

Session I: Fiscal Challenges and Sustainability in an Ageing Society

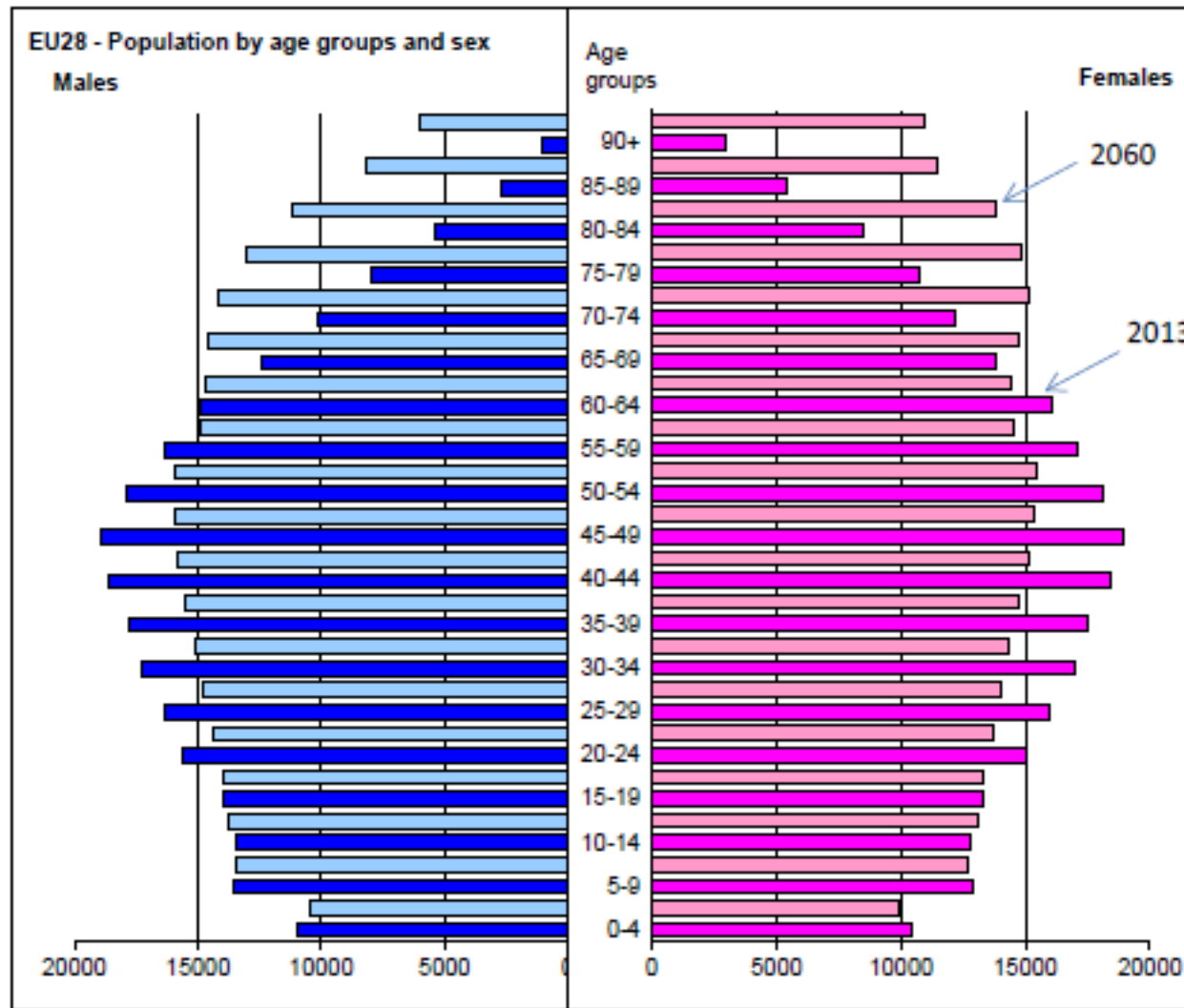
Discussion

FISK-Workshop
October 6th, 2017

Alexia Fürnkranz-Prskawetz

TU Wien, Institute of Statistics and Mathematical Methods in Economics
Wittgenstein Centre for Demography and Global Human Capital (VID/IIASA/WU)

Fact 1: Europe is ageing



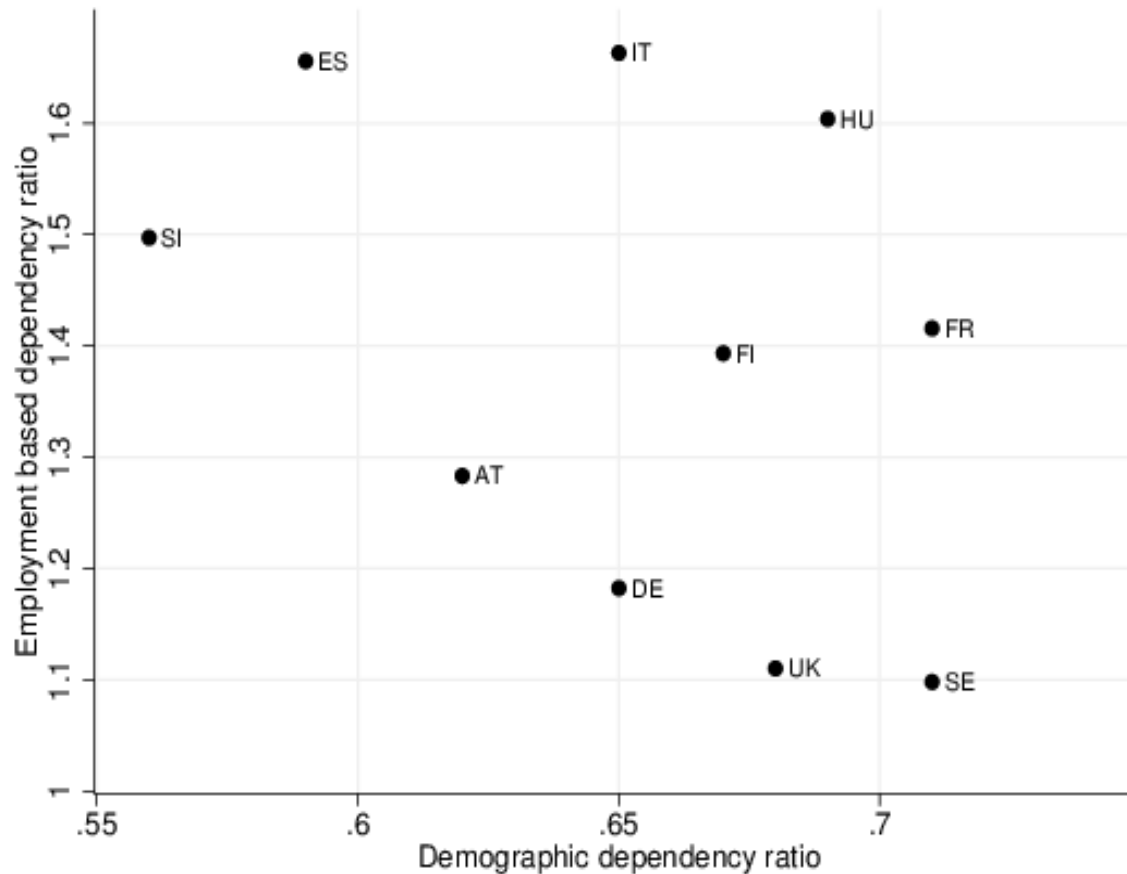
15-64: 66% → 57%

65+: 18% → 28%

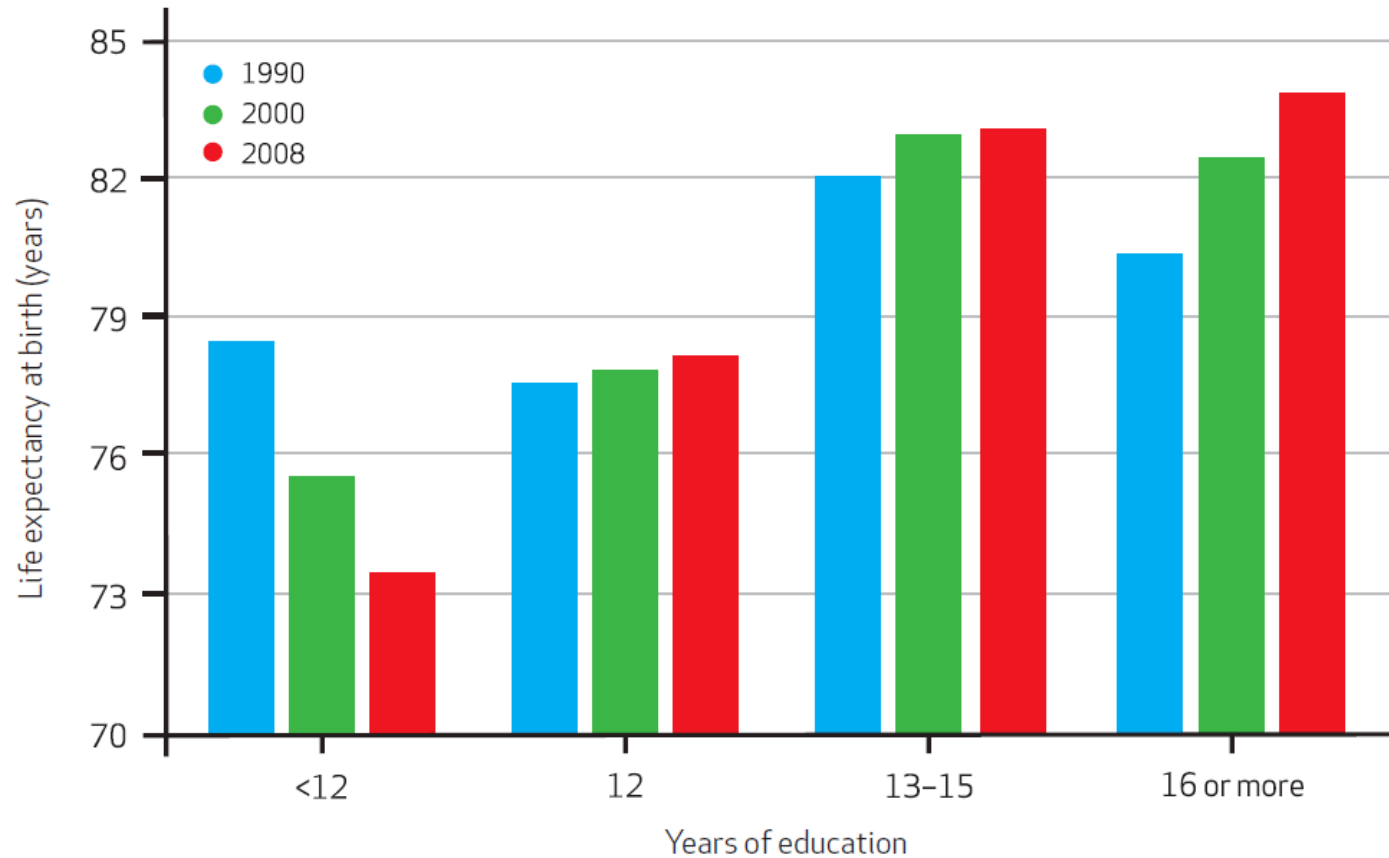
80+: 5% → 12%

Fact 2: How dependency rates are defined plays a crucial role in how we think about dependency

$$\frac{\text{Age} < 15 \text{ or Age} > 65}{\text{Age} 16 - 64} \neq \frac{\text{non - employed}}{\text{employed}}$$



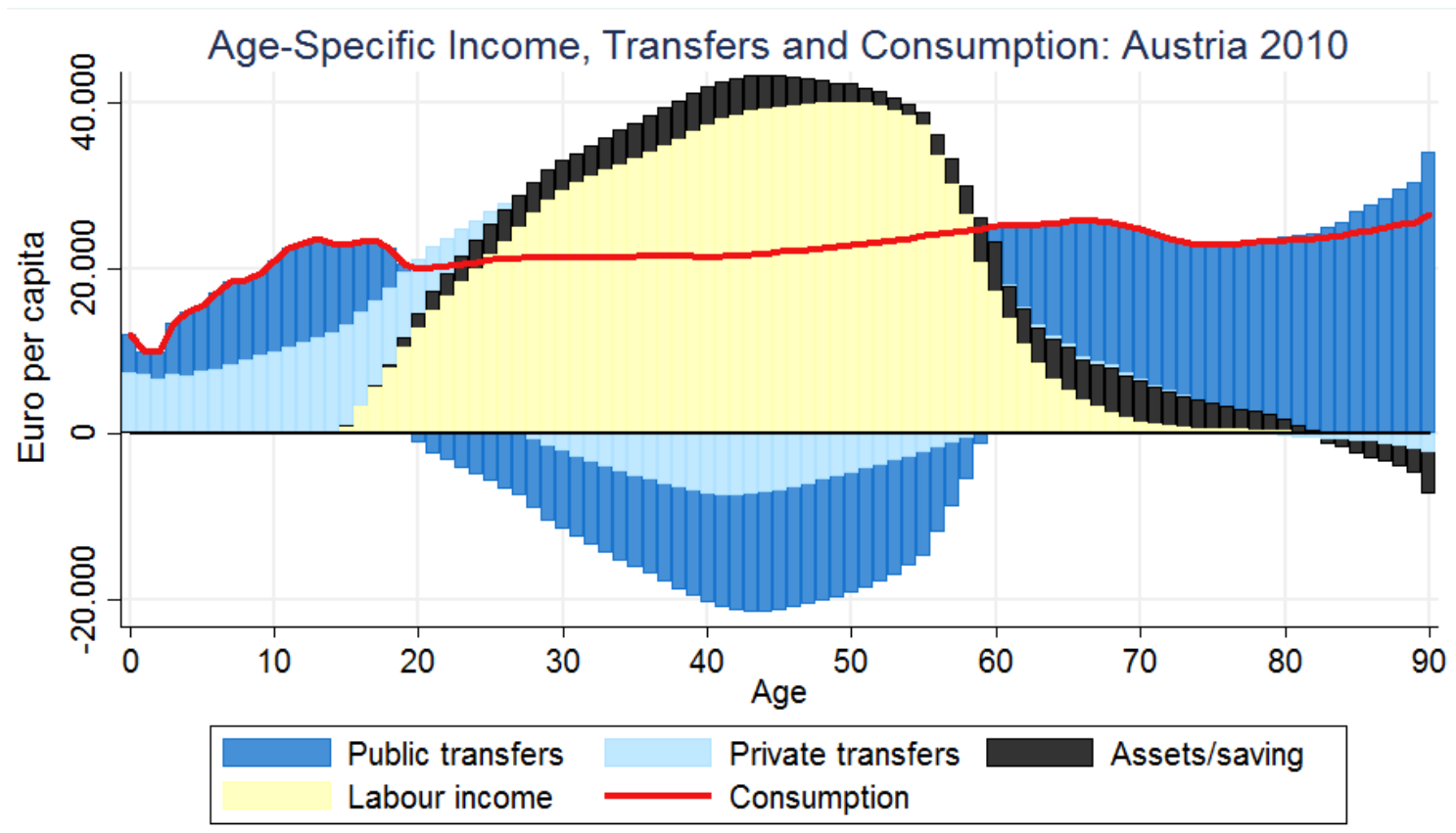
Fact 3: Increasing heterogeneity in life expectancy by education (US)



Source: Olshansky et al. (2012)

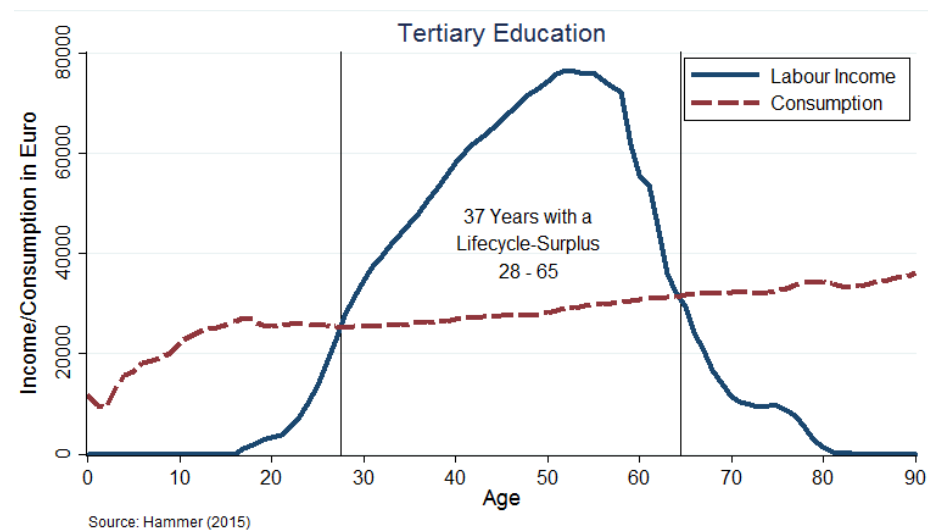
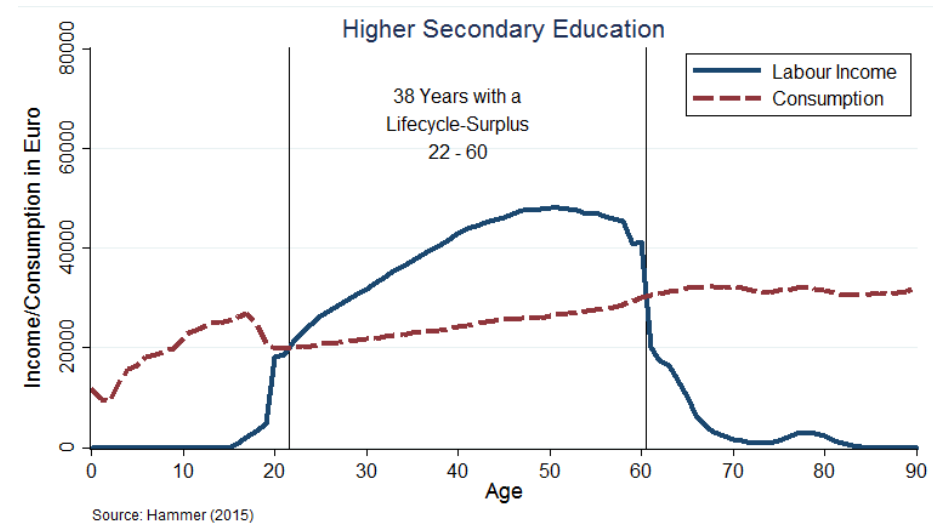
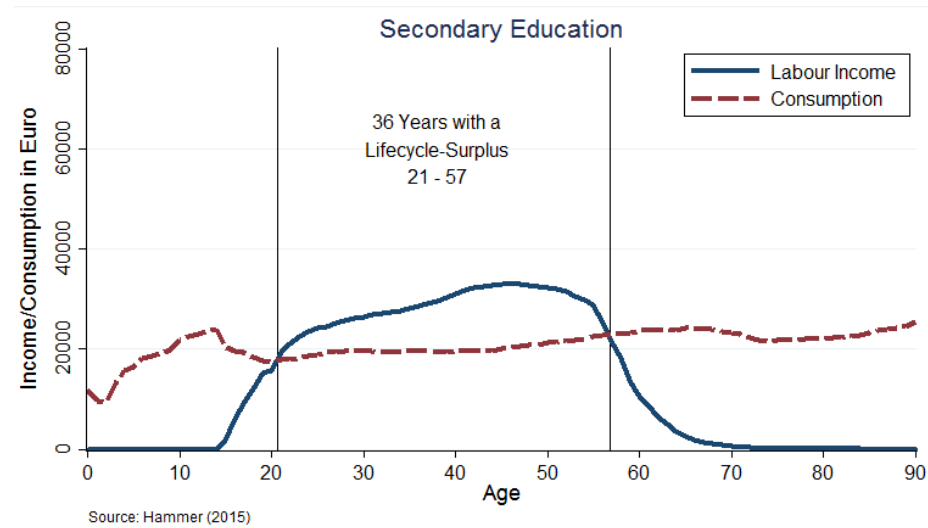
Fact 4: Economic behavior varies across age

National Transfer Accounts: Austria 2010



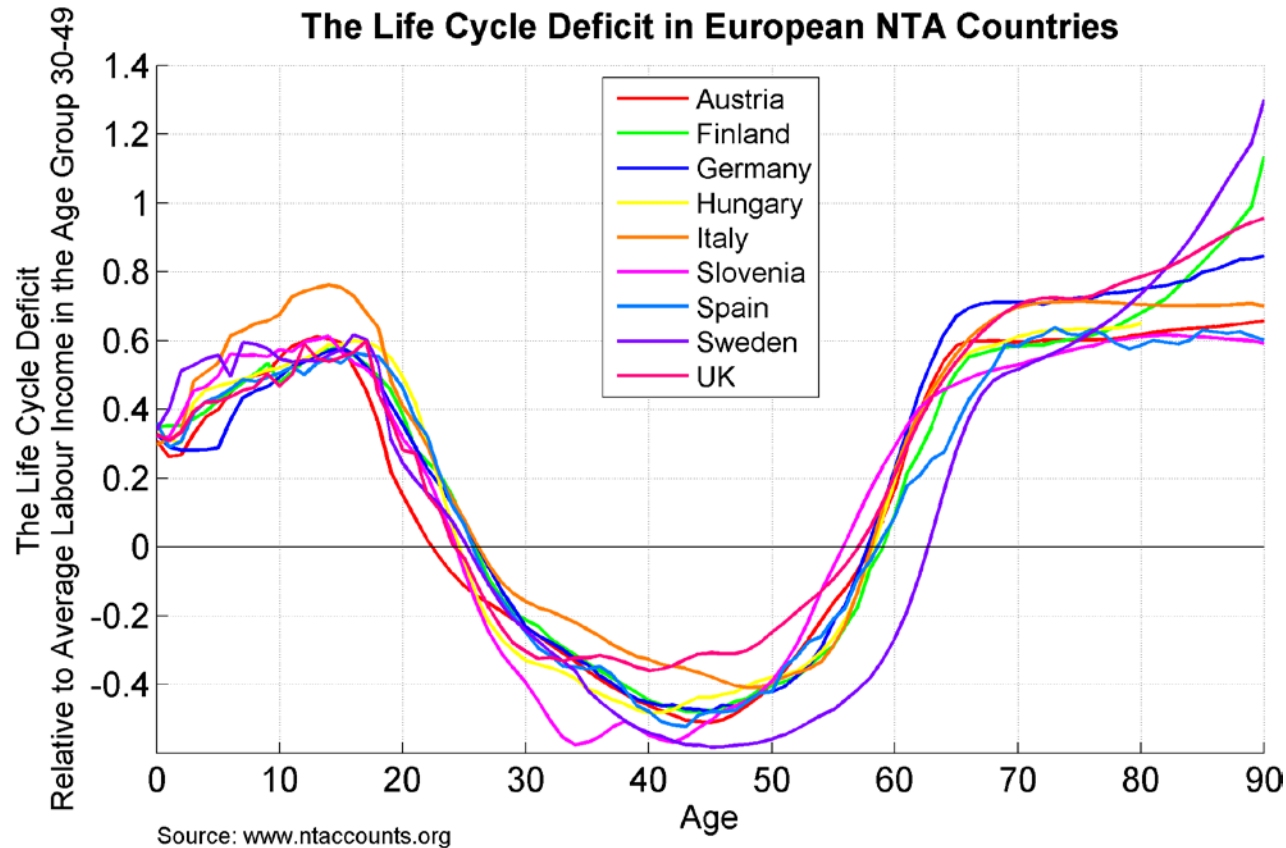
Source: Bernhard Hammer (2014) The Economic Life Course: An Examination Using National Transfer Accounts. PhD thesis, Vienna University of Technology.

Fact 5: Economic behavior varies across age and education

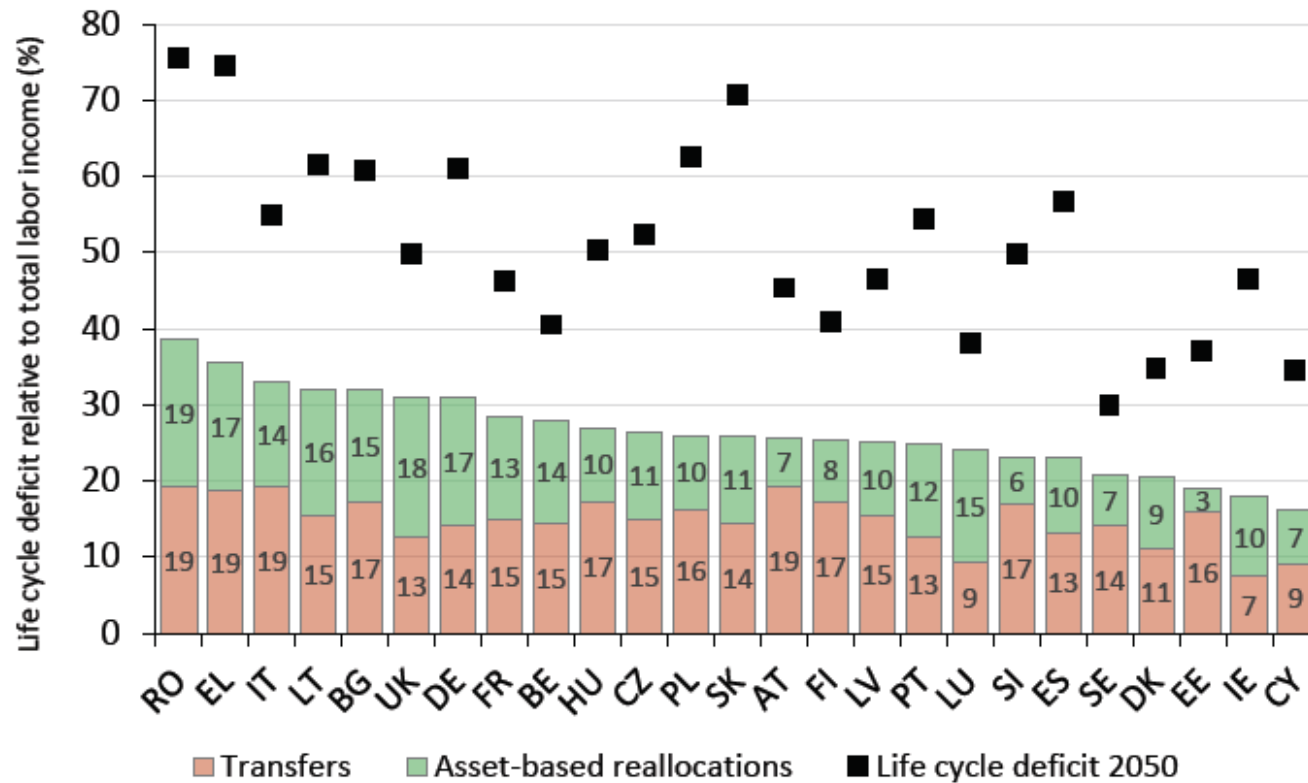


**National Transfer
Accounts: Austria 2010**

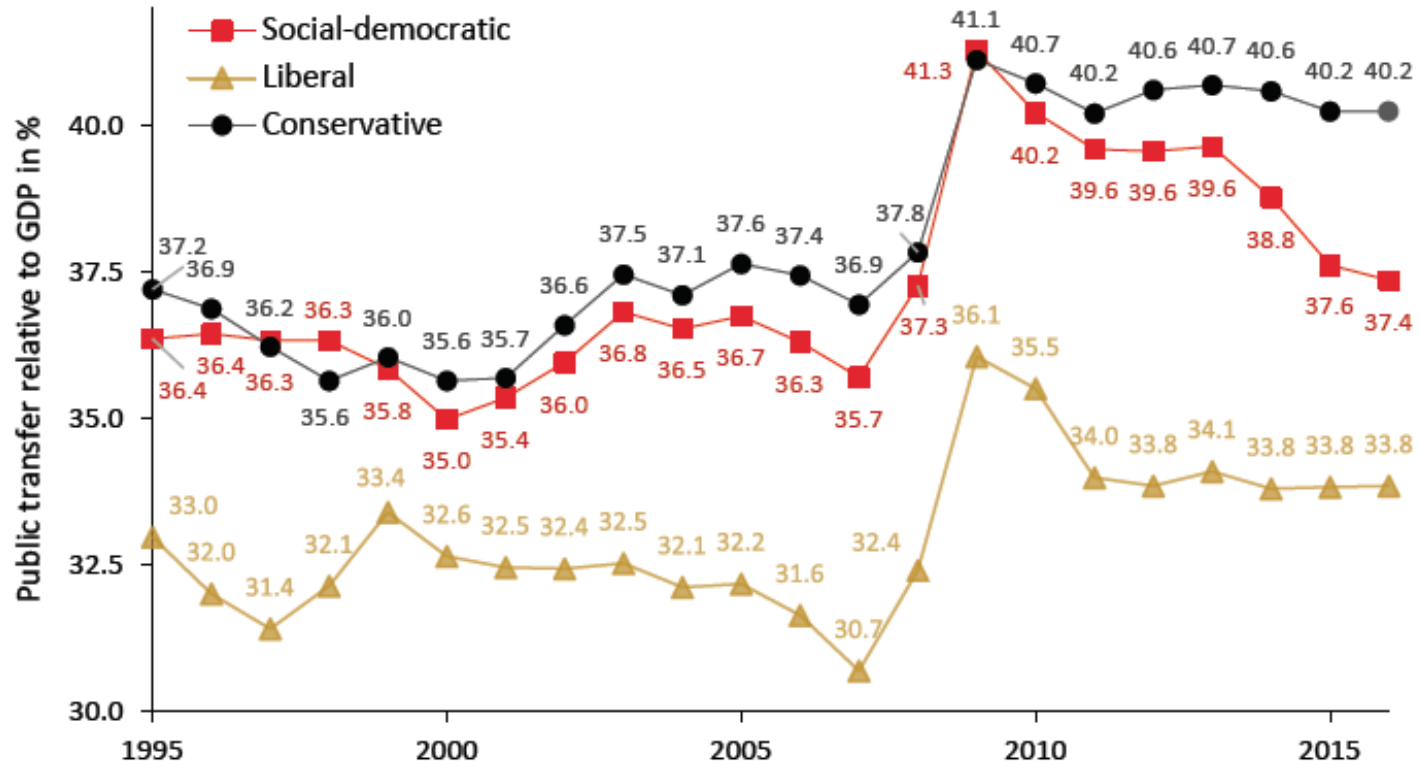
Fact 6: Heterogeneity in economic dependency across Europe



Fact 7: Heterogeneity in financing the life cycle deficit of elderly



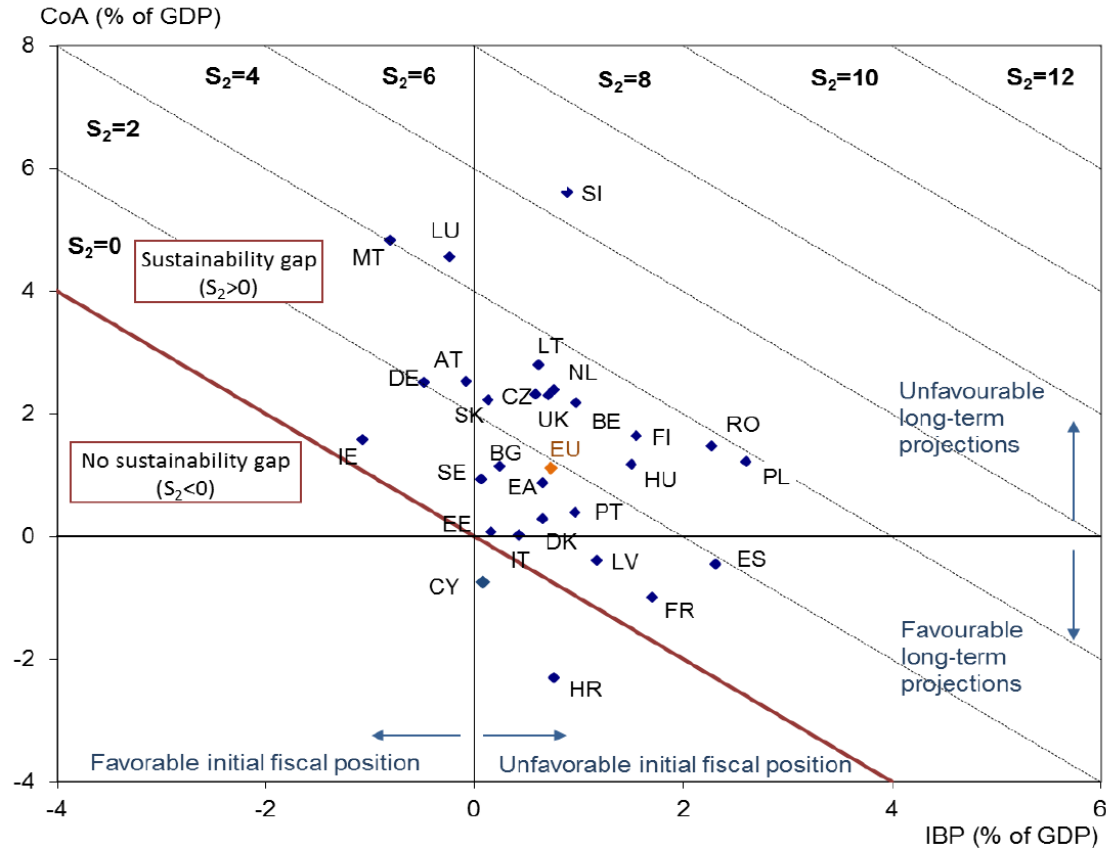
Fact 8: Public transfer expenditures relative to GDP increased



Agnieszka Chlon-Dominczak (2017) Age reallocation through public transfers in Europe.

Fact 9: Fiscal sustainability depends on CoA and IBP

Figure 4 – The S2 sustainability gap decomposed



Source: Commission services.

Note: based on Commission Autumn 2016 forecast data

Fact 10: Behavioral effects

Behavioral effect (Bloom et al. 2011)

Better health and
increased life expectancy



Longer working life

Increased life expectancy



Increased savings

Lower fertility, smaller family size

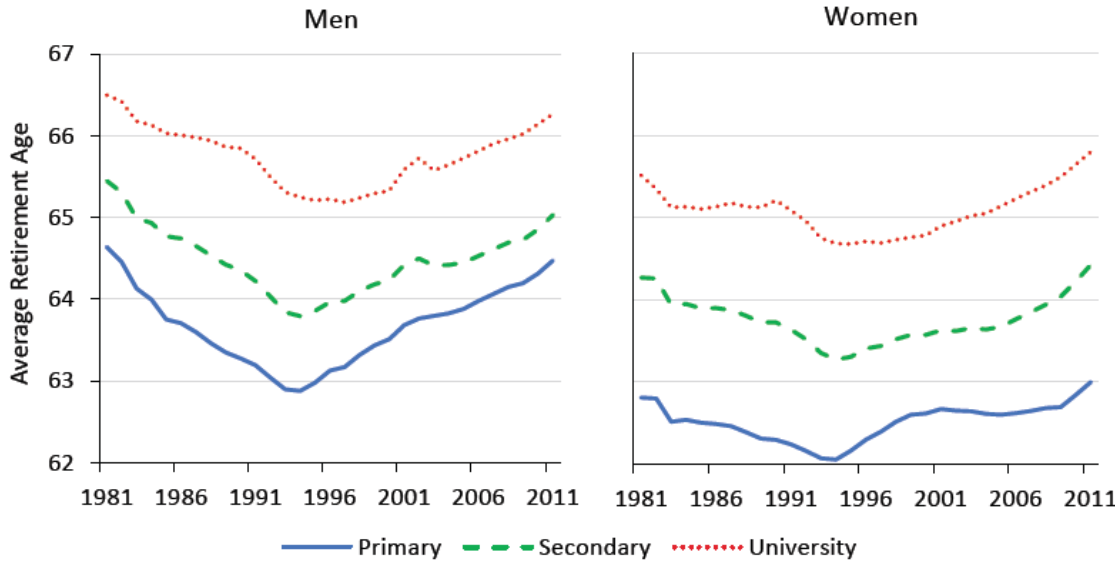


**Higher female labor
force participation**

HOWEVER: Institutional settings and social and labor market policies might not allow/support these behavioral effects!

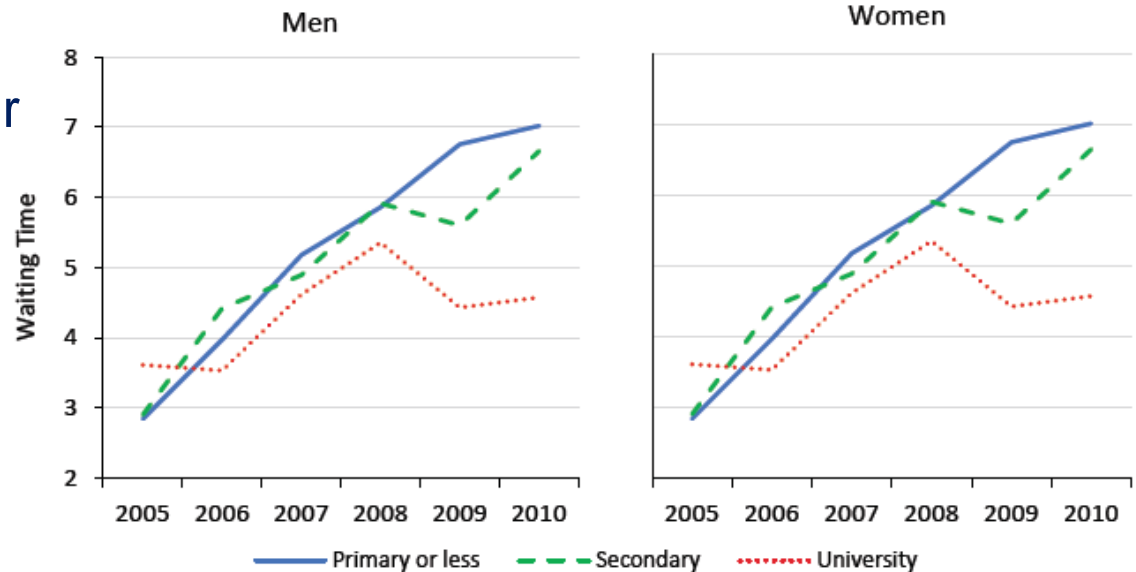
“A rule of thumb which works quite well in my own country is that about one third of the effects you think you will get will not happen because people escape.” Axel Börsch-Supan (2013)

Fact 11: Average retirement age in Sweden & Spain



Sweden
higher educated retire later

Spain
higher educated retire earlier



“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)