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*What's next in aging Europe:*

# AGING

AGING WITH GROWTH  
IN CENTRAL EUROPE  
AND THE BALTICS



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## **What's Next in Aging Europe? Aging With Growth in Central Europe and the Baltics**

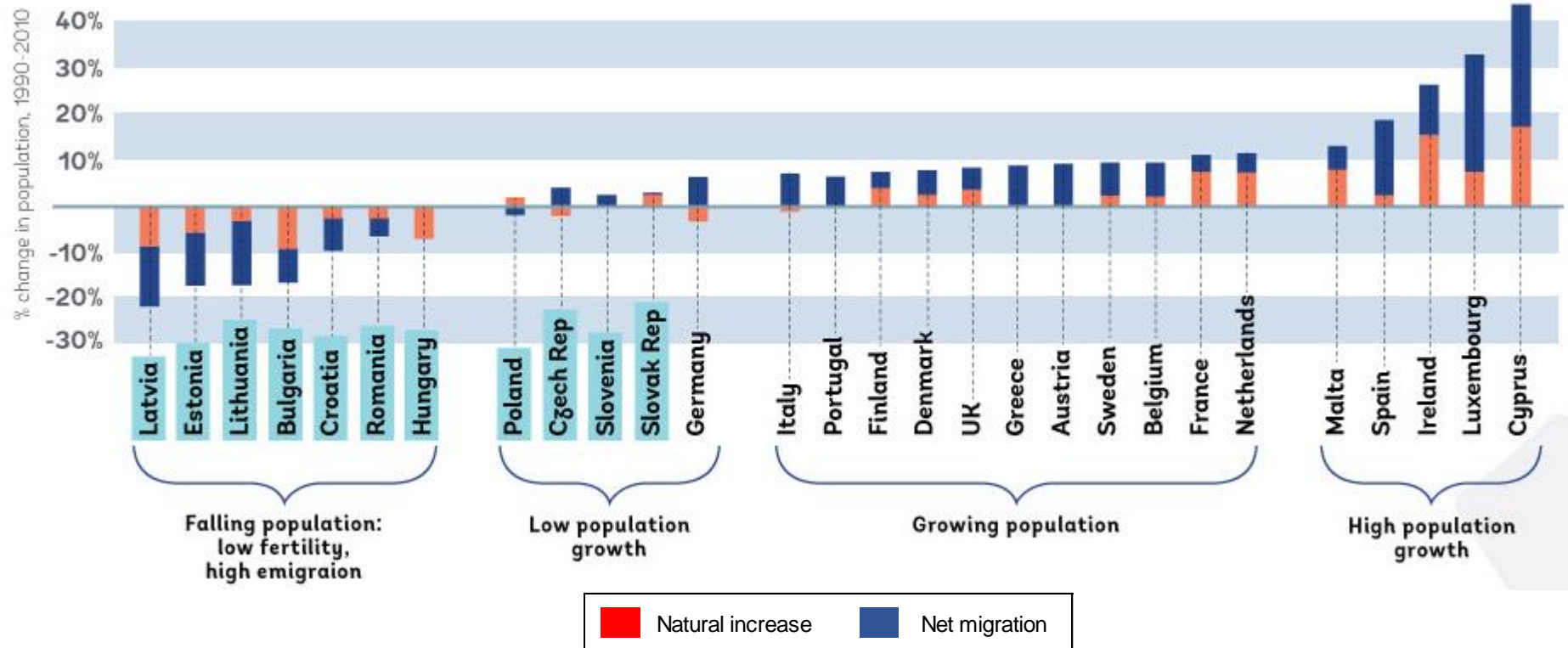
**Emily Sinnott, The World Bank**

**Riga  
October 1, 2015**

# Central Europe and the Baltics Aging Differently: Shrinking Younger Generations

**Low fertility and high emigration have led to falling or stagnating populations in Central Europe and the Baltics**

*Cumulative population change 1990-2010, in percent*



*Notes:* The natural increase in the population is defined as births minus deaths. Net migration is the net total of migrants during the period, that is, the total number of immigrants less the number of emigrants.

*Source:* Based on United Nations (UN) Population Division (2013).

# Concern: An aging population...

## 1. ...decreases the share of the labor force in the total population (growth concern)

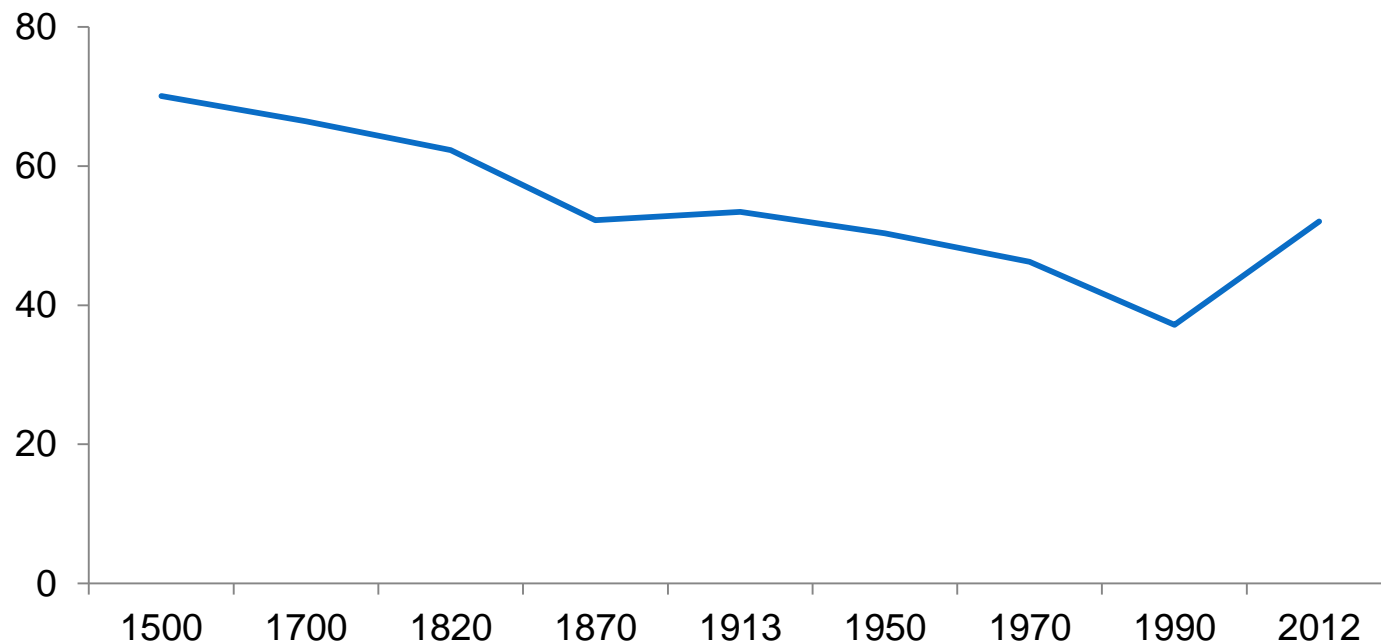
- Shrinking labor force
- Expanding inactive older population

## 2. ...alters the structure of labor force (productivity concern)

- Out-dated skills
- Less dynamism: less job reallocation across occupations, sectors, and places

# Growth has converged to Western Europe despite aging in the past twenty years

*Per capita output in Eastern Europe as a share of Western Europe, Western Europe = 100, 1500-2012*

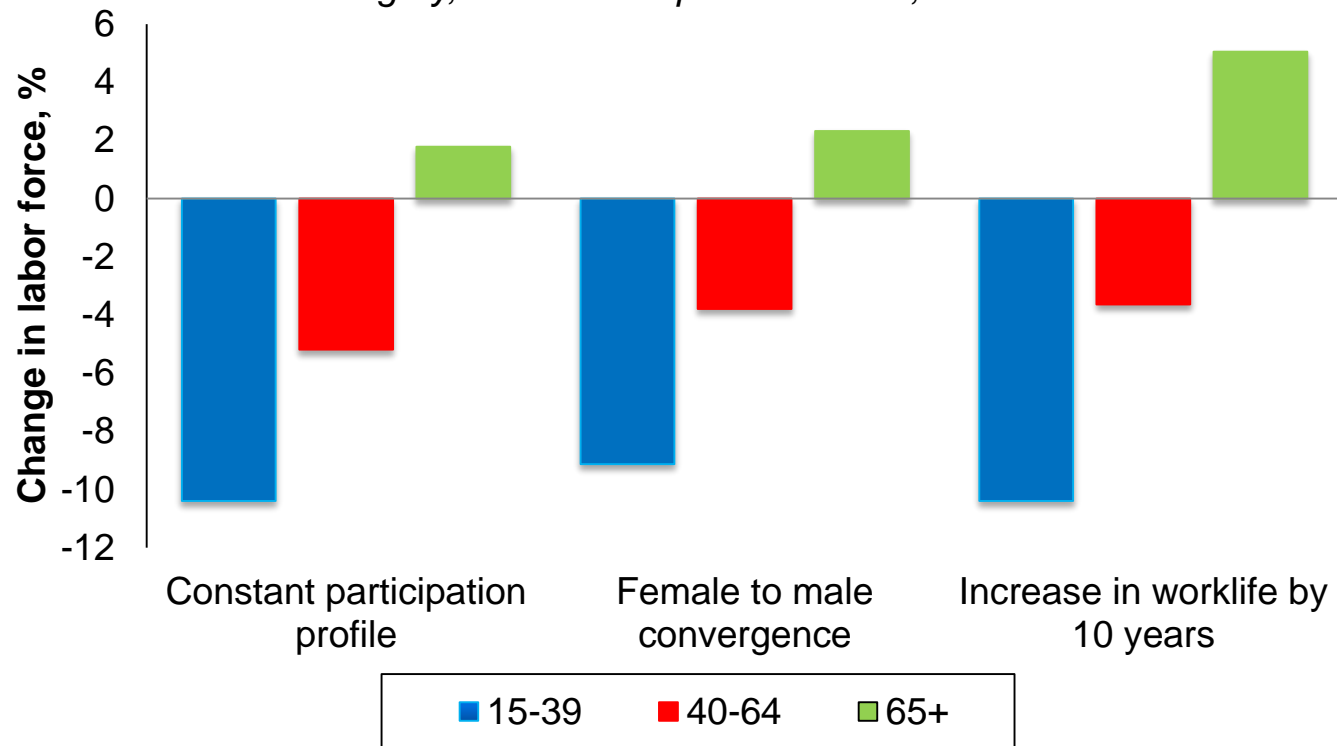


*Notes:* The country groupings in panel (a) represent those used in the database of Maddison (2010) on historical economic growth in the world between AD 1 and 2010. Eastern Europe consists of Albania, Bulgaria, Czechoslovakia, Greece, Hungary, Poland, Portugal, Romania and Yugoslavia. Western Europe is made up of 30 countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Ireland, the Netherlands, Norway, Spain, Sweden, Switzerland, the U.K. and fourteen small Western European countries.

*Source:* World Bank calculations with Panel (a) based on Maddison (2010) and the World Bank's World Development Indicators, and panel (b) based on Eurostat.

# Dependency ratios not fixed: Size and composition of the labor force can be altered by higher participation

*Projected changes in the size of the labor force under different labor force participation scenarios, by age category, Central Europe and Baltics, 2010–60*

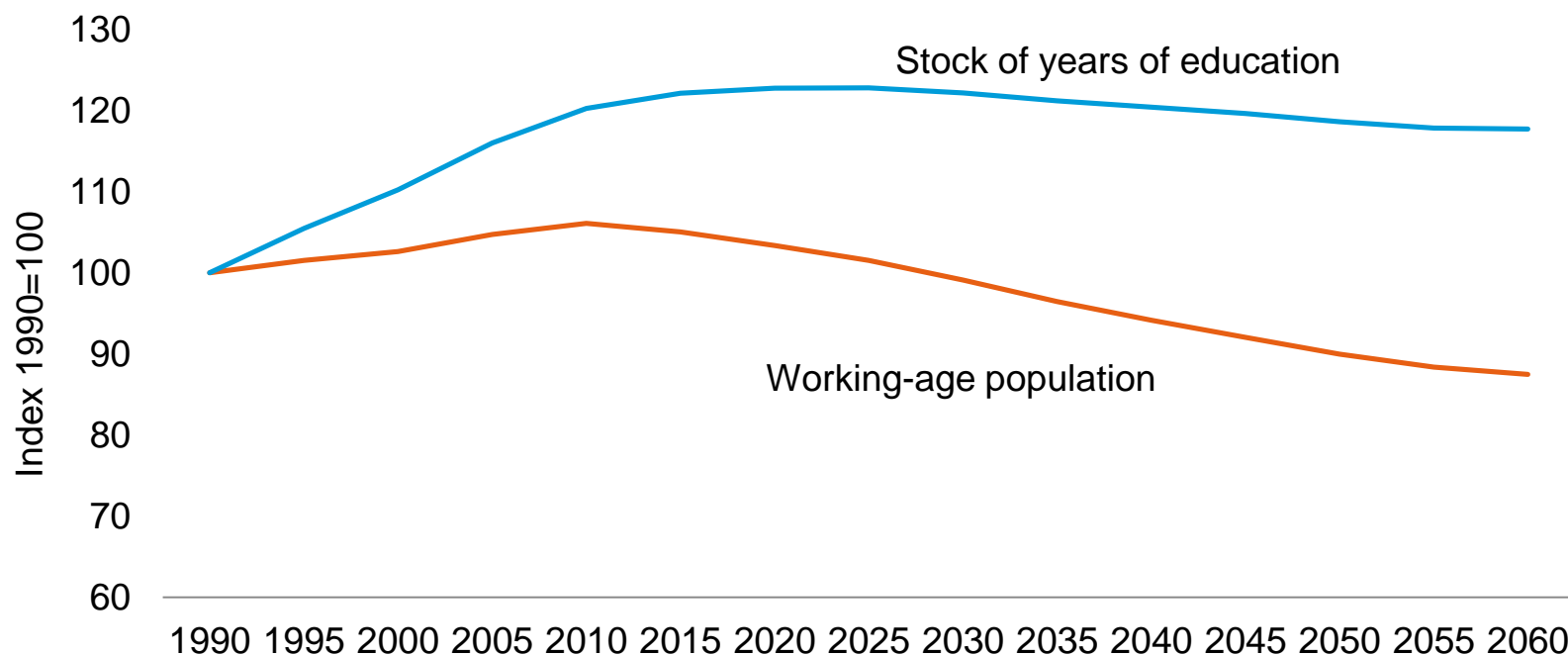


*Note:* Data are based on past estimates of participation rates in 1990–2010, projections of the International Labour Organization (ILO) for 2015–30 based on past trends, and scenarios for 2035–60 developed by the World Bank for this report (female participation convergence to male participation rates and working life gradually increases by ten years)

*Sources:* Based on ILO (2013) and UN Population Division (2013)

# Potential for rise in stock of human capital, even as working-age population falls, in some countries

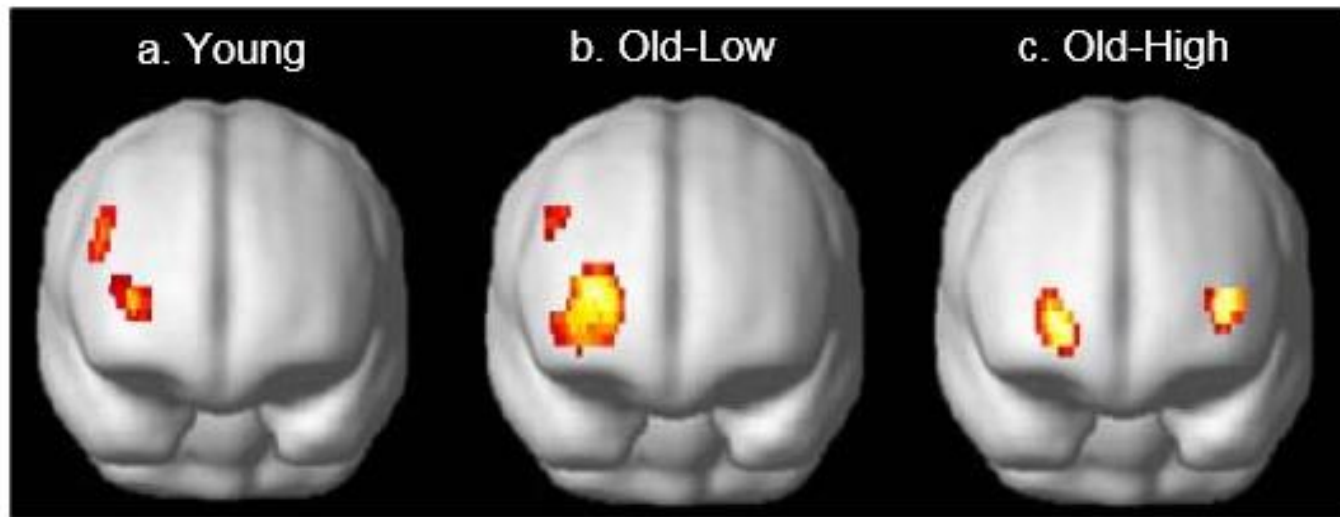
*Working-age population and stock of human capital  
EU28, 1990-2060*



Source: Calculations based on Lutz, Butz, and KC 2014.

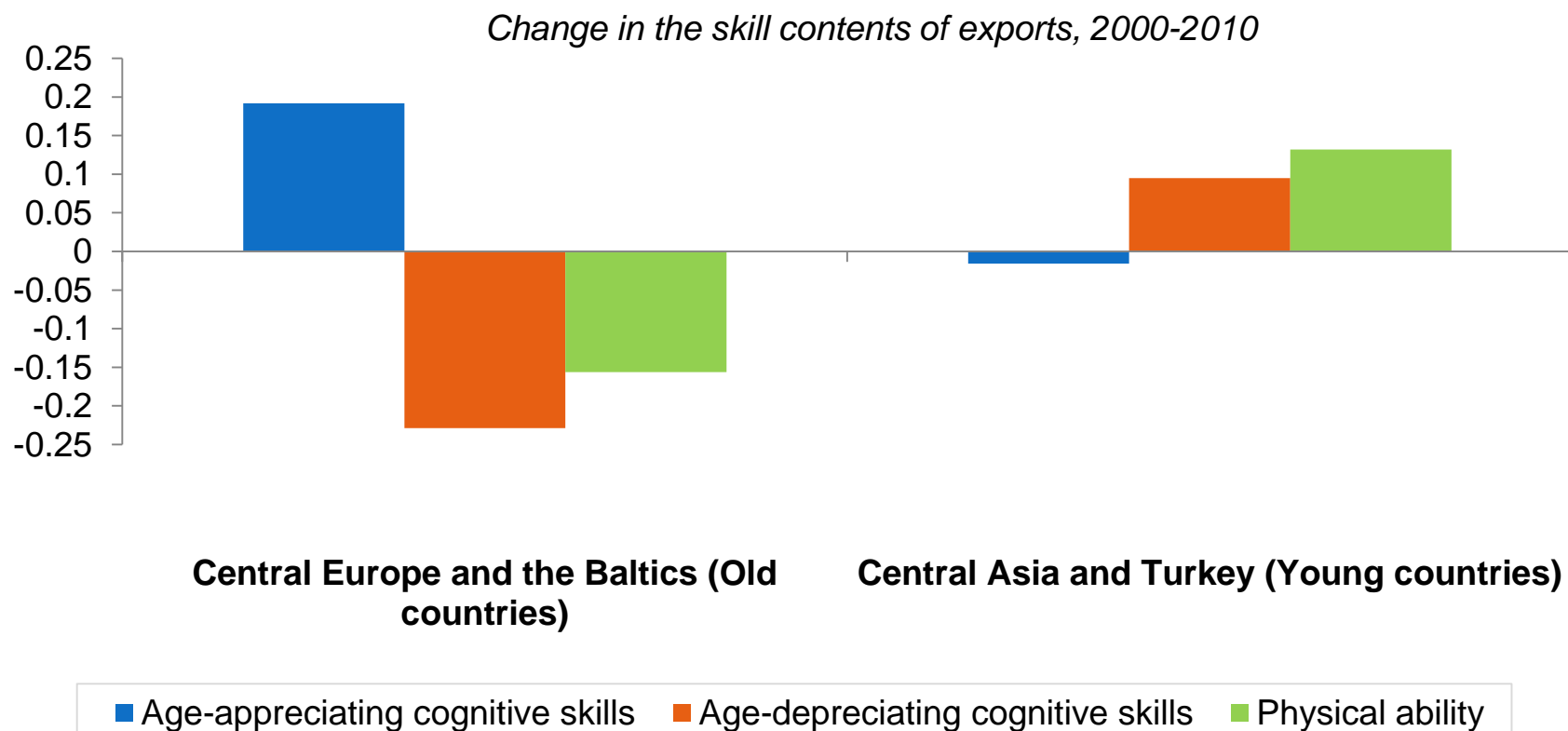
# The aging brain can compensate

*Better-performing older participants compensated for age-related memory decline by reorganizing the episodic retrieval network*



Source: Daselaar and Cabeza (2004)

# Employers take advantage of new strengths



Source: Calculations based on data in Cai and Stoyanav 2014; UN Comtrade.



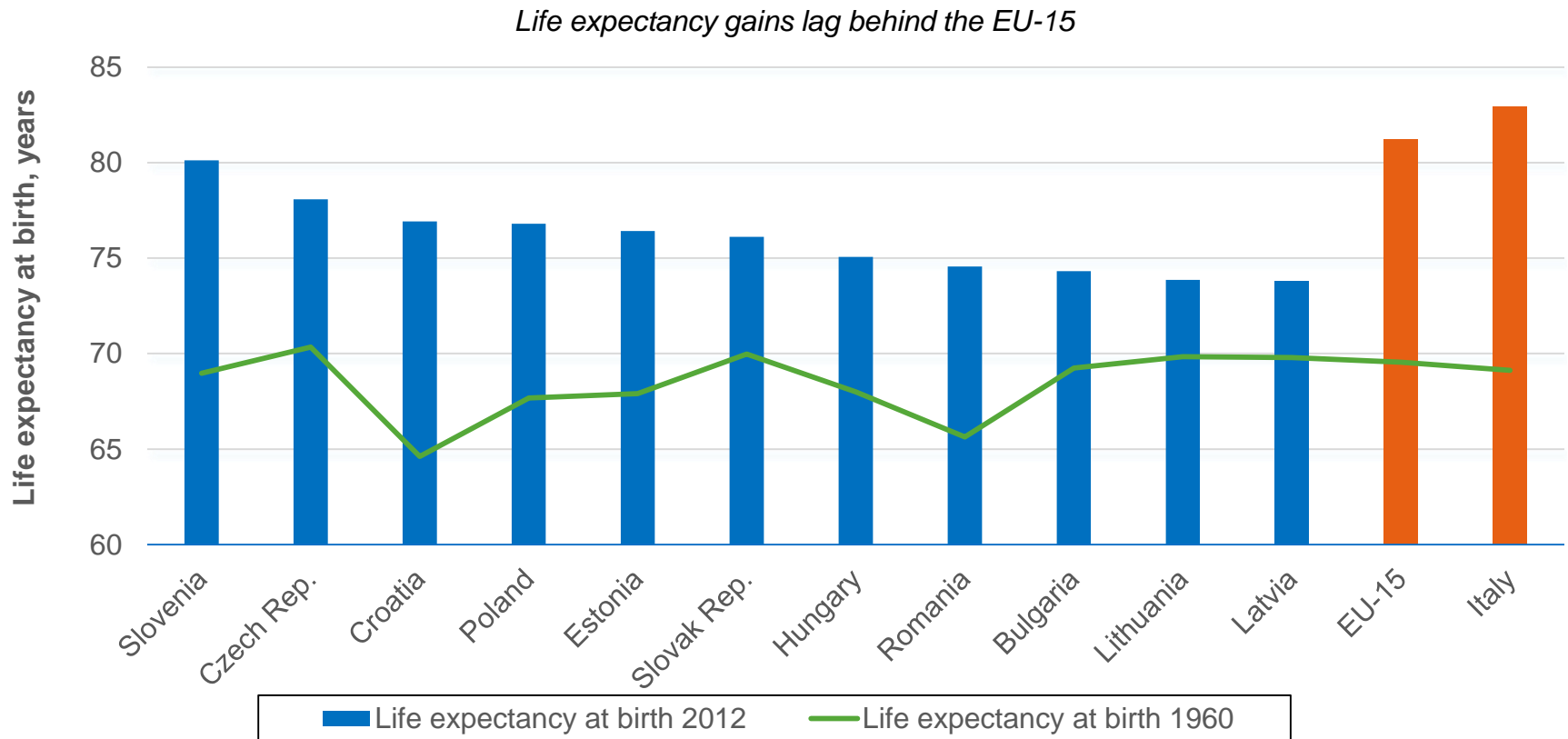
# Confronting three myths about work at older ages...

1. **Myth 1:** Older workers do not want to work and prefer retirement – Fact: 2/3 prefer options of gradual retirement and part time work (Evidence for 27 EU countries)
2. **Myth 2:** Older workers are less productive, more difficult hires – Mixed evidence, but policies can be put in place to alleviate lower productivity or even increase it (e.g.: age-diverse teams)
3. **Myth 3:** Lump of labor fallacy; older workers take jobs from young – Well, it's a fallacy

But older workers do face some barriers when looking for work and in the workplace

# Central Europe and the Baltics Aging Differently: Lives Cut Short

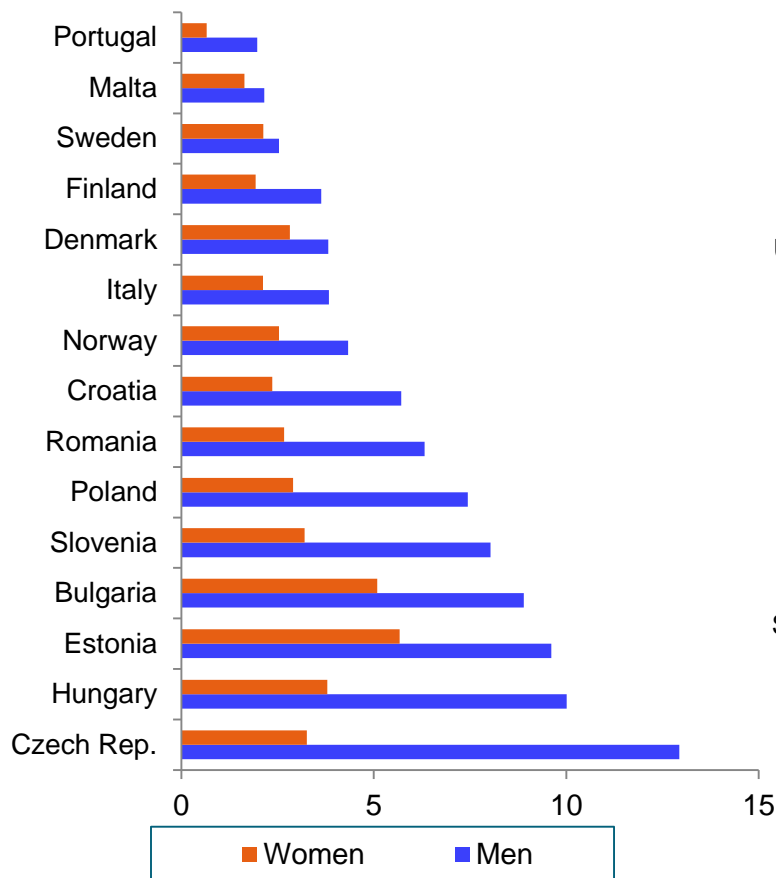
Italy gained 14 years of life expectancy since 1960 and Latvia just 4 years



Source: Based on World Bank's World Development Indicators.

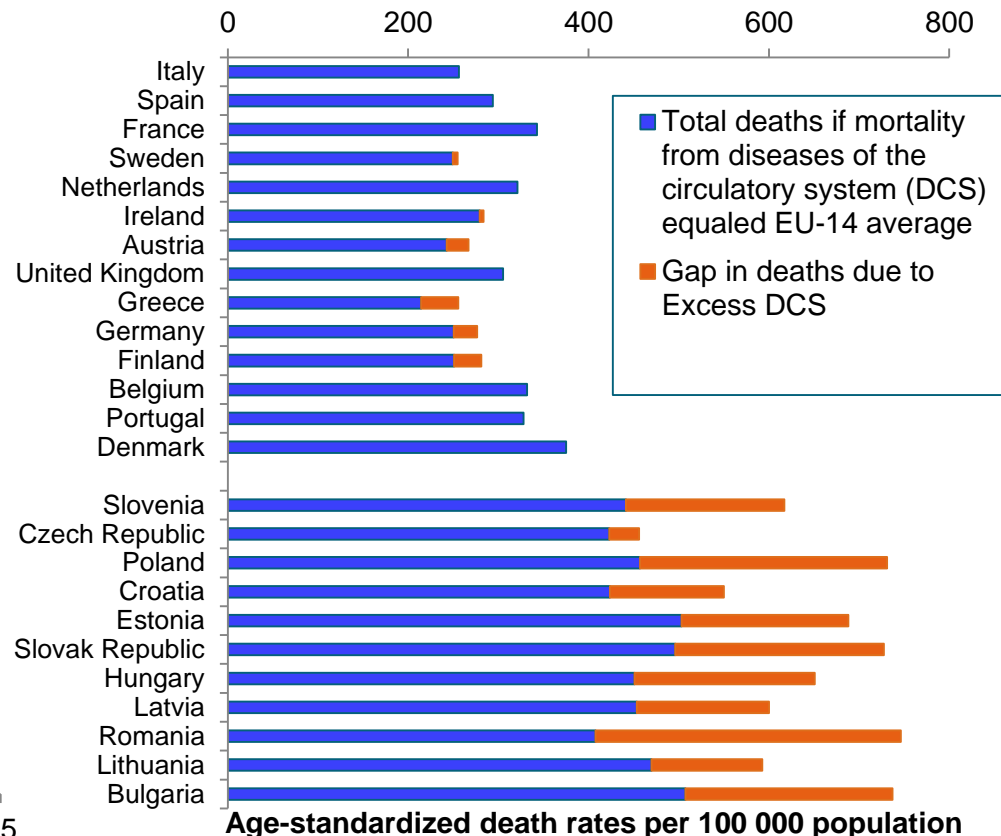
# Healthy Aging: Reducing Inequality While Achieving the “Cardiovascular Revolution”

Gap in life expectancy at 50 years old between those with high and low education, by gender, 2010



Source: Based on Eurostat.

Excess deaths due to diseases of the circulatory system

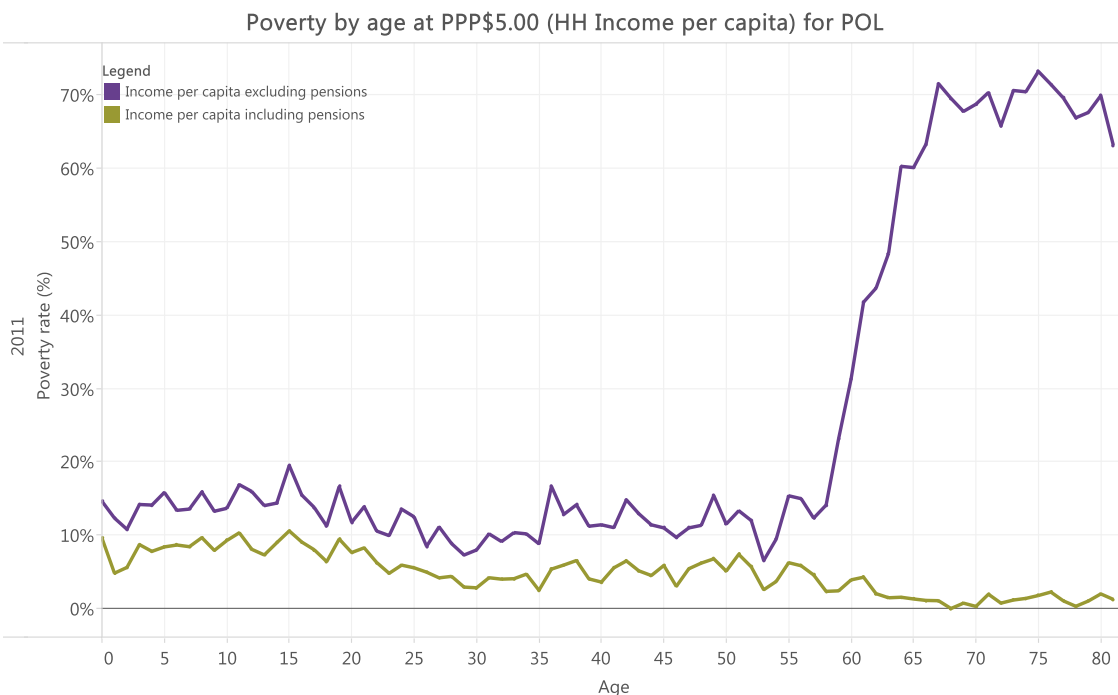


Notes: Data for 2010. EU-14 is Eu-15 group of countries excluding Luxembourg for which data is not available.

Source: Based on the WHO Mortality Database.

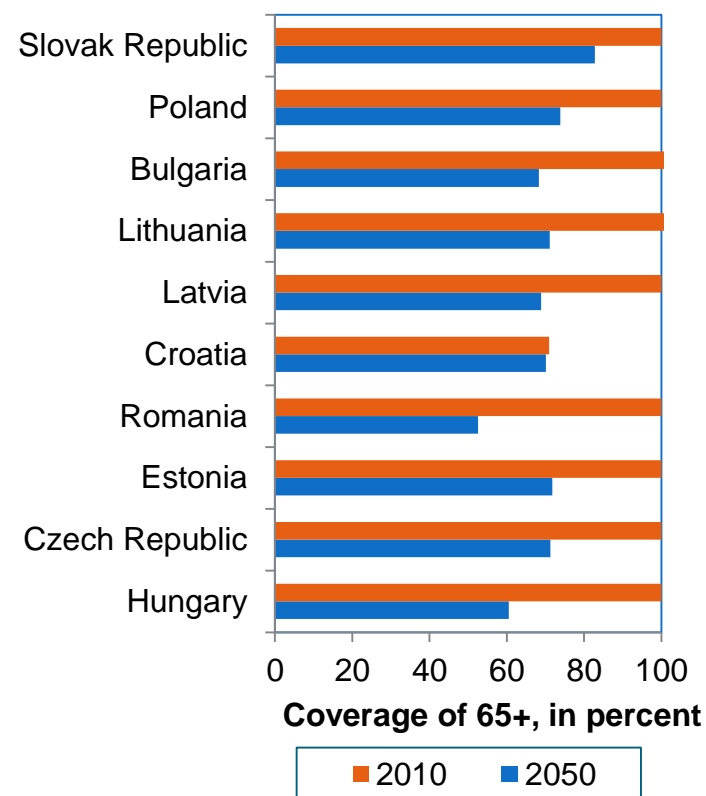
# Shared Prosperity Challenge: Pensions Protect From Poverty, But Coverage Set to Fall

**Poland: Poverty with and without pensions, by age, 2011**



Source: Based on World Bank's Poverty database.

**Share of Elderly Receiving Social Insurance Benefits**



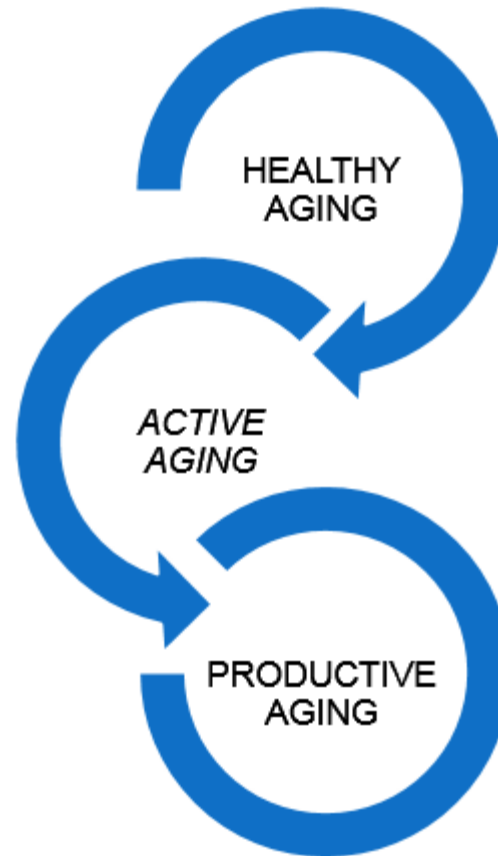
Source: Based on country-provided data.

# Stepping Up Response to Aging

Increase healthy life expectancy and reduce health inequality

Increase labor force participation at all ages

Plan now for public spending trade-offs



Invest in skills and adapt to older labor force

Target those who will be vulnerable to elderly poverty early on



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# Thank you

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