



Demographics and an Aging Workforce



But what is...?

Population aging is caused by a combination of increased life expectancy and falling birth rates, and is common to many rich countries.

OADR The Old Age Dependency Ratio is the ratio of the number of retirees to the number of working age people.

Tax Burden is the amount of tax paid in a country, including income tax, corporate tax, value added tax, and sales tax. It is normally expressed as a percentage of GDP. Governments make decisions about who pays taxes and how much they pay.

Retirement Age The age at which people may retire and collect full pension benefits. There is also the “effective retirement age”, which is the average age of retirement without regard to pensions.

Demographic trends can have profound implications for an economy. Increasing numbers of retired people put pressure on government services like healthcare and pensions plans. With fewer people of working age to support retirees, policy makers may be forced to cut benefits or raise taxes. Aging populations can also lead to slower growth due to the shrinking labor force. Today in Europe there are four people of working age for each retired person. By 2050, there will only be two.

- ① What factors help to explain increased life expectancy and falling birth rates in your chosen country?
- ② How does the “Old Age Dependency Ratio” in your chosen country compare with the average OADR in the euro area?
- ③ What are the fiscal consequences of an aging population? Can you explain why aging has an impact on government finances?
- ④ Describe the different propensities of young people and old people to borrow and save. How might this affect investments in things like infrastructure or technology?
- ⑤ How does the cost of funding healthcare and pensions affect the tax burden in your chosen country? Do high taxes hurt corporate competitiveness or limit potential growth?
- ⑥ How much does your country spend on healthcare as a percentage of GDP? How do health outcomes compare with other countries in the euro area?
- ⑦ Do most people in your country have defined-benefit or defined-contribution pension schemes? Does the sustainability of these programs depend on returns from investments? Have low interest rates had an impact on pension plans?
- ⑧ What is the retirement age in your country? What is the average life expectancy? How do labor market regulations, especially those that provide job security, affect retirement plans, unemployment and growth?
- ⑨ In recent years, has your country experienced net immigration or net out-migration? What role could immigration play in changing demographic trends?