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Aging and its economic implications for Europe

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Main Questions:

- What are the opportunities and challenges for economic growth (“material well-being”) in Europe?
- Is there any growth potential in Old Europe?
- What are the major structural bottlenecks in Europe?
- How can these bottlenecks be unplugged?
- What could be the role of the public sector?

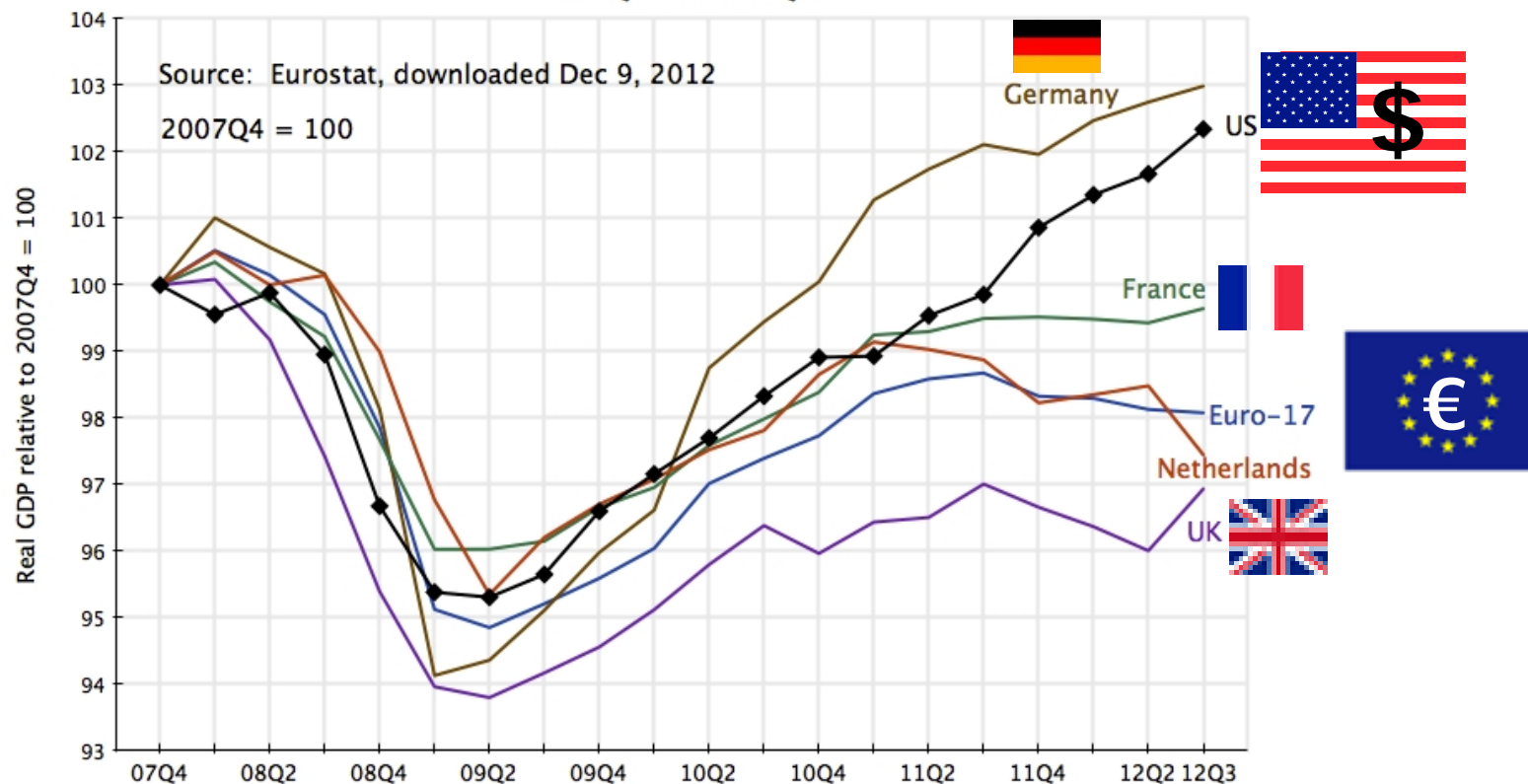


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Diversity of Growth

Economic Growth after the Crisis

2007Q4 to 2012Q3

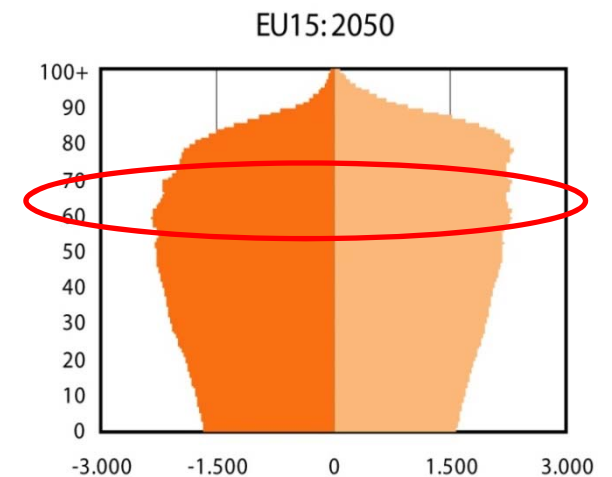
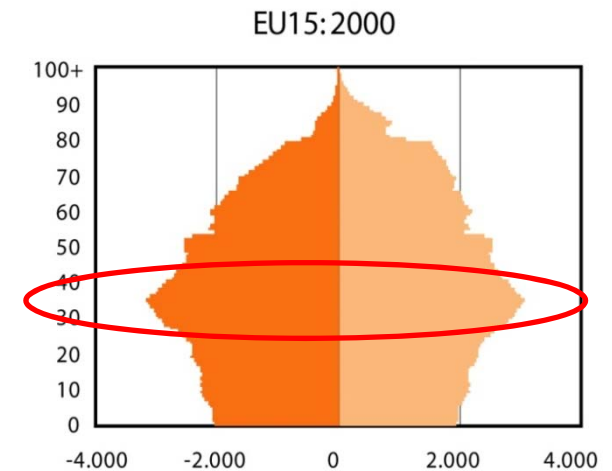




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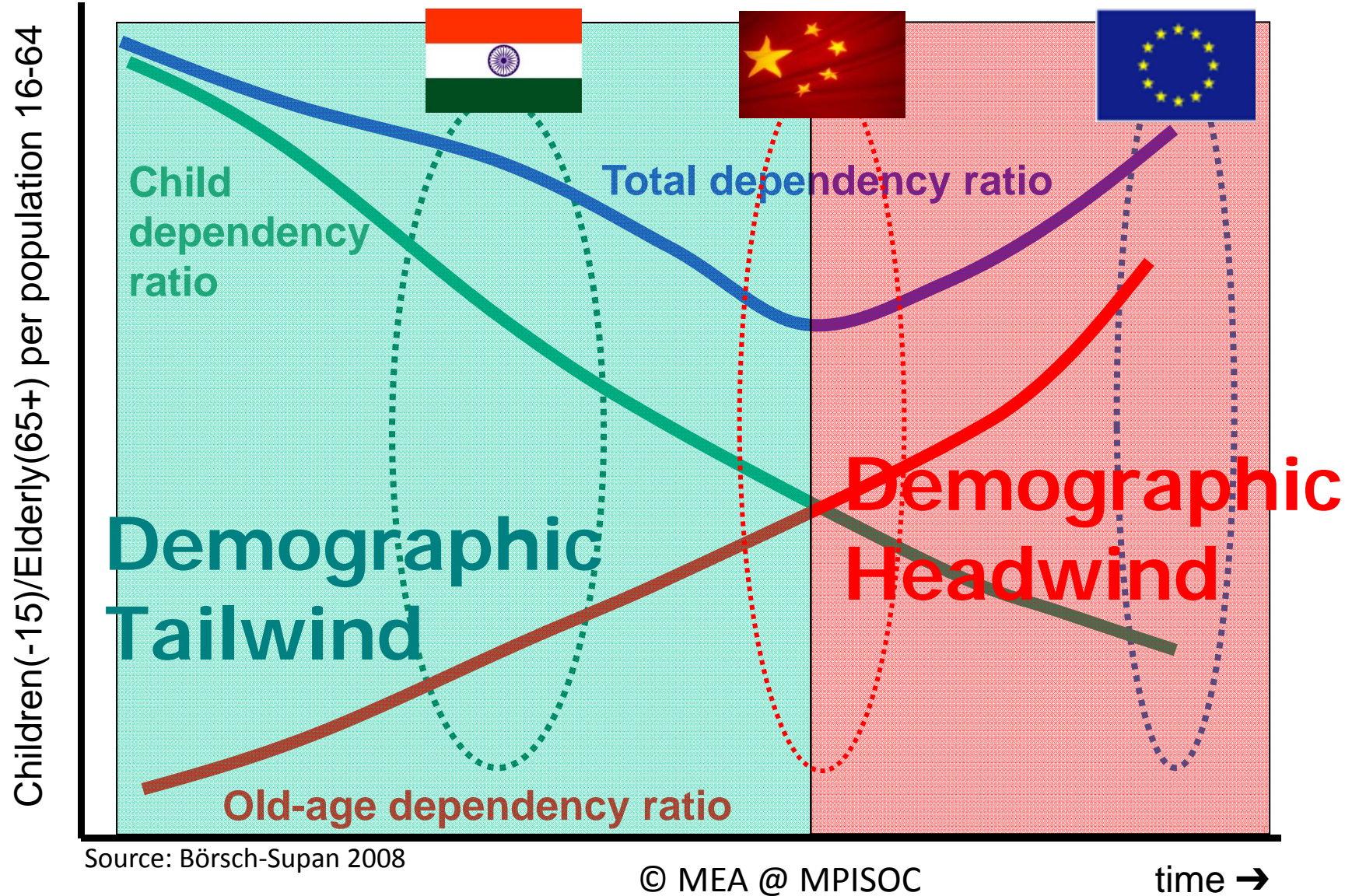
Demography

- ▶ Population ageing is one of ***the* challenges of the 21st century for Europe** affecting:
 - ▶ Pensions, health and long-term care
 - ▶ Economic growth and living standards
 - ▶ Social (esp. intergenerational) cohesion
- ▶ Financial, debt and economic **crisis has made matters worse**
- ▶ **Key economic mechanisms (“dependency”):**
 - ▶ Fewer contributors for more pensioners
 - ▶ Fewer tax payers for more people needing care
 - ▶ Fewer workers for more retirees
 - ▶ Fewer buyers but more seller for assets





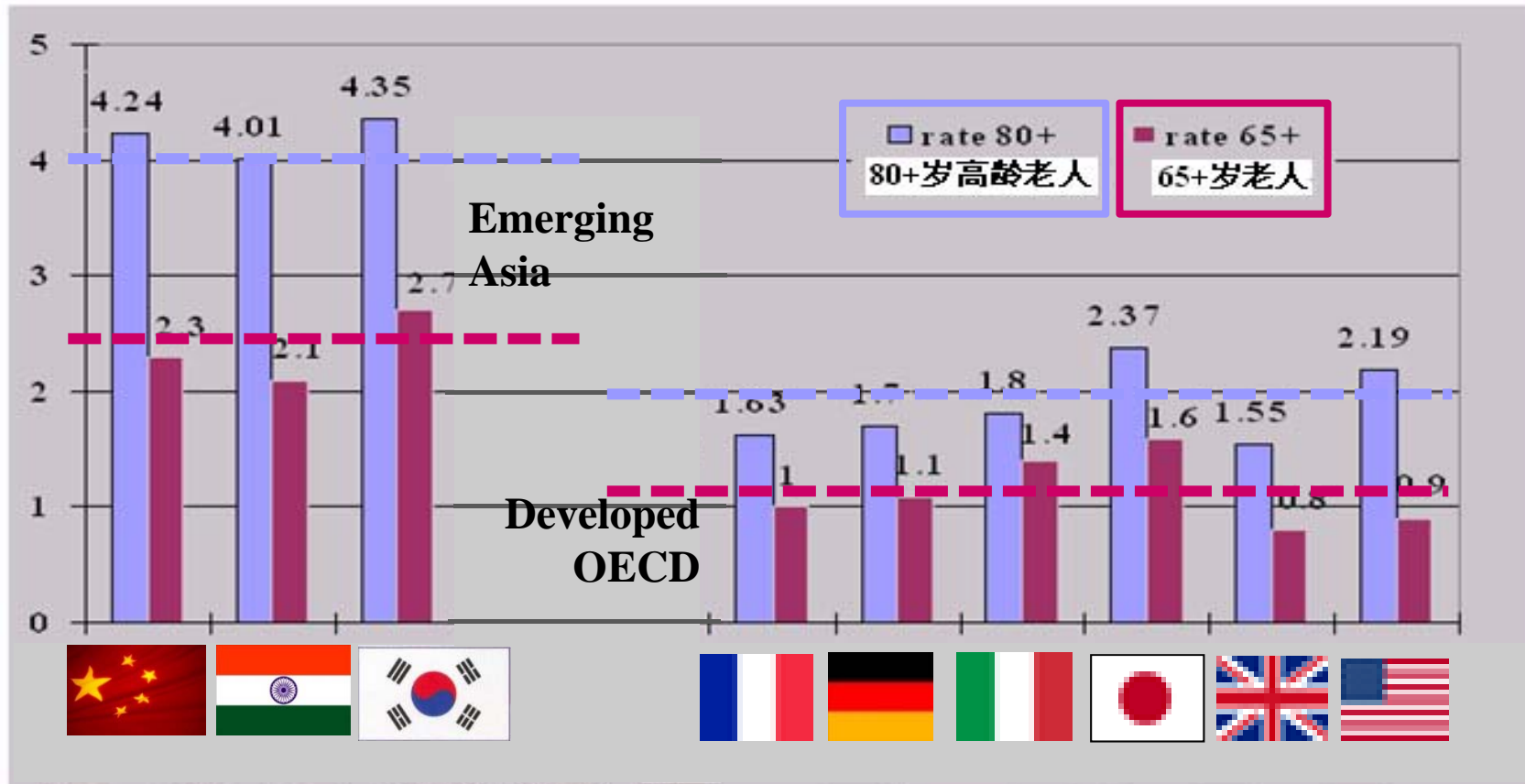
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Extremely Rapid Increase of Dependency in Asia vs. Europe

高龄老人增长速度更快

Average annual increase rates (%) of elderly populations

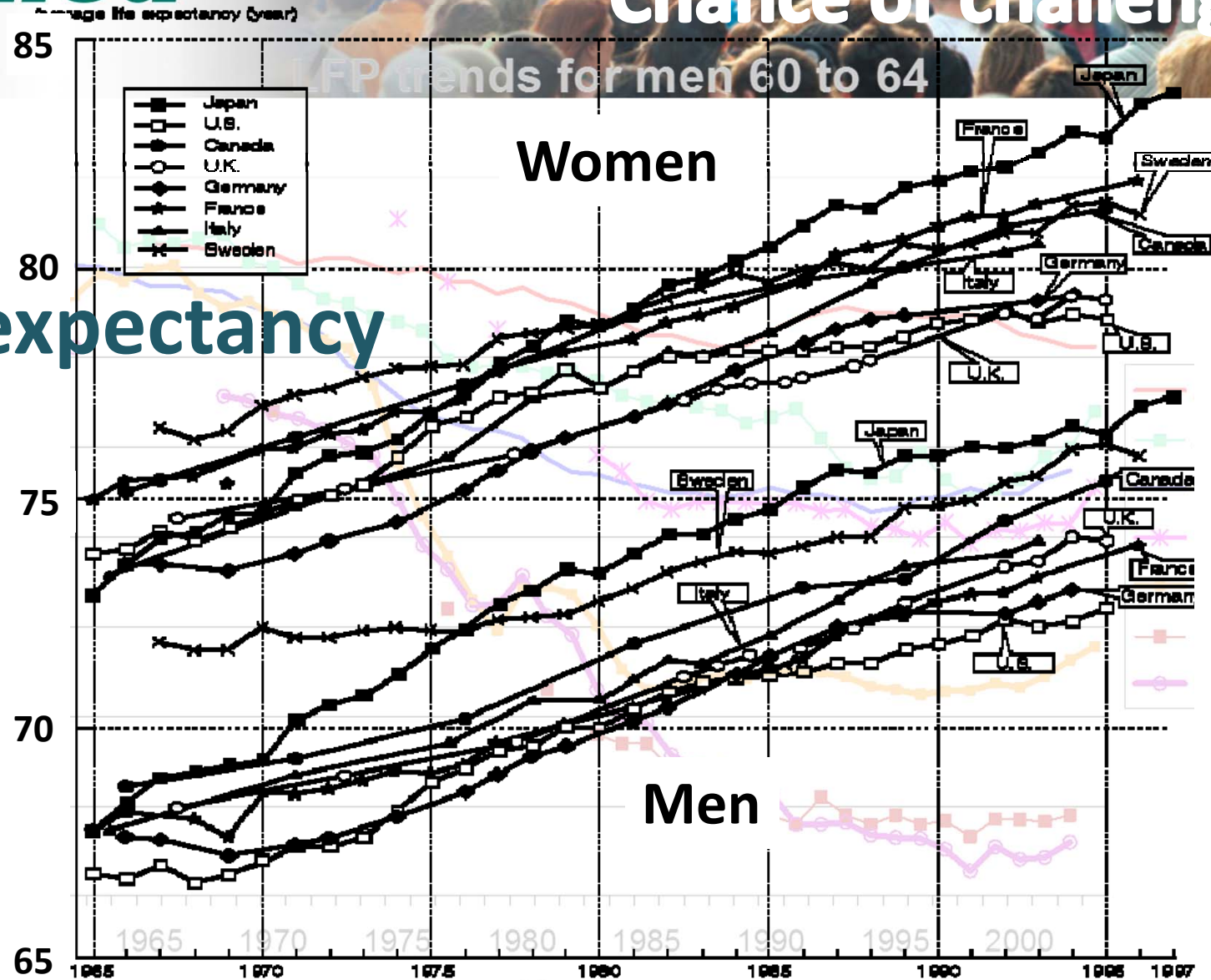




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Chance or challenge?

Life expectancy

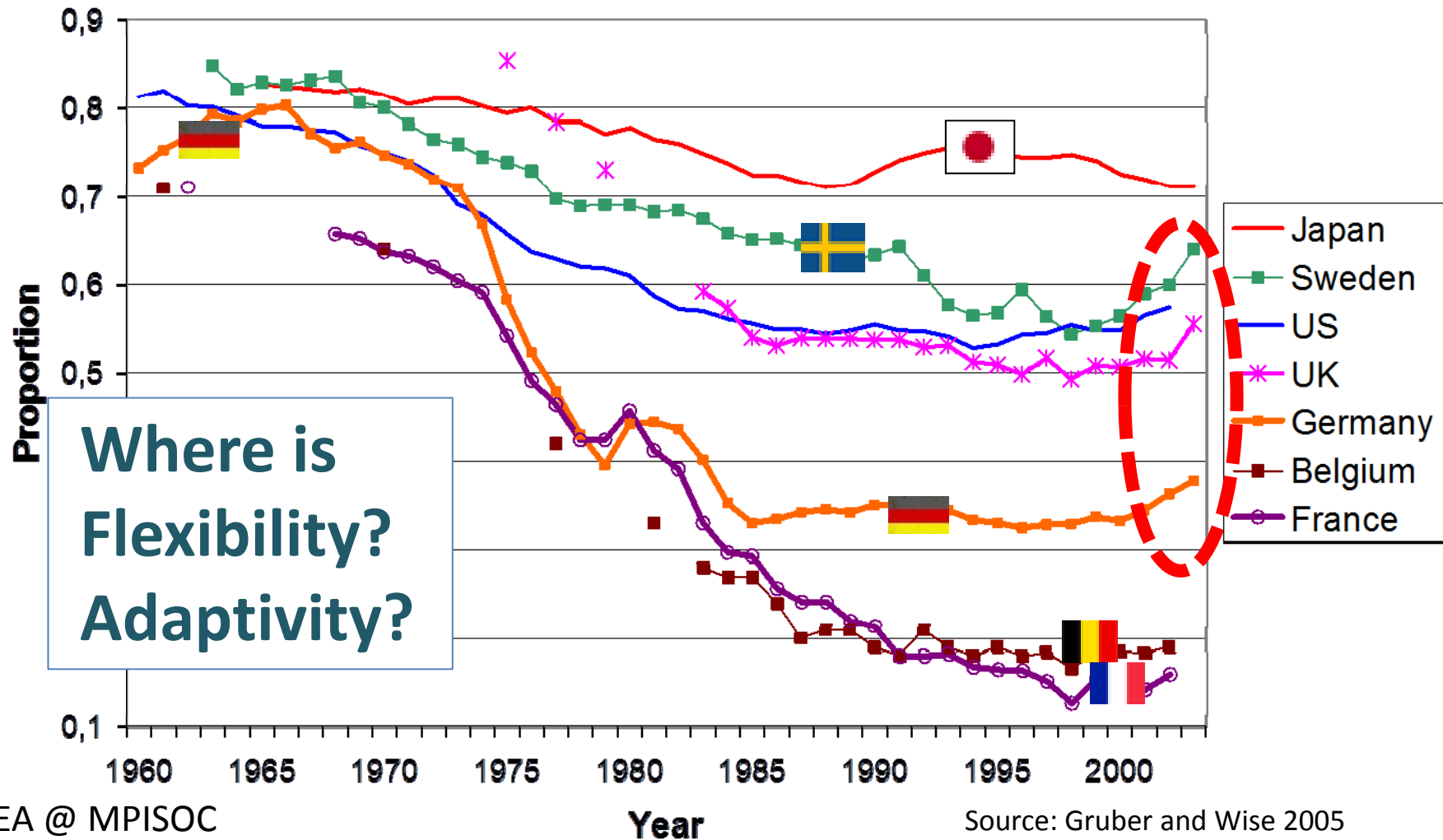




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Need for structural reform

Labor force participation of men age 60-64

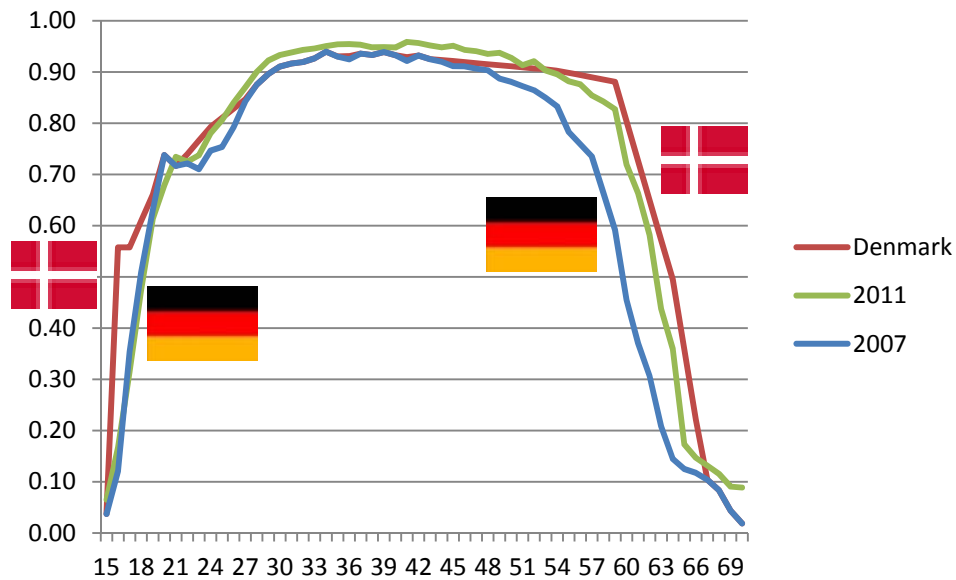




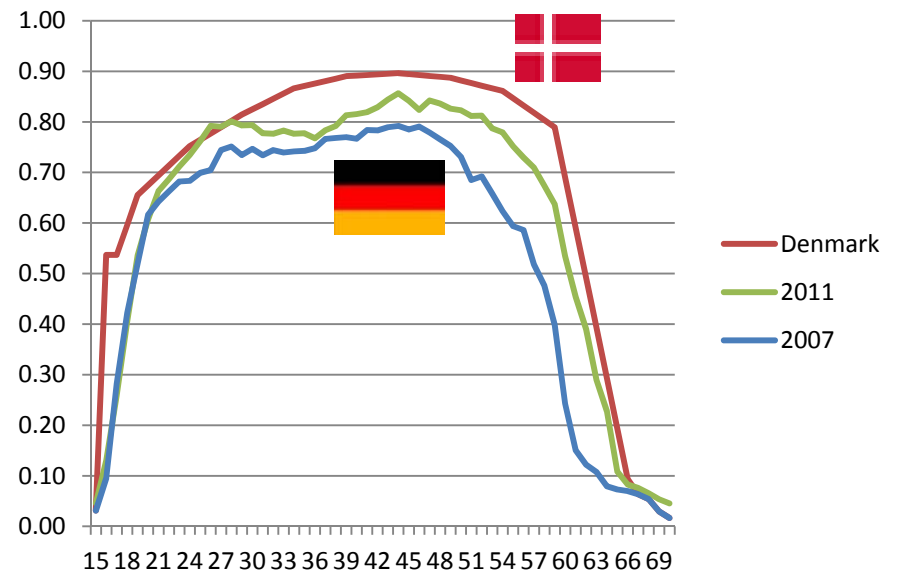
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Underused potential

Labor force participation (men)



Labor force participation (women)

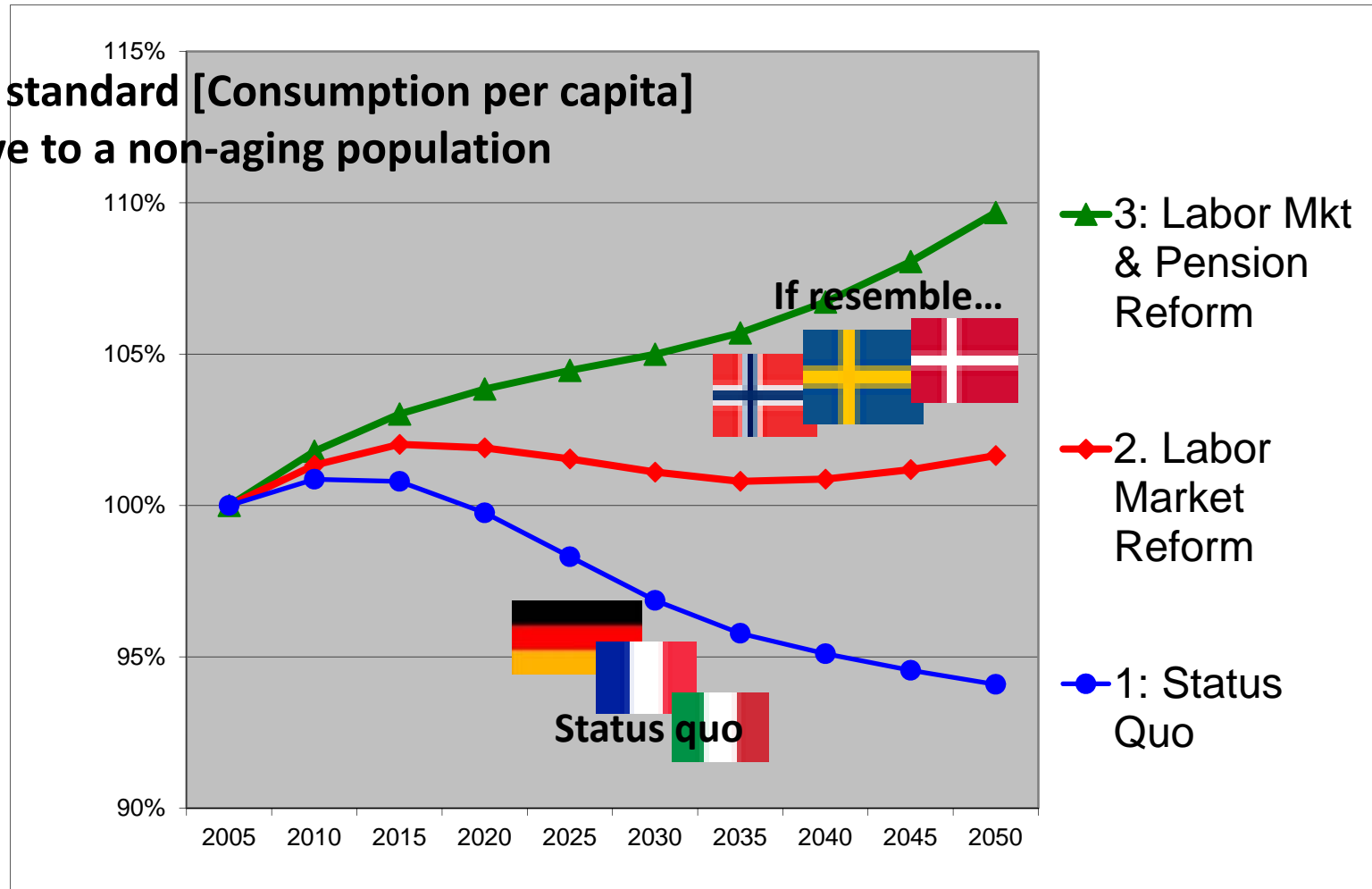




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The power of structural reform

Living standard [Consumption per capita] relative to a non-aging population

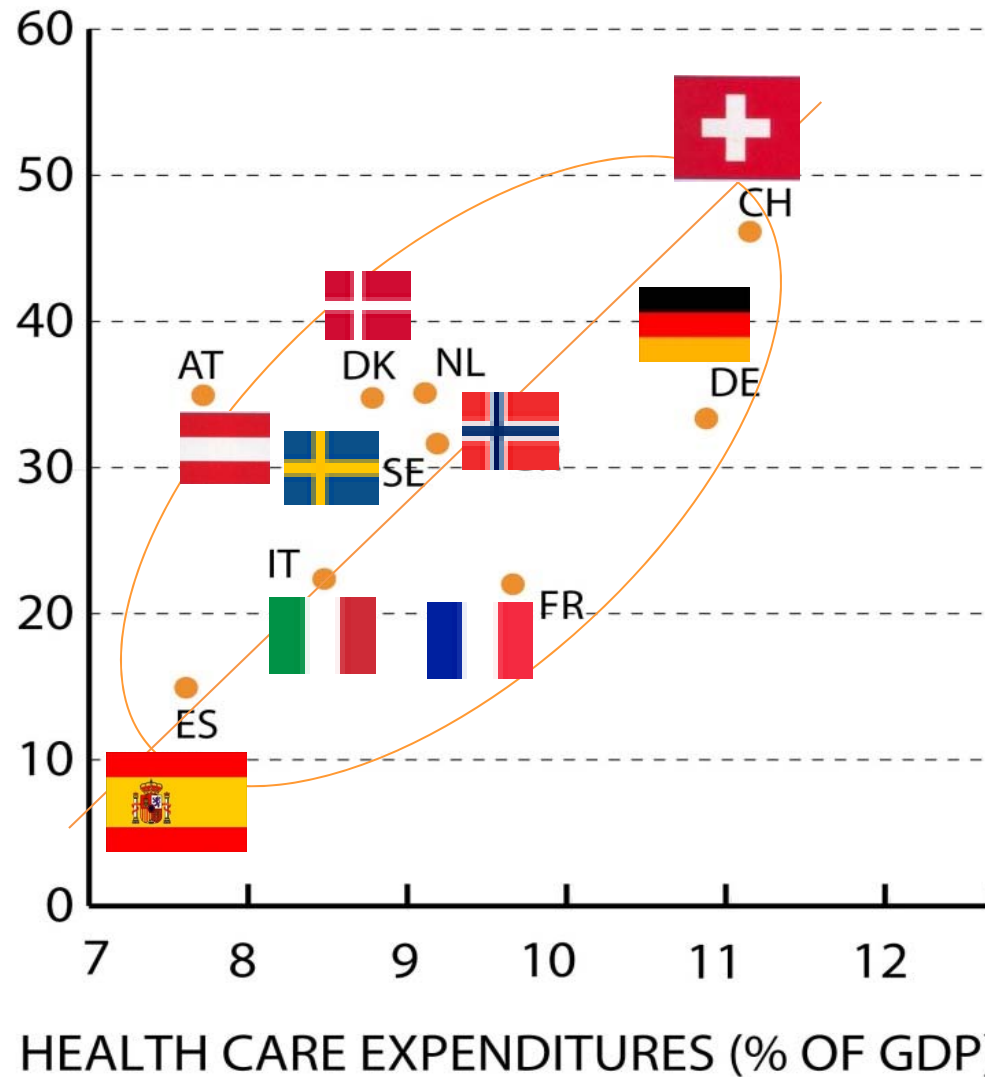




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Health

PERCENT
VERY
HEALTHY
(objective
functional
measure)





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PISA

Education

	Reading score		Mathematics score		Science score
Korea	556	Chinese Taipei	549	Finland	563
Finland	547	Finland	548	Hong Kong-China	542
Hong Kong-China	536	Hong Kong-China	547	Canada	534
Canada	527	Korea	547	Chinese Taipei	532
New Zealand	521	Netherlands	531	Estonia	531
Ireland	517	Switzerland	530	Japan	531
Australia	513	Canada	527	New Zealand	530
Liechtenstein	510	Macao-China	525	Australia	527
Poland	508	Liechtenstein	525	Netherlands	525
Sweden	507	Japan	523	Liechtenstein	522
Netherlands	507	New Zealand	522	Korea	522
Belgium	501	Belgium	520	Slovenia	519
Estonia	501	Australia	520	Germany	516
Switzerland	499	Estonia	515	United Kingdom	515
Japan	498	Denmark	513	Czech Republic	513
Chinese Taipei	496	Czech Republic	510	Switzerland	512
United Kingdom	495	Iceland	506	Macao-China	511
Germany	495	Austria	505	Austria	511
Denmark	494	Slovenia	504	Belgium	510
Slovenia	494	Germany	504	Ireland	508
Macao-China	492	Sweden	502	Hungary	504
Austria	490	Ireland	501	Sweden	503
France	488	France	496	Poland	498
Iceland	484	United Kingdom	495	Denmark	496
Norway	484	Poland	495	France	495
Czech Republic	483	Slovak Republic	492	Croatia	493
Hungary	482	Hungary	491	Iceland	491
Latvia	479	Luxembourg	490	Latvia	490





Main Questions:

- **What are the opportunities and challenges for growth in Europe?**
Heterogeneity within Europe -- Europe vs. Asia
- **Is there any growth potential in Old Europe?**
Not demography is destiny, but our policy response
- **What are the major structural bottlenecks in Europe?**
Labor force participation -- [„competitiveness“]
- **How can these bottlenecks be unplugged?**
Structural reform, especially labor market/pensions
- **What could be the role of the public sector?**
Long run investments: health, (further) education