ESRI Opening Statement to Committee on Budgetary Oversight, 13th January 2026

Let me begin by thanking the Chair for the invitation to the ESRI to appear before the Committee and for the opportunity to discuss ESRI work on demographics and long-term fiscal pressures. I'm Professor Martina Lawless, Director of the ESRI, and I'm joined by my colleagues Dr Adele Bergin and Dr Paul Egan.

Ireland is entering a period of significant demographic change that will have far-reaching consequences for the economy and the public finances. While the overall population is projected to continue growing over the coming decades, the age structure of the population will change profoundly. This matters because the balance between people of working age and those who are retired is a key determinant of economic growth, tax revenues, and demand for public services. I will briefly summarise findings from ESRI research that uses our population projections, macroeconomic and healthcare demand models to bring together how population ageing is likely to affect Ireland's macroeconomy and public finances over the period to 2050.

ESRI analysis shows that, in a baseline scenario, Ireland's population is projected to increase by around 1.2 million between 2022 and 2050, reaching more than 6.4 million people. However, this growth will be accompanied by rapid ageing. The share of the population aged 65 and over is expected to rise from around 15 per cent in 2022 to approximately 25 per cent by 2050. At the same time, the proportion of the population of working age (generally defined as those aged 15 to 64) is projected to decline from 65 per cent to around 59 per cent. As a result, the old-age dependency ratio almost doubles over the period, meaning that there will be far fewer workers supporting each older person by mid-century.

These demographic changes reflect longer life expectancy, persistently low fertility rates, and continued net inward migration. People in Ireland are living longer than ever before, increasing the size of the older population. Fertility rates remain below replacement level and are assumed to remain broadly stable over the projection horizon. Net inward migration continues to play an important role in supporting population growth and moderating the pace of ageing, as migrants tend to be of working age, but it does not fully offset the underlying shift in the age structure of the population.

Population ageing has important implications for the performance of the economy. As the share of the population of working age declines, labour supply growth slows, reducing the pace at which employment can expand. Our modelling suggests that this demographic effect leads to a gradual slowdown in underlying economic growth from the 2030s onwards. Growth in modified gross national income (GNI*), which better reflects domestic economic activity in Ireland, is projected to be lower in the period from 2040 to 2050 than in the previous decade. Slower employment growth feeds through to weaker growth in personal disposable incomes and household consumption, even though the economy continues to expand overall.

As population ageing reduces the contribution of labour to economic growth, productivity growth and investment will need to play a much larger role in sustaining medium- and long-term economic performance. ESRI research finds that recent contributions from total factor productivity (TFP), a measure of how efficiently labour and capital are used together in the production process, and from investment have been relatively modest in recent years. Lower rates of investment in the domestic economy can, in part, be traced back to the fiscal challenges that followed the global financial crisis (GFC), which led to a significant and prolonged contraction in investment. The resulting infrastructural deficits have since been identified as a possible constraint on Ireland's long-term growth potential. There is a risk that these existing deficits will be exacerbated by population ageing, which will require increased investment in areas such as healthcare services, long-term care, and sustainable pension systems in order to maintain long-term economic stability.

Population ageing brings some significant consequences for the public finances. Our research links government spending to the size of different age cohorts, allowing age-related pressures to be analysed. Government consumption is broken down into spending on education, health, and other public services, while transfers to households are separated into pensions and other old-age payments, family and child supports, unemployment-related payments, and other transfers. Per capita spending in each category is assumed to broadly keep pace with inflation, while total spending changes in line with demographic developments.

Under current policy settings, the analysis shows that government revenues increase only modestly as a share of the economy over the long term, while government expenditure rises much more sharply. By 2050, non-interest government spending is projected to be almost seven percentage points of GNI* higher than its level in 2030, while revenues rise by less than two percentage points. This creates a large and widening gap between spending and revenue, reaching approximately five to five and a half percentage points of GNI* by mid-century. Even before accounting for debt interest costs, this trajectory points to significant and growing fiscal pressures in the absence of policy change.

The increase in public spending is driven primarily by age-related expenditure. Spending on health rises substantially as the population ages because demand for healthcare increases at older ages. Expenditure on pensions and other old-age income supports also grows strongly as the number of older people increases. Other areas of public spending, such as education and family-related supports, remain broadly stable as a share of the economy over time. This highlights that the long-term fiscal challenge is concentrated in health and ageing-related transfers rather than across public spending as a whole.

In 2025, the health team at the ESRI completed a body of work projecting demand and capacity requirements for a range of health and social care services to 2040. For each service examined, demand is projected to increase by at least 20 per cent. However, due to the ageing of our population, demand for services used predominantly by older people, will experience significantly higher increases. For example, hospital admissions are projected to increase by between 22 and 39 per cent by 2040, necessitating an additional 4,430 to 6,825 hospital beds. Demand for home support hours is projected to increase by between 57 and 91 per cent. Demand for nursing home beds is projected to increase by between 61 and 80 per cent, resulting in a need for up to 23,687 additional beds.

Existing policy measures, including the Future Ireland Fund, will play an important role in managing long-term fiscal pressures arising from population ageing. The Fund is intended to support government expenditure in the 2040s and beyond, helping to address spending pressures linked to ageing and other structural challenges. While it is expected to grow to a substantial size by the mid-2030s, such measures alone are unlikely to fully offset the additional expenditure associated with an older population and should be considered as part of a broader policy approach.

Policy choices more broadly can also have a significant impact on the long-term fiscal outlook. Measures that expand labour supply, such as extending working lives, increasing labour market participation, supporting higher employment rates, and sustaining inward migration, can materially strengthen public finances. By increasing total hours worked and productivity, these measures can boost government revenues while having a relatively limited effect on expenditure growth, helping to narrow the gap between spending and revenue over time. This highlights the importance of labour market and productivity-focused policies in mitigating the fiscal pressures associated with population ageing.

Overall, ESRI research indicates that population ageing will be one of the defining economic and fiscal challenges facing Ireland over the coming decades. While population growth remains strong by international standards, the changing age structure of the population will slow economic growth and place increasing pressure on the public finances, particularly through health spending and pensions. Addressing these challenges will require early and sustained policy action, as gradual adjustments are likely to be more effective and less disruptive than delayed responses.