Abstract

Demographic projections for Europe, as for many other industrialised countries, are characterised by a dramatic ageing of the population which will also have a substantial impact on general government revenue, expenditure and debt. A declining European workforce combined with a rapidly expanding number of retirees will force up spending on pensions, health-care and long-term care, while populations will fall and tax bases will shrink. The paper deals with the dynamics of government-sponsored pension schemes in Europe. They are usually based on the pay-as-you-go principle whereby current contributions finance current benefits. First, it looks at the aging of the population in Europe and the demographic projections by country. Second, it describes what we know about the institutional settings of pension schemes in Europe. Finally, it discusses the progress made so far on new statistics dealing with general government pension obligations in Europe.