

POPULATION & SOCIETIES

No. 431
FEBRUARY 2007

Baby boomers: towards the end of an era

Alain Monnier*

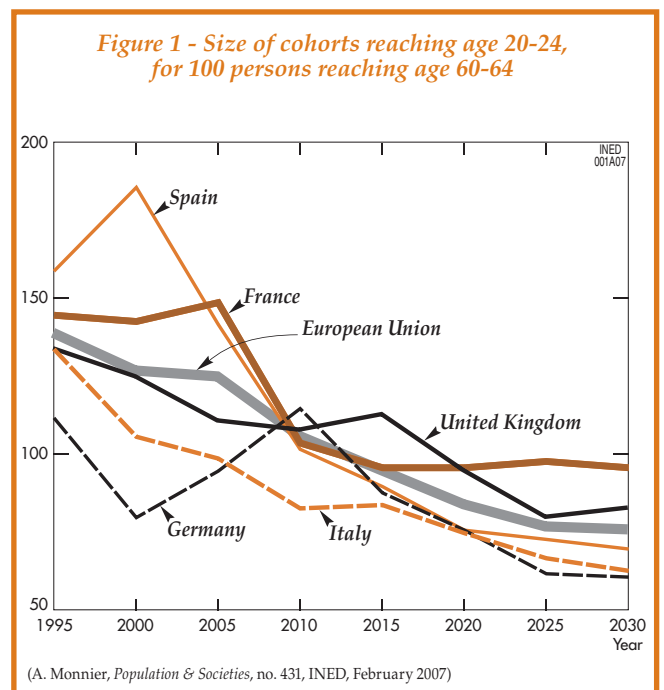
In industrialized countries, the demography of the last sixty years has been shaped by the baby boom generations, while the next half-century will be marked by their retirement and death. Will it become easier for young people to find jobs? Will the needs of dependent old people place new pressure on resources? By comparing different European countries, Alain Monnier shows that much depends on the scale of the baby boom in each country.

The unexpected upturn in fertility observed in many industrialized countries from the end of the Second World War to the 1970s, is known as the «baby boom». The babies born over this period formed a «wave» of large birth cohorts whose impact was felt throughout the second half of the twentieth century, and who will grow old over the next fifty years. The first cohorts of baby boomers, born in 1945, are now reaching retirement age. They will be at the threshold of extreme old age by 2025 and will have passed away by the 2040s. The cohorts born in the heart of the baby boom, in the mid-1960s, will follow the same path, but twenty years later: retirement in around 2025, extreme old age around 2045, and death in the 2060s. The baby boom period will be finally over when the last large cohorts, born in the early 1970s, are no longer alive. The next fifty years will be marked by change in the active population renewal rate, rising demand for old-age residential care and growth in the economic sectors concerned with death.

The Eurostat population projections use future mortality assumptions (an extension of the trend

observed over recent decades) and migration assumptions to estimate how these cohorts will change in size over time.

Figure 1 - Size of cohorts reaching age 20-24, for 100 persons reaching age 60-64



(A. Monnier, *Population & Societies*, no. 431, INED, February 2007)

* Institut national d'études démographiques

◆ Will unemployment fall when the baby boomers retire?

The baby boom generations will leave the labour market over the next three decades, while at the same time, the cohorts born from the 1980s onwards will reach working age. The way in which the baby boomers will be replaced by the younger generations can be gauged by comparing the size of a given number of young cohorts with that of an equivalent number of retirement-age cohorts (Figure 1). In each of the five main countries of the European Union, there are years and periods when this demographic renewal favours youth employment (index below 100) and periods when it does not (index above 100).

As a general rule, over the last decades of the twentieth century, the number of young people reaching working age was much higher than the number of retirees. In 2005, this was still the case in three of the countries studied (France, United Kingdom and Spain), where the cohorts reaching age 60-64 were depleted cohorts born during the Second World War (1940-1944). Germany and Italy are the exceptions, with indices slightly below 100, since the birth rate in these countries was higher in the early war years than in the other warring countries, and lower than that of their neighbours from the early 1980s.

Overall, the structural imbalance between labour market «entrants» and «leavers» will tend to even out in years to come, and by 2010 equilibrium will be reached in the European Union. Situations will diverge from then on, depending on the scale of the initial baby boom and the level of fertility at the end of the twentieth century in each country. In France, where the baby boom was massive, and where fertility since 1980 has remained relatively higher than elsewhere, the number of retiring baby boomers should roughly match the number of young people entering the labour market. In Germany and Italy, on the other hand, where the baby boom was modest and where fertility was very low in the last decades of the twentieth century, the ratio of 20-24 year-olds to 60-64 year-olds will fall well below 100 by 2015-2020 (by 2010 in Italy). In short, in all countries, the number of young people reaching working age will drop below the number of people reaching retirement age over the coming decades.

This situation might help to bring down unemployment, though nothing is guaranteed. In France, for example, corporate strategies and civil service recruitment policies do not always provide for the systematic replacement of all employees who retire. Moreover, the jobs left vacant by retirees do not necessarily match the profiles of job seekers (economic sector, level of qualification, geographic location). Last, the number of eco-

Box

The baby boom in Europe: a phenomenon limited to the north-west of the continent

The baby boom refers to the temporary increase in the birth rate observed in certain industrialized countries between 1945 and 1975 due to an upturn in fertility. The curve of annual births illustrates its timing and its extent. The baby boom countries have two distinct features: a fairly low birth rate in the 1930s followed by a relatively high birth rate in the 25 years following the Second World War.

Most of the baby boom countries corresponding to these criteria are located in north-western Europe: the Scandinavian countries, Germany, Austria, Belgium, France, Luxembourg, the United Kingdom and Switzerland and, to a lesser extent, Finland and the Netherlands. The scale of the baby boom and its specific characteristics vary considerably from one country to another, however.

In southern and central Europe, and in Ireland, though birth rates were high in the 1950s and 1960s, these countries did not experience a baby boom as such, since birth rates before the war were also high.

In France, the number of births did not fall below 800,000 until 1975, though fertility had starting declining from 1965. This is because the first large baby boom cohorts to reach child-bearing age (women born in 1945 and after) partly made up for the fertility decline until the mid-1970s. This «self-renewal» mechanism of the baby boom is also observed, to varying degrees, in the Netherlands and Sweden, though it did not occur in Germany or the United Kingdom.

nomically active older adults and of persons wishing to join the labour market must be taken into account, not simply the total numbers of working age people. So a strictly demographic approach, on a national scale, is not sufficient. If the retirement of baby boomers did «automatically» create employment opportunities for young people, then unemployment rates would be highest in North America, and lowest in countries such as Germany and Italy.

In certain European countries, the large gap between entrants and leavers – around -40% in Germany and Italy – may well become a handicap: without recourse to immigration, there will not be enough young people to replace their elders. For young French people, this might mean new job opportunities just across the border...

◆ How many additional old-age residential care places will be needed?

One of the key concerns associated with the potential burden of an expanding older population is the need to provide enough residential care places, notably for those who are dependent.

This issue must be viewed in the more general framework of the living arrangements and care of dependent persons. Dependent old people can continue to live in their own homes if they receive daily help

from friends or family, generally unpaid, or from specialized paid carers. They may also live with a member of their family or with another person on a purely private basis. Or again, they may live in an institution such as a retirement home or nursing home. The proportion of old people living in residential care varies greatly from country to country in the European Union (Figure 2). Among the over-75s, it ranges from a few percent in Poland (2%), Spain and Italy (4%), to around 12% in France, the Netherlands, Belgium, Ireland and Luxembourg. The Nordic countries, Austria the United Kingdom and Portugal, lie between the two extremes. These differences reflect the different cultural models of family solidarity and, most probably, a certain imbalance between supply and demand for collective infrastructures of this kind [2].

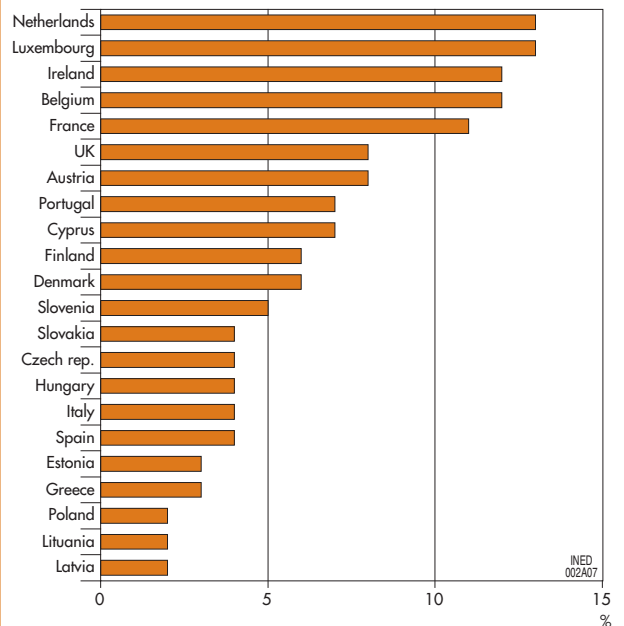
As the older population grows in size, the capacity of residential care will need to increase substantially in coming years – by between 60 and 100% in many countries – simply to provide the same level of coverage as today (Figure 3). This mechanical projection does not take account of the wishes of older people and their families or of the options available, nor does it consider the impact of measures to enable old people to remain in their own homes, two factors that are difficult to predict.

In particular, this scenario does not provide for a potential improvement in health status, though disability-free life expectancy is tending to increase faster than total life expectancy, i.e., people are living to older ages and in better health [3]. We can assess the impact of improved health among old people and later entry into residential care on the need for additional residential capacity. The proportion of persons living in an institution at ages 75-79 is quite low, rarely above 3%, but as the size of this age group is still large, 75-79 year-olds represent between 15% and 20% of the population of persons in residential care in the north-western EU Member States, and 25% to 35% of those in central and southern Europe. Slightly later entry into a retirement or nursing home would therefore limit the increase in capacity required. For example, if old people did not enter an institution until age 80, a smaller number of places would be needed in many countries (Figure 3). Compared with the previous scenario, demand would fall by 25% in EU-15, and by even more in the new Member States. This hypothesis of later institutionalization ties in with an existing trend; it corresponds both to the wishes of old people and to the priorities of current old-age policies. It is thus totally realistic and will probably occur on a much larger scale than the very modest assumption used here for illustrative purposes [4].

◆ Deaths will increase as the baby boomers die out

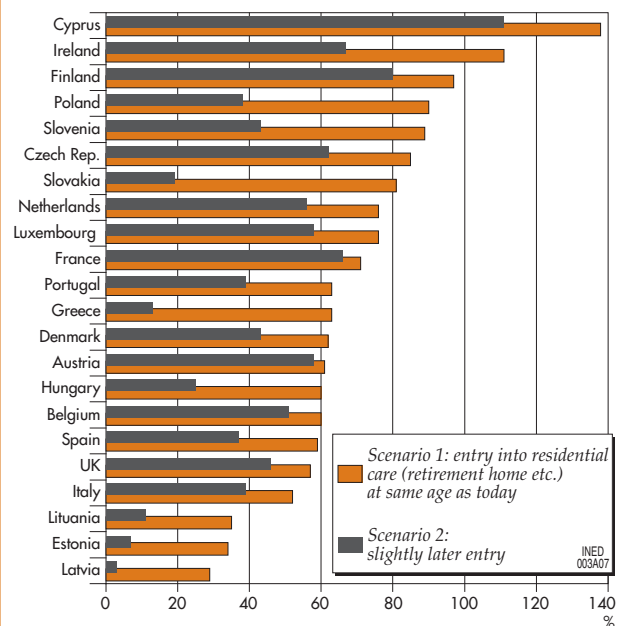
The baby boomers will finally reach the end of their lives in the coming decades. In the baby boom countries, the decline in mortality has maintained the number of deaths at a relatively stable level over the last fifty years, despite population growth and ageing, so the future increase will be particularly striking.

Figure 2 - Proportion of persons (in %) aged 75+ living in an institution in different European countries (early 2000s)



(A. Monnier, *Population & Societies*, no. 431, INED, February 2007) Source: Eurostat

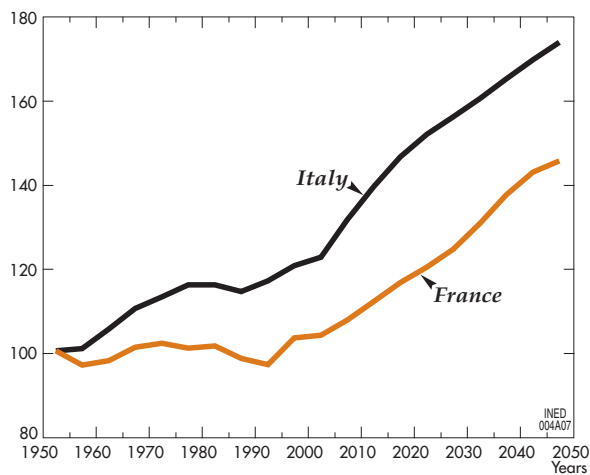
Figure 3 - Foreseeable increase (in %) in the number of persons living in institutions in 2030, under two different scenarios



(A. Monnier, *Population & Societies*, no. 431, INED, February 2007)

Source: Eurostat and personal calculations

Figure 4 - Number of deaths between 1950 and 2050 in France and in Italy (for 100 deaths in 1950)



(A. Monnier, *Population & Societies*, no. 431, INED, February 2007)

Source: Eurostat

In this respect, the baby boom countries stand out from the other countries of Europe, as shown by the observed and projected trends in the number of deaths in France and Italy (Figure 4). In both countries, the number of deaths will increase by around 40% by 2050, though in France this increase follows a period of remarkable stability, while in Italy the upward trend is already well-established.

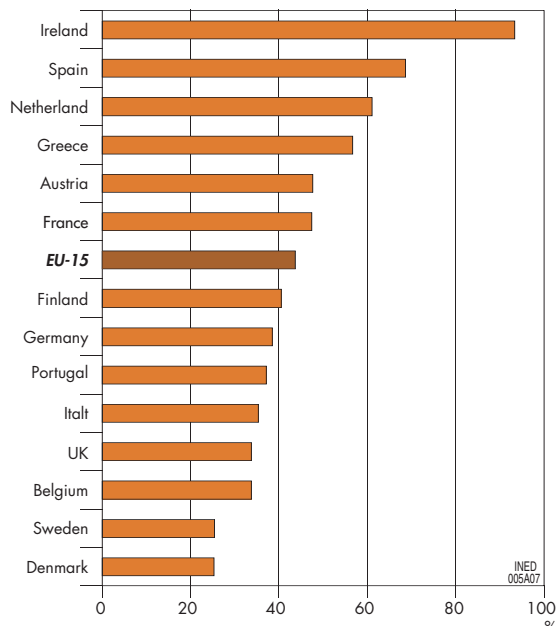
In sum, the coming decades will be marked by a sharp increase in the number of deaths in all western countries of the European Union, and to a lesser extent in the new Member States (Figure 5): an average rise of 40% in the first group of countries, and below 20% in the second.

This new trend will have numerous socioeconomic implications, notably for health systems confronted with a growing number of end-of-life patients, and for the economic activity of the funerary services sector, whose current market in France totals some 1.5 billion euros [5].

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Figure 5 - Increase in the annual number of deaths between 2005 and 2050 in EU-15



(A. Monnier, *Population & Societies*, no. 431, INED, February 2007)

Source: Eurostat

The baby boom is not the first surge in births observed in the history of demography. After the Spanish influenza epidemic, Sweden recorded an exceptional peak in births in 1920-1921. Others have been observed since then, following the sudden ban on abortion in Romania for example, or in response to incentive measures for parents, as in Sweden or the Soviet Union. But none have equalled in scale or duration the baby boom that followed the Second World War, and none have so strongly marked the social and economic history of such a vast number of people.

ABSTRACT

In Europe, the next fifty years will be marked by the retirement and death of the baby boom generations. But the socioeconomic implications are not necessarily what one might expect.

Though the people reaching retirement age will gradually outnumber young people entering the labour market, unemployment will not automatically be reduced. There is no guarantee that all persons who retire will be replaced or that the employment opportunities match the profiles of job seekers.

Likewise, residential care capacity for old people will not inevitably be insufficient. Though more numerous, old people are in better health and can delay their entry into a retirement home.

On the other hand, the 20% to 40% increase in the number of deaths will certainly have major consequences for health systems. In parallel, the funerary services sector will experience rapid growth.