

# Ireland's Changing Demographic Profile: Implications for Public Expenditure

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# Overview

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

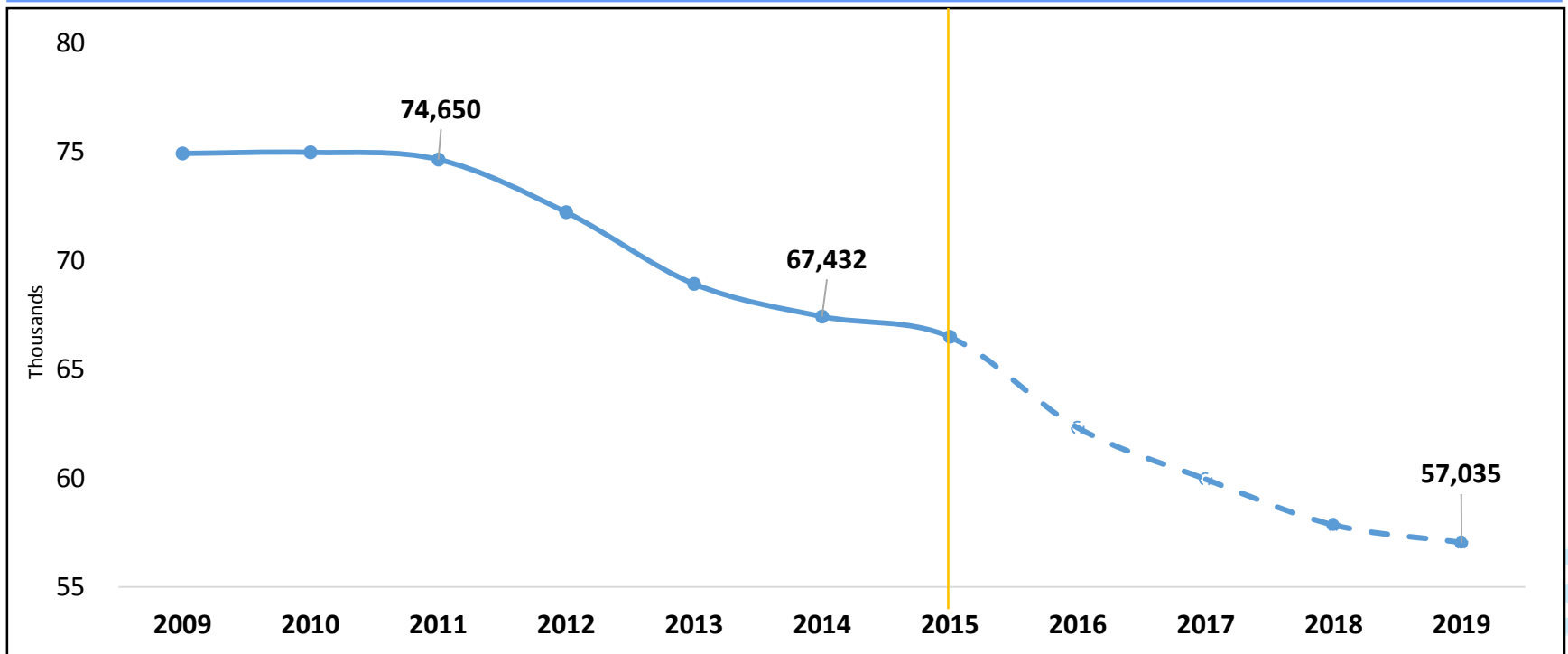


# Introduction

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- 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***

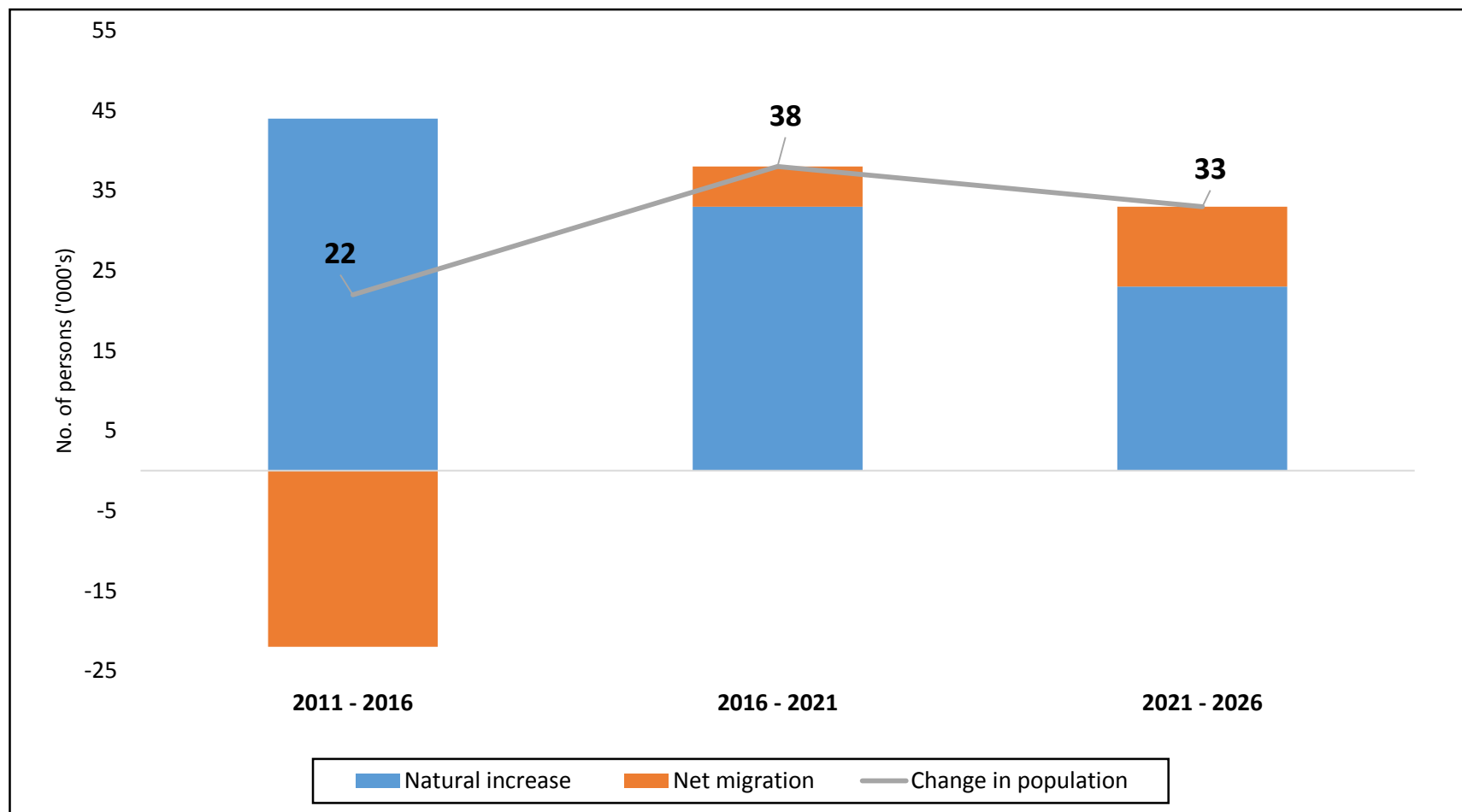
# Number of Registered Births 2009 - 2019



Source: CSO

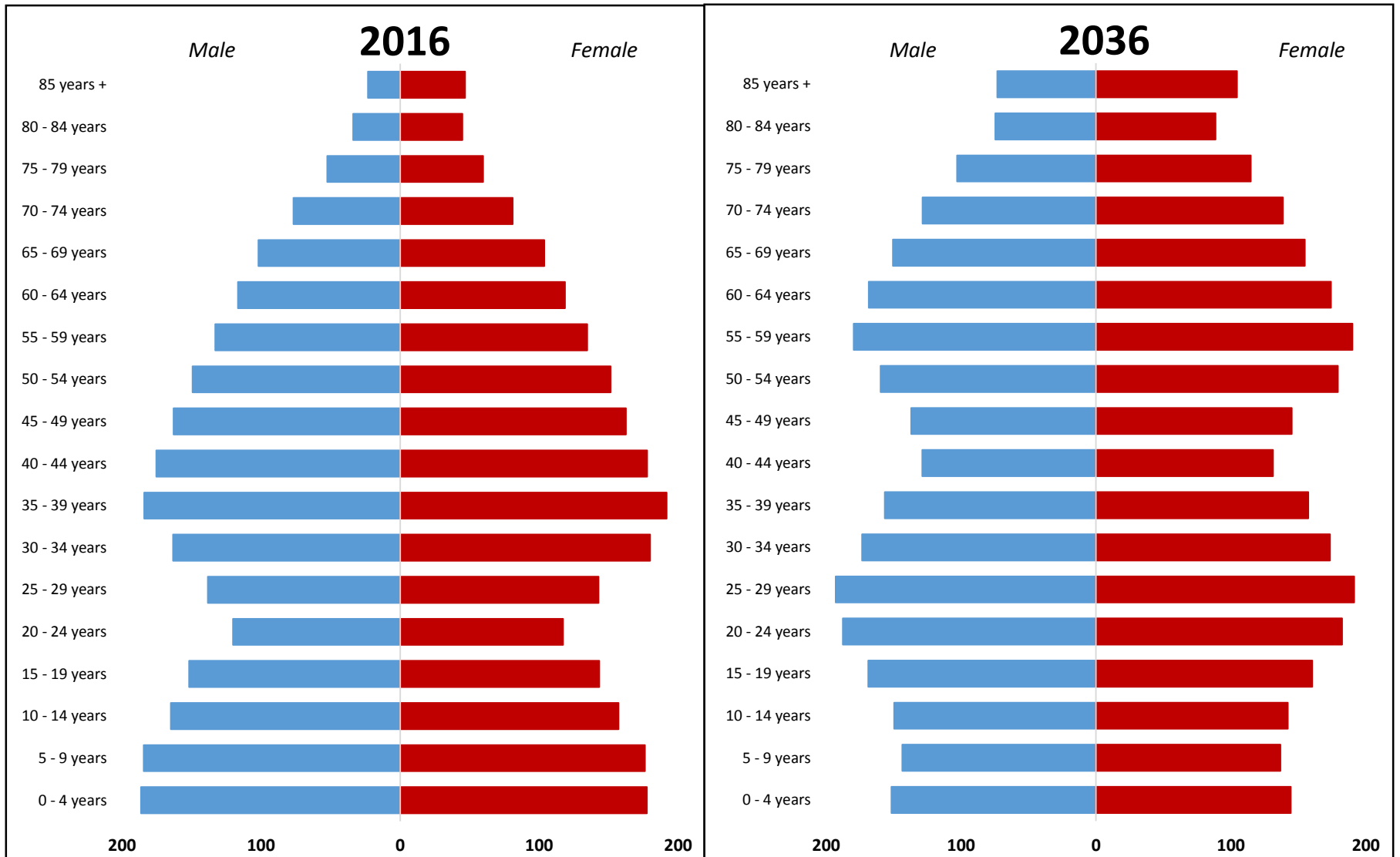
- Births have fallen dramatically in the last number of years → fell by 10% in 2014 compared to 2011
- Primarily due to the decline in the number of women in the child-bearing age cohort

# 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

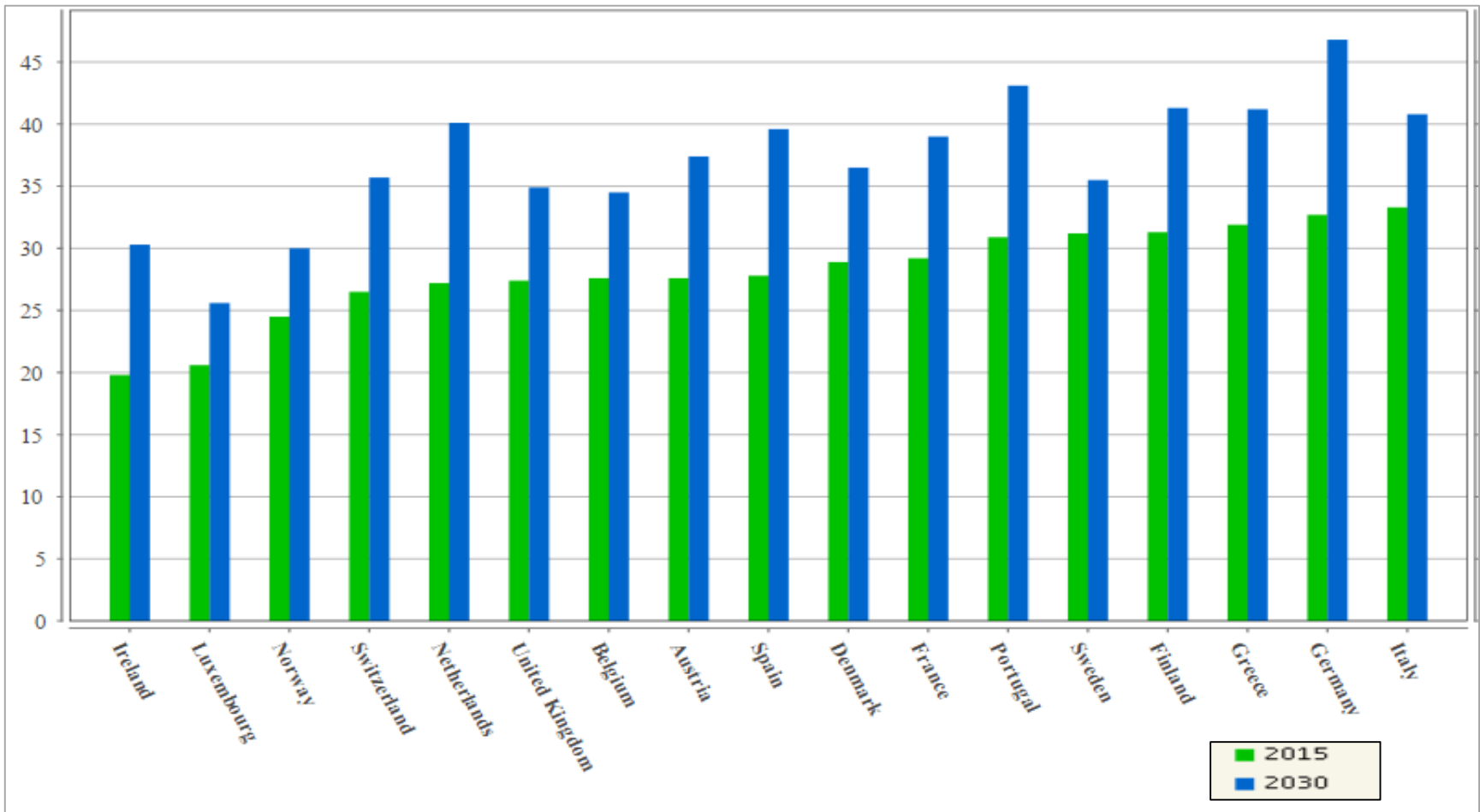
From 2016 to 2036, the number of ***working age*** individuals aged 20–64 is set to ***increase by 289,000***

The old-age dependency ratio is expected to increase from ***21% in 2016 to 34% 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



Irish Government Economic & Evaluation Service

# 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

## 1. Social Protection

- Child Benefit
- Pension

## 2. Health

- Acute Services
- Primary Care Reimbursement Service (PCRS)
- Nursing Home Support Scheme (NHSS)
- Older Persons Services

## 3. Education

- Primary and Secondary Level
- Third Level
- Special Needs (Resource Teachers)
- Early Childhood Care and Education Scheme (ECCE)

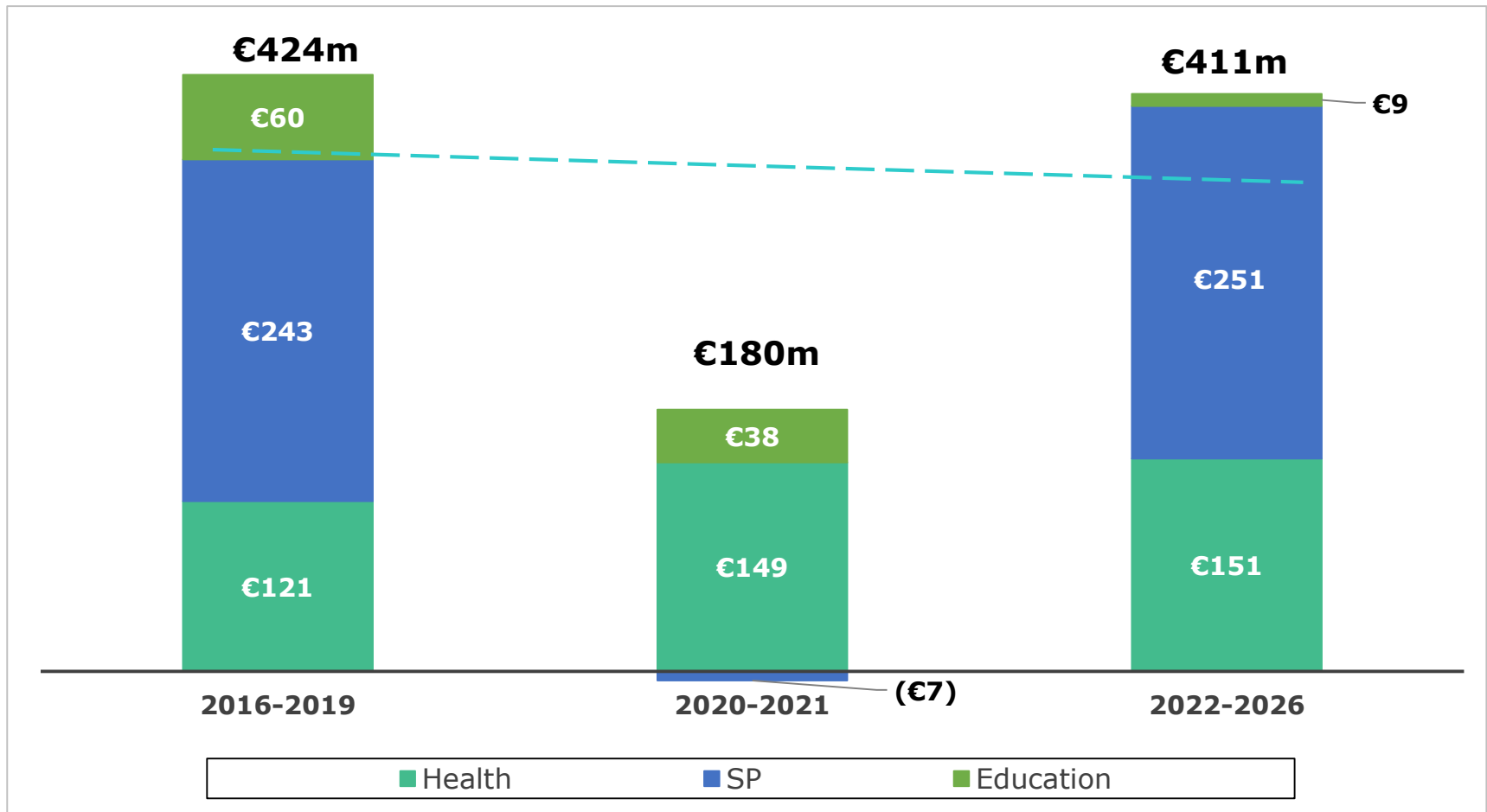
# Key Underlying Assumptions

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- The projections assume a “no change” scenario
- The key assumptions underlying projections include:

Social Protection	Health	Education
<ul style="list-style-type: none"><li>➤ Child benefit assumes no policy change position</li><li>➤ Pension projections take account of the increase in age to 67 in 2021</li></ul>	<ul style="list-style-type: none"><li>➤ Cost structures and utilisation rates held constant across Acute and PCRS</li><li>➤ Includes universal access for under 6’s and over 70’s to GP services</li></ul>	<ul style="list-style-type: none"><li>➤ Based on CSO’s M2F1 population projections</li><li>➤ Pupil Teacher Ratio held constant over the period for Primary and Secondary level</li></ul>

# Estimated Annual Demographic Cost Pressure (€m) 2016 - 2026



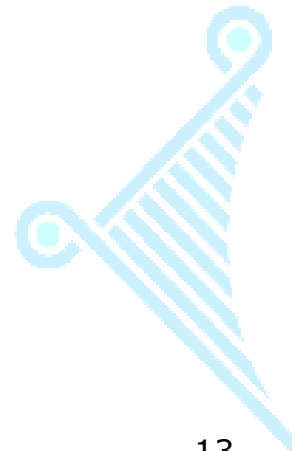
Source: DPER Staff Paper, Budgetary Impact of Changing Demographics 2016 - 2026

# The Effect of Other Demographic Trends on Public Expenditure

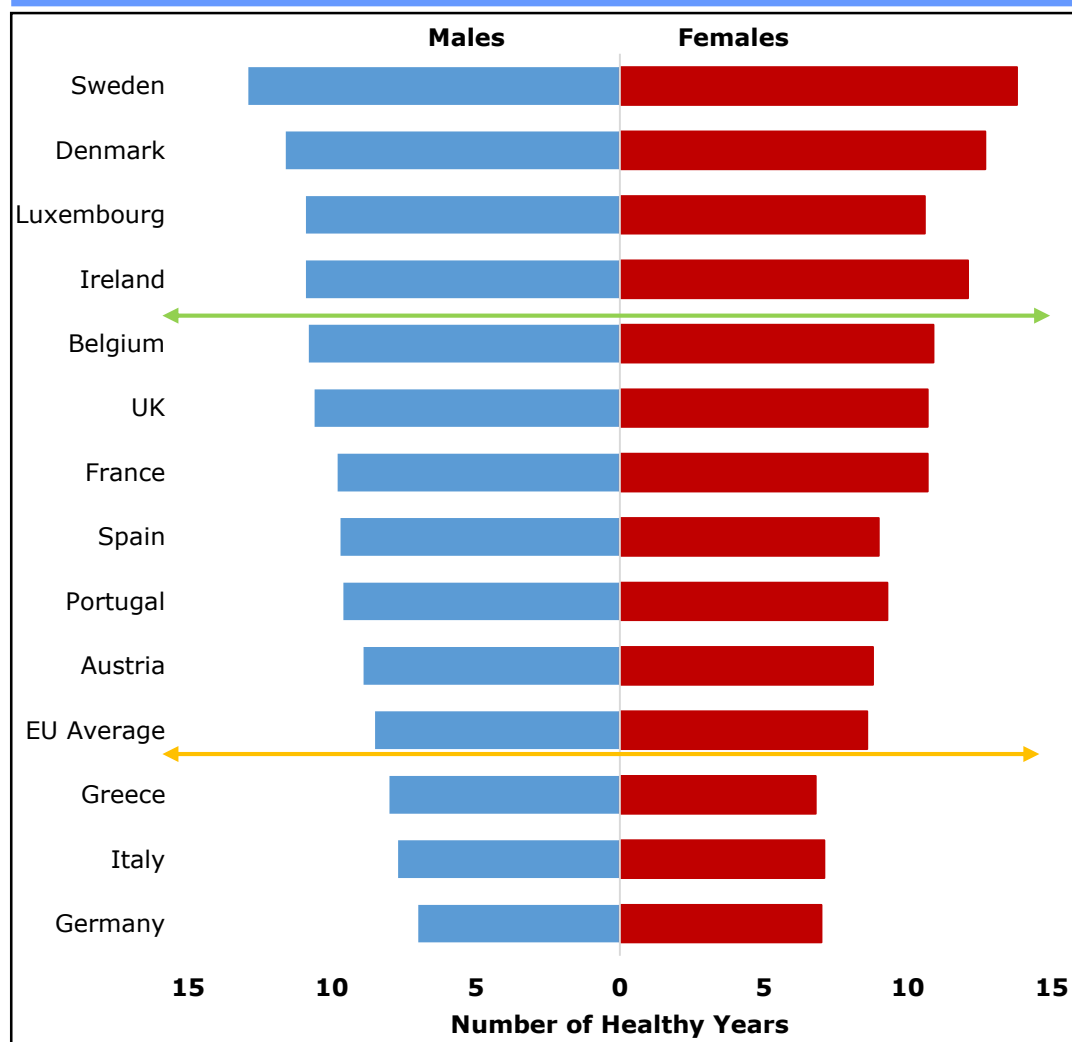
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- The relationship between healthcare costs and demographic changes are highly complex and provides the greatest ambiguity
- There are conflicting arguments around future morbidity and associated effects on health expenditure

- Compression of morbidity €m ↓
- Expansion of morbidity €m ↑
- Dynamic Equilibrium €m ↔



# Healthy Life Years (HLY) at age 65 in 2013



Source: Eurostat, Health Data 2015

- 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

# Overall Policy Considerations

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- 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

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## **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