

Discussion

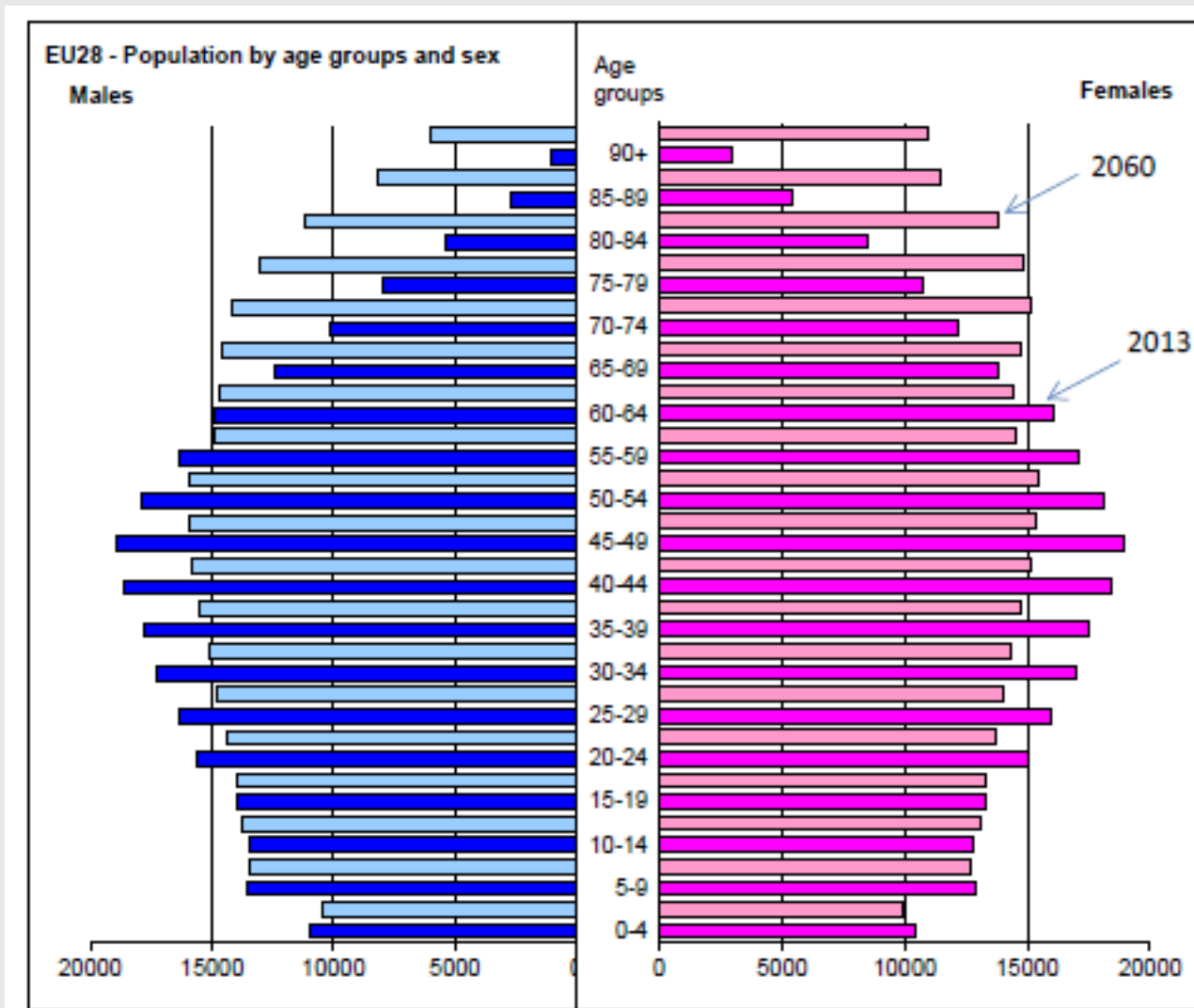
Session: Ageing, social investment and welfare

12th EUROFRAME Conference on Economic Policy Issues in the European Union June 12th, 2015

Alexia Fürnkranz-Prskawetz

Institute of Statistics and Mathematical Methods in Economics, Vienna University of Technology
Vienna Institute of Demography, Austrian Academy of Sciences
Wittgenstein Centre for Demography and Global Human Capital

Europe is Ageing



2013 **2060**

< 15: ~ 15%

15-64: 66% → 57%

65+: 18% → 28%

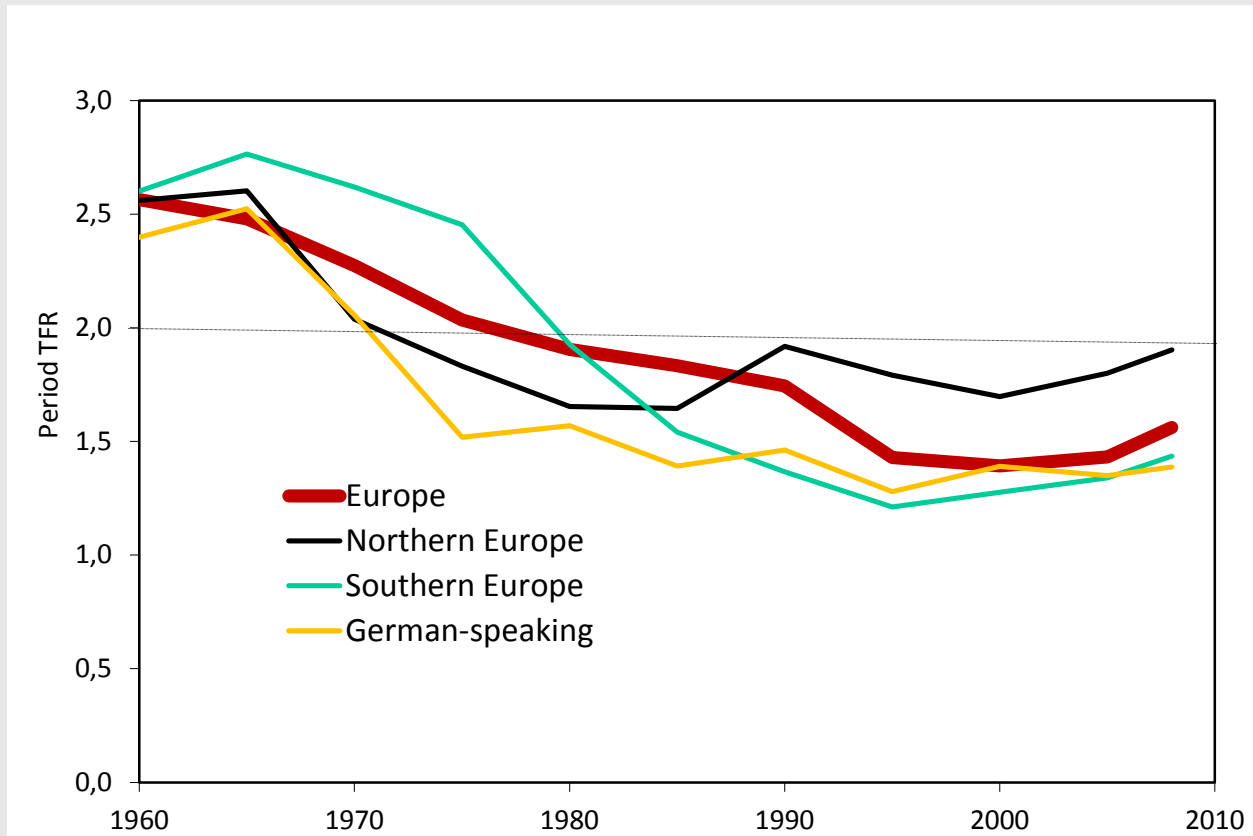
80+: 5% → 12%

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, ...)

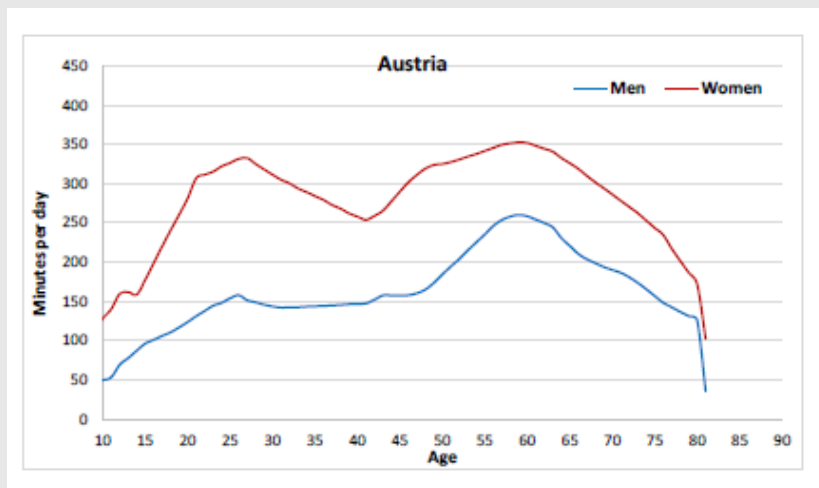
Reher, D.S. (2015)

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

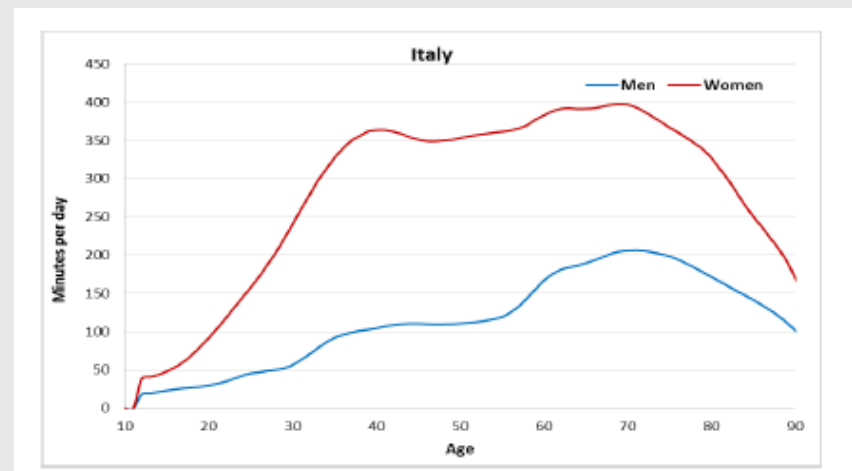
Giuseppe Carone, Per Ekefeldt, Veli Laine

- 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:

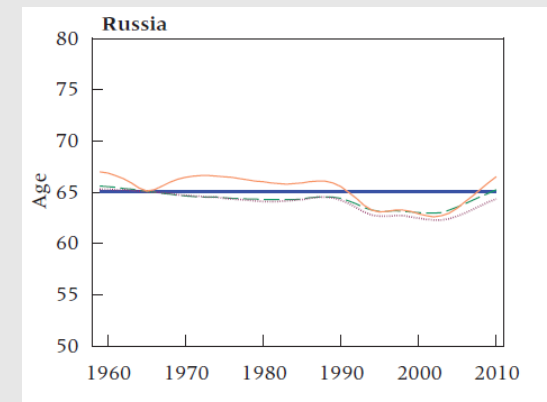
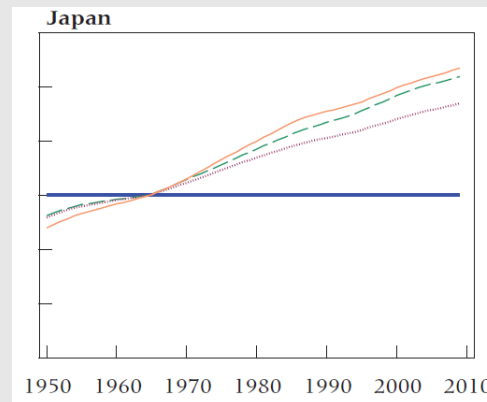
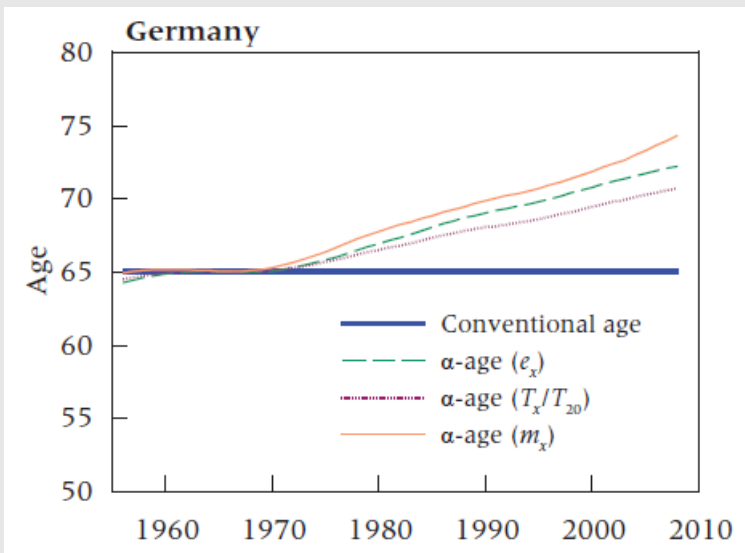
Domestic work in Austria 2008



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