

EURO CHALLENGE 2012

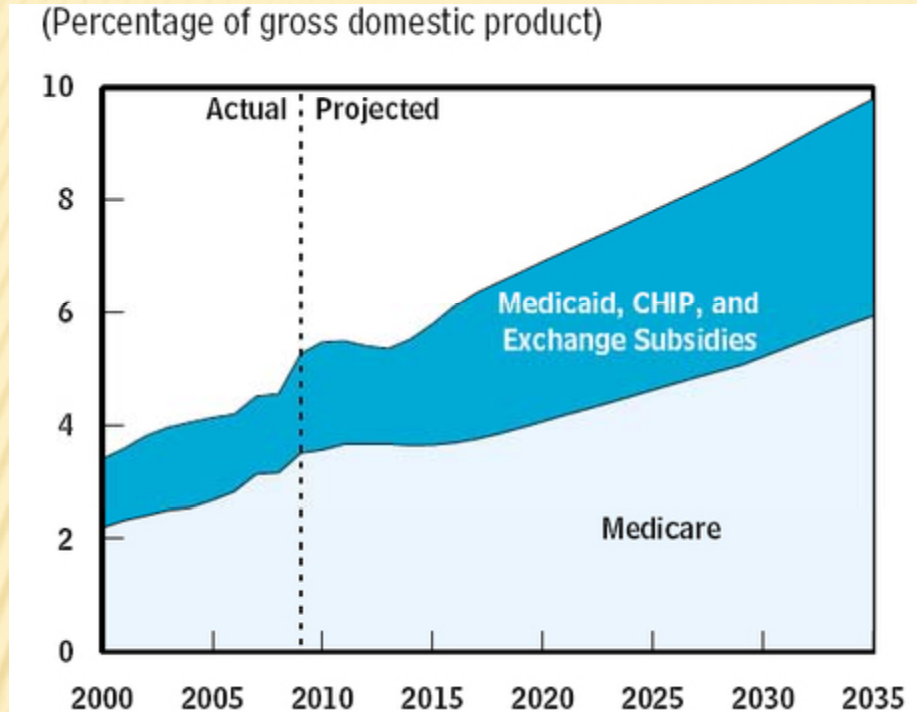


- ✗ **PURPOSE:** to provide teachers tools to promote and enhance the student's ability to develop and present the chosen issues. Ultimately, increasing the chances to succeed in New York.



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- ✗ **Disclaimer:** The views expressed are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Atlanta or the Federal Reserve System



One of the major structural changes

AGING AND HEALTHCARE



AGING IS OLD NEWS

- ✖ Two views: 1) as an achievement of our societies
- ✖ Or 2) as a potential disaster waiting to happen.

How this challenge is handled and how well prepared in advance will be the answer.

WHY IS IT IMPORTANT?

- ✗ By 2030 there could be a marked increase in the share of elderly people relative to the number of people employed, with only 2 people in employment for every elderly person, compared with the current proportion of 3, and about 5 in 1960.

CONSEQUENCES

- ✗ affect living standards
- ✗ creates critical problems for fiscal policies
- ✗ health care spending

POPULATION AGING

✗ Definition

Population aging is the shifts in the age distribution of a population toward older ages.

✗ Caused by

combination of increased life expectancy and falling birth rates

MAIN FACTORS DRIVING AGING

- ✖ 1. Aging of the baby-boom generation (1945-65) as they reach 65+ in 2010 and beyond;
- ✖ 2. Much lower fertility since the baby boom phenomenon; and
- ✖ 3. Rising life expectancy at older ages (a critical factor that is likely to continue!)

HOW DO WE MEASURE IT?

× Measure

the aging of population is often measured by increases in the percentage of elderly people of retirement ages. (65 yrs)

× OADR - The Old Age Dependency Ratio

the ratio of number of retirees to number of working age people.

OADR

- ✗ monitor changes in population structure.
- ✗ provides an insight into the potential future financial
- ✗ burden of care for the elderly, and especially pensions.
- ✗ In Europe 11 % of GDP is spent on support for the elderly, of which the major part is old-age pensions.

SECTORSD INVOLVED

- ✕ Government
- ✕ Private sector
- ✕ Civil society
- ✕ individuals

FIVE DIFFERENT AREAS OF PUBLIC POLICIES

- ✖ 1. Pension policy
- ✖ 2. Health and long-term care policy
- ✖ 3. Employment policy
- ✖ 4. Migration and integration policy
- ✖ 5. Infrastructure development

PENSION POLICY CHALLENGES

- ✗ Continue to provide adequate pensions so as to maintain decent living standards.
- ✗ Countries are concerned about what proportion of GDP that is going towards pension provisions and how it will rise in the future.
- ✗ Financially sustainable
- ✗ Provide coverage for all (including stay home caregivers).
- ✗ Fair across generations

LONG-TERM CARE POLICY CHALLENGES

- ✖ Lifestyles changes that would result in improvements in health and functional status of people in later life.
- ✖ Public policies need to provide incentives to individual family members so that they would take care of their own older family members.
- ✖ Private sector to come up with innovative ways for long term care

EMPLOYMENT POLICY CHALLENGES

- ✗ The shrink in the working age population
- ✗ encourage people to work for longer and remove the barriers that prevent them from doing so.
- ✗ raising the state pension age, by restricting pathways to early retirement and by eliminating mandatory retirement.
- ✗ Policies to encourage women into the workplace
- ✗ Encourage employment on other groups (disabilities)

PLANS ALREADY IN ACTION

- ✖ Madrid International Plan of Action on Aging (MIPAA) of 2002
Regional Implementation Strategy (RIS)

RESOURCES

- ✗ The Survey of Health, Aging and Retirement in Europe) (SHARE) is a multidisciplinary and cross-national database of micro data on health, socio-economic status and social and family networks of individuals aged 50 or over.
- ✗ Data collected include health variables (e.g. self-reported health, physical functioning, cognitive functioning, health behavior, use of health care facilities), psychological variables (e.g. psychological health, well-being, life satisfaction), economic variables (current work activity, job characteristics, opportunities to work past retirement age, sources and composition of current income, wealth and consumption, housing, education), and social support variables (e.g. assistance within families, transfers of income and assets, social networks, volunteer activities).

LIFE EXPECTANCY

- ✗ Life expectancy refers to the number of years that people in a given country or population can expect to live
- ✗ # 5 France: 71.3 years
- ✗ # 7 Italy: 71 years
- ✗ # 9 Spain: 70.9 years
- ✗ # 14 Germany: 70.2 years
- ✗ # 20 United Kingdom: 69.6 years
- ✗ # 22 United States: 67.6 years

MAJOR FACTORS ACCOUNTING FOR INCREASING LIFE EXPECTANCY

- ✖ better nutrition and hygiene practices (both private and public), as well as enhanced knowledge of public health measures.
- ✖ reductions in mortality among younger population.

GOVERNMENT ACTIONS

- ✖ To mitigate the effects of an aging population, the European employment strategy has set the objectives for 2010 of increasing by five years the average age at which people leave the labor market and increasing to 50 % the employment rate of older workers aged 55–64.

% OF GDP SPENT ON HEALTHCARE

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×

# 1	<u>United States:</u>	13.9 % of GDP
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# 3	<u>Germany:</u>	10.8 % of GDP
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# 4	<u>France:</u>	9.4 % of GDP
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×

# 14	<u>Italy:</u>	8.3 % of GDP
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×

#19	<u>Spain:</u>	7.5 % of GDP
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×

= 19	<u>United Kingdom:</u>	7.5 % of GDP
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AGE STRUCTURE > 65 YEARS AND OVER

- ✗ countries with older populations (high percentage ages 65 and over) need to invest more in the health sector.
- ✗ # 3 Italy: 19.7 %
- ✗ # 4 Germany: 19.4 %
- ✗ # 7 Spain: 17.7 %
- ✗ # 20 France: 16.4 %
- ✗ # 24 United Kingdom: 15.8 %
- ✗ # 48 United States: 12.5 %

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- ✖ http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Population_structure_and_ageing