

Discussion

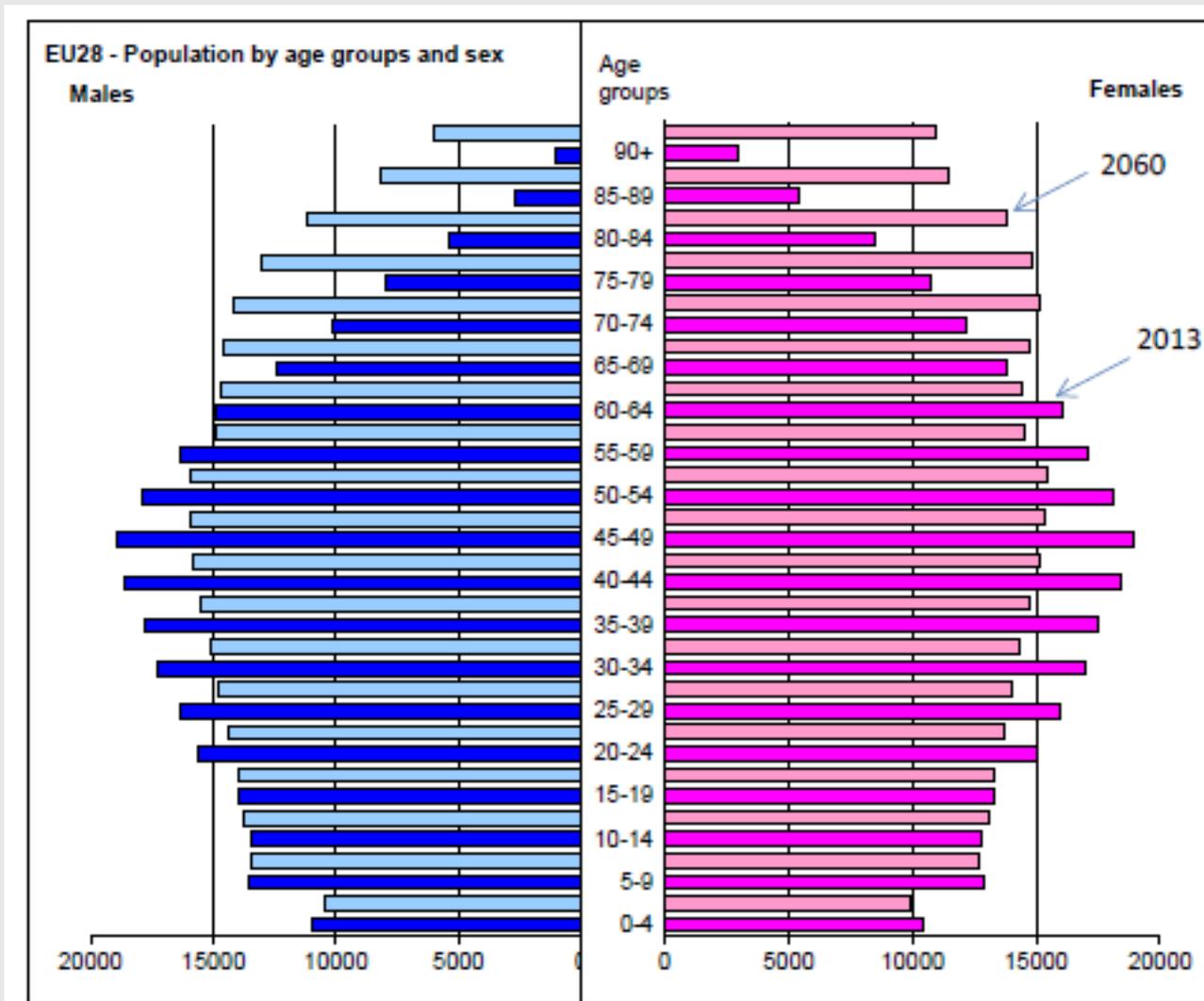
Session: Ageing, social investment and welfare

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Europe is Ageing



2013 **2060**

< 15: ~ 15%

15-64: 66% → 57%

65+: 18% → 28%

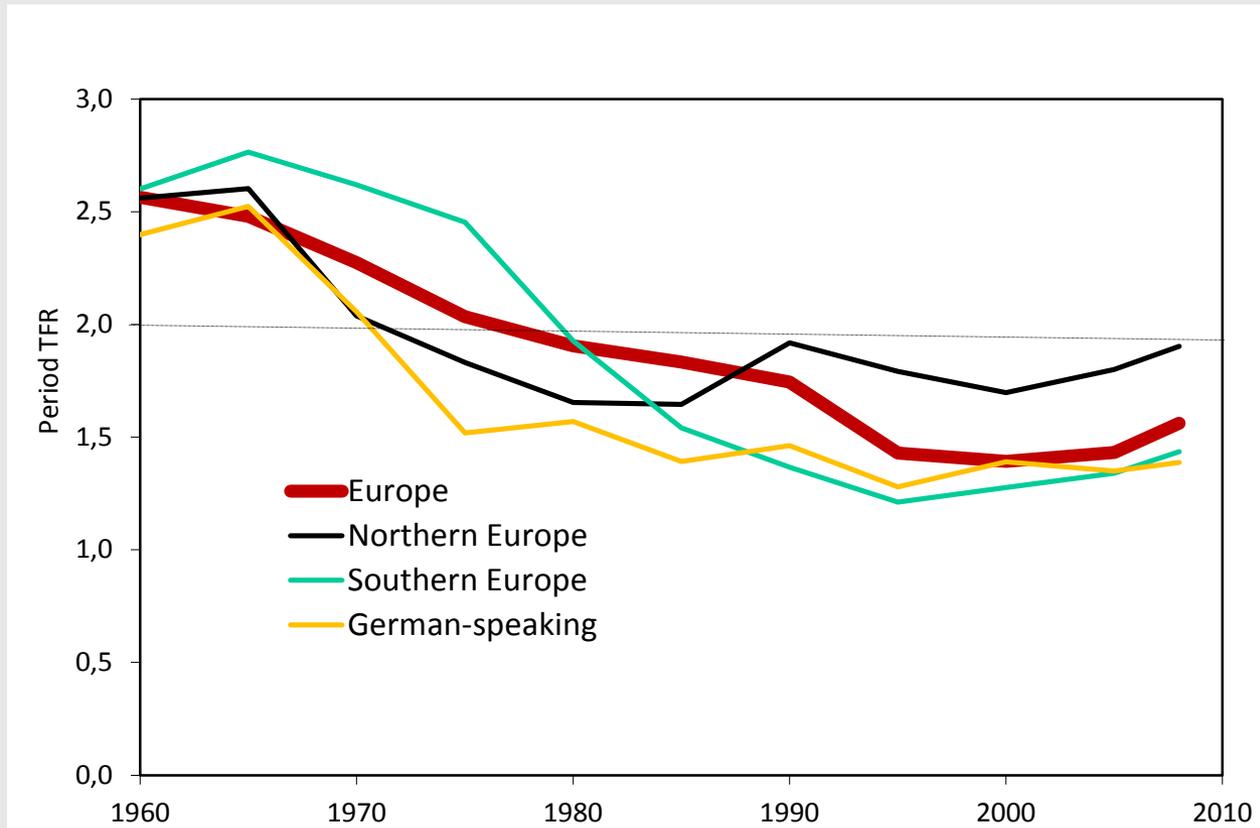
80+: 5% → 12%

Source: The 2015 Ageing Report, graph I.1.2

Diversity in Demographic Change - fertility

Different timing and extent of fertility reduction across Europe

Period TFR in selected European regions, 1960-2008



Bongaarts and Sobotka (2012)

Diversity in Demographic change - mortality

Life expectancy at birth

	Male	Female
EU 1960	66.9	72.3
EU 2012	76.1	82.2
	+ 9.2	+ 9.9

pronounced mortality differentials across Europe

2013	68.7 (LT)	78.0 (BG)
	80.1 (SE)	85.2 (ES)

EU 2013 – 2060

+ 7.2 + 6.0



Different ageing processes in Europe →

Different policy adjustments

In countries where the **baby boom** was strong, the **baby bust** was actually relatively weak → countries will experience **strong increase in share of elderly** (New Zealand, Iceland, Australia, Canada, Norway, US, Czech Republic, ...)

In countries where the **baby boom** was weak, the **baby bust** was strong → countries will experience **strong decrease in labour force** (Bulgaria, Poland, Germany, Hungary, Slovenia, Italy, Germany, ...)

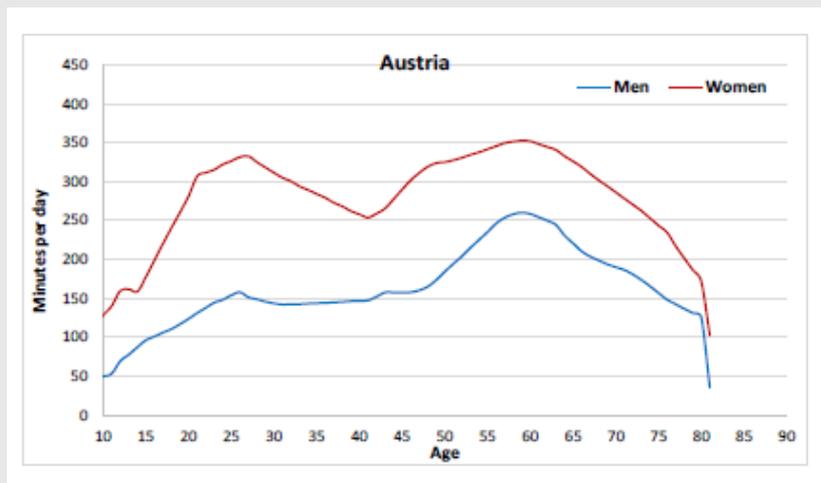
Reher, D.S. (2015)

Dealing with the challenges posed by an ageing population in the EU.

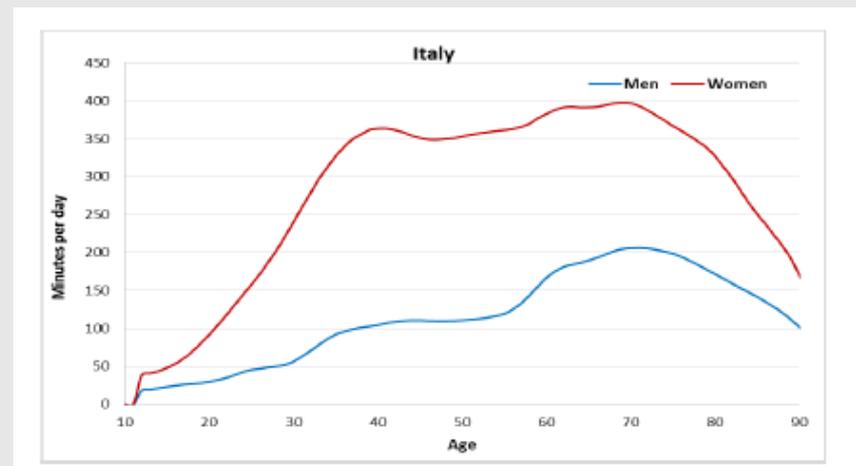
Giuseppe Carone, Per Ekefeldt, Veli Laine

- Modernisation of **welfare systems**, extending **working life**
- Different countries need to find **different solutions!**
- **Convergence** on labour force participation across gender, **HOWEVER** not in domestic work:

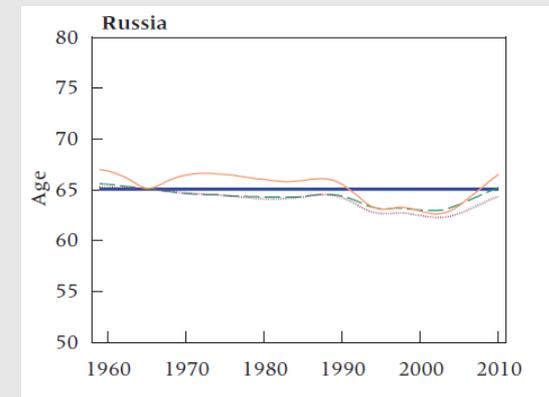
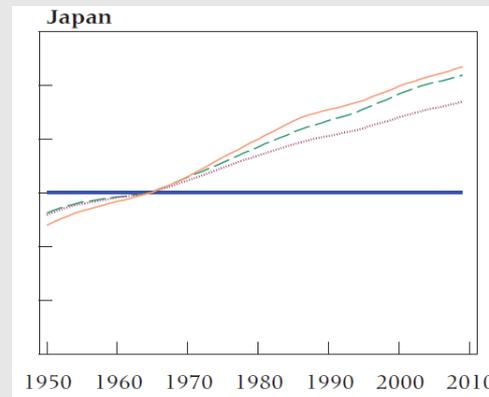
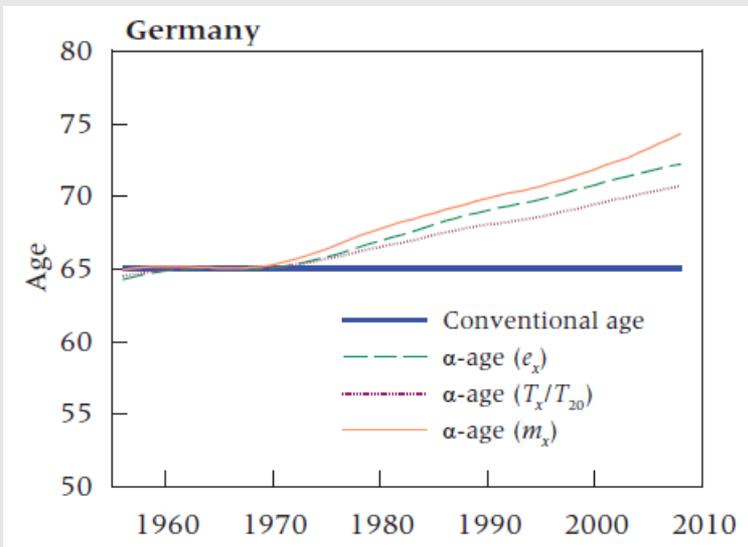
Domestic work in Austria 2008



Domestic work in Italy 2008



- Source of potential output growth – mainly **labour productivity growth**
- Large **differences in pension systems** and effects of pension reforms
- **Coverage rate and benefit ratio** most important to reduce pension expenditure ratio
- Health care: measures of **prospective aging**



Sanderson and Scherbov (2013)

The effects of education and ageing in a OLG model: long-run growth behavior in France, Germany and Italy

Michele Catalano, Emilia Pezolla

- Interaction b/w financial integration, divergence labour productivity and ageing in France, Germany and Italy
- Challenge of population ageing
 - (a) increasing pressure on **social security system** towards elderly
 - (b) **declining labour force**
- Need to invest in human capital to
 - (a) increase **labour productivity**
 - (b) increase **innovation and adaptation** of technology
 - foster economic growth

➤ Human capital and population ageing affect **integrated economy** through capital market and difference in total factor productivity.

➤ Resulting **diverging growth process** could affect financial sustainability require policy interventions

➤ Study four policy options:

decrease in public debt in Italy → reduction on European interest rate
positive effect on TFP

increasing human capital in Italy → huge increase on GDP growth rate

increased taxation on net wealth in Italy to finance investment in real capital
→ positive effect on growth and spillovers

– Effect of **different public transfers systems** (pension, education)?

– **Retirement age flexible ?**

– **Demographic projections** by education ?

Long run growth and redistribution in the Italian social security system

Carlo Mazzaferro, Marcello Morciano

- Aim is to understand **if and how** pension reforms affect labour market behaviour
- Use a **micro simulation model**
- How are behavioural rules included?
- E.g. construct incentive measures to determine individual decision: SSW, option values,

The social investment perspective as guiding principle for welfare state adjustment

Thomas Leoni

- Pressure on SS-System **not only demography**, BUT also low economic growth, increased economic and financial internationalisation, etc.
- **Exogenous risks** (international capital flows, etc.) and **endogenous risks** (demography, family structures, labour markets, ...)
- Social risks become **more heterogeneous**,
de-standarisation of life course
- New social risks **coexist with old risks** (social stratification)

- **SOCIAL INVESTMENT** perspective:
from protective and passive to preventive and activating policies
includes: human capital development (reduce socio-economic
inequality early on)
activation (support skill and quality development)
social inclusion
- National context and institutional path dependency matter
- Social policies alone are not enough, need changes in
labour market regulations, etc.

“Over coming decades, changes in population age structure will have profound implications for the macroeconomy, influencing **economic growth, generational equity, human capital, saving and investment, and the sustainability of public and private transfer systems.** How the future unfolds will depend on key actors in the generational economy: governments, families, financial institutions, and others.
.....”

Lee and Mason (2011)



THANK YOU