



LUND
UNIVERSITY

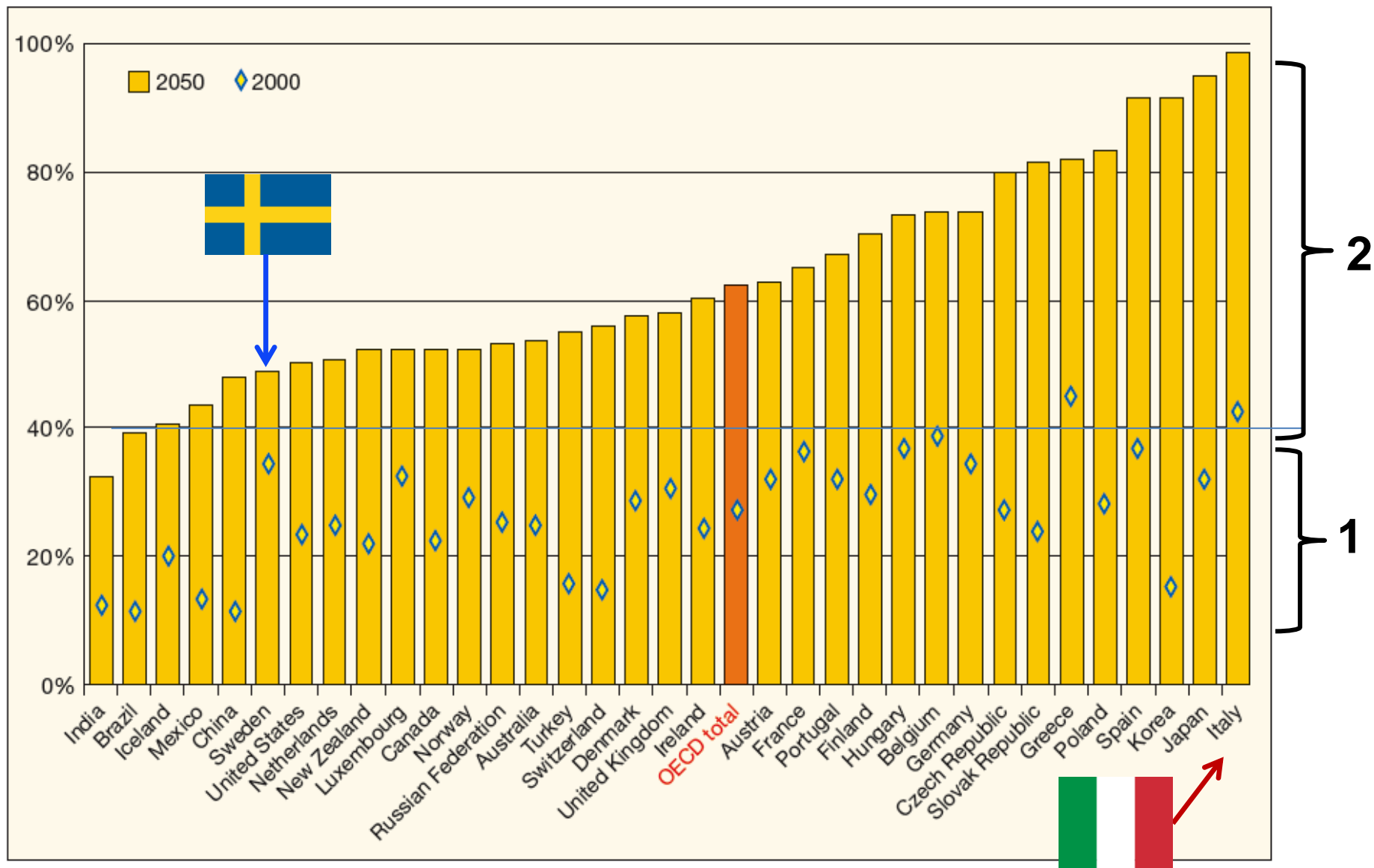
Facts and Figures from the European Labour Market and Population Ageing

Tommy Bengtsson
Centre for Economic Demography

Tommy.Bengtsson@ekh.lu.se

Brussels, 2012-11-20

Global ageing 2000 and 2050: Elderly (65+) in relation to the labour force (20-64)



1st Population Ageing = Past

- Caused by falling fertility
- Increase in life expectancy slowed down population ageing since more years were gained in ages below 65 years than above
- Increase in elderly was fully compensated for by the decline of youth = the total dependency ratio went down

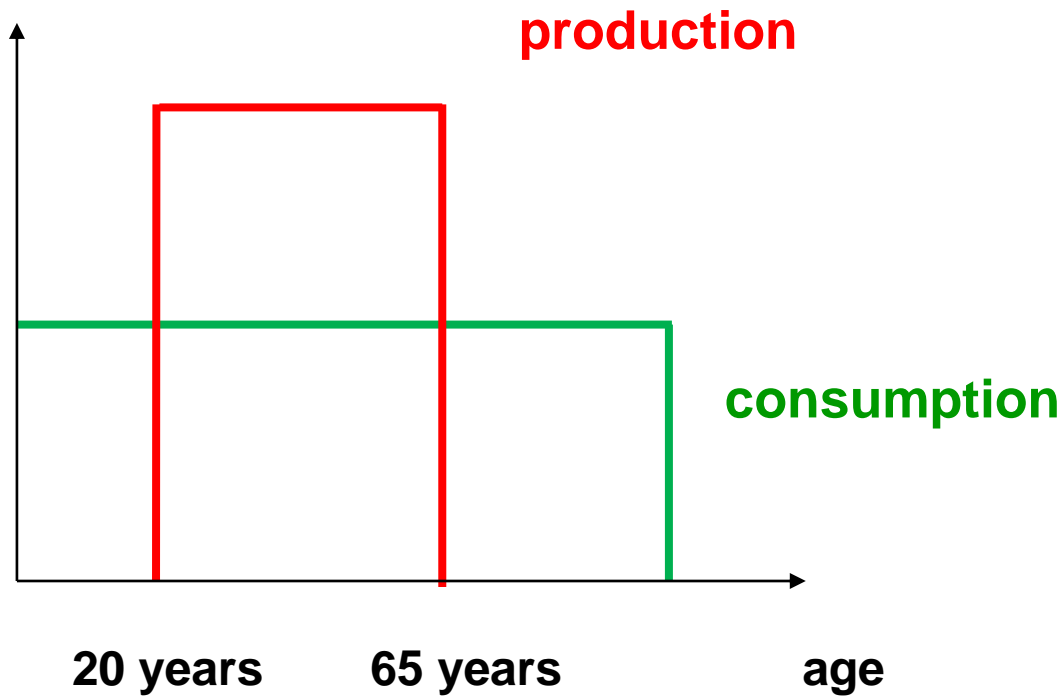


2nd Population Ageing = Future

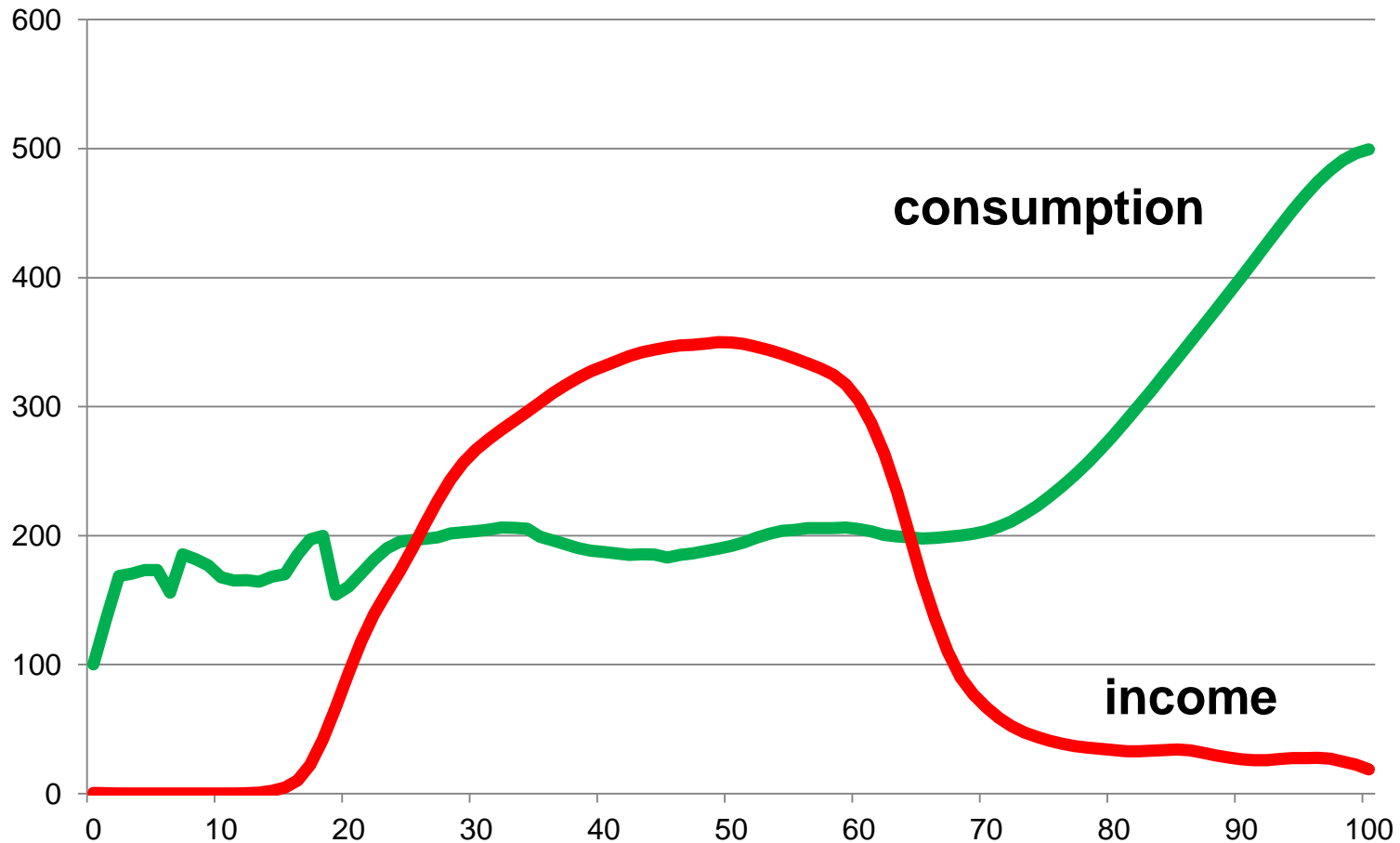
- Caused by reductions in mortality among the elderly
- Both old age and total dependency ratio will increase
- What are the consequences? To fully understand, we need to analyse consumption and production for each age group



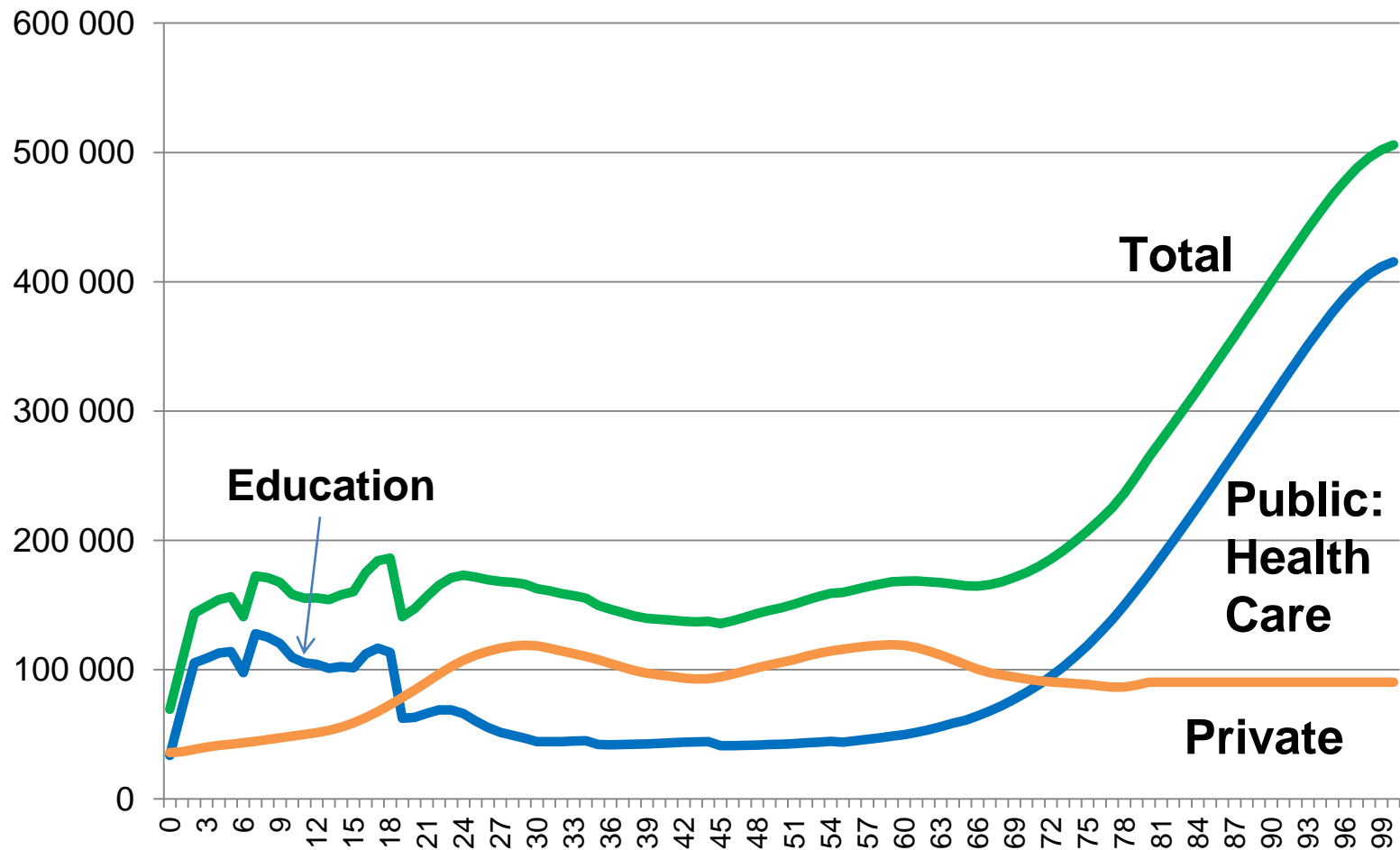
Production and consumption by age



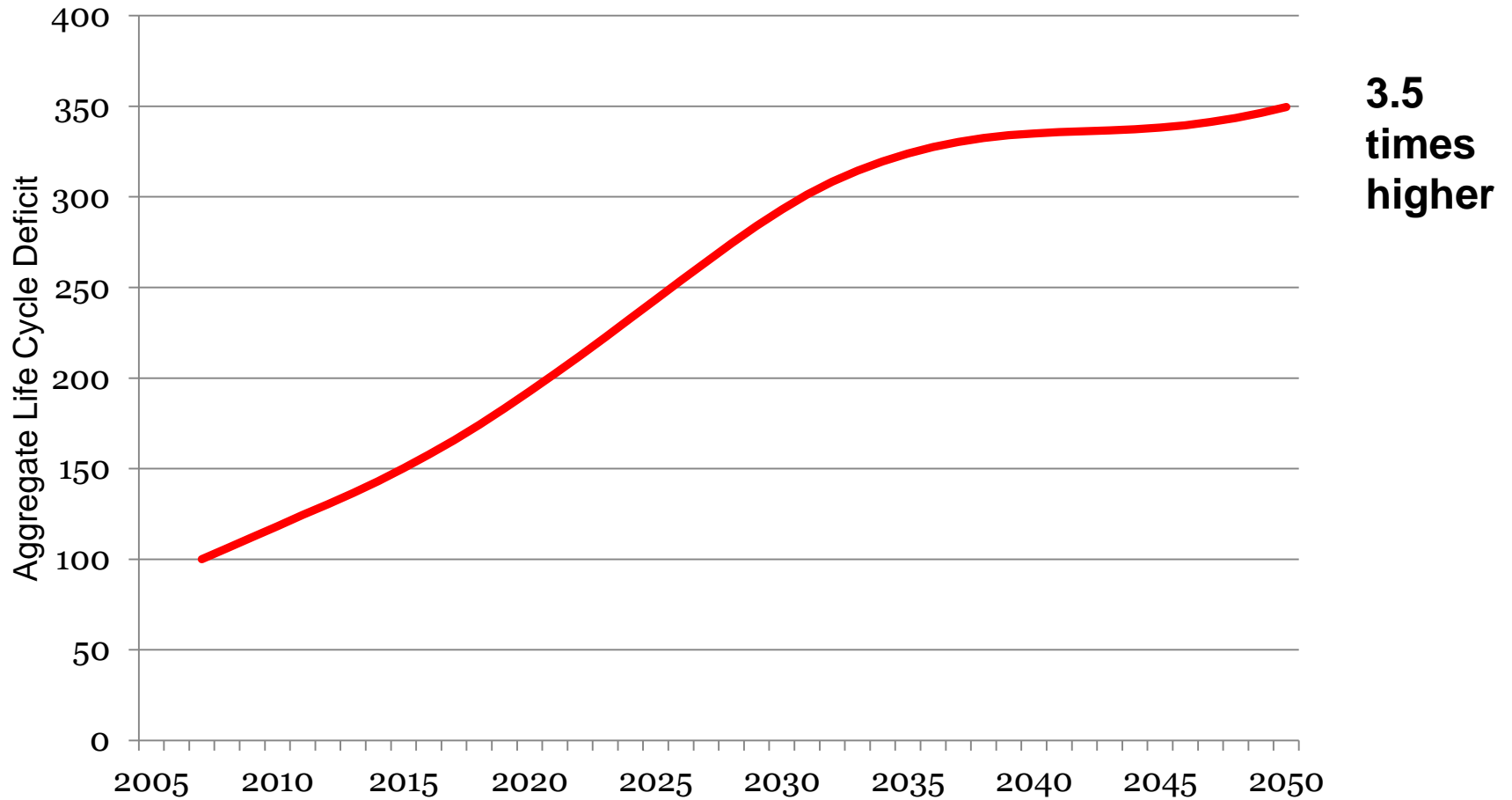
Production and consumption by age: Sweden 2003



Public and private consumption by age: Sweden 2003



Projected life cycle deficit: Sweden 2007-2015, 2007=100



Increasing life cycle deficit

- Health care costs has been increasing by **more than 1 % per year per capita** in real value over recent decades
- Life cycle deficit will grow with a factor of **at least 5** instead of **3.5** until 2050
- **0.3-0.5 percent annual increase** in GDP/capita needed to compensate
- Most of the change takes place within **the next 20 years**



What can we do about it?

- Higher immigration?
- Higher fertility?
- Productivity increase?
- Increase in working hours?
- Reduced consumption?



What can we do about it?

- ~~Higher immigration?~~ **Too little!**
- Higher fertility?
- Productivity increase?
- Increase in working hours?
- Reduced consumption?



What can we do about it?

- ~~Higher immigration?~~ **Too little!**
- ~~Higher fertility?~~ **Too late!**
- Productivity increase?
- Increase in working hours?
- Reduced consumption?



What can we do about it?

- ~~Higher immigration?~~ **Too little!**
- ~~Higher fertility?~~ **Too late!**
- ~~Productivity increase?~~ **Too difficult!**
- Increase in working hours?
- Reduced consumption?



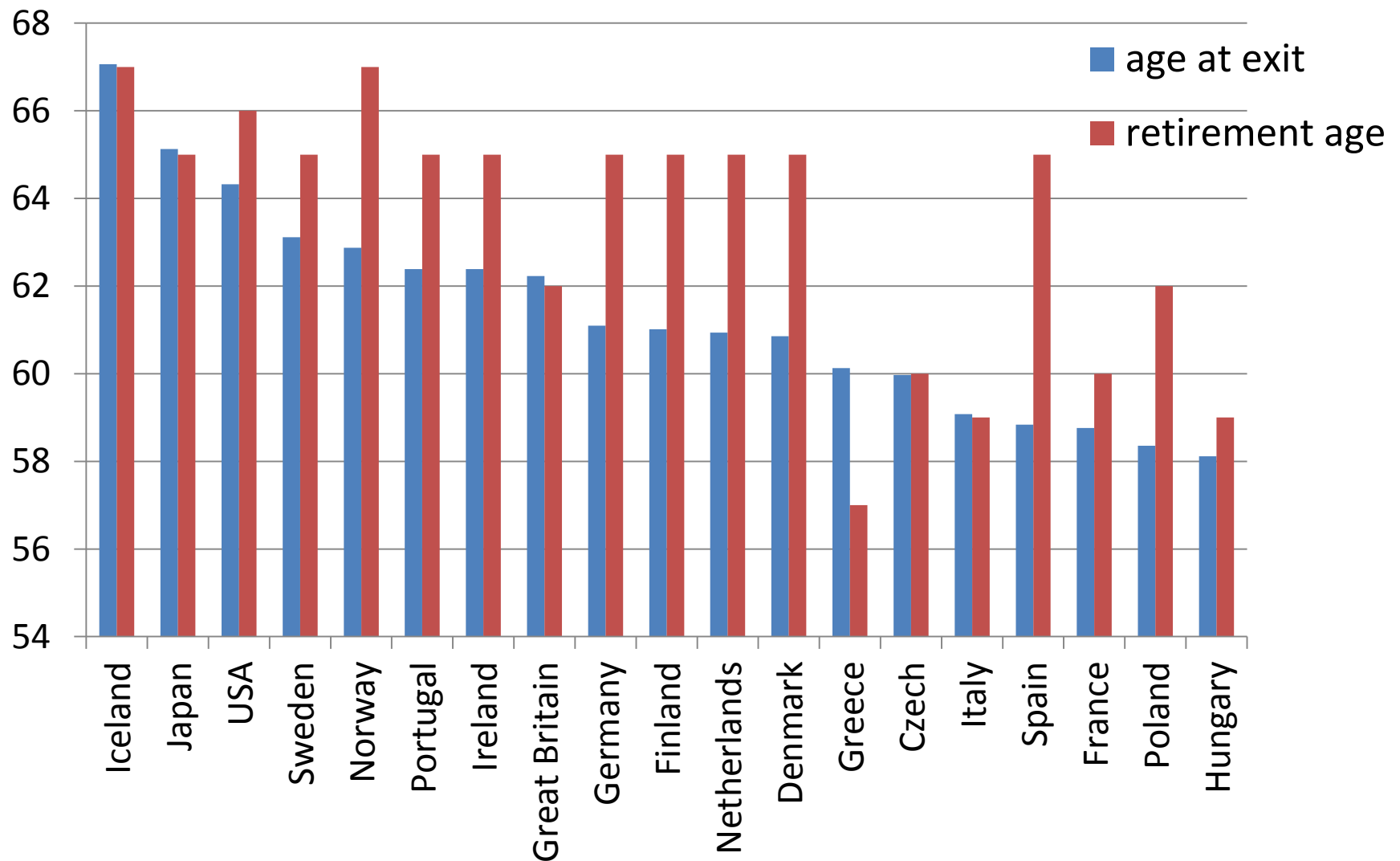
Increasing working hours?

- 65% of those aged 20-64 years work today
- 41 weeks per year in EU, 45 in the US
- Life expectancy at age 65 years is increasing
- Thus there should be possibilities to increase working hours in all ages, which must be matched by increasing capital stock

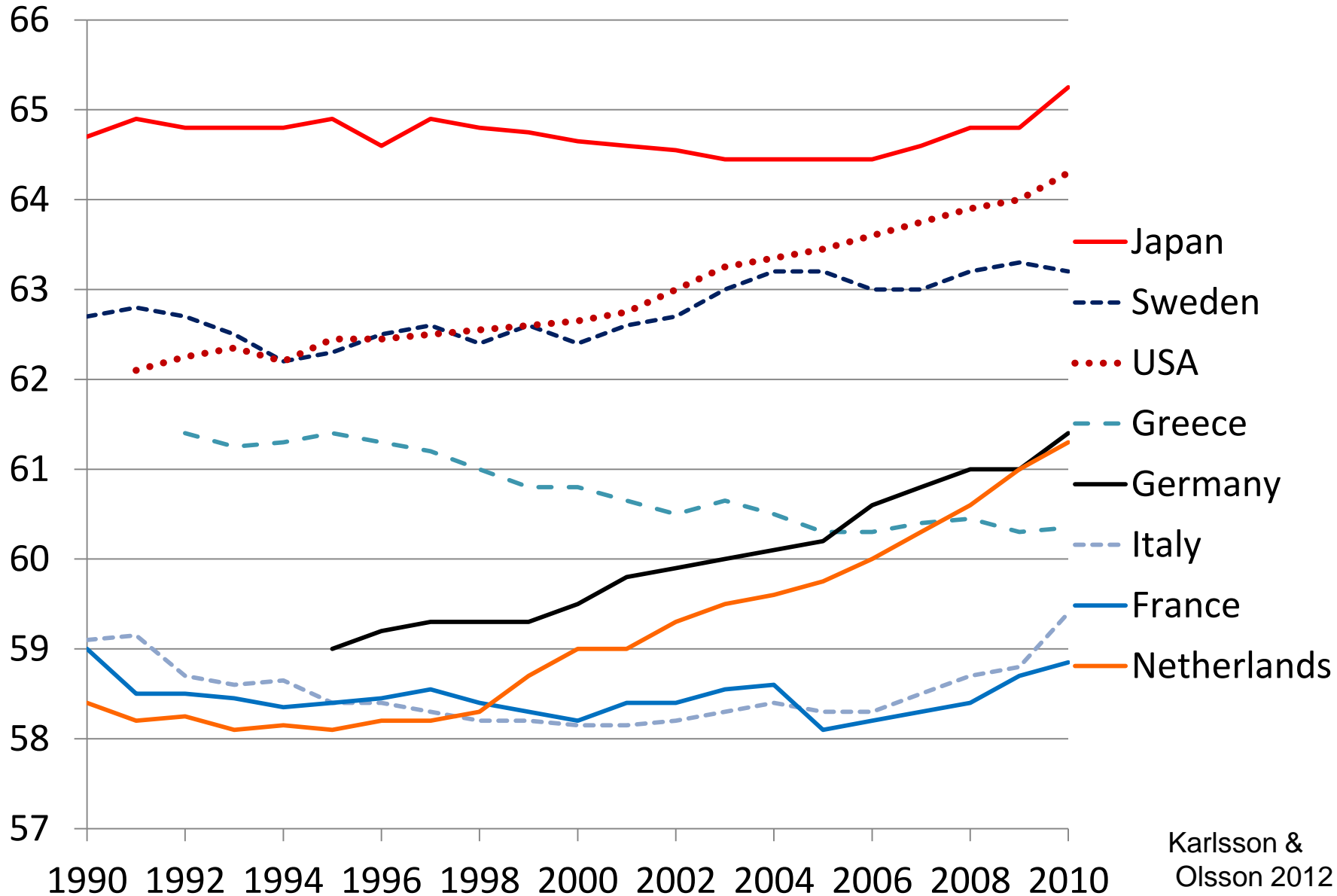
Everything else equal, retirement age in Sweden has to increase to 70.5 years until 2040-50 to keep consumption from falling



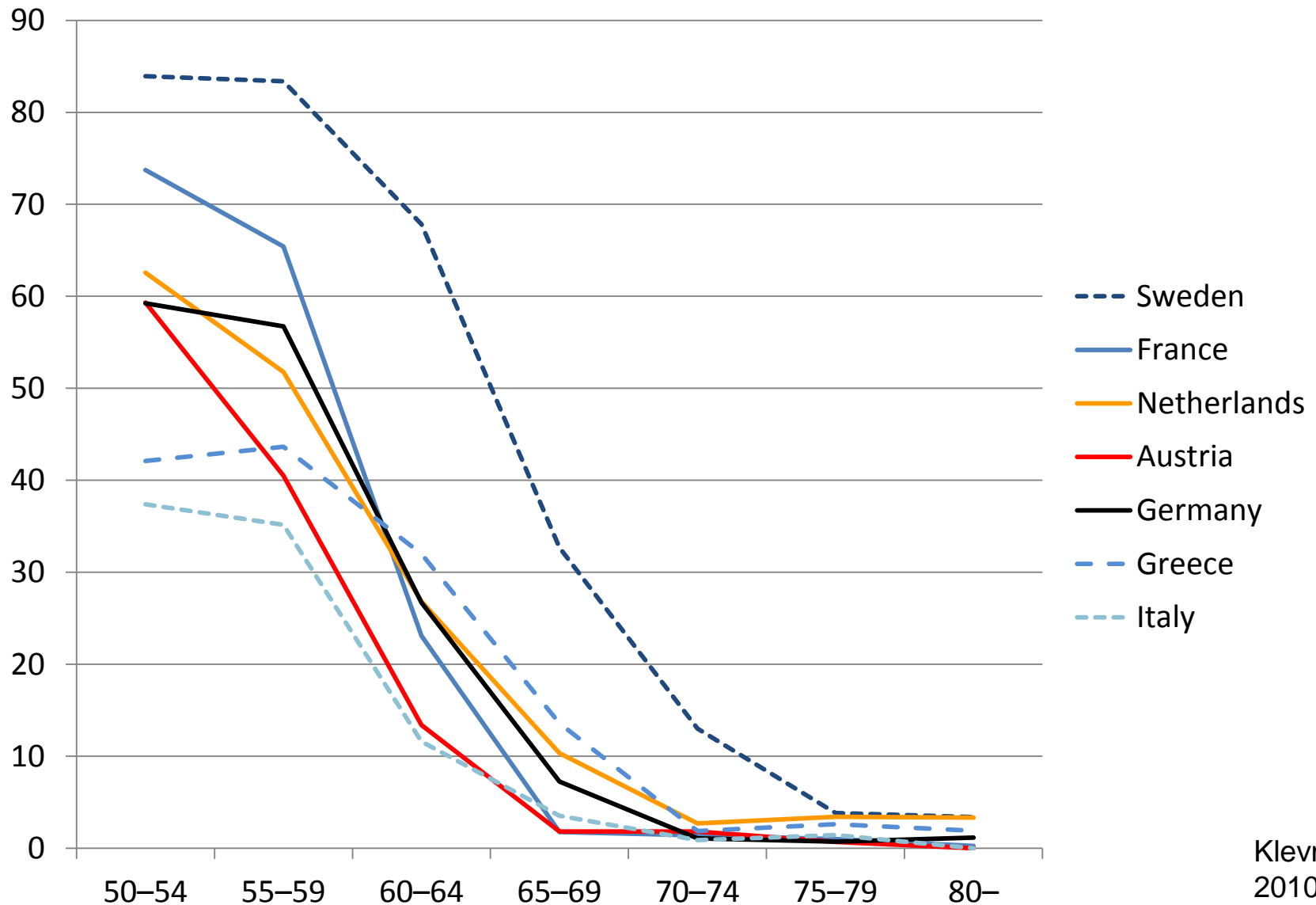
Age at retirement and exit from labour force: different OECD countries in 2008



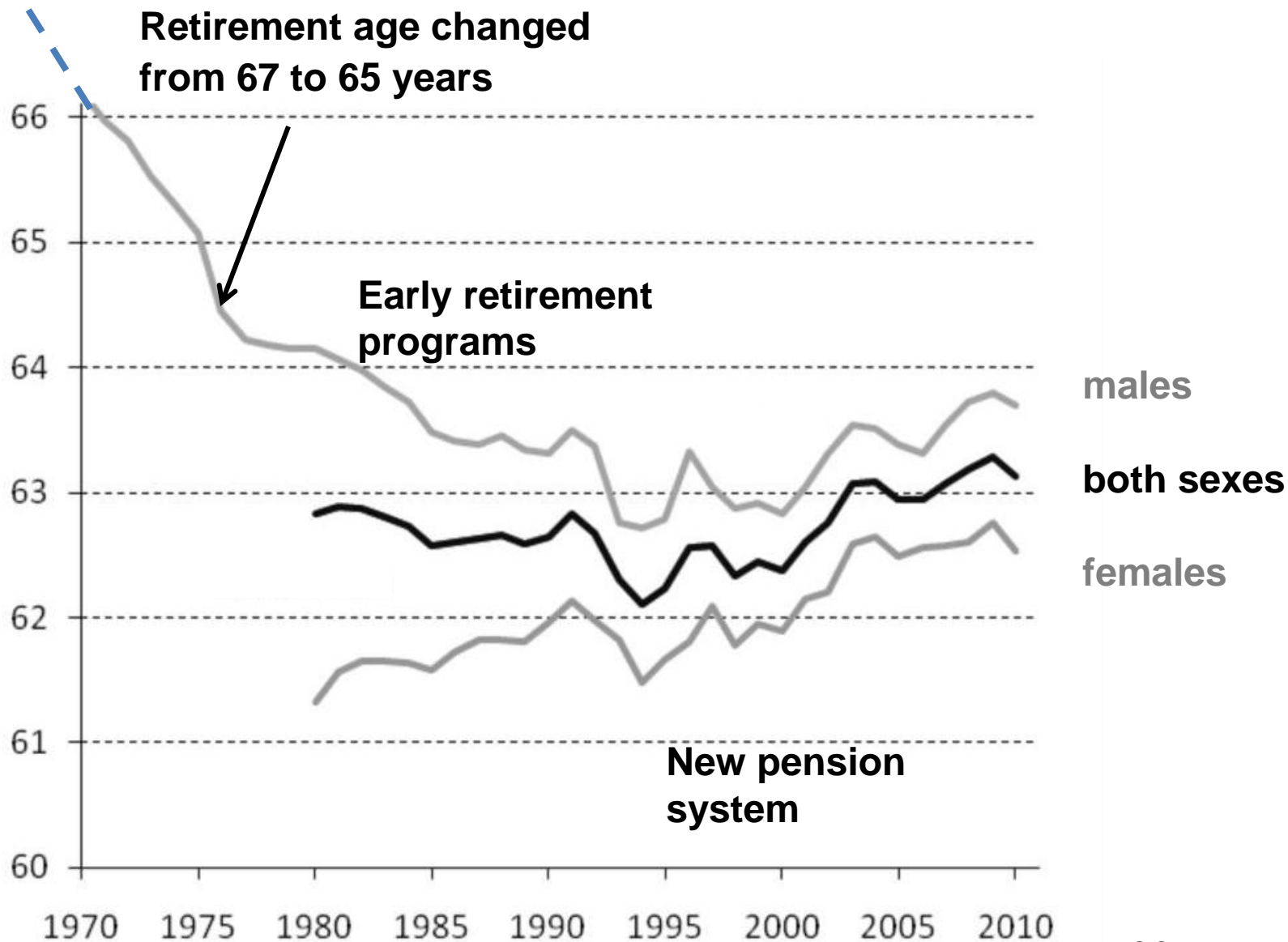
Exit age for those working at age 50 years: different OECD countries 1990-2010



Proportion with labour income by age in EU countries 2006/7



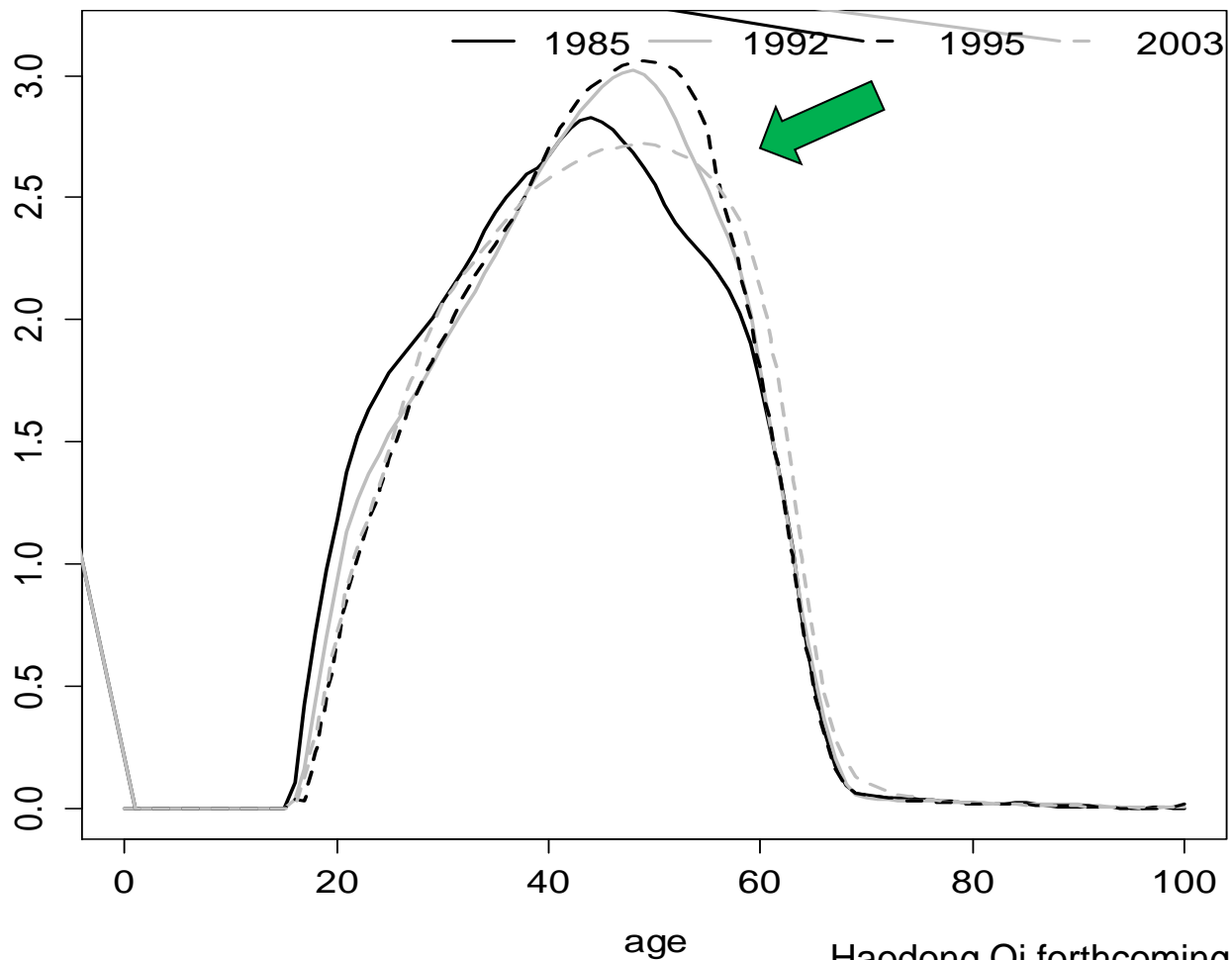
Exit age: Sweden 1970-2010



How much is the present increase in age at exit from the labour force affecting income at older ages?



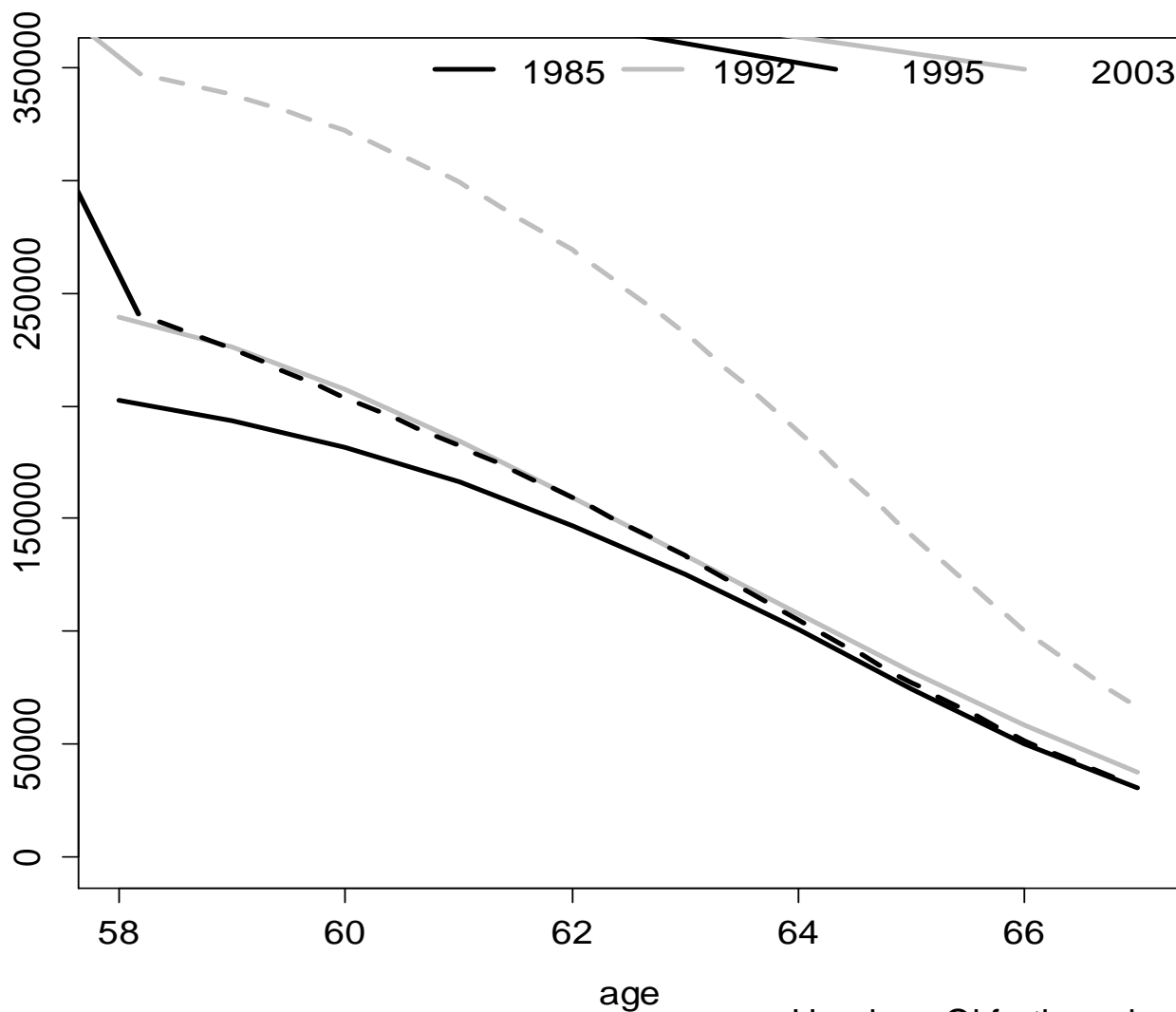
Labour income by age 1985-2003: Sweden



Haodong Qi forthcoming



Labour income by age 1985-2003: Sweden



Haodong Qi forthcoming



Age at exit from the labour force of 1939 year's men by education: Sweden

Education	Age at exit	Extra years of schooling	Longer working life
Primary	61.7	0	0
Secondary	62.9	3	1.2
Tertiary	63.5	6	1.8
Research (PhD)	65.0	10	3.3

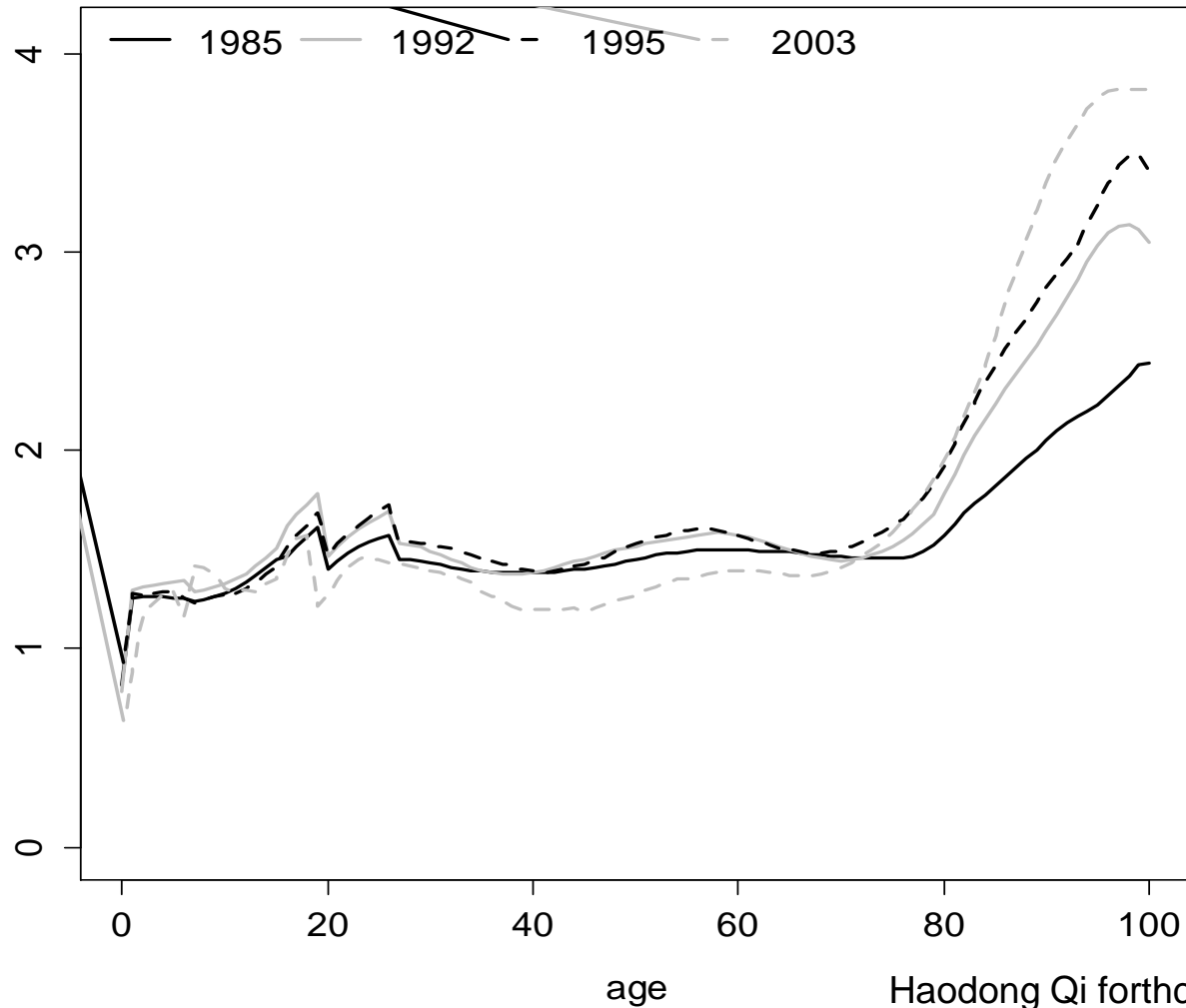


Will the present increase in age at exit from the labour force solve the funding problem of population ageing?

- Costs for the elderly goes also up



Consumption by age 1985-2003: Sweden



Haodong Qi forthcoming



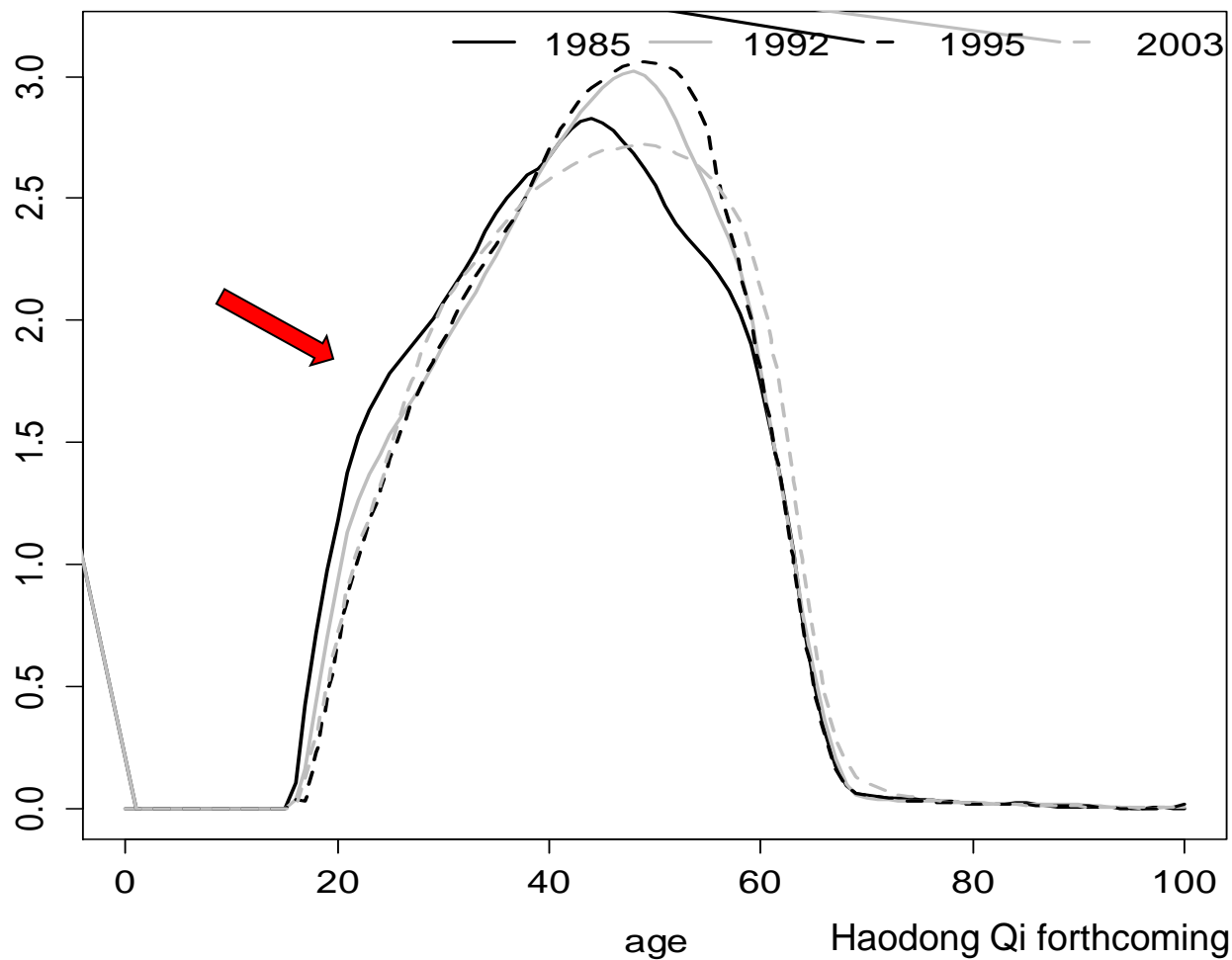
Will the present increase in age at exit from the labour force solve the funding problem of population ageing?

- Costs for the elderly also goes up
- So does age at entry into labour force

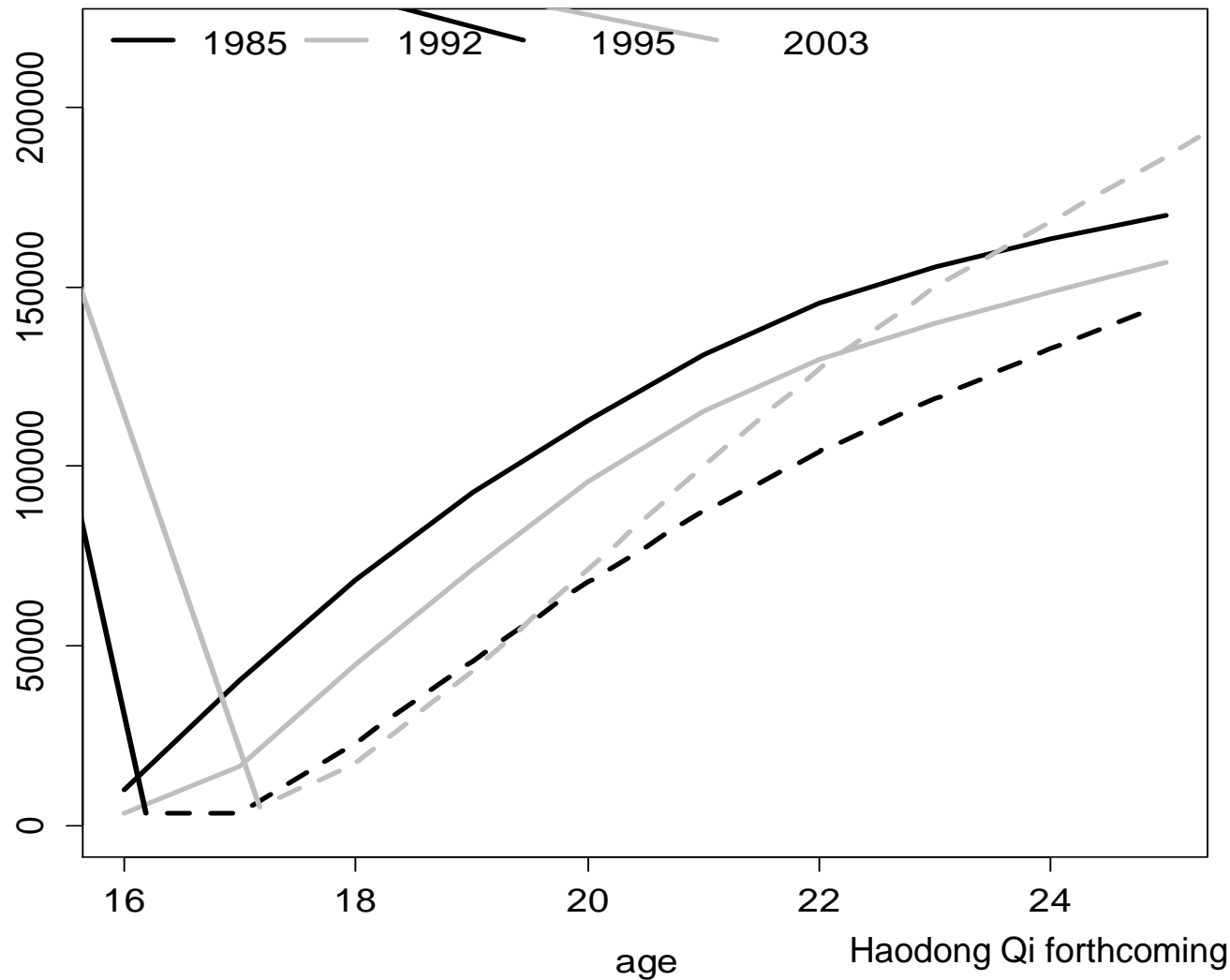


Labour income by age

1985-2003: Sweden



Labour income by age 1985-2003: Sweden



Average age at leaving education and time to find work: EU countries 2012

Education	Age at leaving school, years			Time to find work, months		
	low	EU mean	high	Low	EU mean	high
Primary	14.3 Bulgaria	17.3	18+ Northern Europe	4.3 Sweden	9.8	24.3 Slovak Republic
Secondary		19.9	21.3 Germany	3.0 UK	7.3	11.0 Italy
Tertiary	22.0 UK		26.0 Denmark		5.1	10+ Italy, Greece

Albissini & Cascioli 2012



European challenges

- Pension systems need to be reformed
 - Pay-as-you-go system supplemented by funded systems. Stronger link between contributions and benefits
 - The Swedish system is contribution based with a break at 11 % of GDP. Swedish system is stable from an actuarial point of view, but pensions will decline unless retirement age increase
- Social care systems need to be reformed
 - Family *versus* public? Contribution based as well?
- Health care systems need to be reformed
 - But is it really possible to make similar reforms as in pension systems?



European challenges, labour market issues

- Incentives and opportunities to work at older ages
- Life time learning instead of early retirement programs
- Incentives and opportunities for young and immigrants to get into the labour force faster
- Improvements in educational programs
- Shorten time to finding work by vocational training, internship, etc
- Flexicurity?
- LABOUR DEMAND

