Abstract

The share of the population aged 60 and over is projected to increase in nearly every country in the world during 2015-2080. Population ageing will tend to lower both labour-force participation and savings rates, thereby raising concerns about a future slowing of economic growth. The aim of this paper is describe the development of the healthcare expenditure in the context of ageing population. Firstly, the demographic development and trends in the European Union is presented. Secondly, expenditure on health services for seniors is discussed and finally, expected health expenditures with regard to the demographic trend in the EU are analysed. The article explores potential of the investment in innovation in health care due to the ageing population.

Keywords: Ageing population; Europe; economics aspects

1. Introduction

In some developed countries the number of older people will be twice the number of children. The impact of this transformation will be felt in every area of life, including economic growth, labour markets, taxation, the transfer of property, health, family composition, housing and migration (Laurance, 2002). This phenomenon is caused by a number of factors.

In the twentieth century is a dramatic rise in life expectancy. Increased life expectancy combined with declining birth rates have caused many to worry about the cost of an ageing population. Health care and health awareness both
continue to improve, with new breakthroughs and knowledge that allow people to live longer and remain healthy. There have been improvements in housing and living standards too. It’s become increasingly possible for the elderly to heat their homes (because of increased energy efficiency) and to continue living independently for longer thanks to the improved layout of houses. Another contributory factor relates to the number of babies born after World War Two, in the ‘baby boom’ period. These people are now reaching retirement age, causing a great surge in the numbers (European Commission, 2006).

2. Ageing population in Europe

In the coming decades, the size and age-structure of Europe’s population will undergo dramatic changes due to low fertility rates, continuous increases in life expectancy and the retirement of baby-boom generation. Countries in the EU11 are more vulnerable to the negative impacts of an ageing population than other regions in Europe. In the absence of reform, labour force participation, skills and education, vulnerable populations – in particular women – will be negatively impacted by these demographic shifts (European Commission, 2006).

In a century (1950-2050), the demographic weight of Europe in the world will have diminished by more than two thirds. As for the population of the 27 member EU, today, at 492.3 million, it represents 7.4% of the world population (6,624 millions). Whilst the demographic importance of Europe may seem to be decreasing ineluctably, bearing in mind its low birth rate, one of the biggest challenges facing the Union today is not this decline in numbers but the aging of its population.

Growth in productivity depends essentially on technological development and on the accumulation of the factors of production which complement work, i.e. “physical capital” (equipment) and “human capital” (levels of education and training), or the level of investment in the broad sense. Reflecting on economic matters does not tell us clearly how the ageing of the population could influence these two variables. As far as technological development is concerned, some people would have it that an ageing population will be less dynamic and receptive to technological progress and to the adaptations it calls for. Others assert that the growing sparseness of the population and young labour will provide the means to increase the quantity and quality of its “human capital”, which will make it more receptive to progress (European Association of Teachers, 2007).

3. Impacts of an Ageing population

The changes in the age-structure bring about not only negative economic impacts but also new opportunities. People have longer, healthier lives, resulting in extended working years, and different capacities and needs. The key is adaptation on all levels: individual, organizational, and societal.

Among frequently quoted negative economic impacts belong the following ones (Pettinger, 2013; Jowit, 2013; WHO, 2012):

- higher savings for pensions may reduce capital investment,
- shortage of workers,
- chronic and degenerative diseases,
- higher taxes,
- increased government spending on health care and pensions.

These negative impacts are related to the changing size of labour force, ageing associated diseases and the consequent higher dependence on support and care.

3.1. The size and quality of the workforce

Economic prosperity depends crucially on the size and quality of the workforce. As people pass through their 50s and beyond, their likelihood of participating in the labour force tends to decrease. The stock of assets could also decrease as the elderly increasingly rely on their savings to finance their spending. The combination of possible labor market tightening and dissaving raises concerns that the steeply ageing countries
3.2. Non-communicable diseases

Population ageing also signals the advent of a tremendous challenge: the tidal wave of non-communicable diseases (NCDs). NCDs are currently responsible for roughly 60% of all deaths and nearly half of the loss of actual and effective life years due to disability and death. They range from a significant to a dominant cause of disability and death in high- and low-income countries in every world region, and among people who are classified as old and not old (working-age adults). The most important NCDs are cardiovascular disease, cancer, diabetes, and chronic respiratory disease. These diseases share four modifiable risk factors – tobacco use, physical inactivity, unhealthy diets, and the harmful use of alcohol – and one non-modifiable risk factor: age (Bloom, Boersch-Supan, McGee & Seike, 2011).

3.3. Responses

On an economy-wide scale, responses to longer lifespans will require a series of reforms to both public policy and business practices. Businesses will soon have little choice but to be more attentive to the needs and capacities of older employees; their ability to adapt could become a source of competitive advantage (Bloom, Boersch-Supan, McGee & Seike, 2011).

4. Health care expenditure in Europe

The ageing population in Europe is closely related to health care financing. Public expenditure on health soaks up a large part of government budgets. According to an OECD report, the over-65 age group accounts for 40-50% of healthcare spending and their per capita healthcare costs are three to five times higher than for those under 65. And there are fears that public expenditure could rise as ageing in OECD countries accelerates (International Labor Organization, 2009).

Health care expenditure in the EU has been growing in the last years (see Fig. 1). The latest accessible data show that the highest health care expenditures were recorded in the Netherlands, France, and Germany in 2011.

Further significant grows in health care expenditures is expected in future. Predictions aiming at the year of 2060 show multiple growth of health care expenditures. Graph no. 2 presents a summary of the projected changes in health care spending between 2007 and 2060, measured in % of GDP and expressed as a difference from the pure demographic scenario, for all proposed scenarios. The purpose of such presentation setting is straightforward: the
difference from the pure demographic scenario illustrates the individual impact of each analysed factor on total health care expenditure.

![Graph showing changes in health care spending between 2007 and 2060 (in % of GDP), source: (Przywar, 2010).](image)

### 5. The Potential of ageing population

The ageing population may also be seen as a phenomenon providing companies with new market opportunities. The amounts of money invested in health care were more or less the same in the last ten years. In 2011, the highest share of GDP invested in health care was recorded in France, followed by Germany and Finland. (Fig. 3).

![Graph showing research and development in health (percentage of HDP) in 2011, source: own source according to Eurostat](image)

The potential of health care investment lies, among other things, in an opportunity to increase the mobility of an ageing population. If medical science helps people live longer, but with poor mobility, there will be less chance to work. If people live longer and can remain physically active for longer, the adverse impact will be less (Pettengell, 2008).

The following market opportunities open to companies from various sectors:
- economic opportunities for specialist products for the elderly,
- growing job opportunities in care homes and sheltered accommodation either as a business or as a worker,
• growing construction opportunities building retirement homes and flats,
• affluent pensioners can travel at all times of year including ‘off peak’,
• the elderly are more than one group. Young retirees are active in their 60s, slowdown in their 70s, and perhaps become more needy in their 80s – there are marketing niches for each different age group,
• young retirees as grandparents may help with child care of grandchildren whilst parents work providing an economic and a social benefit,
• social benefit of reduced crime as the elderly tend to be more law abiding,
• elderly people have spare time and whilst fit they may offer volunteering help or special advice skills for free,
• some companies are utilising the knowledge and experience of an older workforce,
• new migrants may move into the country to replace any skill shortages or to help care for the elderly,
• they may work for lower wages which is good for the economy and will pay taxes and national insurance which helps to pay for the costs of providing for the elderly,
• social falling birth rate means smaller class sizes and so better educational provision (Geogonline, 2013).

6. Conclusion

The aim of this paper is describe the development of the healthcare expenditure in the context of ageing population. The analysis of health care expenditures shows that these expenditures were relatively constant up to the year of 2011. It is predicted that in the years to come health care expenditures will be growing significantly, particularly due to ageing populations. Nonetheless, this phenomenon may not be utterly negative as a burden for developed countries' economies. It also provides companies in many sectors with new market opportunities.

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References


