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COVER NOTE

from :	Mr Joe GRICE, President of the Economic Policy Committee
dated :	7 February 2006
to :	Mr Karl-Heinz GRASSER, President of the (ECOFIN) Council
Subject :	Report on the impact of ageing populations on public spending - Council Conclusions

Dear President,

In response to the mandate of the Ecofin Council to the Economic Policy Committee in November 2003, please find attached a report on the impact of ageing populations on public spending for all EU Member States, for endorsement at the Ecofin Council on 14 February 2006. The projections cover pensions, health care, long-term care, education and unemployment transfers for the period 2005 to 2050. The Committee has also prepared draft Council conclusions, for your approval, agreed by the Economic and Financial Committee. For your convenience, we have also summarised the main messages of the report in an annex.

The budgetary projections were produced in a multilateral setting in the Committee's Working Group on Ageing together with the European Commission's Directorate General for Economic and Financial Affairs. By drawing upon the expertise and models available in both national authorities and international organisations, the cross-country comparability of the projections has been assured, while at the same time due account has been taken of country specific circumstances and the diversity of national systems.

I would like to draw Ministers' attention to important aspects of the projections:

- compared with earlier exercises, the new projections provide a more comprehensive and comparable set of information on the timing and scale of pressures on public spending as a result of population ageing. Major improvements have been made as regards coverage, projection methodology and commonly agreed assumptions. Enhanced transparency has been achieved through a structured peer review process and the publication of the underlying assumptions and results. Overall, the EPC considers that the projections provide a much more comparable and robust basis for assessing the sustainability of public finances across Member States, which is a major element in the reformed Stability and Growth Pact as well as the Lisbon Strategy;

- the projections have been made on the basis of present policies (i.e. on the basis that policies would not be changed) and are based on a common population projection and common underlying economic assumptions. The pension projections are made on the basis of legislation enacted by mid 2005;

- the pension projections were made using the models of national authorities, and thus reflect the current institutional features of national pension systems. In contrast, the projections for health care, long-term care, education and unemployment transfers were made using commonly agreed models developed by the European Commission. While these projections point to key drivers of public spending, it needs to be noted that they can not not completely model the specific institutional arrangements and policies which exist at national level; and

- caution must be exercised when interpreting the long-run budgetary projections given the degree of uncertainty, which increases the further into the future the projections go. The projections are not forecasts but they do provide an indication on the potential timing and scale of budgetary challenges that could result from population ageing.

If the Council would find it helpful, the EPC would be happy to carry out further work to build upon these budgetary projections:

- A more in-depth assessment could be carried out of the risks surrounding the projection results.

- The projections could also be used as input in ongoing debates on the need and potential benefits of raising employment rates, modernising welfare systems and pursuing sustainable development. These are central challenges being tackled in the Lisbon process, in the Open Method of Co-ordination, and in the follow-up to the Hampton Court Summit of last October, where Heads of State and Government in the context of the modernisation of welfare systems requested more work on demography and extending working lives.

- In addition, the age-related expenditure projections provide valuable insights on the budgetary impact of structural reforms in the context of the Stability and Growth Pact, which should be explored further.

I would like to invite the Council to endorse the report as the basis for assessing the sustainability of public finances in the context of the Stability and Growth Pact, and when considering the budgetary impact of ageing in other policy processes at EU level.

A full version of the report, including an assessment of each expenditure item and detailed country specific information, will be published after the discussion by the Council.

(Complimentary close)

(s.) Joe Grice

Annex

Draft (ECOFIN) Council conclusions on the report on the impact of ageing populations on public spending

The Council (Ecofin) endorses the report on age-related expenditure projections covering pensions, health care, long-term care, education and unemployment transfers for EU25 Member States for the period 2004 to 2050, prepared by the Economic Policy Committee and the Commission on the basis of commonly agreed assumptions. The Council supports the main messages annexed to these conclusions. The projections are not a forecast, but provide an indication of the potential timing and scale of budgetary changes that could result from ageing populations.

The Council takes note of the central findings as regards the economic and budgetary implications of ageing populations. While the employment rates of females and older workers are expected to increase, the effects of ageing will eventually dominate and lower total employment levels. The average annual potential growth rate for the EU25 is projected to fall significantly from 2.2% in the period 2004-10 to 1.4% between 2030 and 2050. An even steeper decline is foreseen for several countries.

The fiscal impact of ageing will be substantial in almost all Member States, with the effects accelerating as of 2010. Overall, on the basis of current policies, age-related public expenditures are projected to increase on average by 4 percentage points of GDP by 2050 in EU25 and up to 10 % in several Member States, through two main channels:

- *Pensions*: Ageing populations are expected to lead to a substantial increase in public pension expenditure though there is a large diversity across countries. In nine countries the increase is projected to be over 5 percentage points of GDP. Reforms implemented in recent years in some Member States are having visible positive impacts. They have sharply reduced the projected increase in expenditures, diminishing the impact of ageing. In some cases, however, the scale of reforms has been insufficient.

- *Health care and long-term care*: on average for the EU25, public spending on health care is projected to rise by some 1.5 percentage points 1of GDP, and public spending on long-term care is projected to increase by between 0.5 and 1 percentage points of GDP in most Member States.

The Council concludes that:

- on the basis of current policies and the demographic trends, substantial risks to the sustainability of public finance remain a major challenge for many Member States;

- there is a limited, but fast-closing, window of opportunity to take policy action. In absence of decisive countervailing measures, an ageing population will act as a drag on potential economic and employment growth, leading to extensive pressure for increased public spending in the medium and long-run;

- Ministers should reaffirm their commitment to implementing further structural reforms aimed at: increasing job creation and participation in the labour market, reducing incentives for early-exit from the labour market and strengthening productivity growth;

- the projections should be used as the basis for quantitative analysis as part of the reformed Stability and Growth Pact. They provide a sounder, more comprehensive and comparable basis for assessing further in depth the sustainability of Member States' public finances. This assessment will also take into account all relevant information including structural fiscal positions, outstanding debt levels, national institutional features and national projections including on the revenue side;

- despite progress achieved in recent years, further comprehensive reforms are needed in many Member States to modernise their welfare systems. In light of the challenges ahead, Ministers reaffirm their commitment to the existing three-pronged strategy for meeting the economic and budgetary consequences of ageing i.e.: reducing debt at a faster pace, raising employment rates and productivity, as well as reforming pension, health care and long-term care systems. In pursuing these reforms, there is a need to secure core policy goals of access, adequacy and financial viability. Later retirement should be encouraged and measures which encourage early withdrawal from the labour force, or add to pension costs should be avoided; and

- a growing share of private pensions in overall retirement income underlines the importance of appropriate regulation of private pension funds and of careful surveillance of their performance for securing adequate retirement income.

The Council invites:

- the EPC to deepen its analysis of the labour market implications of ageing populations, and on policy measures - including reforms aiming at the modernisation of social protection and welfare systems - which can contribute to extending working lives and lead to a better control and management of public expenditures;

- the EPC to update and further deepen its common projection exercise of age-related expenditure projections by the autumn of 2009 on the basis of a new population projection to be provided by Eurostat; and

- the Commission, on the basis of the projections, to undertake a comprehensive assessment of the sustainability of Member States' public finances by autumn 2006, using the commonly agreed framework. It invites the EPC on the basis of that assessment to report back to the Council by the end of 2006.

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Report by the Economic Policy Committee on the impact of ageing populations on public spending

Main messages

1. These main messages are based on the age-related expenditure projections covering pensions, health care, long-term care, education and unemployment transfers for EU25 Member States for the period 2004 to 2050, prepared by the Economic Policy Committee and the Commission on the basis of commonly agreed assumptions. The projections are not a forecast, but nonetheless provide an indication of the potential timing and scale of budgetary changes that could result from ageing populations.

2. **Europe's population will be older in 2050, with a much smaller population of working age.** This is due to fertility rates remaining below the natural replacement rate and continuous increases in life expectancy which are only partially offset by inward migration. From an economic perspective, the most important development concerns the working-age population (15 to 64), which is projected to drop by 48 million (16%), between 2004 and 2050. In contrast, the elderly population aged 65+ will rise sharply by 58 million (77%). Europe will go from having four to only two persons of working-age for every elderly citizen.

3. **Despite higher employment rates, the number of employed persons will eventually fall and act as a drag on growth.** The labour force projection shows that the overall employment rate would rise from 63% in 2003 to the 70% Lisbon employment rate target in 2020, i.e. 10 years behind schedule. The increase is mainly due to higher female employment rates as older women retire and are replaced by more economically active younger women. It is also due to the large projected increase in the employment rate of older workers: half of this increase is due to positive effects of recently enacted pension reforms, a good illustration of the potential benefits of structural reform. But even if the EU meets the Lisbon employment rate targets, the decline in the size of the working age population will dominate. After increasing by some 20 million between 2004 and 2017, total employment in the EU25 is thereafter projected to contract by almost 30 million by 2050, a fall of nearly 10 million over the entire projection period.

4. **Potential GDP growth will therefore decline.** For the EU15, the annual average potential GDP growth rate would fall from 2.2% in the period 2004-10 to 1.8% in the period 2011-30, and to 1.3% between 2031 and 2050. An even steeper decline is foreseen in the EU10 Member States, from 4.3% in the period 2004-10 to 3% in the period 2011-30 and to 0.9% between 2031 and 2050. Moreover, the sources of economic growth would alter dramatically. Employment will make a small positive contribution to growth up to 2010, become neutral in the period 2011-2030, and turn significantly negative thereafter. Over time, labour productivity will become the dominant, and in some countries the only, source of growth. If the projected rise in productivity and in the employment rate will not materialise in the future, the potential growth may fall even more.

5. **The projections confirm the validity of the Lisbon strategy** and the need to vigorously pursue measures that raise labour supply/utilisation and enhance productivity. In many countries, substantial benefits could be reaped by reducing structural unemployment further. Even if the EU reaches the Lisbon employment target as projected, significant pools of unused labour will remain. For example, while the EU as a whole is projected to meet the 70% employment target by 2020, the euro area would only do so by 2035. Moreover, even with the dramatic projected increase in the employment rates of older workers by 2025, Europe would only reach the level observed today in US, and the average exit age from the labour market would be 62 despite life expectancy increasing to well over 80 for most persons. In brief, there is a critical need to implement the Lisbon strategy, and even to look beyond the 2010 goals. Further structural reforms, aimed at: increasing job creation and participation in the labour market, reducing incentives for early-exit from the labour market and strengthening productivity growth are an essential part of policy action to address ageing populations.

6. **Public spending on pensions will significantly rise**, but there is a very large diversity across countries. In five Member States, it is projected to decrease, while in nine countries the increase is projected to be over 5 percentage points of GDP. Large projected increases call into question the financial sustainability of pension systems in several countries, e.g. Hungary (+6.7% of GDP between 2004 and 2050), Spain (7.1%), Slovenia (7.3%), Luxembourg (7.4%), Portugal (9.7%) and Cyprus (12.9%).

7. **The projections confirm the large potential benefits of pension reform.** A comparison with the EPC pension projections of 2001 indicates that recent pension reforms have helped curtail the impact of ageing on pension systems in almost half of EU15 countries. Sensitivity tests show that pension spending is most sensitive to changes in life expectancy, an important finding as demographers in the past have frequently underestimated the gains in life expectancy. As part of recent pension reforms, some Member States have introduced a link between life expectancy at retirement and pension benefits: the projection results indicate that these measures appear to achieve a better sharing of demographic risk.

8. **Higher employment rates can lead to very large welfare gains**. However, improved employment does not, per se, lead to lower public spending on pensions as a share of GDP over the long run as higher/longer employment can result in the accumulation of greater and more adequate pension entitlements, thus contributing to social sustainability. However, measures which raise employment do strengthen the financial sustainability of pension systems by delaying the onset of expenditure rises and through increased contributions. There may also be additional budgetary savings if higher employment is the result of lower unemployment and curtailed access to early-retirement schemes.

9. **Reforms are leading to new challenges in balancing the adequacy and financial sustainability of pensions.** Reforms in many countries, especially the indexation of pension benefits to prices, will reduce the generosity of public pensions. While resulting in budgetary savings, the adequacy of pension, including for mixed funded systems should be kept under review as it may lead to pressure for future policy changes with a budgetary impact. The partial switch of the public old-age pension scheme into private funded schemes means that public spending in several EU10 countries is actually projected to decrease over time (Poland, Estonia and Latvia) or only increases by very small amounts (Lithuania, Slovakia). A similar picture emerges from the UK projections. While reducing explicit public finance liabilities and improving the sustainability of public finances, moves towards more private sector pension provision create new challenges and forms of risks for policy makers and, in particular, underline the importance of appropriate regulation of private pension funds and of careful surveillance of their performance for securing adequate retirement income.

10. **Ageing populations will also lead to increased public spending on health care,** which on average are projected to rise by some 1.5% of GDP by 2050. Ageing, however, is only one driving factor. For example, if most of the expected gains in life expectancy are spent in broadly good health, then the projected increase in public spending due to ageing could be halved. The projections also show that public spending on health care is very sensitive to income and the price developments in the health care sector (mostly wages and spending on pharmaceuticals) and other factors such as the demand for better quality services. Overall, the projections show the need for much more analysis on how to better control and manage health spending, and in particular how to strengthen the incentives facing patients and health care staff to consume resources in a rational manner. Finally, EU10 countries may face a particular challenge in managing their health care systems given their currently low level of per capita spending on health care. The desire to improve the quality of health care services towards levels observed in EU15 countries, needs to be balanced with progress towards achieving real economic convergence.

11. **An ageing population will be an even stronger driver of public spending for long term care.** This is because frailty and disability rise sharply at older ages, especially amongst the very old (aged 80+) which will be the fastest growing segment of the population in the decades to come. Moreover, the unit cost of providing long-term care, especially in institutions, can be very high. On the basis of current policies, public spending on long-term care is projected to increase between 0.5 and 1% of GDP in many Member States. This may, however, underestimate the scale of policy challenge. Smaller household sizes and higher female employment may result in less informal care being available within households in coming decades. A growing gap between the demand for care services and actual availability may occur, especially in those countries with underdeveloped formal care services.

12. **Education expenditure cannot offset the projected increase in spending on pension and health care expenditures.** While the projected fall in the number of children and young people points to potential budgetary savings on education spending, in practice these may not materialise due to government efforts to raise enrolment rates and the quality of education as well as to encourage life-long learning with a view to contributing to higher labour productivity.

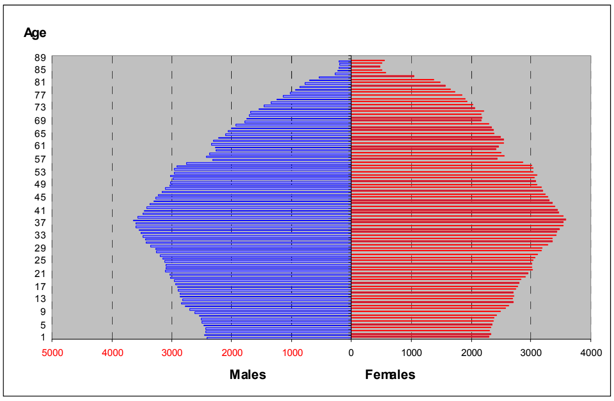
13. **Overall, the projections show that Europe faces a significant budgetary challenge posed by ageing populations, confirming the results of the previous projection exercise from 2001.** Most of the projected increase in public spending will be on pensions, health care and long-term care, becoming apparent as of 2010 and with the largest increases in spending projected to take place between 2020 and 2030. The potential offsetting savings in terms of public spending on education and unemployment benefits are likely to be limited. While considerable progress has been made in several Member States towards securing more sustainable public finances over the long-term, not least with respect to adjusting pension arrangements, more effort appears required in many Member States. The very low projected increase (even decreases) in age-related public spending in several EU10 is principally due to shift towards private pension schemes. Adjusted for risk, (more severe demographic prospects, the challenge in sustaining real economic convergence, ensuring the success of private pension systems), the budgetary challenge posed by ageing is at least as severe as for EU15 countries.

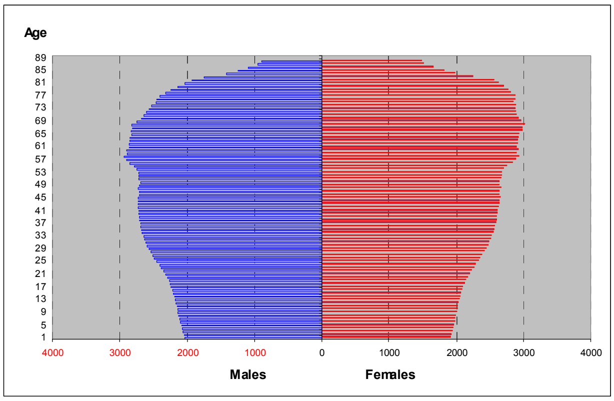
14. **The three-pronged strategy to economic and budgetary challenge of ageing needs to be pursued.** Member States need to achieve and sustain sound underlying budget position and to run down public debt at a faster pace: running down public debt can contribute to the financial sustainability of social security schemes in the long run. Secondly, there is a need to raise employment rates, especially amongst women and older workers, and appropriate steps should be envisaged to raise labour supply, including the better management of economic migrants. Thirdly, appropriate reforms are required of pension, health care and long-term care, to ensure that these expenditures are financially viable in the face of ageing while at the same time securing core policy goals of adequacy and access.

15. **A fuller assessment of the sustainability of Member States' public finances should now be carried out using these budgetary projections in line with the new code of conduct on the Stability and Convergence Programmes.** These age-related expenditure projections are a key input to the analysis of the sustainability of public finances in the EU, and an integral part of budgetary surveillance within the Stability and Growth Pact in line with the Code of Conduct on Stability and Convergence Programmes agreed by the Council on 11 October 2005. They provide a much more comparable, transparent and sound basis for the assessment of the budgetary implications of demographic change. In the coming months, further analysis is needed to achieve a fuller understanding of the new projection results, and in particular to get clearer insights of the key driving factors for each Member States and the impact on public finances sustainability. To this end, the Commission is expected to prepare a detailed report on the sustainability of public finances by the end of 2006, which will be assessed by the EPC. In addition, the age-related expenditure projections provide valuable insights on the budgetary impact of structural reforms, and their use in the context of the Stability and Growth Pact will be explored further, in time for the assessment of next round of Stability and Convergence Programmes.

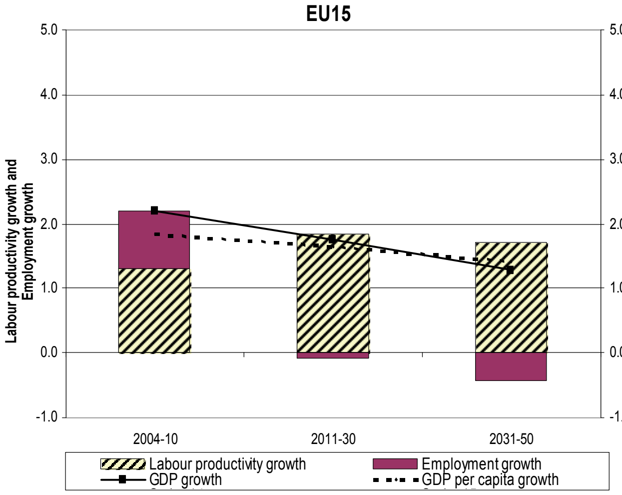
Age pyramids for EU25 population in 2004 and 2050

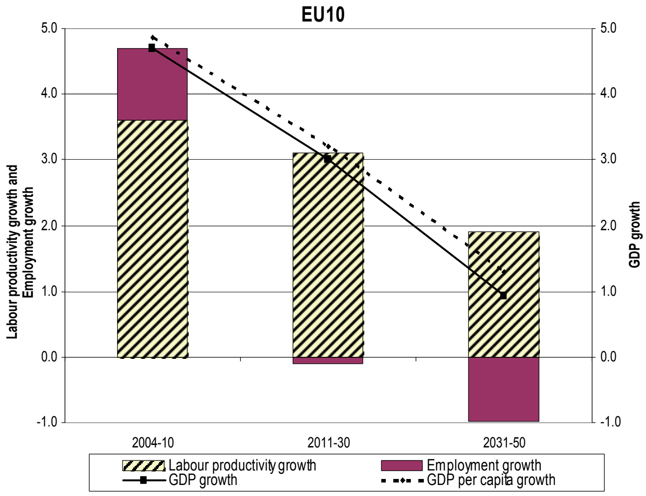
2004 *2050*



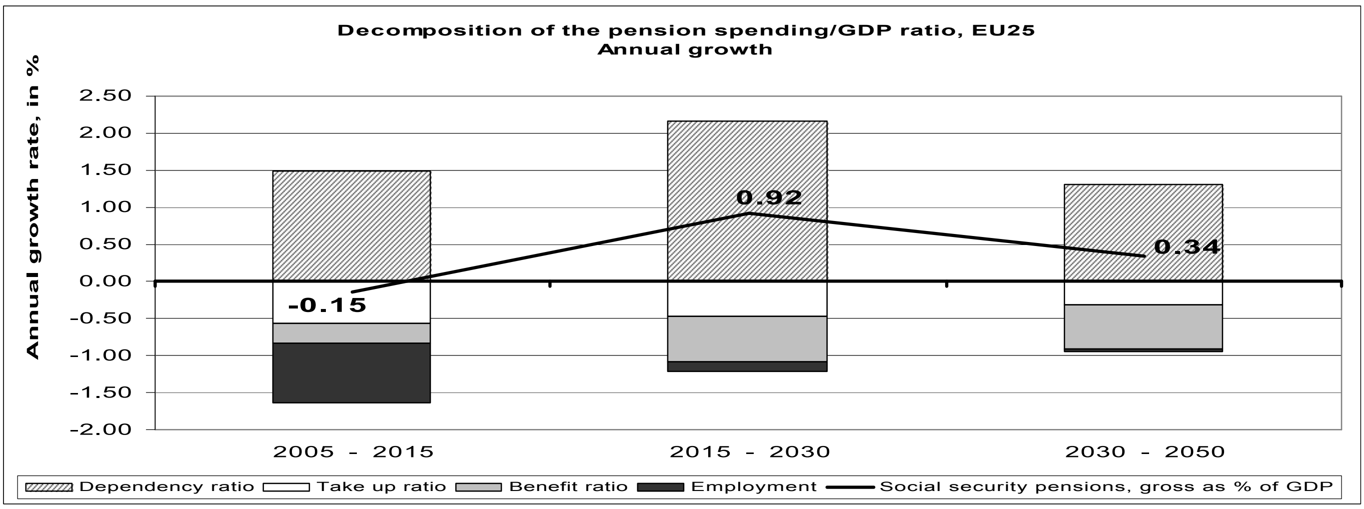


Potential growth rates and their determinants (employment/productivity)





Decomposition of the driving forces of pension spending



Legenda:

Dependency ratio = Pop 65+ / Pop (15-64)

Take up ratio = Pensioners / Pop 65+

Employment = Employed / Pop (15-64)

Benefit ratio = Average pension / GDP per worker

Projected changes in age-related public expenditure between 2004 and 2030/50 (% of GDP)

	Pensions			*Health care*			*Long-term care*			*Unemployment benefits*			*Education*			Total* (without long term care)		Total* (without education)		Total* of all available items*		
	Level	*Change from 2004 to:*		Level	*Change from 2004 to:*		Level	*Change from 2004 to:*		Level	*Change from 2004 to:*		Level	*Change from 2004 to:*		*Change from 2004 to:*		*Change from 2004 to:*		*Change from 2004 to:*		
	2004	*2030*	*2050*	2004	*2030*	*2050*	2004	*2030*	*2050*	2004	*2030*	*2050*	2004	*2030*	*2050*	*2030*	*2050*	*2030*	*2050*	*2030*	*2050*	
BE	10.4	*4.3*	*5.1*	6.2	*0.9*	*1.4*	0.9	*0.4*	*1.0*	2.3	*-0.5*	*-0.5*	5.6	*-0.6*	*-0.7*	*4.1*	*5.3*	*5.1*	*7.0*	*4.5*	*6.3*	**BE**
DK	9.5	*3.3*	*3.3*	6.9	*0.8*	*1.0*	1.1	*0.6*	*1.1*	1.5	*-0.3*	*-0.3*	7.8	*-0.4*	*-0.3*	*3.4*	*3.7*	*4.4*	*5.1*	*4.0*	*4.8*	**DK**
DE	11.4	*0.9*	*1.7*	6.0	*0.9*	*1.2*	1.0	*0.4*	*1.0*	1.3	*-0.4*	*-0.4*	4.0	*-0.8*	*-0.9*	*0.6*	*1.7*	*1.8*	*3.6*	*1.0*	*2.7*	**DE**
GR				*5.1*	*0.8*	*1.7*				*0.3*	*-0.1*	*-0.1*	*3.5*	*-0.5*	*-0.4*	*:*	*: :*	*:*	*:*	*:*	*:*	**GR**
ES	8.6	*3.3*	*7.1*	6.1	*1.2*	*2.2*	0.5	*0.0*	*0.2*	1.1	*-0.4*	*-0.4*	3.7	*-0.7*	*-0.6*	*3.3*	*8.3*	*4.0*	*9.1*	*3.3*	*8.5*	**ES**
FR	12.8	*1.5*	*2.0*	7.7	*1.2*	*1.8*				1.2	*-0.3*	*-0.3*	5.0	*-0.5*	*-0.5*	*1.9*	*2.9*	*2.4*	*3.4*	*1.9*	*2.9*	**FR**
IE	4.7	*3.1*	*6.4*	5.3	*1.2*	*2.0*	0.6	*0.1*	*0.6*	0.7	*-0.2*	*-0.2*	4.1	*-0.9*	*-1.0*	*3.2*	*7.2*	*4.3*	*8.8*	*3.3*	*7.8*	**IE**
IT	14.2	*0.8*	*0.4*	5.8	*0.9*	*1.3*	1.5	*0.2*	*0.7*	0.4	*-0.1*	*-0.1*	4.3	*-0.8*	*-0.6*	*0.9*	*1.1*	*1.8*	*2.4*	*1.0*	*1.7*	**IT**
LU	10.0	*5.0*	*7.4*	5.1	*0.8*	*1.2*	0.9	*0.2*	*0.6*	0.3	*-0.0*	*-0.1*	3.3	*-0.5*	*-0.9*	*5.2*	*7.6*	*6.0*	*9.1*	*5.4*	*8.2*	**LU**
NL	7.7	*2.9*	*3.5*	6.1	*1.0*	*1.3*	0.5	*0.3*	*0.6*	1.8	*-0.2*	*-0.2*	4.8	*-0.2*	*-0.2*	*3.5*	*4.4*	*4.0*	*5.2*	*3.8*	*5.0*	**NL**
AT	13.4	*0.6*	*-1.2*	5.3	*1.0*	*1.6*	0.6	*0.3*	*0.9*	0.8	*-0.1*	*-0.1*	5.1	*-0.9*	*-1.0*	*0.5*	*-0.7*	*1.8*	*1.2*	*0.9*	*0.2*	**AT**
PT	11.1	*4.9*	*9.7*	6.7	*-0.1*	*0.5*				1.0	*-0.1*	*-0.1*	5.1	*-0.6*	*-0.4*	*4.1*	*9.7*	*4.7*	*10.1*	*4.1*	*9.7*	**PT**
FI	10.7	*3.3*	*3.1*	5.6	*1.1*	*1.4*	1.7	*1.2*	*1.8*	1.5	*-0.4*	*-0.4*	6.0	*-0.6*	*-0.7*	*3.5*	*3.4*	*5.3*	*5.9*	*4.7*	*5.2*	**FI**
SE	10.6	*0.4*	*0.6*	6.7	*0.7*	*1.0*	3.8	*1.1*	*1.7*	1.1	*-0.2*	*-0.2*	7.3	*-0.7*	*-0.9*	*0.3*	*0.5*	*2.0*	*3.1*	*1.3*	*2.2*	**SE**
UK	6.6	*1.3*	*2.0*	7.0	*1.1*	*1.9*	1.0	*0.3*	*0.8*	0.4	*-0.0*	*-0.0*	4.6	*-0.5*	*-0.6*	*1.9*	*3.2*	*2.7*	*4.6*	*2.2*	*4.0*	**UK**
CY	6.9	*5.3*	*12.9*	2.9	*0.7*	*1.1*				0.4	*-0.0*	*-0.0*	6.3	*-1.9*	*-2.2*	*4.1*	*11.8*	*6.0*	*14.1*	*4.1*	*11.8*	**CY**
CZ	8.5	*1.1*	*5.6*	6.4	*1.4*	*2.0*	0.3	*0.2*	*0.4*	0.2	*-0.0*	*-0.0*	3.8	*-0.9*	*-0.7*	*1.6*	*6.8*	*2.6*	*7.9*	*1.8*	*7.2*	**CZ**
EE	6.7	*-1.9*	*-2.5*	5.4	*0.8*	*1.1*				0.1	*-0.0*	*-0.0*	5.0	*-1.1*	*-1.3*	*-2.3*	*-2.7*	*-1.2*	*-1.4*	*-2.3*	*-2.7*	**EE**
HU	10.4	*3.1*	*6.7*	5.5	*0.8*	*1.0*				0.2	*-0.0*	*-0.0*	4.5	*-1.0*	*-0.7*	*2.8*	*7.0*	*3.8*	*7.7*	*2.8*	*7.0*	**HU**
LT	6.7	*1.2*	*1.8*	3.7	*0.7*	*0.9*	0.5	*0.2*	*0.4*	0.1	*-0.1*	*-0.1*	5.0	*-1.6*	*-1.6*	*0.2*	*1.0*	*2.0*	*3.1*	*0.3*	*1.4*	**LT**
LV	6.8	*-1.2*	*-1.2*	5.1	*0.8*	*1.1*	0.4	*0.1*	*0.3*	0.3	*-0.1*	*-0.1*	4.9	*-1.2*	*-1.4*	*-1.7*	*-1.6*	*-0.4*	*0.1*	*-1.5*	*-1.3*	**LV**
MT	7.4	*1.7*	*-0.4*	4.2	*1.3*	*1.8*	0.9	*0.2*	*0.2*	1.2	*-0.2*	*-0.2*	4.4	*-1.2*	*-1.2*	*1.6*	*0.1*	*2.9*	*1.5*	*1.8*	*0.3*	**MT**
PL	13.9	*-4.7*	*-5.9*	4.1	*1.0*	*1.4*	0.1	*0.0*	*0.1*	0.5	*-0.4*	*-0.4*	5.0	*-2.0*	*-1.9*	*-6.1*	*-6.8*	*-4.1*	*-4.8*	*-6.1*	*-6.7*	**PL**
SK	7.2	*0.5*	*1.8*	4.4	*1.3*	*1.9*	0.7	*0.2*	*0.6*	0.3	*-0.2*	*-0.2*	3.7	*-1.5*	*-1.3*	*0.1*	*2.3*	*1.8*	*4.1*	*0.3*	*2.9*	**SK**
SI	11.0	*3.4*	*7.3*	6.4	*1.2*	*1.6*	0.9	*0.5*	*1.2*	0.5	*-0.1*	*-0.1*	5.3	*-0.7*	*-0.4*	*3.9*	*8.4*	*5.1*	*10.1*	*4.4*	*9.7*	**SI**
EU25	10.6	*1.3*	*2.2*	6.4	*1.0*	*1.6*	0.9	*0.2*	*0.6*	0.9	*-0.3*	*-0.3*	4.6	*-0.7*	*-0.6*	*1.3*	*2.8*	*2.2*	*4.0*	*1.6*	*3.4*	**EU25**
EU15	10.6	*1.5*	*2.3*	6.4	*1.0*	*1.6*	0.9	*0.3*	*0.7*	0.9	*-0.2*	*-0.2*	4.6	*-0.6*	*-0.6*	*1.6*	*3.0*	*2.5*	*4.3*	*1.9*	*3.7*	**EU15**
EU12	11.5	*1.6*	*2.6*	6.3	*1.0*	*1.5*	0.7	*0.2*	*0.5*	1.0	*-0.3*	*-0.3*	4.4	*-0.7*	*-0.6*	*1.7*	*3.2*	*2.5*	*4.4*	*1.9*	*3.7*	**EU12**
EU10	10.9	*-1.0*	*0.3*	4.9	*0.9*	*1.3*	0.2	*0.1*	*0.2*	0.4	*-0.2*	*-0.2*	4.7	*-1.5*	*-1.3*	*-1.8*	*0.0*	*-0.3*	*1.6*	*-1.8*	*0.2*	**EU10**
***EU9** (EU10-PL)*	8.8	*1.6*	*4.8*	5.5	*0.9*	*1.3*	0.3	*0.2*	*0.3*	0.3	*-0.1*	*-0.1*	4.4	*-1.1*	*-0.9*	*1.4*	*5.1*	*2.6*	*6.4*	*1.5*	*5.4*	***EU9 (EU10-PL)***

***1) Total expenditure for GR does not include pension expenditure. The Greek authorities have agreed to provide the pension projections in 2006. In the context of the most recent assessment of the sustainability of public finances based on the Greek stability programme, public spending on pensions was projected to increase by 10.3% of GDP between 2004 and 2050.**

2) Total expenditure for: GR, FR, PT, CY, EE, HU does not include long-term care

3) The projection results for public spending on long-term care for Germany does not reflect current legislation where benefit levels are fixed. A scenario which comes closer to the current setting of legislation projects that public spending would remain constant as a share of GDP over the projection period.

Note: these figures refer to the baseline projections for social security spending on pensions, education and unemployment transfers. For health care and long-term care, the projections refer to "AWG reference scenarios"