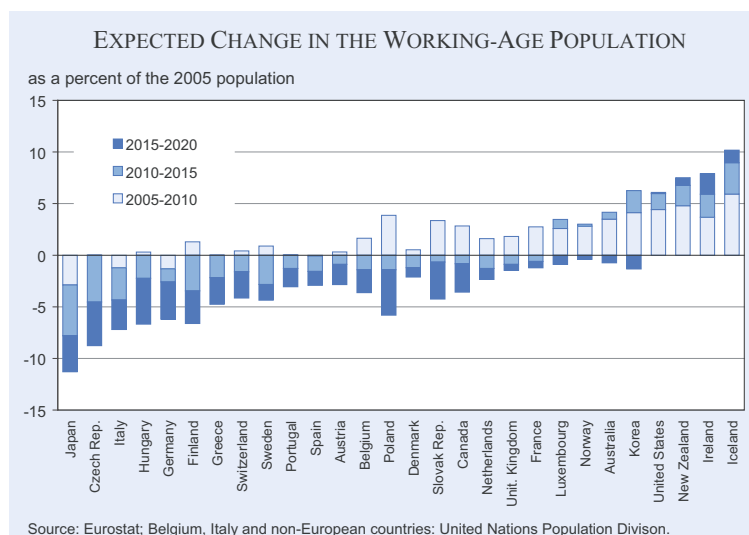


POPULATION AGING

Following different baby-boom episodes many developed countries face a severe change in the age structure of the population. Population aging poses economic problems. Social security systems depend on a well-balanced ratio of the working-age population over pensioners. In order to cope with population aging, changes in the level of pension payments and entitlement age are inevitable. Even with these counteracting measures, overall pension payment will still rise and limit the fiscal capacity available for other items, such as education and innovation policies. Given the fiscal problems inherent in population aging, it is vital to quantify the extent to which population aging occurs, to quantify the economic consequences of this development and to develop appropriate policy responses.

The OECD's International Migration Outlook reports these changes. The Figure lists the change in the age structure of the population as a percent of the 2005 population for three different time spans, making it possible to infer how acute population aging is in different countries and how it will change over time. For the period 2005–10 population aging does not appear to be a problem in most countries. It is only in Germany, Italy and, most notably, in Japan that the working-age population is declining in size. In other countries it will stay constant or even increase. Countries that are facing an increase include Finland, Poland, the Netherlands, France and the US. However, in some of these countries the problem of population aging is only being postponed. For the period 2010–15 countries like Finland, Poland, the Netherlands, and France will likewise experience a drop in the size of the working-age population relative to the size in 2005, which will become even larger between 2015 and 2020. For the latter period, the only European countries included in the Figure which will have a growing working-age population relative to 2005 are Ireland and Iceland. Interestingly, the US still faces a rise in the working-age population over the period 2015–20, again in relation to the figure in 2005.



The implicit assumption underlying the data is that net migration is zero so that the data only reflect population aging due to changes in fertility rates. The question of utmost policy relevance is whether migration can neutralise the change in the age structure of the population. Nevertheless, many countries have imposed tight immigration restrictions which, however, have already been relaxed in some countries, possibly in response to the anticipated aging process. The OECD's International Migration Outlook provides a more in-depth discussion of policy options. However, immigration is not the only instrument to cope with population aging. Unutilised sources of labour supply may be mobilised and production outsourcing can be helpful in counteracting the drop in the labour force in response to population aging. It is likely that most countries will adopt a mix of these responses to population aging.

M.K.

Reference

OECD (2007), *International Migration Outlook*, Paris, 30–33.