

Summary

Demographic analyses and population projections for Slovenia and other European countries have for a longer period been pointing to the problem of the population's ageing. This phenomenon is being caused by longer life expectancy on one hand and on the other by declining birth rates, which are below the levels that would ensure the sustaining of generations in most European countries. The size of young populations is shrinking while old populations are growing at an accelerated pace. The working-age population (aged 15-64, according to the statistical convention) is currently still preserving its present level, yet it will begin to decline rapidly in 5-10 years' time as the large generations born after the World War II move into the old population group. For quite a while these demographic trends in Europe have caused concern due to their impacts on public finance, particularly the financing of pensions, health care and long-term care of the growing number of old people on one hand, and on the size of the working-age population and the related economic growth potential on the other. Population projections are one of the key elements of analysing the problem of future ageing population and they have thus become the basis of analyses and projections of its long-term macroeconomic and fiscal sustainability.

The primary aim of our analyses and projections is to highlight the dilemmas over the ranges of different assumptions that determine the basic trend and the possible ranges of Slovenia's future population development and its socio-economic components. Demographic analyses and projections are a vital part of the Institute of Macroeconomic Analysis and Development (IMAD)'s main activity since the monitoring, analysing and forecasting of economic trends (one of the IMAD's core tasks) cannot be performed without analyses and projections of demographic phenomena which constitute both the condition and the aim of economic development. To this end, the IMAD often has to develop methodological tools that allow more detailed analytical research and the coherent projecting of individual demographic categories and phenomena. Some results of the past experience and methodological endeavours in this area were already presented in previous years within the IMAD's Working Papers series. The projections presented in this working paper, which have also been intended to be used in quantifying scenarios for the Strategy of Slovenia's Development, include a population projection and the results of projections for socio-economic categories and the population's education structure, with special emphasis being placed on the active population as one of the key factors of economic development.

We first present an analysis of the possible development directions of individual components of demographic growth (birth rate, death rate and migration rates) and their different combinations, which was used as the basis for selecting and justifying assumptions underlying the new population projections. We present the analysis of projection variants up until 2050 based on population data for Slovenia recorded on 31 December 2003 and the new complete life tables for 2000-2002. The assumptions of these projections do not differ substantially from the assumptions used by the Eurostat in its demographic projections for Slovenia or from the assumptions agreed within a wider working group dealing with issues concerning the population's ageing in Slovenia. Further, we analyse the impact of different combinations of projection assumptions on the age-based socio-economic breakdown of the population; within the latter particularly on the size of the active and retired population. We also present the results of the basic projection of individual socio-economic categories of the population and assumptions and results of the projection of people in education and the population's education structure. Finally, we analyse

the sustainability of public finances in the context of population ageing.

Regardless of the different assumptions used in these and several other demographic projections for Slovenia, their main results are essentially the same, as are those obtained elsewhere in Europe: the ageing of populations, i.e. an increase in the number and share of populations aged over 65 and particularly of those aged over 80, and a concurrent decline in the number of children and a deterioration in the dependency ratios. According to the more pessimistic assumptions or even those of a medium likelihood, the overall population numbers will start to drop sharply around 2020 or earlier. The number of the population of working age will fall as well, as will the number of people in employment (by 2020 at the latest), except in the event of net migration exceeding the average annual level of 13,500. However, such a high level of net migration is questionable in terms of the potential political or cultural and identity problems that it could bring about since it would require an increase in the share of immigrants to at least one-third of the total population. On the other hand, such high net migration could substantially raise the number of births and the total number of the population, while it would not be able to prevent the deterioration in the ratio between the working-age and old population, or between the active and retired population. The possibilities of an increase in the number of births in Slovenia are limited. Due to the decline in the number of births seen over the past 25 years, the number of women of childbearing age will also fall in the future. Therefore, even if the overall birth rate coefficient increases (which is a plausible assumption considering the present rapid increase in the fertility of women aged over 27) the number of births will record a downward tendency, except in the event of strong or robust net migration coupled with a high increase in the birth rate coefficient.

Key words: population, demographic development, birth rate, death rate, migration, net migration, projection, coefficients of socio-economic status, people in education, people in employment, unemployed people, retired people, education structure of the population, ageing population, fiscal sustainability, public expenditure on pension and disability insurance, public expenditure on health care, Strategy of Slovenia's Development.