

## 4. Ageing – The Demographic Dimension and its Implications on Global Societies

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Special guest of honour of the conference, an expert in demography and international migration, currently teaching at the Central European University and at the Diplomatic Academy in Vienna, provided the following input:

He started by pointing out that ageing is a global phenomenon, but that it has very different implications depending on the region, the area or the group. He emphasized that ageing has **three different dimensions**, which are loosely connected.

**The first dimension is related to biology** and this process starts at the very beginning of life. For the first twenty years, we are talking about maturing. The term “ageing” is usually reserved for a later stage of life.

The biological dimension of ageing has to do with the DNA and with the ability of our DNA to reduplicate itself without errors. At the end of the DNA there are Telomeres and their shrinking can be used as a “biomarker” of biological ageing.

The ageing process is, however, also related to life cycles and lifestyles. A search on the Internet for “lifestyle and ageing” will immediately provide advice on what to do and what not to do. Some advice is: physical exercise, eat less meat or no meat at all, choose a healthy diet, avoid

processed foods, fatty foods, and things like that. Also, usually there is clear advice not to smoke as well as to drink “less” (alcohol). Opinions are even less consistent on sugar and cholesterol. But ultimately, this isn't just physiological or dietary advice, it's also a social one, as health campaigns tend to focus more on preventing smoking than on preventing drinking. From a fiscal point of view, the public coffers profit both from taxes on tobacco and on alcoholic beverages.

The third element which influences biological ageing is the environment. One can have a healthy diet or lifestyle, but if one lives in a polluted area, at least statistically –it takes its toll. People are at a higher risk if they live in cities with low air quality, in areas contaminated by herbicides/pesticides or in the vicinity of certain industrial plants.

**The second dimension of ageing is related to social definitions and limitations.** Social age is closely related to the chronological age. The latter is something that we can all find as a defining element in our identity documents: our

date of birth. It tells us how old a person is in terms of years. Chronological ageing is linked to stages and transitions of social ageing. The first step is to go to kindergarten or school. At a certain age it is assumed that children are ready for school and attendance becomes compulsory. There is a minimum age before citizens to be able to vote. In Austria, the legal voting age is sixteen. But there is nothing in your biology that states that sixteen is the best age for this transition; better than, say, eighteen. Voting age is always a political decision. The same goes for joining the military. In a society where there is draft, like in Austria or Israel and in a number of other countries in the world, there is a certain age at which males and/or females must report for military or civil duty. Again, it is a political decision.

In most countries there is a minimum age for the purchase of alcohol and the consumption of alcohol in public. Another political decision is the minimum age for marriage, which varies widely. Even within countries such as the US. In the US you have states where you can get married at the age of fourteen and other states that push it to the age of eighteen or nineteen. Again, this is a political decision, and this decision is loosely linked to the biological ability to reproduce. Finally, the transition into retirement at a certain age is based on a

political decision.

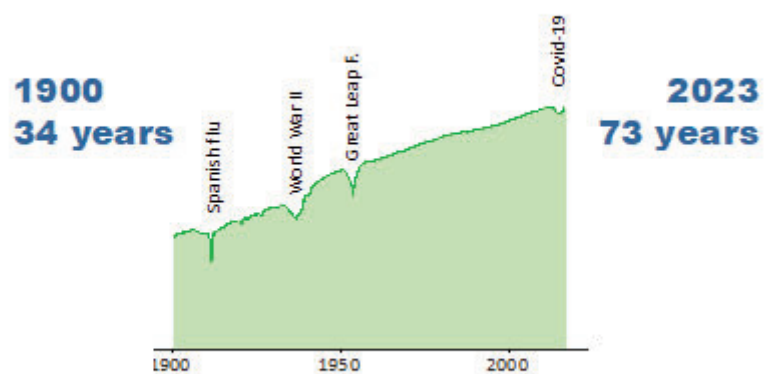
### **The third dimension of ageing is determined by the demographic weight of different age groups.**

Demographic ageing is the simplest of the three dimensions we looked at, because it means: the share of older people is increasing, and the share of younger people is decreasing. Very importantly, demographic ageing has nothing to do with the biological ageing of individuals.

Demographic ageing has two unrelated reasons: The first one is the declining fertility. If people have fewer children, the share of the older generation increases automatically.

The other reason for demographic ageing is the rise in life expectancy. There are many reasons for this increase, but the main ones are: better food supply, food security and more widespread availability of clean water. Only at a later stage in life is there a certain correlation with

### **Life expectancy at birth**

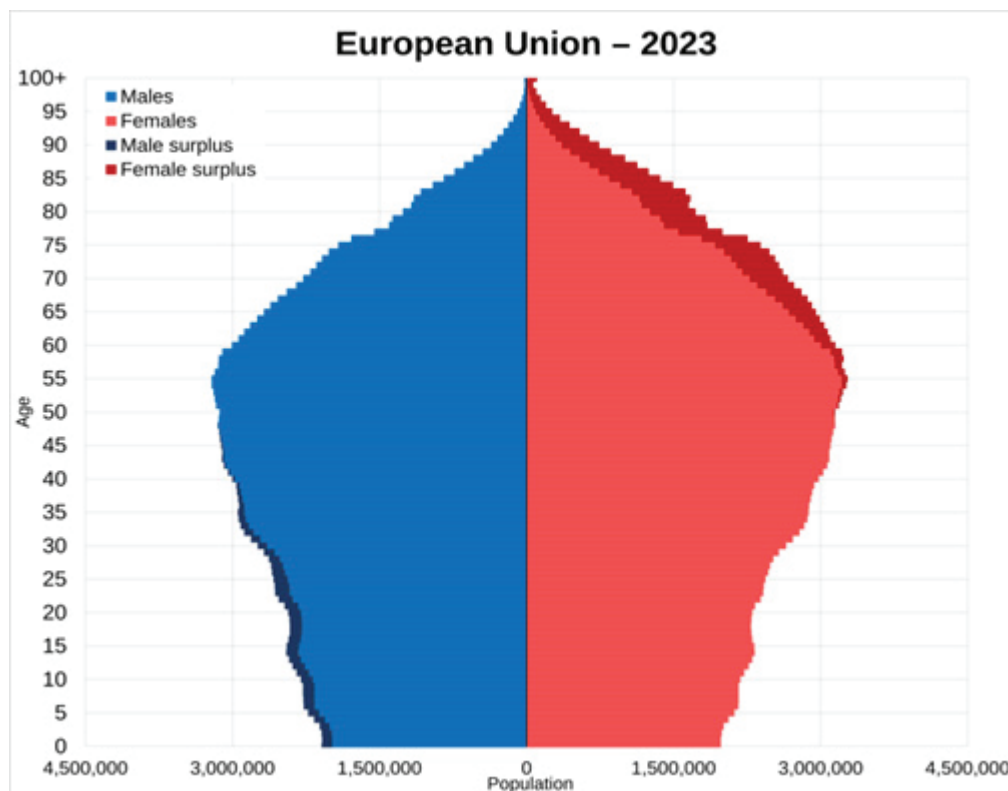


the quality of health care systems. Life expectancy at birth has more than doubled over the past 120 years. That means it has been increasing by more than two months per year, on average.

Demographic ageing takes place in two different ways: In many parts of the world the number of younger people is decreasing. This is the result of lower fertility which reduces the “base” of the age pyramid. At the top of the age pyramid, there is a global increase in the number

derly people will be around 24%. In Japan and Western Europe this level has already been reached. The demographic situation in Japan is what most parts of the world can expect in the future.

By 2050, a large part of the world will have an elderly population of at least 20%, reaching 40% in Canada, all of Europe and China. Some areas where this will not be the case are: Sub-Saharan Africa, India, Afghanistan, Central Asia, Indonesia and the Philippines. In 25 years,



of older people, defined as people over the age of 65.

Today, they only represent 10% of the world’s population. Globally, they still are a small but growing minority. Some seventy-five years ago, only 4% of the global population was over sixty-five. By the end of the 21st century the share of el-

these countries will still have the youngest populations in the world: a result of much higher birth rates.

If one looks at the elderly in developing lower-middle- and low-income countries, one notices that they are demographically a small minority. And there is poverty among many of these people.

It is, however, important to understand that this poverty is quite often not related to old age. The issue in lower-middle- and low-income countries is poor people getting old, not old people becoming poor. Many of these people have been excluded from the cash economy for most of their lives. They have no chance to save and build financial reserves. For most people living in lower-middle- and low-income countries there is neither pension insurance nor other collective safety nets. Hence the life-long need to work. Elderly who cannot sustain themselves are dependent on their children or other relatives or on social solidarity within a smaller (usually kin-based) group. It's therefore important to understand that old age poverty is not linked to age but to increasing longevity in countries outside the rich world.

When one looks at the geographical distribution of people over sixty-five who are still working, one mainly finds them in lower-middle- and low-income countries. Most of their citizens cannot retire because they do not have the financial resources to stop working. In these countries, the emphasis should not primarily be on specific policies for the elderly. Instead, the focus should be on creating conditions and policies that promote the inclusion of people who live outside the cash economy and lack access to collective social protection schemes.

In upper-middle- and high-income countries, the share of older people is

much higher. In this age group (60/65+) most people have some kind of savings or have access to national pension insurance systems. As a result, in rich countries, most older people can stop working and retirees receive pension payments. As a result, except for Latvia and a few Central European countries, old age poverty is relatively low in the EU. On average only 15% of the older people living in the European Union are at risk of poverty. In Europe, the ageing of the baby boomer generation presents a challenging transition. The number of people graduating from schools and universities is 35% lower than the number of baby boomers who are retiring or have already retired. This leads to a shortage of domestic labour and skills, as well as growing budget deficits in unfunded pay-as-you-go pension systems.

From a demographic point of view the "old age dependency ratio" is calculated as the number of persons would be over age sixty-five divided by the number of people in the age group twenty to sixty-four. From a fiscal point of view, it's not the demographic old-age dependency ratio that matters, but the relation between people in the age group twenty to sixty who pay taxes and social security contributions compared to the number of pension beneficiaries.

Europe is the world region with the highest life expectancy and the lowest labour force participation of older people. Most people over 60 are not working. In the age group of sixty to sixty-four the

average labour force participation rate in the EU stands at 46%. In the age group sixty-five to sixty-nine only 13% are still economically active, in the age group of seventy to seventy-four it's only 5%. This is in complete contrast to the situation in lower-middle- and low-income countries.



### **What to do?**

#### **Older Europeans should**

- retire later**
- stay in the work force**
- volunteer**

From a demographic as well as from a fiscal point of view the message to the Europeans seems to be clear: Retire later or stay in the workforce even if you already receive a pension, engage as a volunteer in certain areas that would improve the situation of (older) people and thus help the state to save expenses.

Keeping the age group 60+ in the workforce does not only depend on the readiness of older people to stay economically active. We also need labour market conditions that facilitate this choice. This requires a departure from early retirement and ultimately a rise in statutory pension age (ideally by automatically linking it to increases in life expectancy). Unfortunately – in most EU countries – such reforms are extremely unpopular.

# Key Messages



Department of  
Public Policy

CENTRAL  
EUROPEAN  
UNIVERSITY



## Ageing – The demographic dimension and its implications

**Rainer Münz**  
CEU

### Global phenomenon



**With very different  
implications**



## Demographic ageing



**2 unrelated reasons**

## **Decreasing number of children per family**

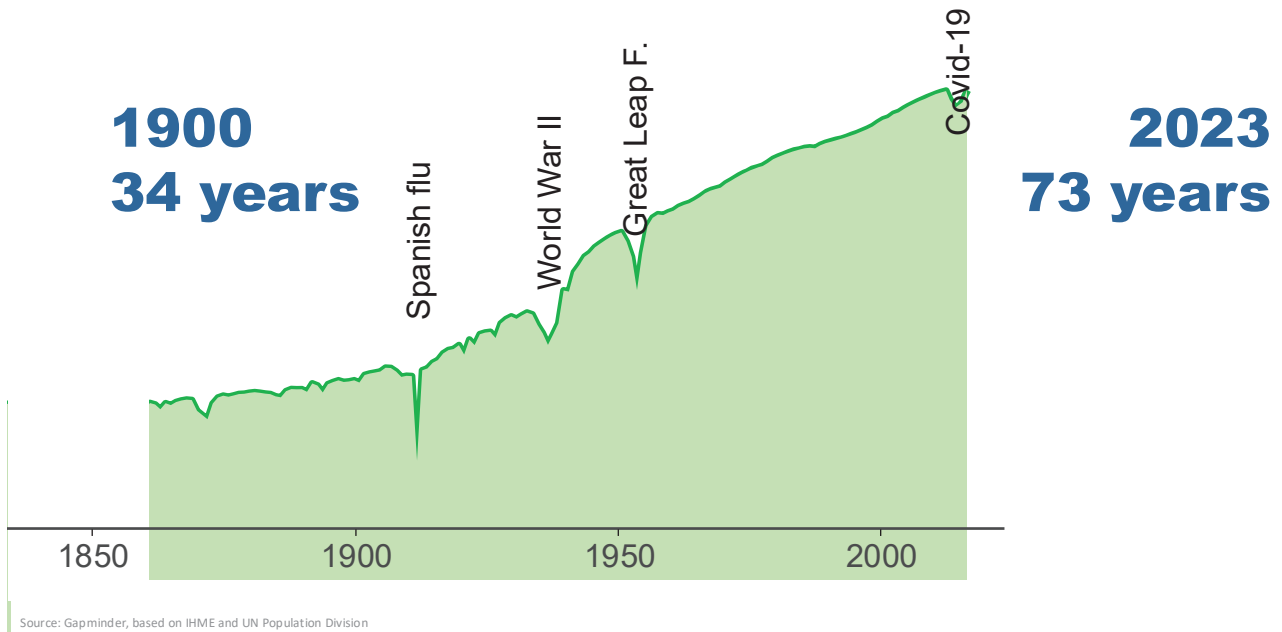


## **Increasing life expectancy**

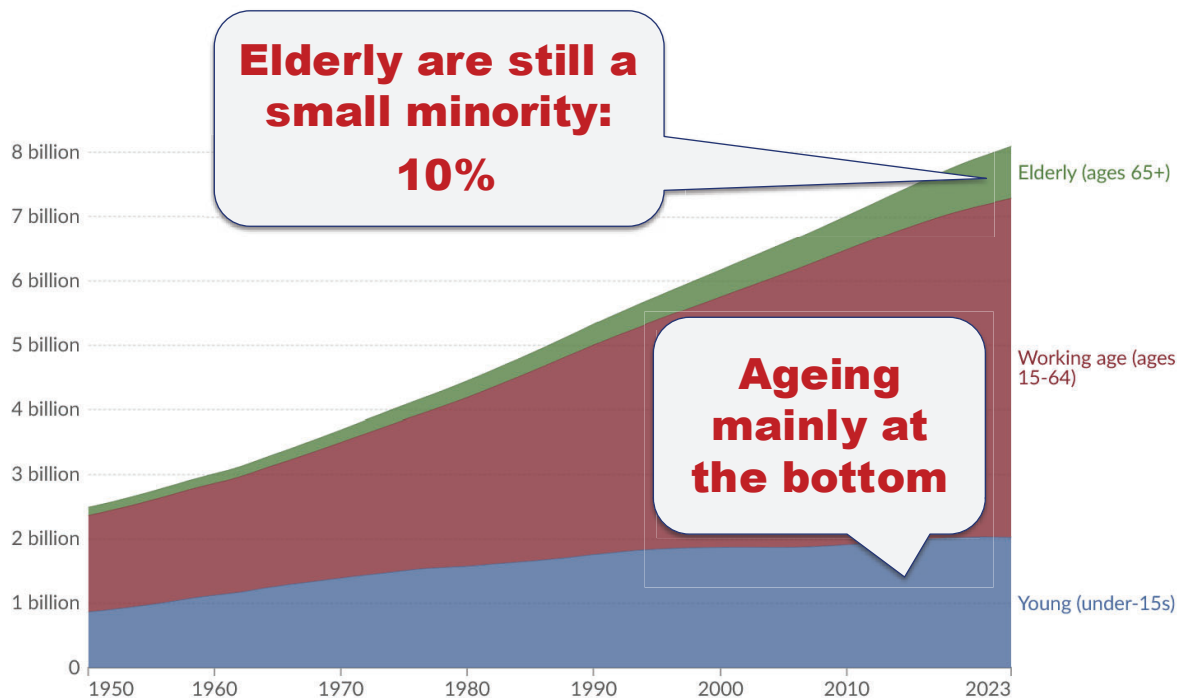




## Life expectancy at birth



## Number of elderly increasing Number of children stagnating



## **In lower-middle and low income countries**

**Small share of elderly people**

**... but:**

**Little or no savings (many people living outside the cash economy)**

**Most people not covered by pension insurance**

**Life-long need to work**

**Elderly dependent on children and other relatives**

**Old age poverty mainly not linked to age but to increasing longevity**

## **In upper-middle and high income countries**

**Higher share of elderly people**

**... but**

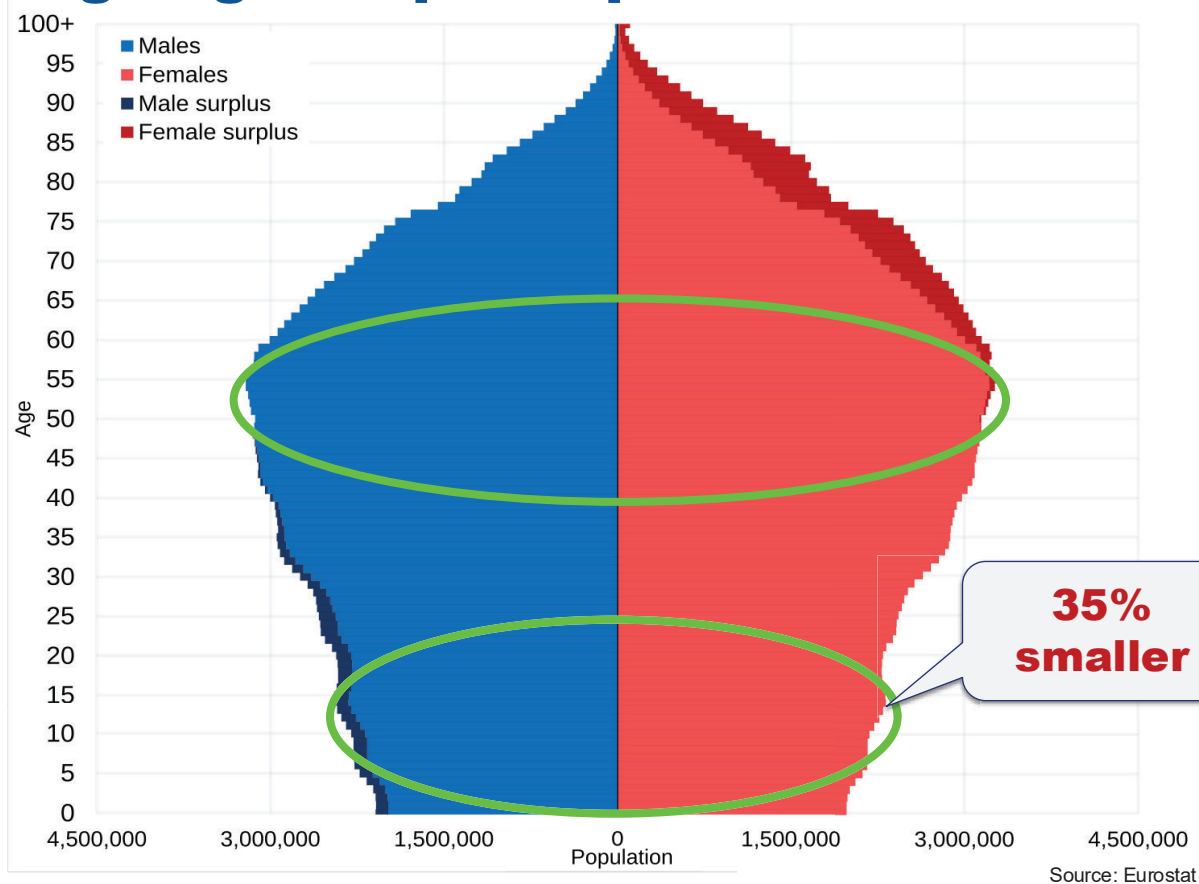
**Life savings**

**Most people retiring**

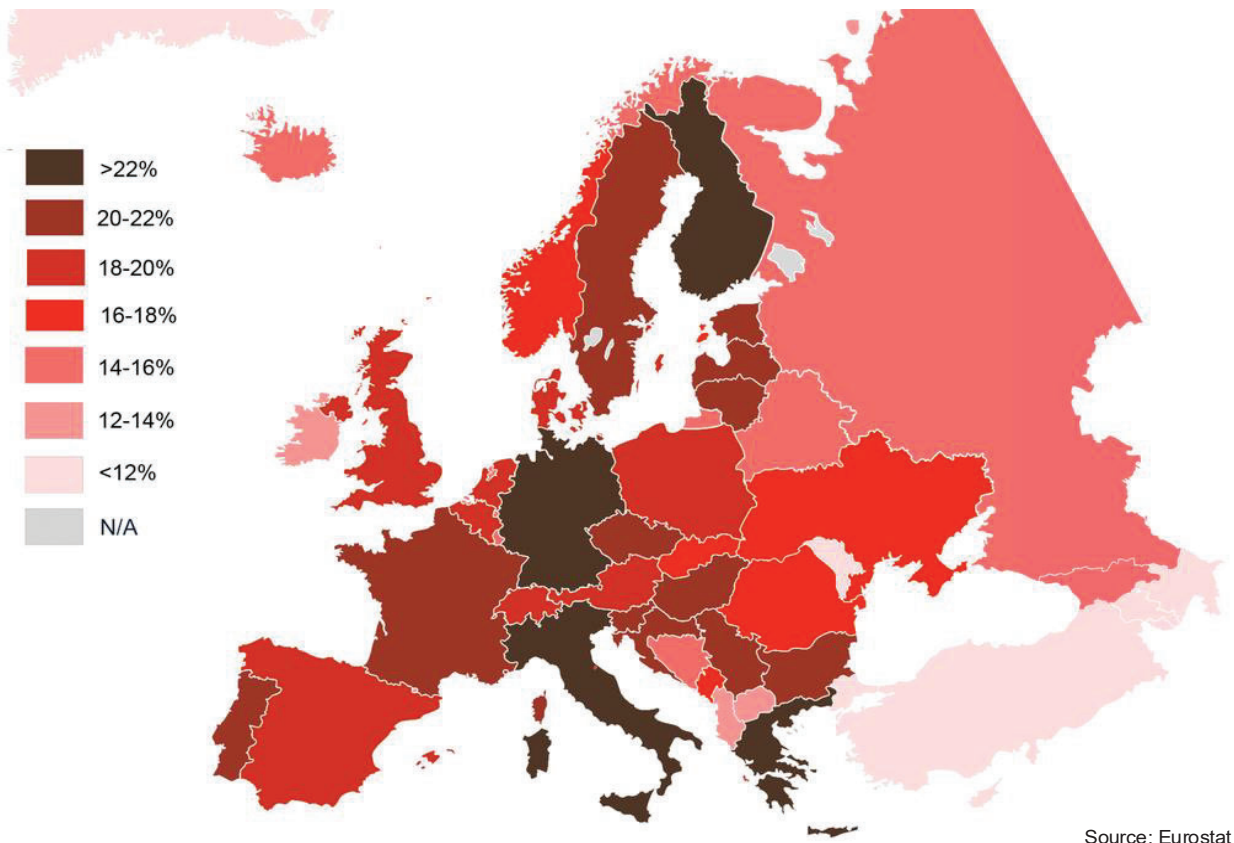
**Most elderly residents receiving pensions**

**Old age poverty low in most EU countries**

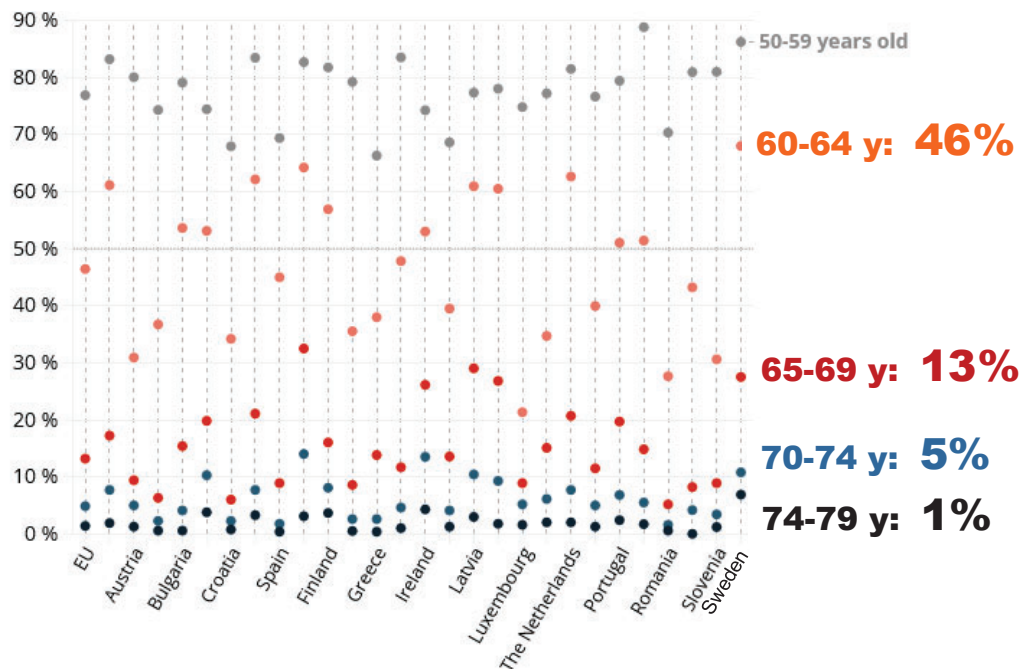
## Ageing Europe: Population of EU 27



## Europe: Already 20% over 65



# Older Europeans: Mostly not working



Source: Eurostat



## What to do?

**Older Europeans should**

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- stay in the work force
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**Thank you!**

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