Analysis

Improvements in employment held back by population ageing

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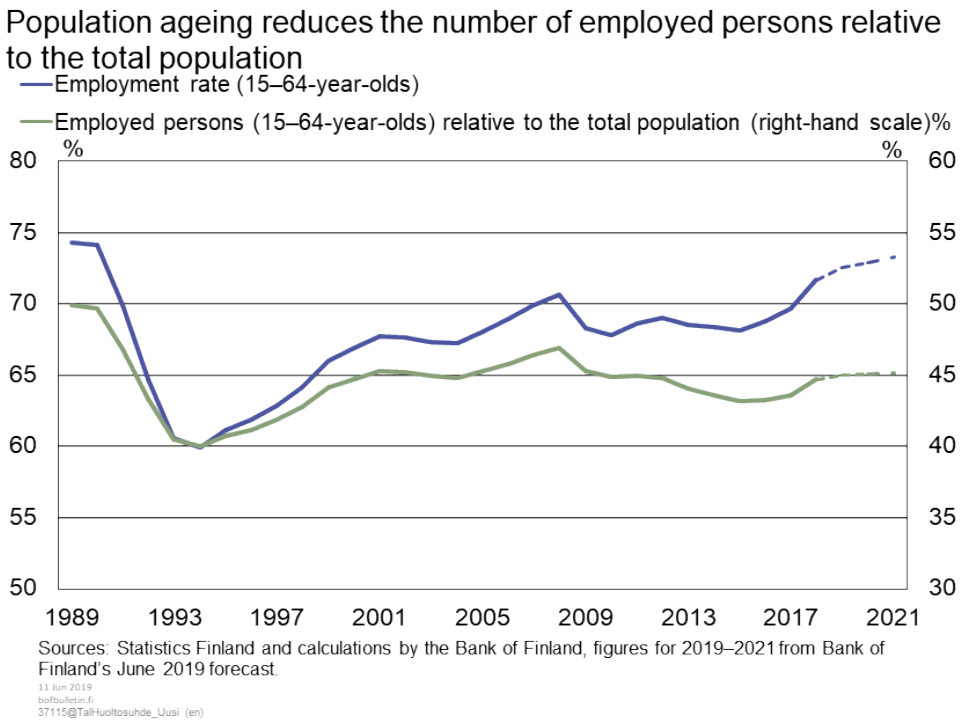
The employment rate is the key indicator of employment developments and the conditions for meeting public expenditure. However, with the ageing of the population, a rise in the employment rate (i.e. the ratio of employed persons to the 15–64-year-old population) no longer automatically implies an increase in the number of employed, as the rise may reflect a reduction in the working-age population as well as an increase in the number of employed persons. In other words, if there is a sufficiently rapid decline in the 15–64-year-old population, the number of employed may decrease even if the employment rate rises or remains unchanged. Hence, if the employment rate for the various age cohorts remains at the 2018 level, the number of employed would still contract by close to 15,000 persons during the forecast period.



The financing of the welfare state is crucially dependent on the ratio of employed persons to the total population. This ratio, which is referred to as the economic dependency ratio, declined markedly in the aftermath of the financial crisis, in response to a contraction in employment following the protracted recession and the concurrent retirement of the baby-boom generation. While the strongest wave of ageing is now behind us, the proportion of the population of working age relative to the total population continues to shrink, which weighs on the efforts to raise the

economic dependency ratio. Over the forecast years, the employment rate will rise further by 1.6 percentage points from the 2018 level, whereas the proportion of the employed population will increase only 0.5 of a percentage point.

Chart 1.



Growth in labour input is also constrained by a long-term downward trend in working hours, which implies a reduction in average working hours per employee over time. If the trend towards shorter working hours persists, an increase in the number of employed persons will not yield an equivalent increase in working hours. Ultimately, the changes in working hours in relation to the total population are the best measure of the welfare state's funding base. Working hours have increased more slowly than the employment rate and the number of employed persons.

Keywords

employment, employment rate, population ageing