



Aging Population



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 number of retirees to 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.

Questions? Use the Euro Challenge Forum!

Population aging can have profound implications for an economy. Increasing numbers of retired people put pressure on government services (healthcare, pensions, etc.). With fewer people of working age to support them, this trend can create challenges. 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 Europe compare with the OADR in the US? How does the OADR 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 How does the cost of funding healthcare and pensions affect the **tax burden** in your chosen country? What is its impact on growth, employment and working people?
- ⑤ How much does your country spend on healthcare as a percentage of **GDP**? How do its health outcomes (life expectancy, infant mortality, etc.) compare with other countries?
- ⑥ What can the government of your country do to ensure that they can afford government-provided pensions and healthcare in the future, even if there are more aged people to demand it and fewer young people to pay for it?
- ⑦ Is there an optimal **retirement age**?
- ⑧ What should governments do to address this issue with effective policies? Is it easy to meet this challenge while still **winning votes** from both the young and the old?