

The Costs of an Ageing Society

Retirement looms for the baby-boomer generation and the proportion of those over age 65 is estimated to grow significantly in the next 30 years (see chart on page 3). But as pensions kick in, a shrinking workforce in most OECD countries means that governments will be hard put to finance them out of pay-as-you-go contributions from people still in employment. Without tax increases or tax reforms, governments cannot afford to pay future retirees the benefits they are currently paying out. Many countries have opted to introduce reforms and it is now clear that policy reform, together with a stronger demand for the skills of older people, can help to maintain prosperity in an ageing society.

In response to pension funding pressures, some countries are raising the age of retirement and abolishing mandatory retirement ages. Japan, for example, has raised ages of pension entitlement and the United Kingdom has done so for women. The United States is gradually increasing the age for full pension entitlement while Italy and Sweden are improving incentives to work longer by directly linking contributions and benefits. Some countries, too, are setting up networks to provide retraining for older workers. Such initiatives include, for example, a Japanese arrangement to train older workers and legislation in France to encourage the internal redeployment of older workers within enterprises. In the Netherlands, the government has introduced a bill in parliament to discourage discrimination on the basis of age.

OECD (2000) *Reforms for an Ageing Society*, Paris. Available in electronic pdf file. \$36. ISBN 92-64-17687-X. See: www.oecd.org/media

Public Old Age Cash Benefits (% of GDP)

	1980	1997
Australia	3.3	4.4
Austria	8.6	10.1
Belgium	6.3	7.4
Canada	2.8	4.4
Denmark	5.9	6.9
Finland	4.8	7.6
France	7.8	10.7
Germany	10.0	10.5
Greece	5.2	9.4
Iceland	m	3.7
Ireland	4.2	2.9
Italy	7.4	13.2
Japan	3.0	5.5
Korea	m	1.0
Mexico	m	4.3
The Netherlands	6.8	6.6
New Zealand	7.0	5.5
Norway	4.5	5.6
Portugal	3.5	6.5
Spain	4.8	8.6
Sweden	6.8	8.1
Switzerland	5.6	6.9
Turkey	1.3	4.1
United Kingdom	5.1	6.4
United States	5.2	5.6

Source: OECD (forthcoming), *Social Expenditure Database 2000*, Paris. This database contains data on public and mandatory private social broken down by program categories for 27 OECD countries, 1980-1997.

Note: m-missing data

Who pays for social security?

Note: Social security contributions usually vary according to marital status and dependents. The rates given here are for a married couples with two salaries (one equal to 100% and the other to 67% of the Average Pay Worker) and two children.

	Employees' (% of Employees' salary)	Employers'	Employees'	Employers'	
			(% of Employees' salary)		
Australia	0.0	0.0	Korea	6.7	8.8
Austria	18.1	24.1	Luxembourg	14.7	13.5
Belgium	14.0	34.8	Mexico	2.5	25.4
Canada	5.6	6.7	Netherlands	27.8	15.7
Czech Republic	12.5	35.0	New Zealand	0.0	0.0
Denmark	10.8	0.5	Norway	7.8	12.6
Finland	7.3	26.0	Poland	0.0	43.1
France	13.4	34.7	Portugal	11.0	23.8
Germany	20.8	20.8	Spain	6.4	30.8
Greece	15.9	28.0	Sweden	6.9	33.1
Hungary	12.5	43.3	Switzerland	11.6	11.6
Iceland	0.3	4.8	Turkey	10.0	13.9
Ireland	4.0	10.6	United Kingdom	7.8	8.8
Italy	9.2	34.1	United States	7.7	7.7
Japan	7.0	7.3			

Source: OECD, unpublished datafiles.

Foreign or foreign-born population, 1998

An error was made when this table appeared in the Aug/Sept issue. A corrected version is presented here.

	Thousands	% of Total Pop.
Australia	3908	21.1
Austria	737	9.1
Belgium	892	8.7
Canada	4971	17.4
Denmark	256	4.8
Finland	85	1.6
France	3597	6.3
Germany	7320	8.9
Ireland	111	3.0
Italy	1250	2.1
Japan	1512	1.2
Netherlands	662	4.4
Norway	165	3.7
Portugal	178	1.8
Spain	720	1.5
Sweden	500	5.6
Switzerland	1348	19.0
United Kindom	2207	3.8
United States	26300	9.8

Note: For France, the data is from 1990; for Canada and Australia from 1996

Source: OECD (forthcoming) *Trends in International Migration*, Paris.

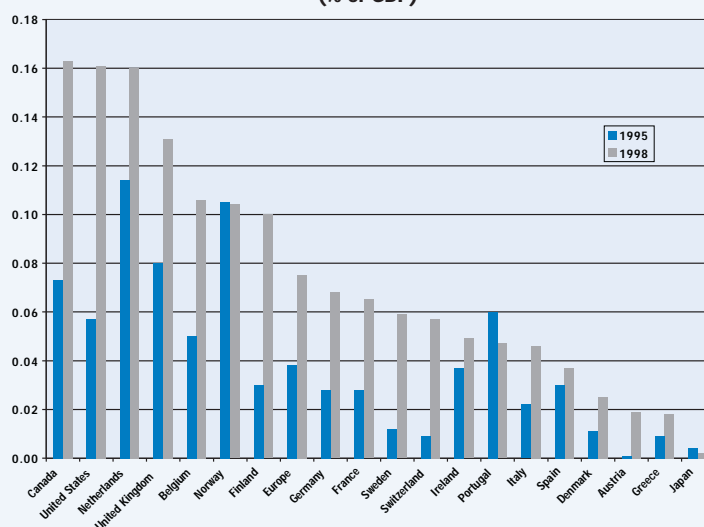
Science, Technology and Industry Outlook 2000

This latest OECD compendium of science and technology indicators provides a range of new information that reveals the importance of science and innovation in the economic performance of OECD countries. For example, expenditure on R&D is rising, but to various degrees across the OECD. The United States spent almost USD 250 billion on R&D in 1999 and accounts for 48% of OECD expenditure, followed at a distance by Japan (18%), Germany (about 8%) and France (about 5.5%). Also venture capital has recently played a key role in the funding of innovative firms. It is traditionally a US phenomenon, with some diffusion in Canada and to a lesser extent the United Kingdom. In Europe, the venture capital industry was small until a few years ago, except in the United Kingdom and the Netherlands, and not focused on high-tech segments and early-stage funding.

OECD (2000) *Science, Technology and Industry Outlook*, Paris. \$53. ISBN No. 92-64-18297-7.

Venture Capital in Early Stages and Expansion

(% of GDP)



Source: (OECD 2000) *Science, Technology and Industry Outlook 2000*, Paris

Trade and Labor Standards

Before, during and after the 1999 Seattle Ministerial Conference of the World Trade Organization, news coverage has highlighted public fears of negative impacts from globalization and of a "race to the bottom" linked to trade and foreign direct investment competition from countries with low labor standards. A new OECD study, *International Trade and Core Labour Standards*, aims to provide a common basis for policy dialogue.

The study notes that certain aspects of the complex interplay between trade, employment and core labor standards continue to attract differing views. A range of baseline information is provided to help advance this debate. The study confirms the continuing validity of the major findings of the OECD's well-known 1996 study on the same topic. In particular, its survey of economic literature reveals no challenge to the earlier finding that countries with low core labor standards do not enjoy a better export performance than high-standards countries. The survey underlines that strengthened core labor standards can increase economic growth and efficiency.

OECD (2000) *International Trade and Core Labour Standards: Updating the OECD Analysis*, Paris. \$20. ISBN No. 92-64-18535-6.

OECD Economic Survey: Korea

In the wake of the 1997 financial crisis, Korea has rebounded well and is expected to maintain this economic upturn at a buoyant, although slowing, pace through 2001. The *OECD Economic Survey: Korea* credits this economic recovery partially to the introduction of structural reforms establishing a more market-oriented economy and also to the boom in the information and telecommunications sectors which are expected to sustain investment growth.

Although further gains in employment and wages are likely to continue, Korea still faces many risks which have the potential to disrupt their growing economy. For example, the aging population and growing number of pension recipients will increase the amount of expenditures on the social safety net, an important part of any functioning economy. The chart below shows that over the next three decades, the projected increase in Korea's elderly dependency ratio would be the fourth-largest among OECD countries.

OECD (2000) *OECD Economic Surveys: Korea*, Paris. \$30. ISBN 92-64-17539-3.

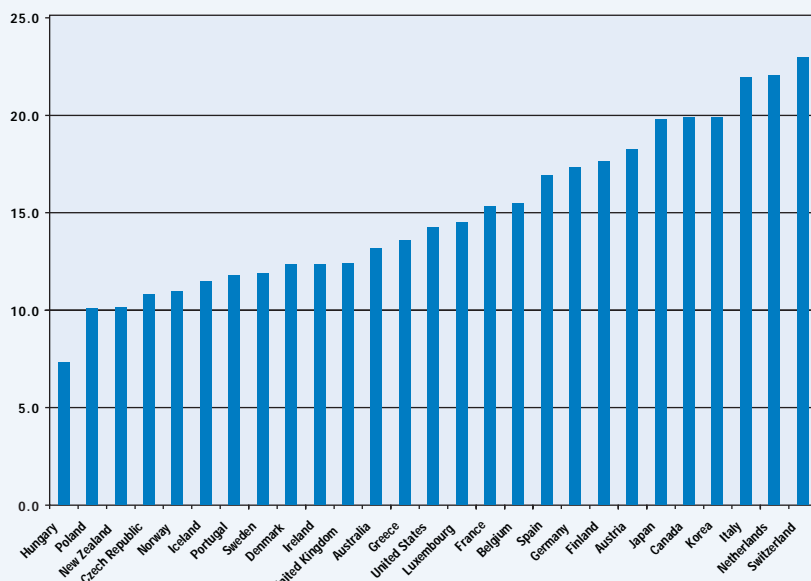
Basic Statistics of Korea, 1999

	Korea	United States
The People Population (million)	47.0	274.0
Number of inhabitants per sq. km	471.0	29.2
Civilian labor force (million)	21.6	139.0
GDP (billions of \$)	408.0	9256.0
GDP per head (\$)	8698.0	33798.0
Government consumption (% of GDP)	10.1	14.4

Source: OECD (2000) *OECD Economic Surveys: Korea*, Paris.

Projected Increases In The Elderly Dependency Ratio, 2000-2030

(The percentage increase in the ratio of the population aged over 65 to the population aged 15-64)



Source: OECD (2000) *OECD Economic Surveys: Korea*, Paris.

Life Expectancy

Not only are there more people in the "retirement age" group as shown by the growing elderly dependency ratio chart, people are living much longer.

Life Expectancy of Women (years at birth)

	1960	1998
Australia	73.9	81.5
Austria	71.9	80.9
Belgium	73.5	81.1
Canada	74.3	81.4**
Czech Rep.	73.4	78.1
Denmark	74.1	78.6
Finland	71.6	80.8
France	73.6	82.2
Germany	72.4	80.5
Greece	70.7	80.5
Hungary	70.1	75.2
Iceland	75.0	81.5
Italy	72.3	81.6**
Japan	70.2	84.0
Mexico	59.1	77.0
Netherlands	75.4	80.7
New Zealand	73.9	80.4
Norway	75.8	81.3
Poland	70.6	77.3
Portugal	67.2	78.8
Spain	72.2	82.2
Sweden	74.9	81.9
Switzerland	74.1	82.5
Turkey	50.3	71.0
U.K.	74.2	79.7*
USA	73.1	79.4

** Data 1961 and 1997.

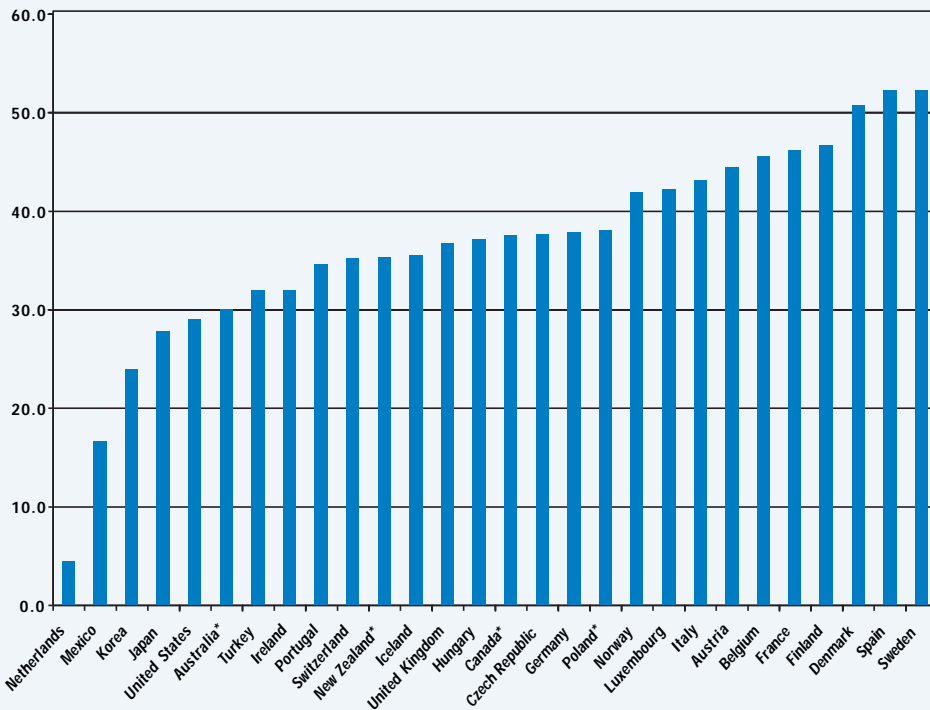
* Data 1997.

Source: OECD Health Data 2000 CD-ROM. \$195. ISBN No. 92-64-06876-7

Tax Burdens

Revenue Statistics 2000, the OECD's annual tax compendium, reports that tax revenues as a share of GDP have increased. In the absence of any general upward trend in statutory rates in OECD countries, the rise in revenues was a reflection of strong economic growth: since income-tax rates rise as people earn more, strongly growing economies generate larger tax collections.

Tax Revenues, 1999 (% of GDP)



*1998

Source: OECD (2000) Revenue Statistics, Paris. \$69. ISBN No. 92-64-05916-4



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