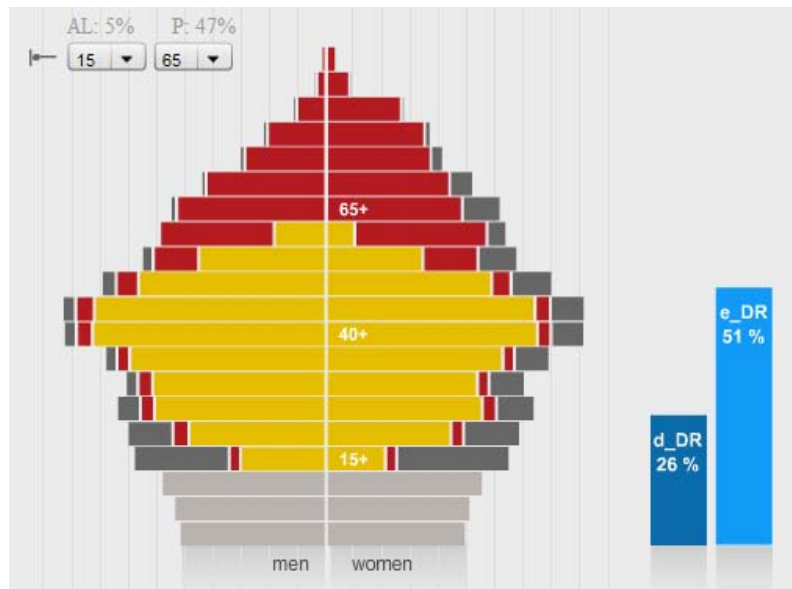relative to people in employment

people in employment   pensioners and   neutral - housewifes/housemen etc.
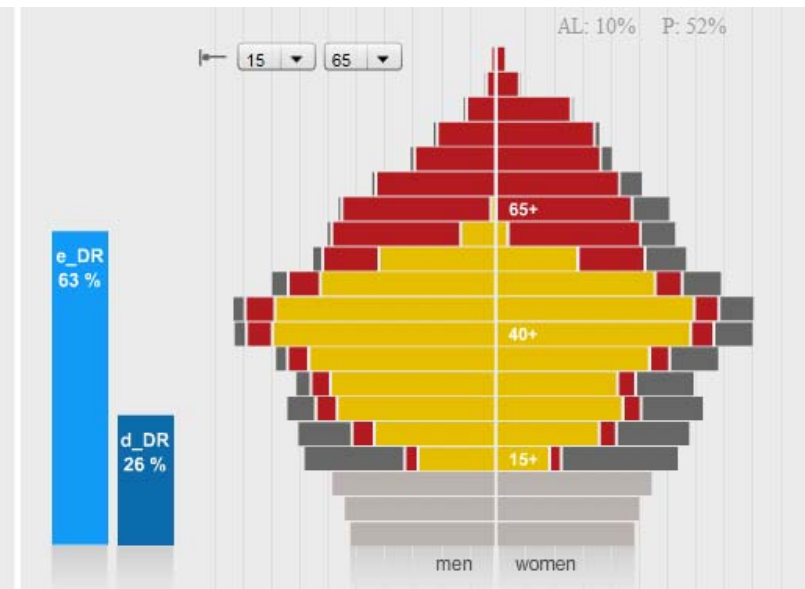   unemployed   (right picture)

Dependency Ratio Calculator
COMPARISON OF LABOUR MARKET STATUS WITH AND WITHOUT MINI-JOBS 2010 (Austria)

2010 (Austria)
Economic Status of the people
Eurostat Data (incl. Mini-Jobs)
employment rate: 72 %

2010 (Austria)
Economic Status of the people
national statistics (excl. Mini-Jobs etc.)
employment rate: 65 %

d_DR = demographic dependency ratio: population 65+ relative to 15-64
e_DR = economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed
relative to people in employment

people in employment   pensioners and
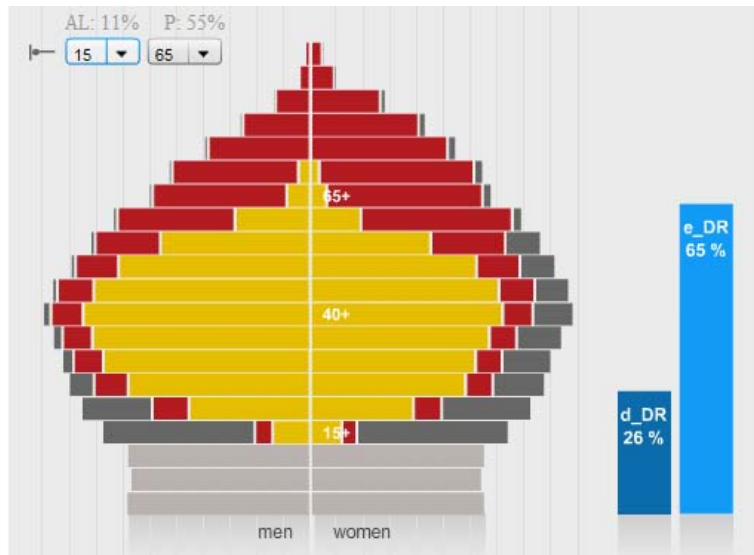   unemployed   neutral - housewifes/housemen etc.

Source: AK-Wien, Dependency Ratio Calculator (database: Eurostat – europop 08 / Labour Force Suvey 2011;
        EU-Commission – Ageing Report 2009; national statistics taken from HV, WIFO, BMASK, AMS, STAT; own calculations)
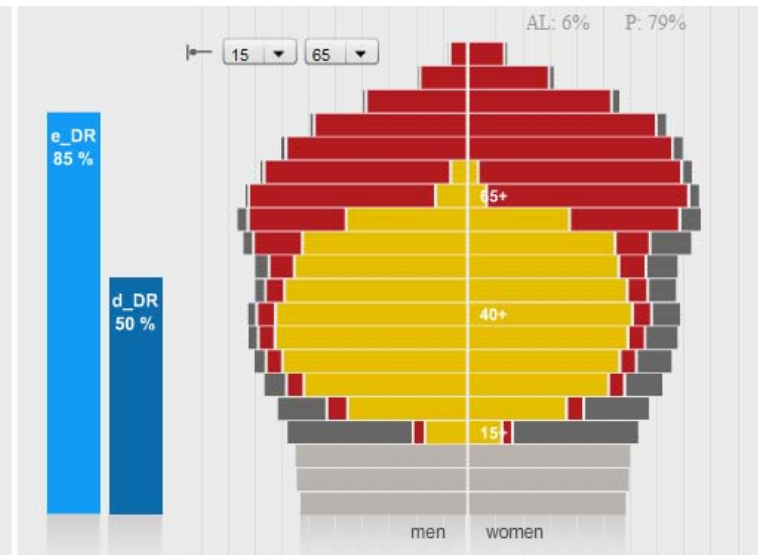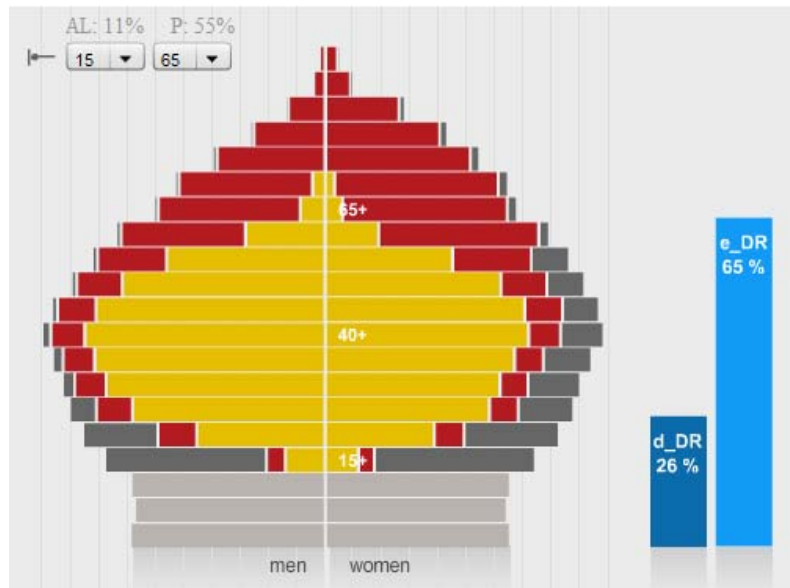
Dependency Ratio Calculator
ECONOMIC DEPENDENCY RATIO (EU-27)
2010 (current situation) - 2050 („standard"-scenario)

2010 (EU-27)
Economic status of the people
employment rate: 64 %

2050 (EU-27)
Economic status of the people
„standard"-scenario; employment rate: 70 %

d_DR = demographic dependency ratio: population 65+ relative to 15-64
e_DR = economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed
relative to people in employment

████ people in employment   ████ pensioners and
unemployed   ████ neutral - housewifes/housemen etc.
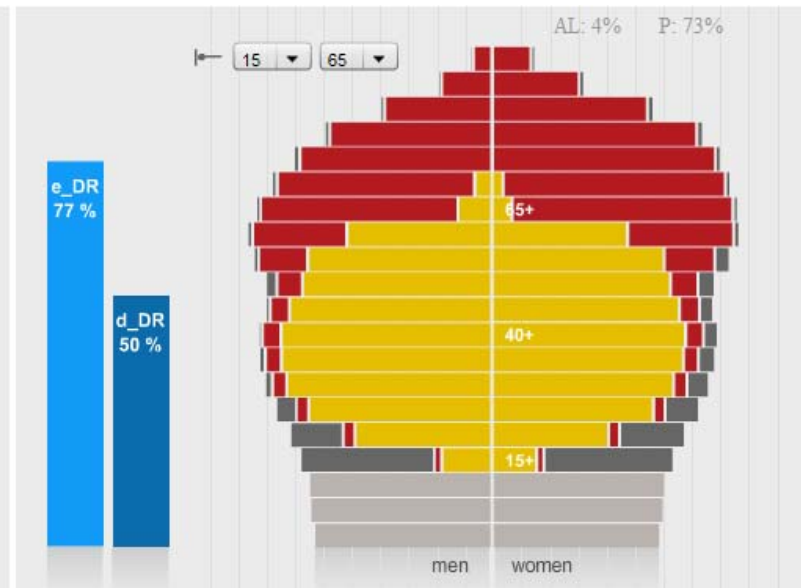
Dependency Ratio Calculator
ECONOMIC DEPENDENCY RATIO (EU-27)
2010 (current situation) - 2050 („EU2020plus"-Scenario)

2010 (EU-27)
Economic status of the people
employment rate: 64 %

2050 (EU-27)
Economic status of the people
„EU2020plus"-Scenario"; employment rate: 76 %

d_DR = demographic dependency ratio: population 65+ relative to 15-64
e_DR = economic dependency ratio: pensioners (old-age, early retirement, disability) and unemployed
relative to people in employment

people in employment   pensioners and unemployed   neutral - housewifes/housemen etc.

Dependency Ratio Calculator
EVOLUTION OF PENSION EXPENDITURE
„Standard-Scenario" versus „EU2020plus-Scenario"
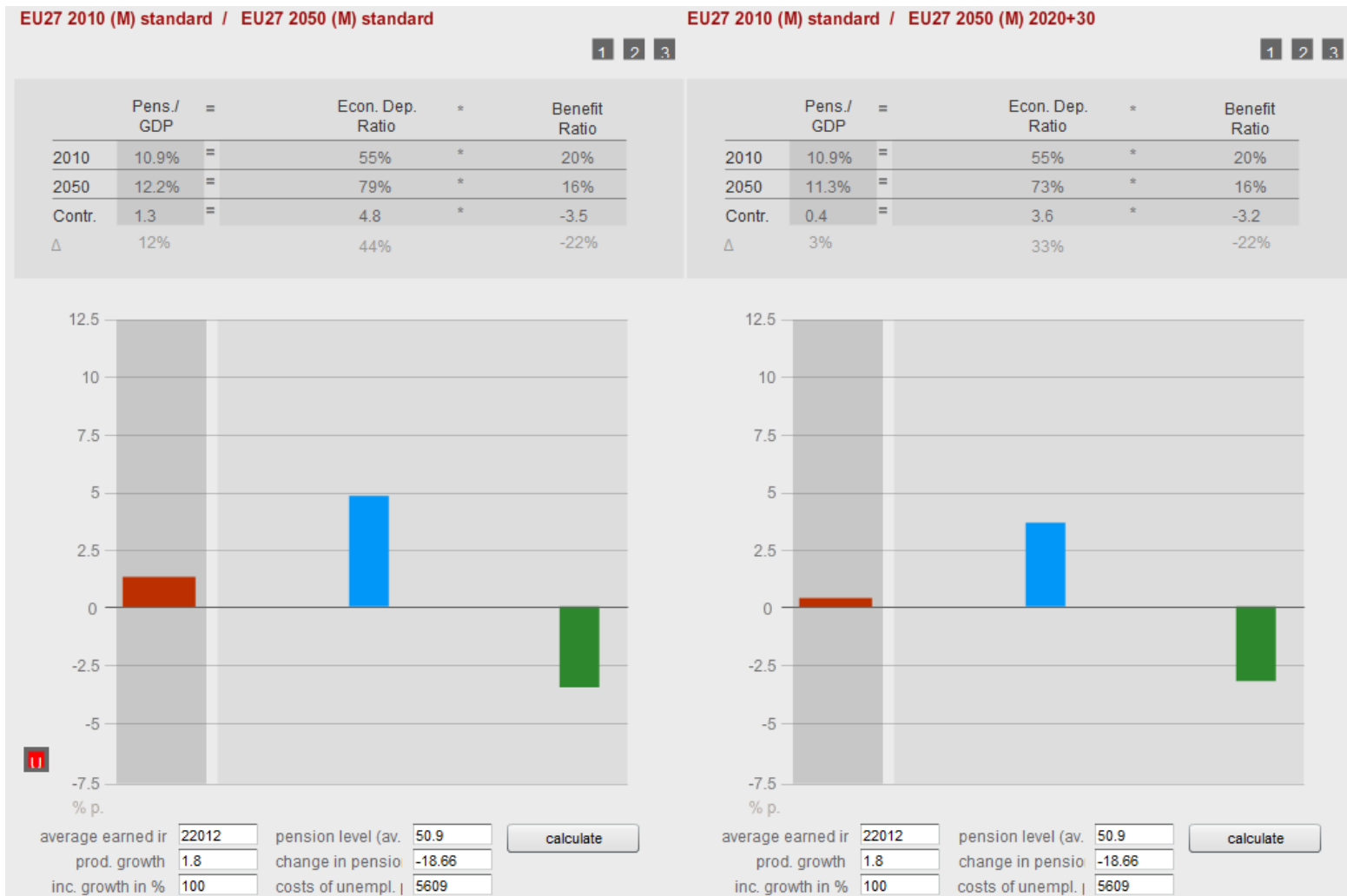## DECOMPOSITION IN 4 MAIN DRIVERS

Dependency Ratio Calculator
EVOLUTION OF PENSION EXPENDITURE
„Standard-Scenario" versus „EU 2020 plus-Scenario"
DECOMPOSITION FOCUSED ON EC.DEP. RATIO / BENEFIT RATIO

Dependency Ratio Calculator
EVOLUTION OF PENSION EXPENDITURE
„Standard-Scenario" versus „EU 2020plus-Scenario"
DECOMPOSTION / SYNOPSIS
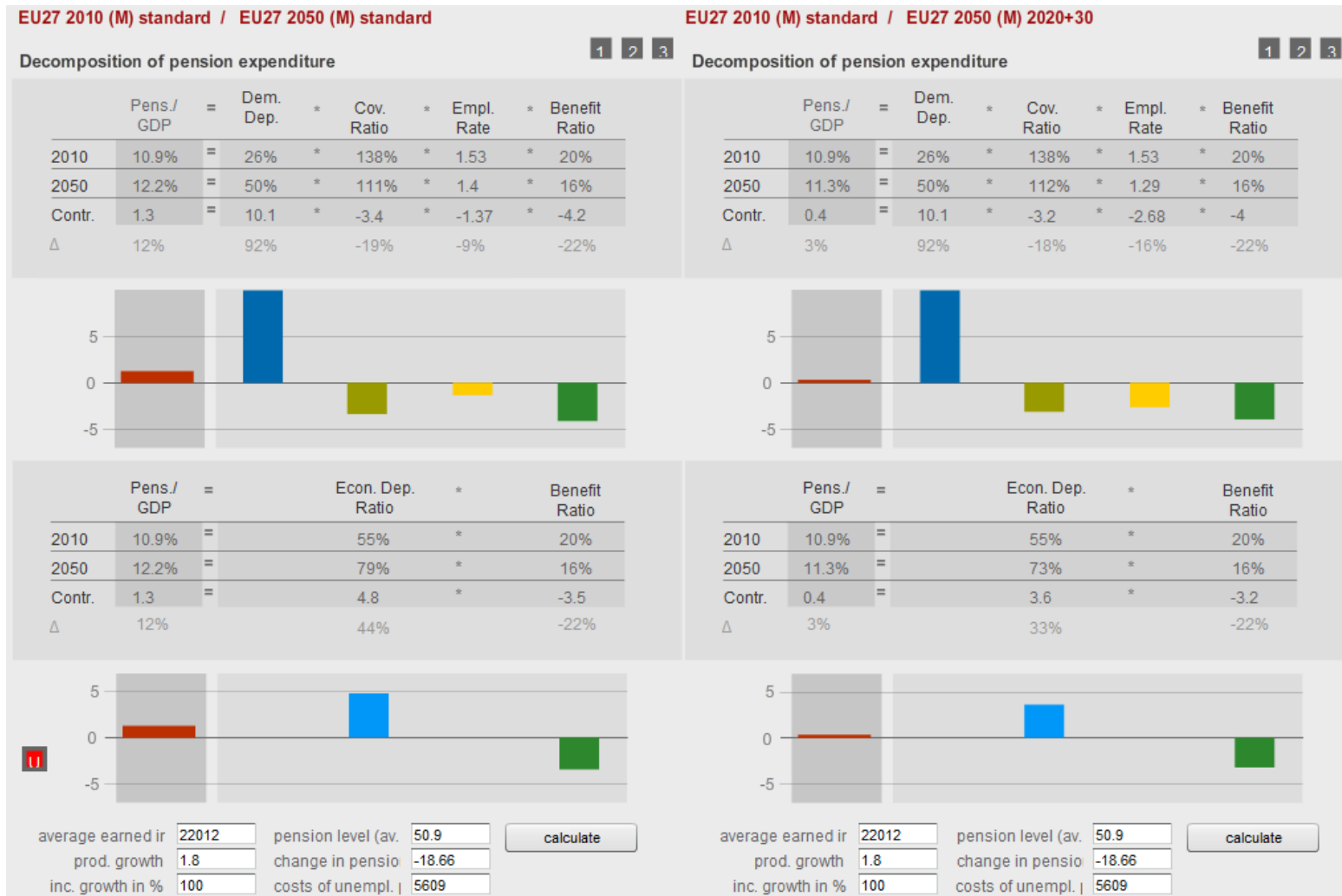
DEPENDENCY RATIOS – CONFUSION BY MISTAKE?
THE ECONOMIST, 9th April 2011

Text: „…the key figure is the ratio of workers to pensioners, known as the support (or dependency) ratio. This is deteriorating steadily in all rich countries (see chart)."

Charts: „Support ratio: The number of people of working age compared with the number of people beyond retirement age"
[65+ relative to 20-64]

EMPLOYMENT RATES / EMPLOYMENT POTENTIAL
EU-27 (2007)

Population 15-64: 329 mio

3 best countries — 249 mio

EU-27 average — 215 mio
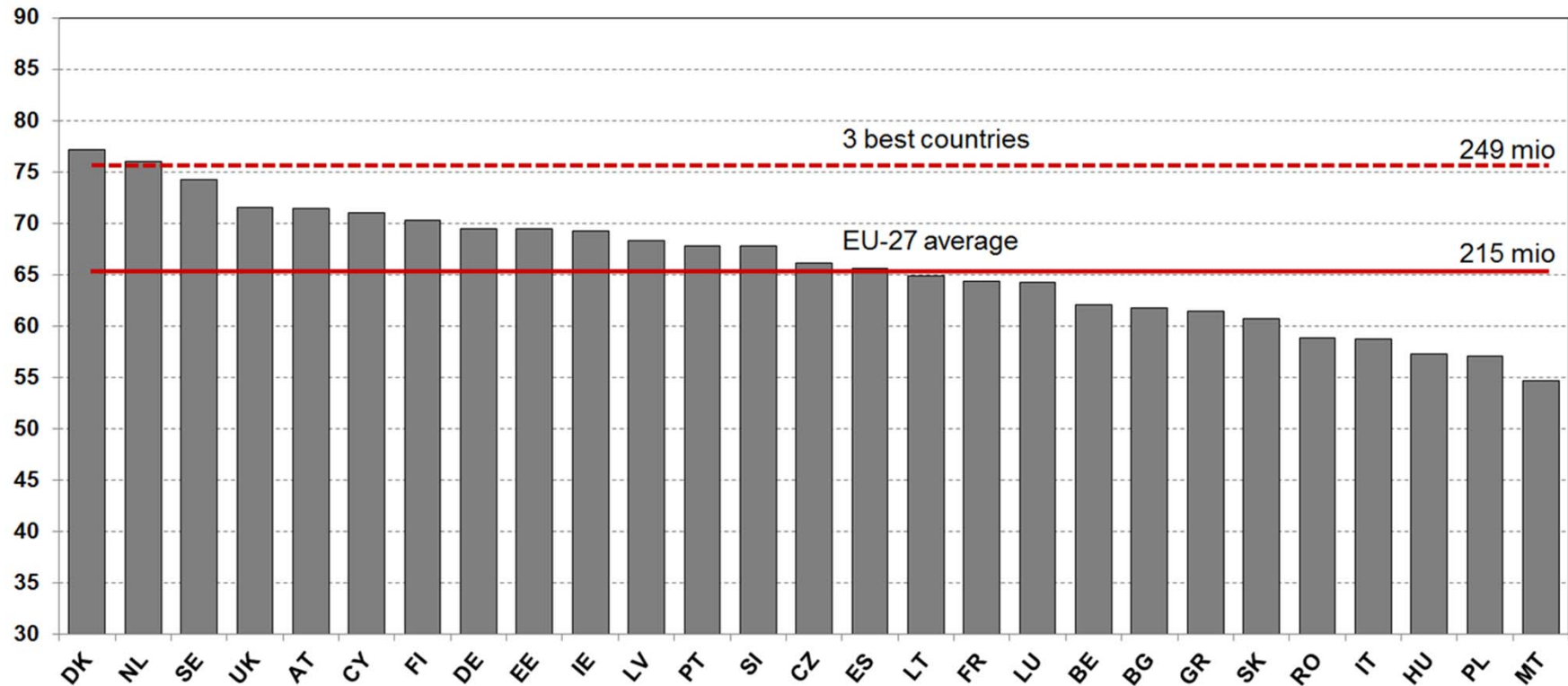
Source: Eurostat, Labour Force Survey
(EU-Commission, Demography Report 2008)

CONCLUSIONS (I)

- **THE AGEING OF THE POPULATIONS IS ONE OF THE MAIN CHALLENGES ACROSS EUROPE**

- **A CLEAR DISTINCTION HAS TO BE MADE BETWEEN**

    → **DEMOGRAPHIC (OLD AGE) DEPENDENCY RATIOS**
      (people aged 65+ relativ to people aged 15-64/20-64) and
    → **ECONOMIC DEPENDENCY RATIOS**
      (pensioners/unemployed relative to people in employment)

- **THE EVOLUTION OF ECONOMIC DEPENDENCY RATIOS IS MUCH MORE RELEVANT AND SHOULD BE BROUGHT TO THE FORE IN THE POLITICAL DEBATE**

- **LABOUR MARKET DEVELOPMENTS WILL LARGELY DETERMINE TO WHAT EXTENT THE STRONG INCREASE IN DEMOGRAPHIC DEPENDENCY RATIOS WILL TRANSLATE INTO AN INCREASE IN ECONOMIC DEPENDENCY RATIOS**

CONCLUSIONS (II)

- **AN INTEGRATED STRATEGY OF EMPLOYMENT POLICY AND PENSION POLICY IS ESSENTIAL TO COPE WITH DEMOGRAPHIC CHANGE**

- **RAISING EMPLOYMENTLEVELS PRIMARILY REQUIRES**

  → **EDUCATION / TRAINING**

  → **RECONCILIATION OF EMPLOYMENT AND FAMILY LIFE**

  → **HEALTH PROTECTION / GOOD WORKING CONDITIONS**

  → **(RE)INEGRATION OF UNEMPLOYED IN EMPLOYMENT**

  → **ADEQUATE JOBS FOR PEOPLE WITH REDUCED WORKING CAPACITY**

  → **ADEQUATE JOBS FOR ELDER MEN AND WOMEN**

  → **REDUCING THE GAP BETWEEN EFFECTIVE AND LEGAL RETIREMENT AGE**

CONCLUSIONS (III)

■ RAISING EMPLOYMENT LEVELS IN ALL AGE GROUPS, WITH QUALITY-JOBS, WOULD HELP

→ TO CONSIDERABLY REDUCE THE FUTURE INCREASE IN ECONOMIC DEPENDENCY RATIOS

→ TO ALLEVIATE THE FINANCIAL BURDEN OF AGEING

→ TO ACHIEVE THE MAIN PENSION POLICY OBJECTIVES (SUSTAINABILITY/ADEQUACY)

→ TO SOLVE KEY PROBLEMS OF OUR SOCIETIES (SOCIAL EXCLUSION, PROBLEMS TO COMBINE EMPLOYMENT AND FAMILY LIFE, ETC.)

CONCLUSIONS (IV)

" … RAISING EMPLOYMENT LEVELS … IS ARGUABLY

THE MOST EFFECTIVE STRATEGY WITH WHICH

COUNTRIES CAN PREPARE FOR POPULATION AGEING"

(EU-Commission, Demography Report 2008)