

# ▶ Demographic change in Europe and Central Asia

Implications of a shrinking and ageing  
workforce

## ► Introduction

Europe and Central Asia are undergoing significant demographic changes, with an ageing population reshaping the structure of the workforce.

By 2050, the labour force in the region will see a notable shift:

- The share of older workers (55+) will rise significantly.
- The prime-age workforce (25–54) is projected to decline.

With a shrinking workforce, increasing social inclusion and the participation of inadequately represented groups is critical to sustaining labour supply and economic growth.

## ► Rising share of older persons (old-age ratio)

Falling birth rates and better health

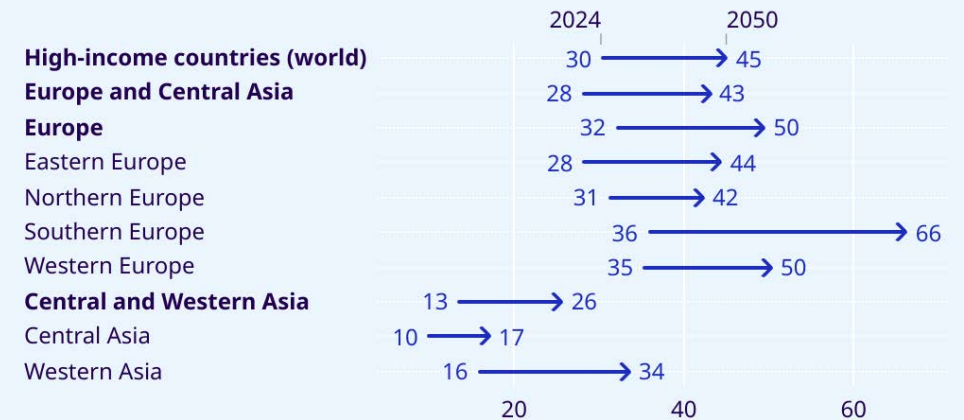
Rising share of older persons

In Southern Europe, 2 in 5 of those aged 15+ years will be 65+ years by 2050

Central Asia remains “young”

Need to look beyond simple dependency ratio

### ► Population aged 65+ per 100 persons aged 15-64, 2024 and 2050



Source: UN World population prospects, 2024.

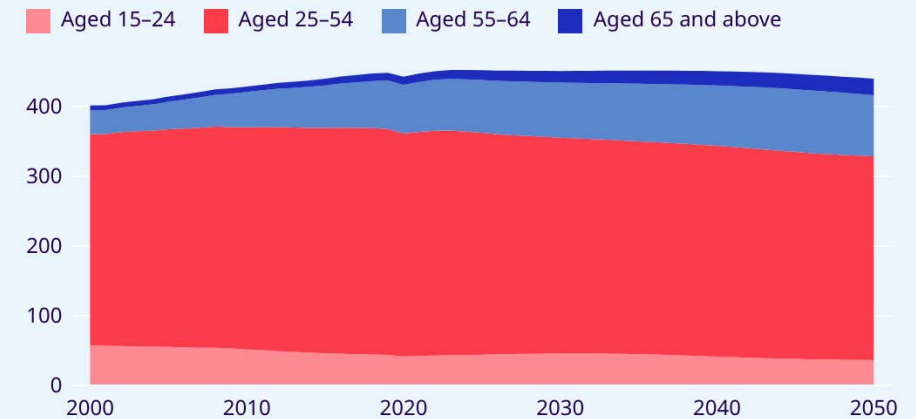
## ► Rising share of older workers aged 55 years and above

**Total labour force projected to decline by 10 million between 2023 and 2050**

**25 million more workers aged 55 years and above**

**35 million fewer workers aged 15 to 54**

► **Composition of labour force by age group, 2000-2050, Europe and Central Asia (millions)**



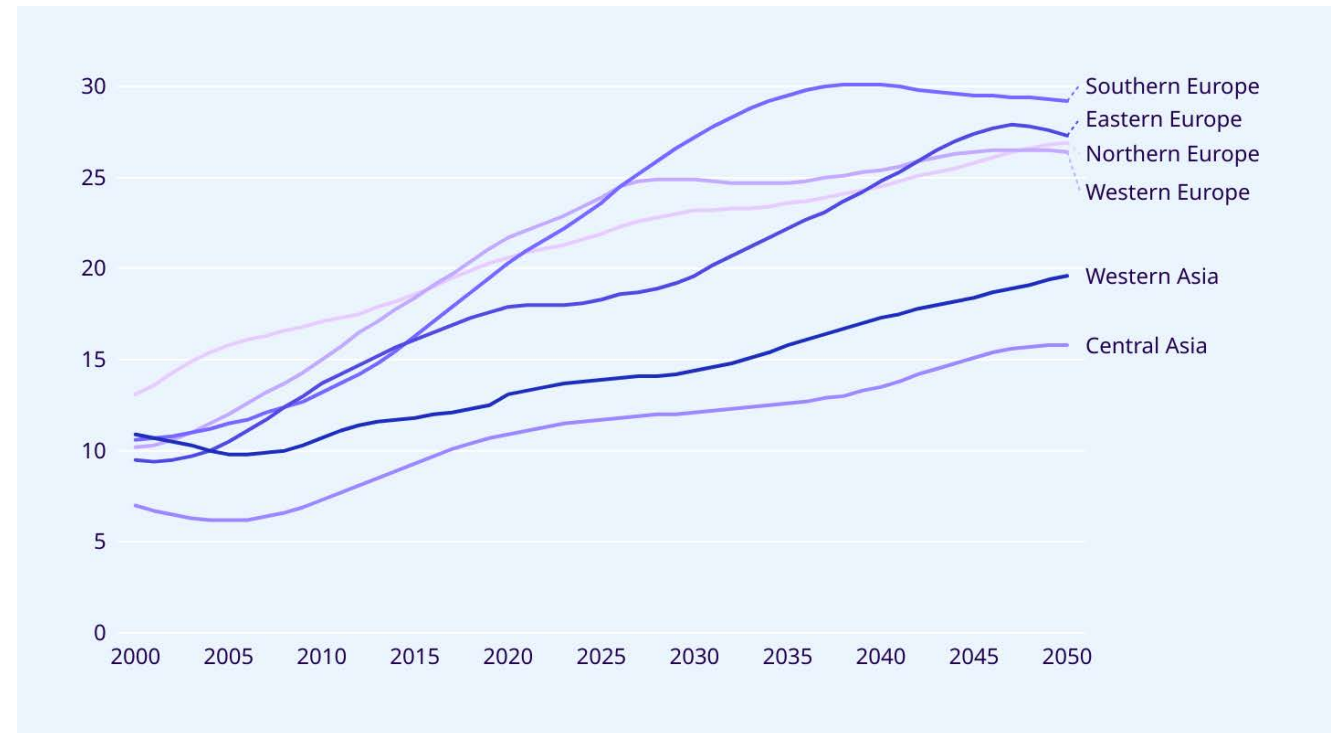
Source: ILO estimates

## Share of those aged 55+ in labour force is increasing

### Share of 55+ will reach a plateau

Higher-birthrate cohort in the LF will eventually retire

Difference in cohort size becomes smaller



## LFPR trends by subgroups and composition effect

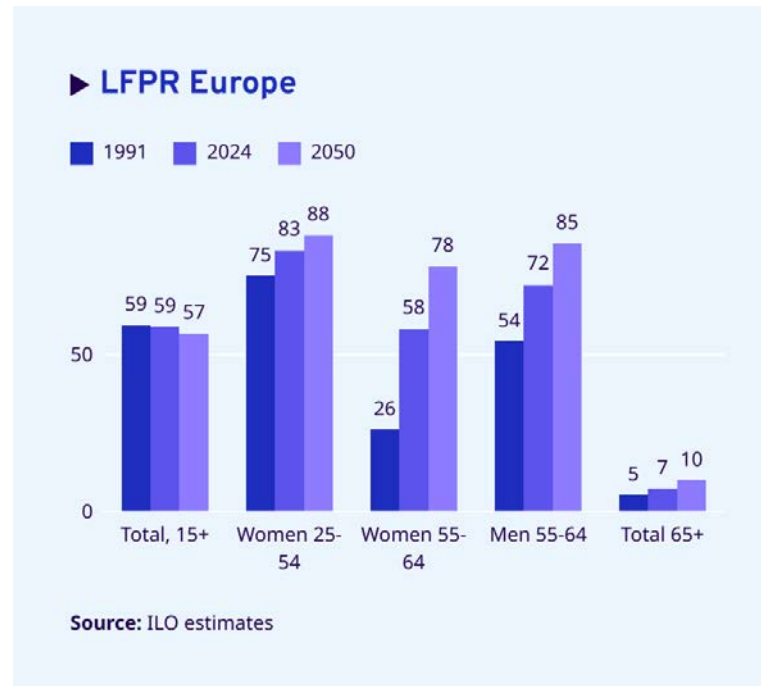
### Composition effect makes total decline in Europe

Strong expansion among women and 55+

### Important decline in Asia

All demographic groups, except women aged 25-54

### Extrapolation of trends and drivers



## Potentially large annual drag on GDP growth

$$\Delta GDP = \Delta \frac{GDP}{EMP} + \Delta \frac{EMP}{POP_{15+}} + \Delta POP_{15+}$$

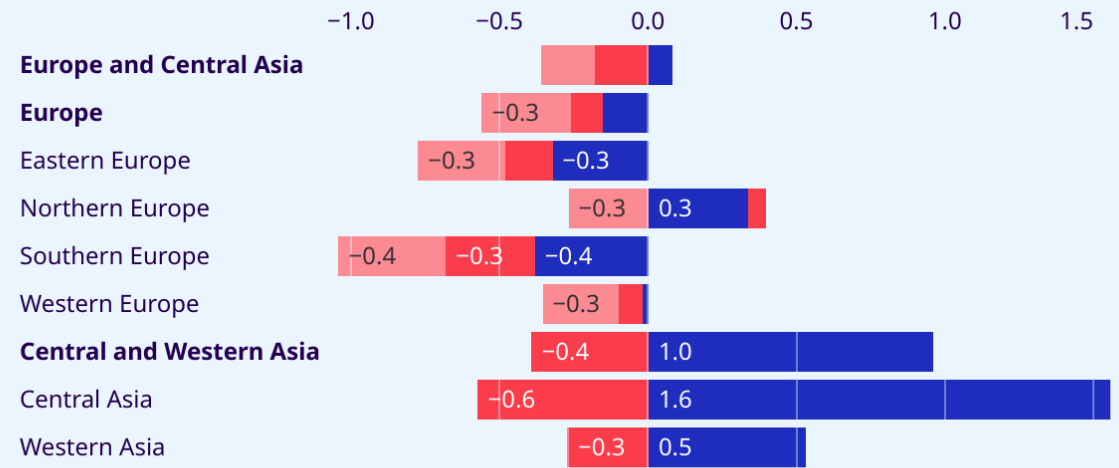
Shrinking GDP ok with shrinking population?

Higher productivity growth needed

But declining trend

### Impact of demography and employment rate on average annual GDP growth 2024-50 (percentage points)

- Working-age population growth
- Employment rate (baseline scenario)
- Employment rate (additional effect from constant LFPR scenario)



## ► Ageing and productivity growth

### **Macro level: apparent negative correlation between ageing and productivity growth**

Saving-investment, demand shifts, innovation, job types of older workers,...

### **Micro level: inconclusive evidence**

Declining physical capabilities versus experience and shifting responsibilities

Methodological challenges

## ► The fate of older workers in the labour market

### Generally more in jobs of inferior quality

Also holds for 55-64, though less dramatic

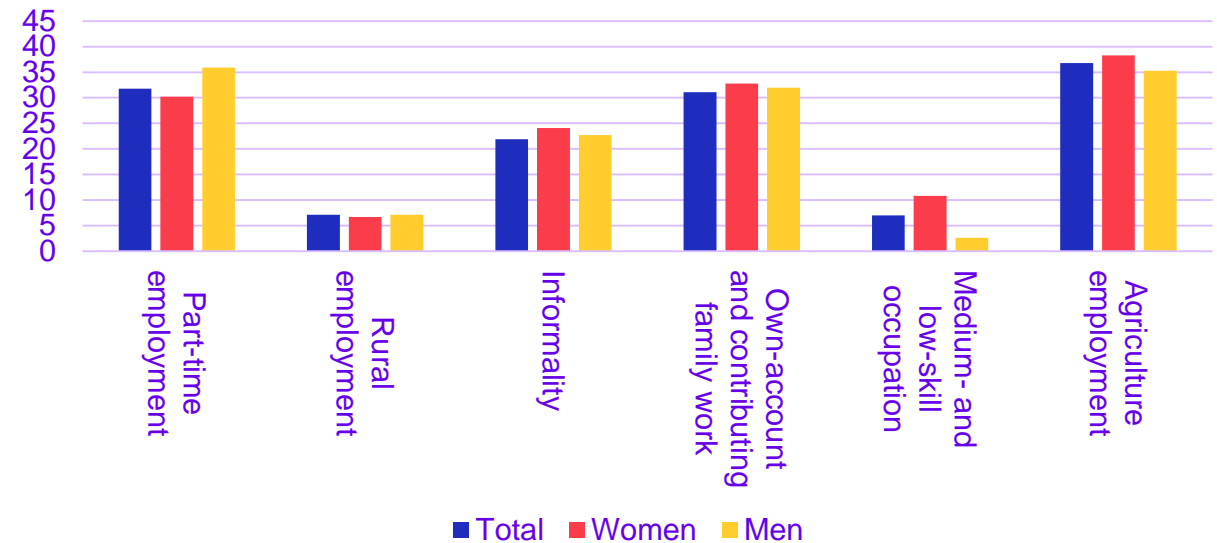
### Why?

Shift into those jobs or selective LF exit?

Age discrimination?

### Productivity implications

Excess incidence of employment types among workers aged 65+ compared to those aged 25-54, Europe and Central Asia



Note: The figure shows the unweighted average difference in the incidence of a certain employment type across all countries with available data

## ▶ Need for better data on older workers

### Small sample size of older workers in past LFS

In the past older workers had

- ▶ Lower share in population
- ▶ Lower participation rates

Unreliable detailed statistics on

- ▶ Types of employment
- ▶ Incomes

### Hard to project implications of having more older workers