



*Ministero dell'Economia e delle Finanze*

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**Roma, 20 October 2009**

**Conference**

**The impact of Ageing on public expenditure and  
the sustainability of public finance in Europe**

**Rocco Aprile**



**RAGIONERIA GENERALE DELLO STATO**

**Roma, 20 ottobre 2009**



## 2009 Ageing Report - Outline of comments

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- The effect of the crisis: baseline vs lost decade scenario
- Health care projections
  - Death related cost vs constant health scenario
  - Demographic and non-demographic drivers
- LTC projections: comparability of starting data
- Pension projections
  - Effectiveness of pension reforms in Italy: size of benefit and retirement age
  - Comparability of pension projections in the AWG



## Public pension expenditure under the AWG baseline and difference to the alternative scenarios, May 2009 vintage, p.p. change of GDP

Public pension-to-GDP ratio, p.p. of GDP								
Country	Change 2007-2020				Change 2007-2060			
	Baseline (% of GDP)	Difference from baseline			Baseline (% of GDP)	Difference from baseline		
		Rebound	Lost decade	Permanent shock		Rebound	Lost decade	Permanent shock
BE	1.8	0.0	1.2	1.3	4.8	0.0	1.6	2.7
BG	0.1	0.0	-0.1	0.0	3.0	0.0	-0.4	-0.1
CZ	-0.9	0.0	0.3	0.4	3.3	0.0	0.2	0.5
DK	1.6	0.0	-0.1	-0.1	0.1	0.0	-0.1	-0.1
DE	0.0	0.0	0.5	0.4	2.3	0.0	0.4	0.3
EE	0.3	0.0	0.4	0.5	-0.7	0.0	0.1	0.2
IE	1.1	0.0	2.8	2.8	6.1	0.0	5.0	5.0
EL	1.5	0.0	1.3	1.6	12.4	0.0	1.2	3.7
ES	1.1	0.0	1.9	2.0	6.7	0.0	3.3	4.6
FR	0.6	0.0	1.3	1.5	1.0	0.0	1.0	2.0
IT	0.1	0.0	1.2	1.4	-0.4	0.0	0.4	0.9
CY	2.6	0.0	1.3	1.7	11.4	0.0	0.8	1.6
LV	-0.3	0.0	1.2	1.3	-0.4	0.0	0.8	1.1
LT	0.1	0.0	0.6	0.6	4.6	0.0	0.9	0.9
LU	1.2	0.0	1.7	1.8	15.2	0.0	0.1	-0.1
HU	0.2	0.0	2.1	2.2	3.0	0.0	0.6	0.9
MT	2.1	0.0	0.8	0.9	6.2	0.0	0.9	1.8
NL	1.2	0.0	0.3	0.3	4.0	0.0	0.4	0.4
AT	0.3	0.0	1.4	1.6	0.9	0.0	1.3	2.7
PL	-1.8	0.0	0.6	0.7	-2.8	0.0	0.3	0.8
PT	1.0	0.0	1.5	1.6	2.1	0.0	1.7	2.6
RO	2.3	0.0	0.7	0.7	9.2	0.0	1.3	1.4
SI	1.2	0.0	-0.6	-0.7	8.8	0.0	0.2	-0.1
SK	-0.5	0.0	0.5	0.5	3.4	0.0	0.2	0.4
FI	2.6	0.0	1.1	1.2	3.3	0.0	0.6	1.2
SE	-0.1	0.0	1.1	1.1	-0.1	0.0	1.0	1.2
UK	0.3	0.0	0.3	0.3	2.7	0.0	0.6	0.7
EU27	0.4	0.0	1.0	1.1	2.4	0.0	0.9	1.4
EA	0.5	0.0	1.2	1.3	2.7	0.0	1.0	1.7
EA12	0.5	0.0	1.2	1.3	2.7	0.0	1.1	1.7
EU15	0.5	0.0	1.0	1.1	2.4	0.0	1.0	1.5
EU10	-0.9	0.0	0.7	0.8	1.0	0.0	0.4	0.7
EU25	0.4	0.0	1.0	1.1	2.3	0.0	0.9	1.4

Source: Commission services.



## Pure demographic scenario – increase of public expenditure on long-term care over the period 2007 to 2060

	Level 2007	Increase 2007-2060 % points of GDP		Level 2060
			%	
BE	1,5	1,6	105	3,0
BG	0,2	0,2	115	0,4
CZ	0,2	0,5	194	0,7
DK	1,7	1,7	98	3,5
DE	0,9	1,5	165	2,5
EE	0,1	0,1	134	0,1
IE	0,8	1,4	166	2,3
GR	1,4	2,4	172	3,8
ES	0,5	0,9	176	1,5
FR	1,4	0,9	64	2,3
IT	1,7	1,4	86	3,1
CY	0,0	0,0	102	0,0
LV	0,4	0,5	141	0,9
LT	0,5	0,6	124	1,1
LU	1,4	2,2	159	3,6
HU	0,3	0,4	149	0,6
MT	1,0	1,9	193	2,8
NL	3,4	5,2	154	8,5
AT	1,3	1,3	107	2,6
PL	0,4	0,7	184	1,1
PT	0,1	0,1	158	0,2
RO	0,0	0,0	221	0,1
SI	1,1	1,8	166	2,9
SK	0,2	0,4	197	0,6
FI	1,8	2,7	150	4,5
SE	3,5	2,6	73	6,0
UK	0,8	0,5	66	1,4
NO	2,2	2,9	135	5,1
EA	1,3	1,5	115	2,8
EU27	1,2	1,3	103	2,5
EU15	1,3	1,3	102	2,6
EU12	0,3	0,5	161	0,8

Source: Commission services, EPC.



## Benefit ratios and replacement rates

	Benefit Ratio (%)						Gross Average Replacement Rate (%)					
	Public pensions			Public and other pensions			Public pensions			Public and other pensions		
	2007	2060	% change	2007	2060	% change	2007	2060	% change	2007	2060	% change
BE	45	43	-4				45	42	-7			
BG	44	36	-20	44	41	-8		36			49	
CZ	45	38	-17				33	27	-17	33	27	-17
DK	39	38	-4	64	75	17	33	33	0	71	84	18
DE	51	42	-17	51	42	-17						
EE	26	16	-40	26	22	-18	28	16	-41	28	31	9
IE	27	32	16									
EL	73	80	10				61	67	10			
ES	58	52	-10	62	57	-8	75	80	7			
FR	63	48	-25									
IT	68	47	-31				67	49	-26			
CY	54	57	5	0	0							
LV	24	13	-47	24	25	4	33	22	-33	33	33	2
LT	33	28	-16	33	32	-2	32	29	-10	32	37	15
LU	46	44	-4	46	44	-4	53	62	17			
HU	39	36	-8	39	38	-3	49	38	-23	49	43	-13
MT	42	40	-6									
NL	44	41	-7	74	81	10						
AT	55	39	-30				49	38	-22			
PL	56	26	-54	56	31	-44						
PT	46	33	-29	47	33	-31	58	56	-3			
RO	29	37	26	29	41	41	36	44	20	36	49	34
SI	41	39	-6	41	40	-2						
SK	45	33	-27	45	40	-11						
FI	49	47	-5									
SE	49	30	-39	64	46	-27	49	31	-36			
UK	35	37	7									
NO	51	47	-8									

Source: Commission services.



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<b>EU27</b>				
	<b>Men</b>		<b>Women</b>	
	<b>2008</b>	<b>2060</b>	<b>2008</b>	<b>2060</b>
<b>Employment rate of older workers</b>	54.5	64.2	36.6	55.7
<b>Average exit age</b>	62.2	63.8	61.3	63.3
<b>Life expectancy at the time of withdrawal</b>	13.9	20.7	20.8	25.7
<b>% of adult life spent in retirement</b>	18%	24%	25%	29%
<b>Requested exit postponement, in years (to keep % life spent in retirement constant)</b>		5.3		3.2

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<b>IT</b>				
	<b>Men</b>		<b>Women</b>	
	<b>2008</b>	<b>2060</b>	<b>2008</b>	<b>2060</b>
<b>Employment rate of older workers</b>	46.2	73.4	23.7	49.4
<b>Average exit age</b>	60.6	64.7	60.3	63.3
<b>Life expectancy at the time of withdrawal</b>	17.9	20.8	23.9	26.7
<b>% of adult life spent in retirement</b>	23%	24%	28%	30%
<b>Requested exit postponement, in years (to keep % life spent in retirement constant)</b>		1.3		1.2

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*Source:* 2009 Ageing report presentation

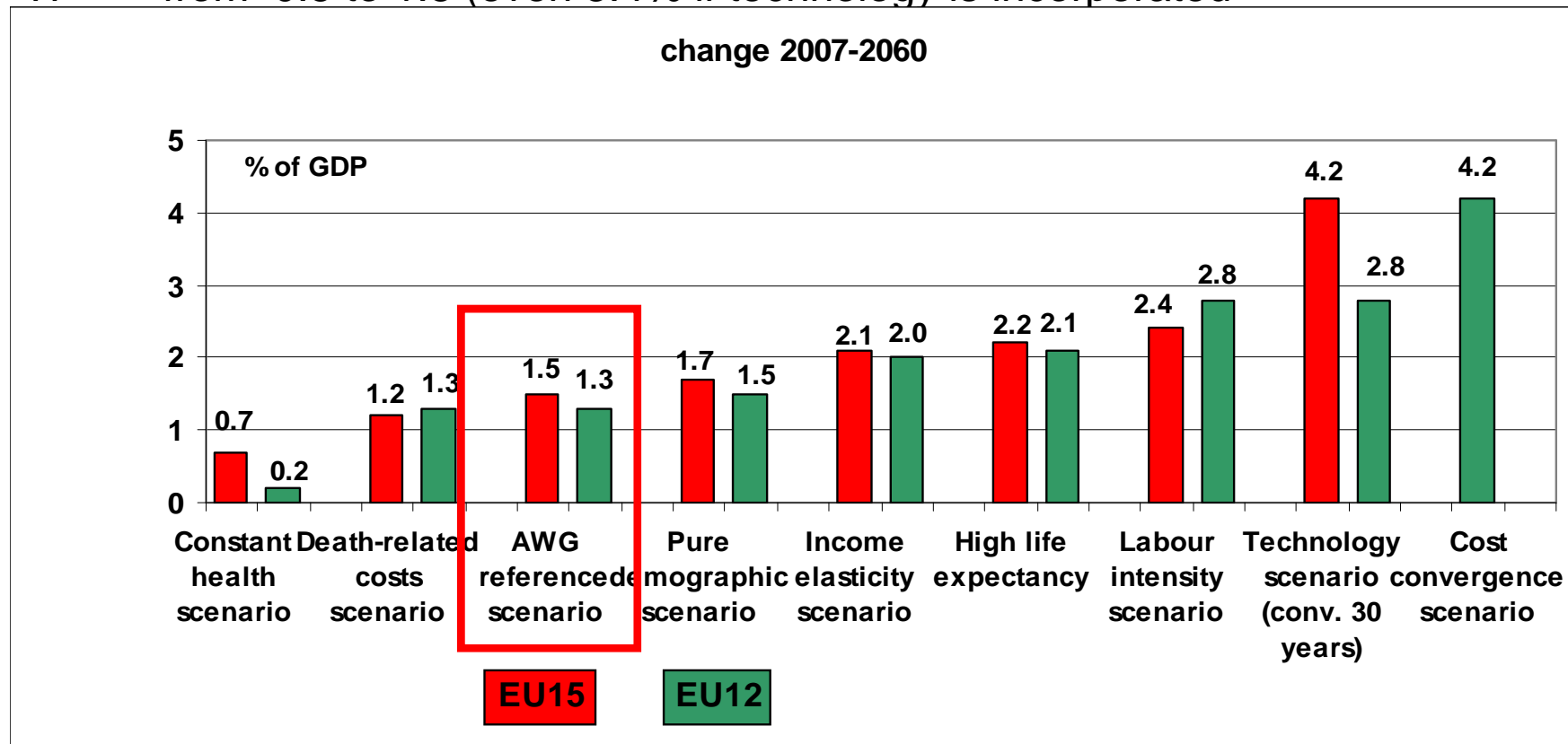


## Projected increase in health care expenditure – EU15 and EU12

EU15: from 0.7 to 2.4 (even 4.2% if technology is incorporated)

EU12: from 0.2 to 2.8 (even 4.2% if convergence is incorporated)

IT from 0.5 to 1.8 (even 3.4% if technology is incorporated)



Source: 2009 Ageing report presentation