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**EURO-ATLANTIC ACTION COMMISSION**

**AGING POPULATION AND ITS IMPACTS IN CENTRAL AND EASTERN EUROPE**

*Report of November 15, 2004 Workshop  
Prague, Czech Republic*

“Over the next few decades, the rapid aging of their populations will subject the countries of Central and Eastern Europe to enormous economic and social stress. There is a window of opportunity to address the aging challenge – but it is narrow and about to close.” – *Dr. Richard Jackson, November 2004.*

Former Netherlands Prime Minister Wim Kok’s recent report has drawn Europe-wide attention to aging population’s dramatic impacts on future economic growth Europe-wide.

Dr. Jackson also observed that Western Europe and the United States became wealthy before getting older; Central and Eastern Europe is getting older at the same time that added wealth is needed to support growing requirements of an aging population.

The impacts of these aging trends on pension reform and health care were the primary subjects for the workshop discussion, and included the following highlights:

- Primary areas of impact are pension reform and health care
- Dr. Marek Góra noted that initial concern for pension reform was to adequately provide for the elderly. That goal must now be accompanied by a second goal of protecting the working person who will provide for the elderly, as well as for himself or herself
- Mr. Milan Fitko stressed the opportunities for public-private partnership in addressing pension reform
- Mr. Frank Watanabe and Mr. Richard Paulson cited facts on increasing popular dissatisfaction with health care in Central and Eastern Europe and the growing gap in resources to meet health care modernization imperatives.

Popular attitude and political acceptability are fundamental to successful change and reform for pension systems and health care.

- Reports offered by participants made it clear that popular attitudes and preferences are measurable, and thus manageable by national programs that include well-designed surveys and sound public relations and education programs

- A fundamental task for CEE governments is to identify steps that will excite political will to undertake painful changes; including recognition of limits on raising revenue through increases in taxes.

General improvements include what Dr. Jackson refers to as “out of system strategies.” Four basic strategies are proposed:

- Increase employment among working-age adults
- Encourage later retirement; for example an addition of as little as one year to working life in the EU would have extraordinary impact
- Reward families for raising children; this could include more available maternity and paternity leave
- Invest more (and more efficiently) in the productivity of the next generation.

Specific measures were identified to improve and accelerate pension reform:

- The EU has established guidelines that advocate pension reform goals of adequacy, flexibility and dignity
- Dr. Góra presented steps taken successfully in Poland to improve upon the early design for reform. This description can be found in his slides posted on our website
- Mr. Fitko stressed that reform should provide for:
  - A pension account with continuous financing recovery payments for social security and allowances
  - Compulsory pension savings
  - Voluntary savings through pension funds or insurance companies.
- Discussion emphasized:
  - General satisfaction with laws; however, concern with the tendency to postpone difficult decisions in implementing laws
  - Incentives needed to promote a strong private insurance industry
  - Possible consideration of a Pan-European pension system.

Similar specific practices likely to aid health reform include:

- Increase private spending for health care
- Reduce the frequency of health care visits; one step that has had this impact is introducing co-pay responsibility. This step requires effective and timely public relations and education
- Consideration of a two-tiered health insurance system such as is being considered in Slovakia
- Increased training to improve medical system efficiency
- Reduction in wasteful spending.

Both health care modernization and pension reform will be significantly advanced by education and public relations programs.

- Education priorities could include how to use health care systems, preventative health care, how to manage personal finances and investment choices
- The internet will be an ideal vehicle for education and public relations campaigns

- These programs should be organized using private sector expertise
- Steps such as co-pay for health care and lengthening the time before retirement demand effective public relations to prepare citizens.

Impacts on urban living and housing were also highlighted by participants.

- Urban trends were presented for the city of Budapest and pointed out specific problems faced by the elderly living in major cities.
- The urgency of better supporting the elderly in cities is compounded by the exodus of upper middle class tax payers from these cities.
- The housing situation for the elderly is poor as compared with housing for working age citizens, and invites new procedures and standards. In Hungary, housing is 40% to 50% of pension allowance.

The countries of Central and Eastern Europe have significant programs underway to address aging and its impacts. Most programs are recently introduced and continuing; and many more new programs are needed – particularly for pension reform, health care, education, and housing. A significant “bow wave” of decision-making and administration faces the governments of the region. Time only adds to this burden and raises the cost and difficulty of reform and modernization.