

# Demographic Change: A Major Political Problem Zone

Increasing life expectancy on the one hand and low fertility rates on the other: That demographic change will affect society has become fairly common knowledge. But what is far less well known is what consequences this age structure will have for social policy decisions.

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**B**efore the election is after the election. This is particularly true for the major issues of our time. In addition to the two megatrends climate change and globalization, demographic change is at the top of the list of issues that German politicians must confront. The effects of a continued rapid increase in life expectancy, coupled with perpetually low fertility rates and changing family structures, will also pose key strategic and substantial challenges for the agenda of the new German government.

In terms of strategy, for example, there is the question of which basic policy approaches are the most

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promising: Should government attempt to influence the population directly, or wait until demographic processes reach equilibrium naturally?

And as regards specific policies, the main issue is how individual areas of the social system will be affected, such as pensions and health care. Although most Germans have by now heard of demographic

change, it seems prudent to take another look at the main aspects of these far-reaching change processes within the German population.

Since 1840, the international record life expectancy has risen with remarkable regularity by 2.5 years each decade. In other words, we get a three-month "bonus" for each year we are alive. Japanese women currently hold the record, with a life expectancy of 86 years. Since the end of the Second World War, the trend in Germany has developed nearly in parallel with the international trend; German women can expect to have an average lifespan of over 82 years.

This development is due primarily to medical progress and improvements in hygiene and nutrition, which drastically reduced the high infant mortality rate to its current extremely low level. All further increases in life expectancy are thus related to a reduction in the mortality of higher age groups.

The extent to which this so-called remaining life expectancy can, even among the very old, be influenced by improving their living conditions is clearly evident in the example of German reunification. Just a few years after the transition to a new system that greatly increased the level of medical and other care in East Germany, the probability of death in the age groups 70 years and older in East Germany approached or even dropped below those in West Germany.

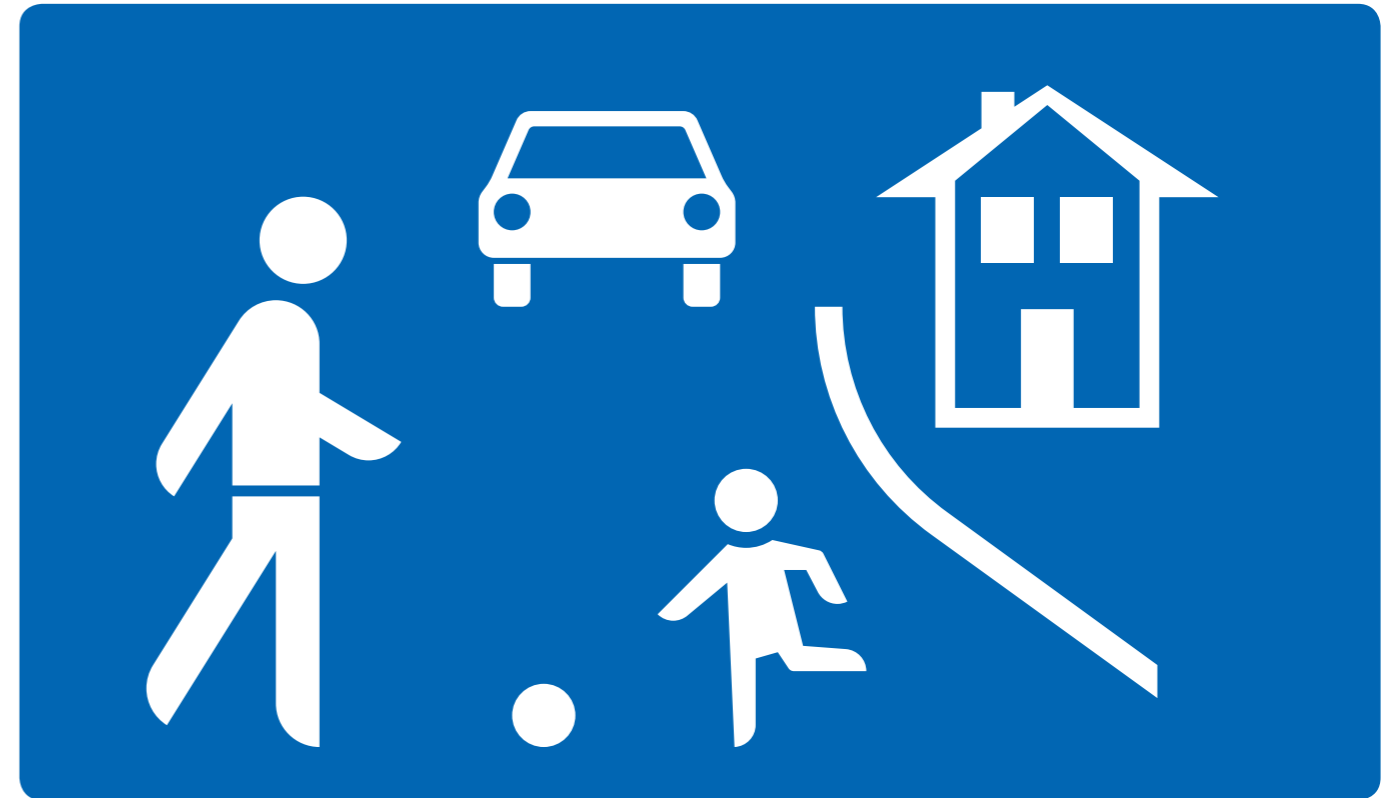


Illustration: OH (above); designergold (below)



There is no evidence that this trend will abate in the still young 21st century, so if the historical time series is extrapolated to 2050, we see life expectancy rising to over 92 years. A girl born today thus has a good chance of reaching the age of 100 – a feat much of the world’s population once considered impossible. Planning for such a lifespan will be one of the core challenges of demographic change – for individuals, society and governments alike.

The observation that, for decades, far fewer children have been born in Germany than are needed to replace each generation is not news. For replacement to occur, each woman would have to have an average of 2.1 children; in 2008, however, this number was just 1.36 (for comparison: in 1860, the figure was about 5 children for each woman). However, so-

### Increasing childlessness will lead to permanent changes in traditional family structures.

called tempo effects – that is, the fact that couples are postponing the realization of their desire to have children – mean that this figure underestimates the actual fertility rate.

For example, for women born in 1958, who are no longer in the reproductive phase, the actual number of children born is 1.6. However, this means that there is still a nearly 25 percent reduction in each subsequent generation. The latest calculations of the Federal Statistical Office – now based for the first time on reliable data for Germany, thanks to new questions in the microcensus – show that this is due mainly to Germany’s high childlessness rate. While the number of children per mother has remained relatively stable, the share of childless women has risen, and is currently 21 percent in the 40- to 44-year-old age group.

Together, increasing life expectancy and low fertility rates lead, initially, to an aging population. In Germany, this process is advancing relatively rapidly in international comparison. It can be expected

that the share of over-65-year-olds in the total population will double by 2050, to one-third, while the group of 15- to 64-year-olds will shrink 20 percent in the same period. These shifts will make additional reforms necessary, especially in the areas of employment and pensions.

The public debate often ends with these findings on the effects of demographic change, and doesn’t account for the fact that increasing childlessness in the country will also cause lasting changes in traditional family structures. A growing share of people will remain without children or grandchildren. Conventional points of contact between the young and the old will thus become scarcer.

Furthermore, assuming divorce rates remain high, we can expect that partnerships will change form, with fewer people in older age groups still living in a traditional marriage. Successful social and societal policies for the future should therefore also include new family forms in their reform approaches.

A brief look at how the causes and effects of demographic change are being dealt with at the political level suggests that most efforts are still aimed at trying to stop population aging, or at least at slowing it down. This becomes especially evident when the underlying reasons for the most recent changes in family policies are subjected to closer analysis.

The parental leave benefits introduced in 2007 – with an annual cost to the budget of four billion euros – are based on a central paradigm shift in German family policies. This shift was brought about in 2004 by a paper for the Federal Ministry of Family Affairs entitled “Sustainable family policies dedicated to active population development.” The stated “meta-goal” of this concept is “to increase the birth rate.” This implies nothing less than a complete departure from a principle that has been upheld for decades: no population policies. After all, in a modern, democratic nation, family and population policies differ only in their formulated goals, not in the measures they prescribe.

Family policies see potential parents as subjects to be supported in implementing their decisions. Population policies, on the other hand, are aimed primarily at directly influencing demographic processes, and thus make people the object of political measures.

Apart from this normative connotation, the parental leave benefits did indeed have a welcome effect. For example, more fathers than expected took advantage of the generously paid leave to raise their children. However, these benefits have not yet resulted in any sustained increase in the fertility rate, which has clearly led to pressure by the media on political leaders. Looking at the effects of family policy measures in other countries, though, it is no wonder that the meta-goal has not yet been achieved.

The case of Sweden, for example, shows that parental leave benefits are just one of a whole range of variables, and that the impact of such benefits on the fertility rate must be seen in connection with such factors as overall economic development and female labor force participation (MAXPLANCKRESEARCH 3/2005, p. 70 ff.).

In Germany, a clear mandate of the country’s Basic Law and continual reminders from the Federal Constitutional Court regarding the need for family support make it more important than ever that parents and children be provided with adequate assistance. However, a policy that implements these requirements, when the actual goal is to increase the fertility rate, could result in frustration. Moreover, even a lasting increase in the fertility rate to 2.1 children for each woman starting today would reduce population aging only slightly by 2050. This has to do with the sluggishness of demographic processes: a child born today won’t have children of his or her own for another 25 to 30 years.

It is thus fair to say that à la carte political control of population structure is hardly possible. A promising political strategy for demographic change should therefore address the question of how the country’s various social and economic segments should prepare for population aging. There is plenty of room for creative concepts.

Demographic change can certainly be considered a major political problem zone. It affects, like almost no other phenomenon, practically all areas of politics: education, labor, health care, family, housing construction – and the list could go on, as evidenced by examples from the labor market, the health care sector, and intergenerational relations.

We are already seeing a shortage of skilled professionals in some fields: Employers can’t find

enough suitable applicants to fill the available positions. The shrinking of the labor-market-relevant age groups could further intensify this problem. The “Rostock Indicator” developed by the Max Planck Institute for Demographic Research shows that, if age-specific activity rates and productivity levels remain constant, the potential workforce in Germany

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will shrink nearly 9 percent by 2025. This decline could be absorbed by boosting the currently low activity rates in the higher age groups (MAXPLANCKRESEARCH 3/2006, p. 14 ff.).

In an OECD comparison, Germany is in the lower third in terms of labor market participation of persons aged 50 to 64 years. Supporting the employment of older persons hinges on appropriate training throughout their careers. But here, too, Germany ranks near the bottom in international comparisons, since the direct annual cost of training measures – an average of 237 euros per employee in 2005 – constitutes only a small portion of total labor costs.

For the generations born today, the development and promotion of concrete measures for lifelong learning will be even more important: It can be expected that a large share of these people will have to plan for a significantly longer lifespan than today – in some cases up to 100 years. The existing, rigid concept of “education, career, retirement” would mean, for many, a retirement phase of more than 30 years. A social system that is defined largely by labor market participation will not be able to support such life courses.

Action is also needed in an area that is already a constant focus of political reform discussions: health and nursing care. Since the probability of needing nursing care increases with age – in Germany, 34 percent of men and 53 percent of women over the age of 85 required nursing care in 2003 – it seems that one of the first threats of population aging is a steep rise in health care costs. But demographic studies in-



dicating that the years we gain due to increasing life expectancy will not be spent entirely in sickness. People are aging to a considerable extent in good health, so that, on average, 65-year-olds today are much fitter than their counterparts from 20 years ago.

Nevertheless, even under the optimistic assumption that all additional years of life will be healthy ones, the need for nursing care will increase sharply by 2030: by 20 percent for women, and by 79 percent for men. If we assume that the number of years of nursing care needed will increase in proportion to the

is frequently assumed that, in modern welfare states, a growing share of older people in the total population limits the scope for future social policy reforms. This is due, for example, to the fact that the elderly consistently have higher election participation rates. In addition, forecasts show that, in 2050, half of the German electorate will be over 56 years old.

Citing demographic change, German policy makers have recently introduced several key political reforms with the goal of expanding government support for the younger generation (most recently through parental leave benefits). For the older generation, on the other hand, the tendency was to take advantage of the financial savings potential (such as by not increasing pension benefits). With a growing share of seniors, such a policy mix could prove to be unsustainable.

If the political preferences of older people for public transfers between generations – such as child benefits or pension benefits – turn out to differ from those of younger people, this could indeed, in an aging society, complicate the political decision-making processes.

Research to date has seldom been able to detect such an age effect, particularly due to limited data availability. Most surveys on intergenerational relationships focus mainly on questions relating to private transfer payments, or in other words, support potential within the family. Questions about political attitudes toward public transfers, on the other hand, are usually restricted to opinions about the general responsibilities of the government with respect to the various age groups.

Because all (age) groups, especially in Germany, generally consider the socio-political responsibility of the government to be very high, it is nearly impossible to detect any potentially existing age effect based on these questions. The bulk of scientific studies – which also form the basis for decisions by Germany's policy makers – thus regard the theory of a conflict for resources between the old and the young as unproven.

However, the latest studies published by the Max Planck Institute for Demographic Research, which are based on new data, reach a different conclusion. The surveys, each covering several thousand respondents, also explicitly included questions concerning their support or rejection of concrete social policy reforms,

for example, in the form of 13 family policy measures. Such an approach makes it easier for respondents to consider the potential impact of policy measures on their own lives (or those of their children or parents), their financial security or their possible courses of action.

The analysis of the data clearly shows that age effects do occur when it comes to specific policy reforms. Older respondents, for instance, have a much lower tendency than younger ones to support transfer payments to families (child benefits, tax breaks for parents). Parenthood and grandparenthood were identified as additional major influencing factors.

(Grand)childless respondents likewise showed a much lower tendency to advocate transfer payments to the younger generation. In combination with the higher voter turnout of older citizens, population aging and the growing share of childless people could impede the future decision-making processes in individual social policy domains.

We are already seeing concrete indications of increased conflicts between different demographic groups. For example, the decision by the federal government to expand child care is creating problems in some major German cities: In Hamburg and Munich, more and more residents are fighting the required rezoning, citing the noise disturbance caused by children. Municipal authorities are forced to actively support owners of these facilities in court proceedings, drawing on external expert opinions. Despite these efforts, some day care centers have already had to close due to successful lawsuits.

These examples may be just individual cases, but they clearly show the importance of demographically mixed neighborhoods. Spatial segregation of young and old, of parents and the childless, encourages potential conflict lines, as regular points of contact are then lost – and without them, the exchange required for mutual understanding and tolerance cannot take place.

The social policies of the future must take greater account of these potential divisions. Furthermore, policy makers should take seriously the different preferences of various groups in society, and focus more closely on political mediation. Only then can they gain the necessary support within the population for essential social and demographic reforms. ◀

## Germany lacks a population-wide strategy for health prophylaxis.

gain in years of life, then the figures would be 39 percent for women and 127 percent for men. These scenarios make it clear that we must promote health care policy measures that boost the chances of aging in good health.

Preventive approaches are key here. Finland is one of the frontrunners in Europe, having achieved some clear successes with large-scale prevention programs in the area of cardiovascular disease and, most recently, diabetes. Physicians have decried the fact that Germany lacks such a population-wide strategy for health maintenance.

A first step in this direction was taken at the federal level in early 2005, with the drafting of a prevention act. The proposal provided, for example, for the establishment of a national prevention council and the development of binding prevention targets. With the coalition changes that took place in late 2005, the initiative was included in the agreement between the ruling parties. However, due to certain differences, especially regarding the financing strategy, the political negotiations essentially came to a halt in 2008.

In addition to the discussions on the usual political subjects, such as labor and health care, debates over demographic change now also define the broader discourse on social policy, especially regarding the future relationship between the generations (MAX-PLANCKRESEARCH 2/2007, p. 54 ff.). In this context, it



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