Ireland’s Changing Demographic Profile: Implications for Public Expenditure

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Overview

- Historical population changes and projections for the future
- The impact of these changes on Public Expenditure
- Considerations for public policy in the future
Introduction

- Over the last decade, Ireland has experienced significant demographic as well as economic change.

- Population has increased and is expected to continue to increase through to 2046.
  - Population is set to reach 4.8m in 2021 and 5m in 2026.

- In the coming years, the age structure of the population is expected to change.

- This development is due to changing dynamics of fertility, mortality and net migration.
Number of Registered Births 2009 - 2019

- Births have fallen dramatically in the last number of years → fell by 10% in 2014 compared to 2011
- Primarily due to the decline in the number of women in the child-bearing age cohort

Source: CSO
Annual Population Changes from 2011 to 2026 (000’s)

Source: CSO M2F2 Population Projections
Age Structure of the Irish Population (000’s)

Source: CSO population projections, M2F2 scenario
From 2016 to 2036, the number of working age individuals aged 20–64 is set to increase by 289,000.

The old-age dependency ratio is expected to increase from 21% in 2016 to 34% in 2036.
Ireland’s Ageing Population

Evolution of old-age dependency ratios across Europe

Source: Eurostat
BUDGETARY IMPACT OF CHANGING DEMOGRAPHICS

Social Protection, Health and Education

October 2015
Scope of Services Covered in Analysis

- The analysis covers services across Social Protection, Health and Education.
- These services account for the majority of the “pure” demographic pressure in each section.
  - For Health → Acute Services, PCRS, the NHSS and Older Persons Services account for 80% of overall “pure” demographic cost pressures.
Key Underlying Assumptions

- The projections assume a “no change” scenario

- The key assumptions underlying projections include:

<table>
<thead>
<tr>
<th>Social Protection</th>
<th>Health</th>
<th>Education</th>
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</thead>
<tbody>
<tr>
<td>➢ Child benefit assumes no policy change position</td>
<td>➢ Cost structures and utilisation rates held constant across Acute and PCRS</td>
<td>➢ Based on CSO’s M2F1 population projections</td>
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<td>➢ Pension projections take account of the increase in age to 67 in 2021</td>
<td>➢ Includes universal access for under 6’s and over 70’s to GP services</td>
<td>➢ Pupil Teacher Ratio held constant over the period for Primary and Secondary level</td>
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Estimated Annual Demographic Cost Pressure (€m) 2016 - 2026

Source: DPER Staff Paper, Budgetary Impact of Changing Demographics 2016 - 2026
The Effect of Other Demographic Trends on Public Expenditure

- The relationship between healthcare costs and demographic changes are highly complex and provides the greatest ambiguity

- There are conflicting arguments around future morbidity and associated effects on health expenditure

  - Compression of morbidity €m
  - Expansion of morbidity €m
  - Dynamic Equilibrium €m
Healthy Life Years (HLY) at age 65 in 2013

- HLY → Number of years a person is expected to live in a healthy condition or disability free

- In 2013, Ireland’s HLY at age 65 for males was **10.9** and females was **12.1**

- Ireland ranks well above the EU average of **8.5** HLY for males and **8.6** HLY for females

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Source: Eurostat, Health Data 2015
Overall Policy Considerations

- There is a need to put in place policies to mitigate the impact of changing demographics
  - Increasing pension age at an earlier point in time
  - Universal V’s means tested

- Re-orientation of spend
  - Movement from primary level to tertiary level education
  - More long term healthcare – NHSS and home care packages

- Some services and policies are already in place
  1. Nursing Home Support Scheme (NHSS)
  2. Early Childhood Care and Education Scheme (ECCE)
Concluding Comments

1. Natural Change
   - A dynamic of falling birth rates and ageing population
     - Gradual progression
     - Base position is relatively low

2. Net Migration
   - This provides the greatest level of uncertainty

3. Pure Demographic Cost Pressures
   - DPER paper provides that in the short term cost pressures are relatively stable
   - In the longer term, healthcare and pension costs provide the greatest pressures going forward