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Healthy Old Europe

By Nicholas Eberstadt and Hans Groth

The population of Western Europe is aging, and the region's birthrate, looking evermore anemic, is well below the replacement level. The specter haunting Western Europe today is the prospect of inexorable demographic decline.

But not all is ill with Europe's demographic situation. Its aging population is exceptionally healthy. As a result, its people are more capable of remaining productive into their advanced years now than they used to be, and perhaps even more so than their American counterparts. "Healthy aging," in fact, may turn out to be a trump card for enhancing prosperity and international competitiveness—if Europeans are willing to play it as such.

All around the globe today, longevity is an excellent proxy for both general health and economic potential. Every additional year of life expectancy is associated with roughly a 7 percent increase in gross domestic product per capita. Fortunately for the people of Western Europe, longevity and good health are precisely the areas in which the region enjoys an edge over most of the rest of the world, including the United States.

Overall life expectancy in the United States is a year or so shorter than in Western Europe and three to four years shorter than in Western Europe's healthiest—and wealthiest—countries, such as Norway and Switzerland. The United States also fares less well by the "health-adjusted life expectancy" standard now favored by the World Health Organization, which estimates the

number of years one lives free from disability and debilitating illness.

Western Europeans' robust health could translate to competitive advantages. For example, Western Europeans have distinctly better odds of surviving their working years than do Americans. This difference affects economic potential, not least because longevity shifts people's cost-benefit calculus about whether to pursue higher education: the prospect of living longer generally encourages investment in learning and skills, and thus facilitates higher productivity.

Western Europe must therefore figure out how to capture more of the economic opportunities allowed by healthy aging. Doing so would raise overall purchasing power and increase the scope for savings and investment, which could accelerate long-term growth.

Over the last generation, Western Europeans have translated their increased life expectancy—and then some—into leisure time. As life expectancy has risen steadily, the average age of retirement has fallen. Never before have older Europeans been so healthy, and yet never before have they worked so little. According to the Organisation for Economic Co-operation and Development (OECD), between 1970 and 2004, the expected average length of retirement increased by about nine years in Germany and by about ten years in Spain. Over that period, the length of pensioned life for men and women in some Western European countries fully doubled.

Nicholas Eberstadt is the Henry Wendt Scholar in Political Economy at AEI. Hans Groth is a member of the board of directors for Pfizer Switzerland. A version of this article appeared in the *International Herald Tribune* on April 19, 2007.

This trend is particularly ill-timed. Projections by the OECD suggest that if other current trends continue, the European Union's labor force will shrink by about 0.2 percent a year between 2000 and 2030, and the fifty-year-plus cohort will be the region's only growing pool of potential manpower over the coming generation. If only Western Europe managed to welcome some of its older citizens (especially those 55–65 years of age) back into the workforce in the future, the decline in its labor supply could be not only fully halted, but actually reversed.

Encouraging older people to work is an obvious and necessary step to unlocking the economic potential of good health over the next generation. But it is only one step. Making fuller economic use of this comparative advantage will require nothing less than a fundamental reexamination of many basic policies, especially regarding labor markets, education, and health.

If Western Europe hopes to benefit from its growing pool of older workers, its labor markets must become far more flexible and more economically rational than they are today. Less cumbersome regulations and less costly obligations would make it more attractive and less risky

for potential employers to hire all prospective workers, including older ones. Some orderly transition to a pension system with a greater measure of direct personal responsibility in the financing of retirement would also be in order.

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In education, Western European societies face a qualitatively new challenge: continuing a steady rise in technical attainment despite the population's aging. Currently, "lifelong learning" is a slogan, not a practice. To support real continued education, the Continent needs to undergo a systematic shift not just in its policies, but also in its underlying culture. Health policies also need a fundamental rethink. If the value of health is to be maximized, the goal should not be the

containment of medical expenses, but rather the reduction of the cost of illness and disease.

Western Europe's demographic pressures are undoubtedly heavy, and without a creative response they will weigh down on the Continent's future. But relative economic decline is by no means inevitable. Although its population is aging, the Continent need not become a glorious rest home.