
Comments on Schmidt's 'Demographic
developments in Germany – avoiding a false sense of
security'

Paola Subacchi, Chatham House, London

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The paper

- ❖ An overview of Germany's demographic trends
- ❖ Population growth and output growth
- ❖ Two scenarios: fertility rate, life expectancy and net migration

Key conclusions

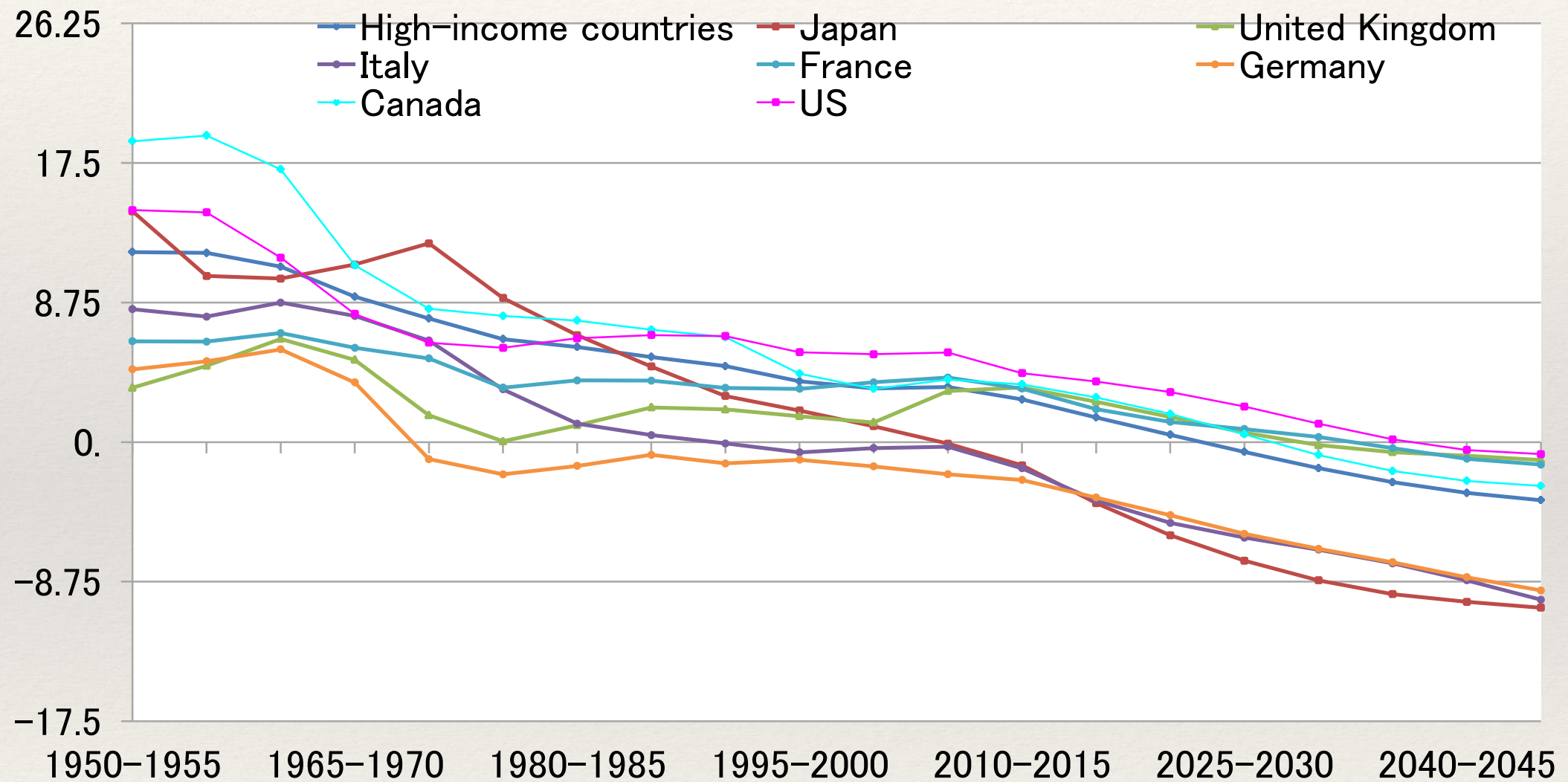
- ❖ GDP growth and immigration have so far mitigated the demographic transition in Germany.
- ❖ This is unlikely to continue and the reform of the social security system is inevitable in order to maintain fiscal sustainability
- ❖ Policies should focus on
 - ❖ increasing fertility
 - ❖ manage immigration
 - ❖ increase the participation rate to the labour market
 - ❖ promote human capital accumulation
 - ❖ increase the retirement age

My points

- ❖ Germany is not unique: all advanced economies and many developing countries → comparative approach
- ❖ Increasing/managing immigration is a partial (and problematic) solution → spillovers
- ❖ Macro data need more disaggregation → 65+ or 65-80 and 80+?
- ❖ Increasing the age of retirement is a limited solution → productivity growth and innovation
- ❖ The UK is ahead in making public spending on pensions sustainable → focus on pensions replacement rates

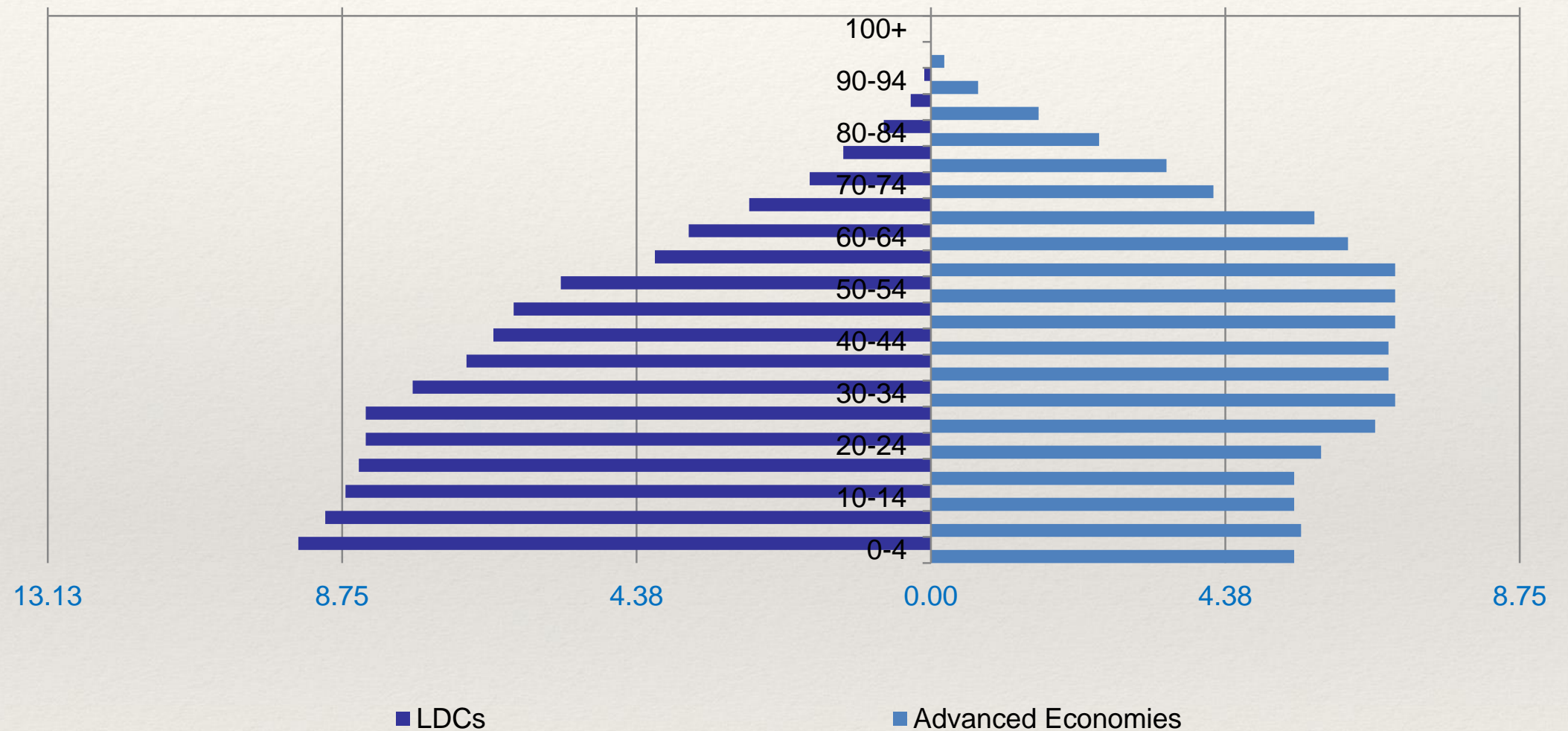
Ageing G7

G7: rate of natural increase, 1950-2050, per 1,000 population



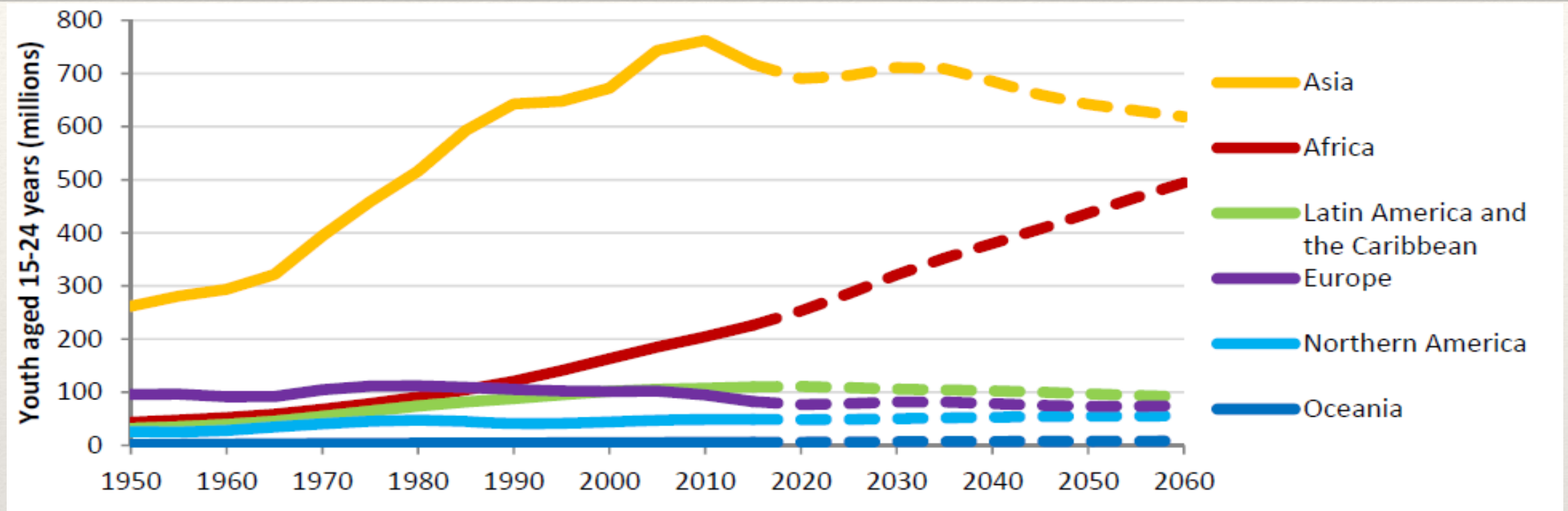
Source: UN

Demographic imbalances between developed and developing countries



Demographic pyramid, Less Developed Countries (LDCs) and Advanced Economies (2017). Source: United States Census Bureau, available at <https://www.census.gov/population/international/data/>

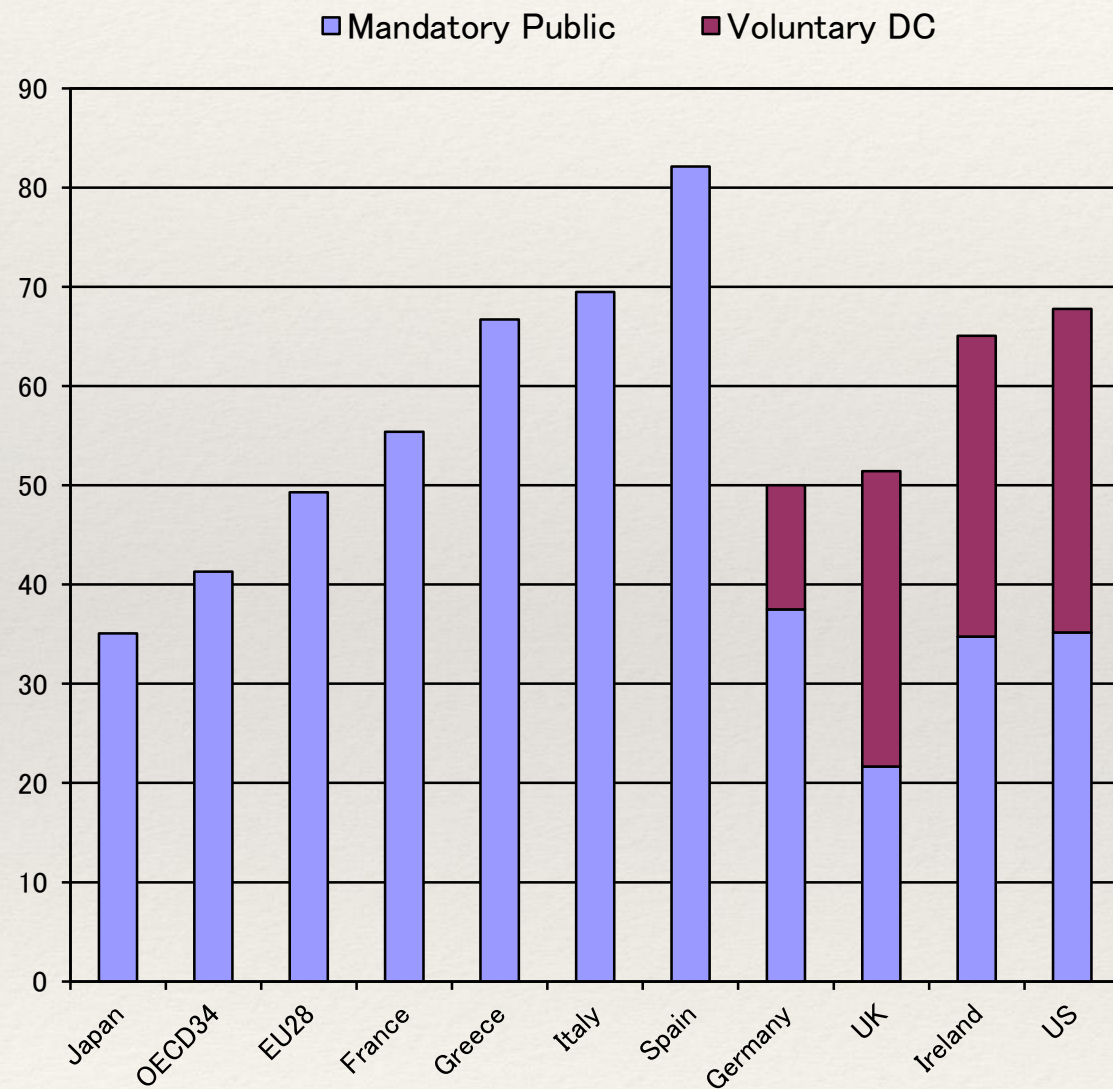
Peak in youth population everywhere but Africa



- ❖ In 2015 1.2 bn youth aged 15-24 worldwide
- ❖ By 2030 nearly 1.3 bn youth (a 7% increase)
- ❖ By 2030 the youth population of Africa is projected to have increased by 42% (and have more than doubled from current levels by 2055)

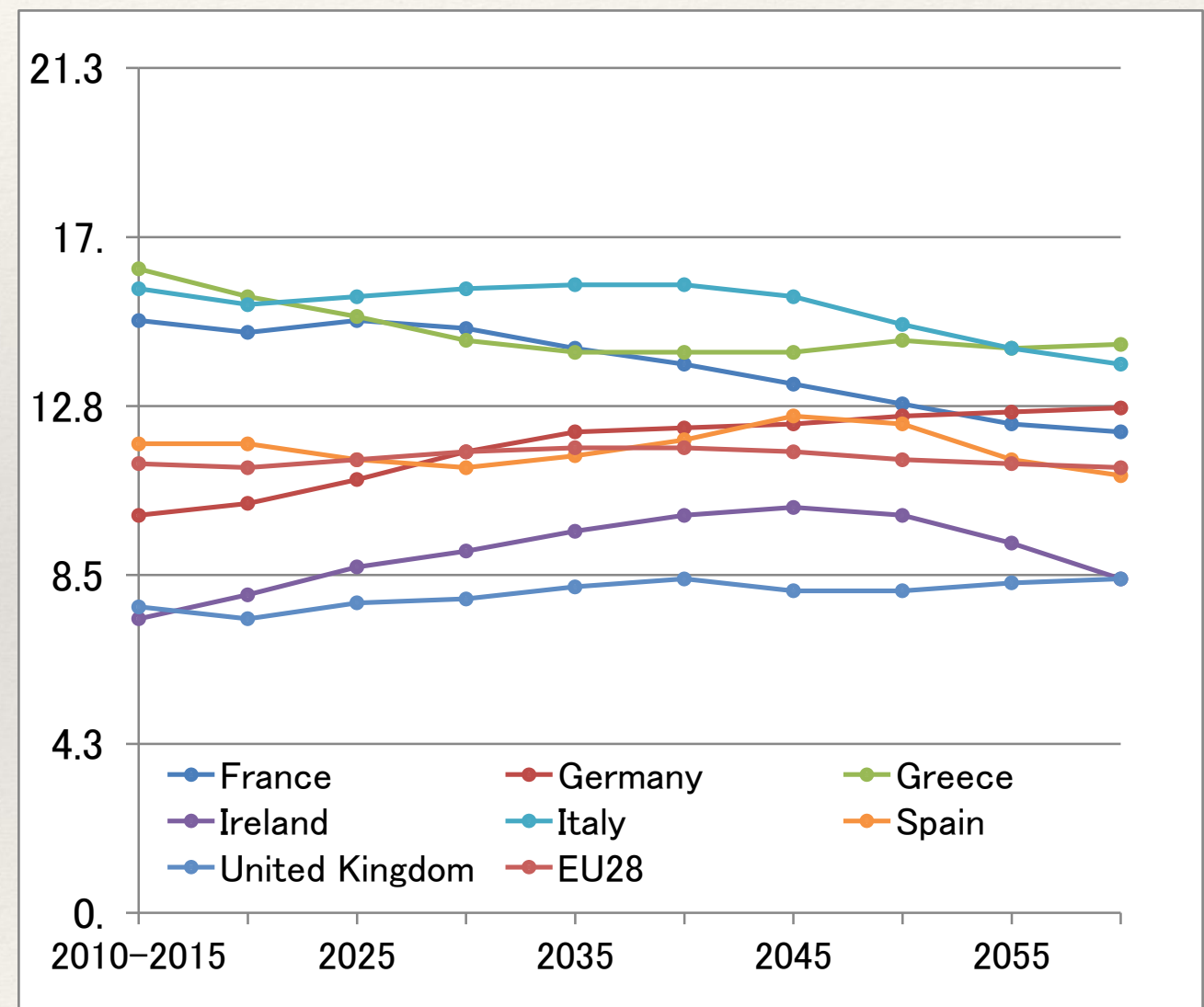
How sustainable is public spending on pensions?

Pension replacement rates, % individual earnings, gross



Source: OECD

Public spending on pensions, projections, 2015



Source: OECD

Thank-you
@PaolaSubacchi