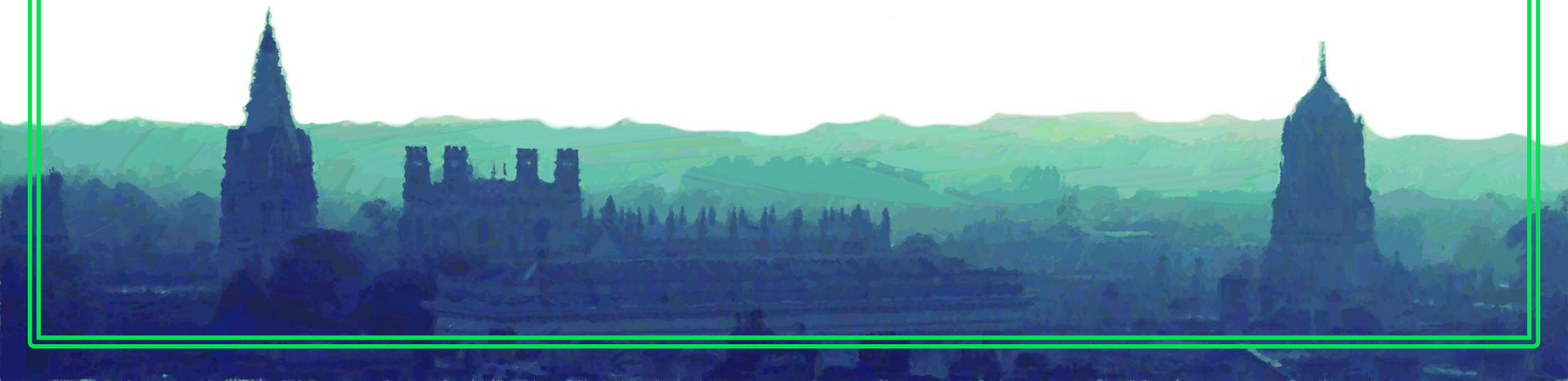
BSG 2013

Thursday, 12 September 2013

Session 10: 9:00-10:00

Plenary Session

Prof Axel Börsch-Supan



BSG 2013

Global Ageing: Implications for Individuals and Society

What can **international comparisons** teach us about individual and population **ageing?**

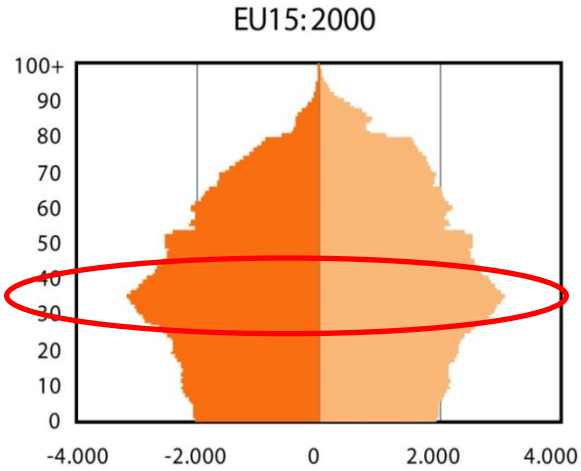
Axel Börsch-Supan

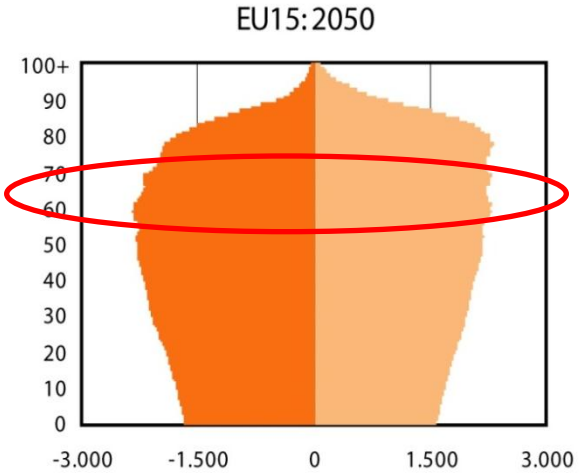
Director, Munich Center for the Economics of Aging (MEA) of the Max-Planck-Institute for Social Law and Social Policy

Coordinator of SHARE

Background

- Population ageing is one of ***the*** **challenges of the 21st century** affecting:
  - Pensions, health and long-term care
  - Economic growth and living standards
  - Social (esp. intergenerational) cohesion
- Financial, debt and economic **crisis has made matters worse**
- **Genuine EU challenge**, not only member states
- Requires **monitoring and benchmarking**
- **Age 50+** shows what welfare state interventions have accumulated over the life-course: health, wealth, and social networks: **magnifying glass**





Benchmarking economics: *financial distress*

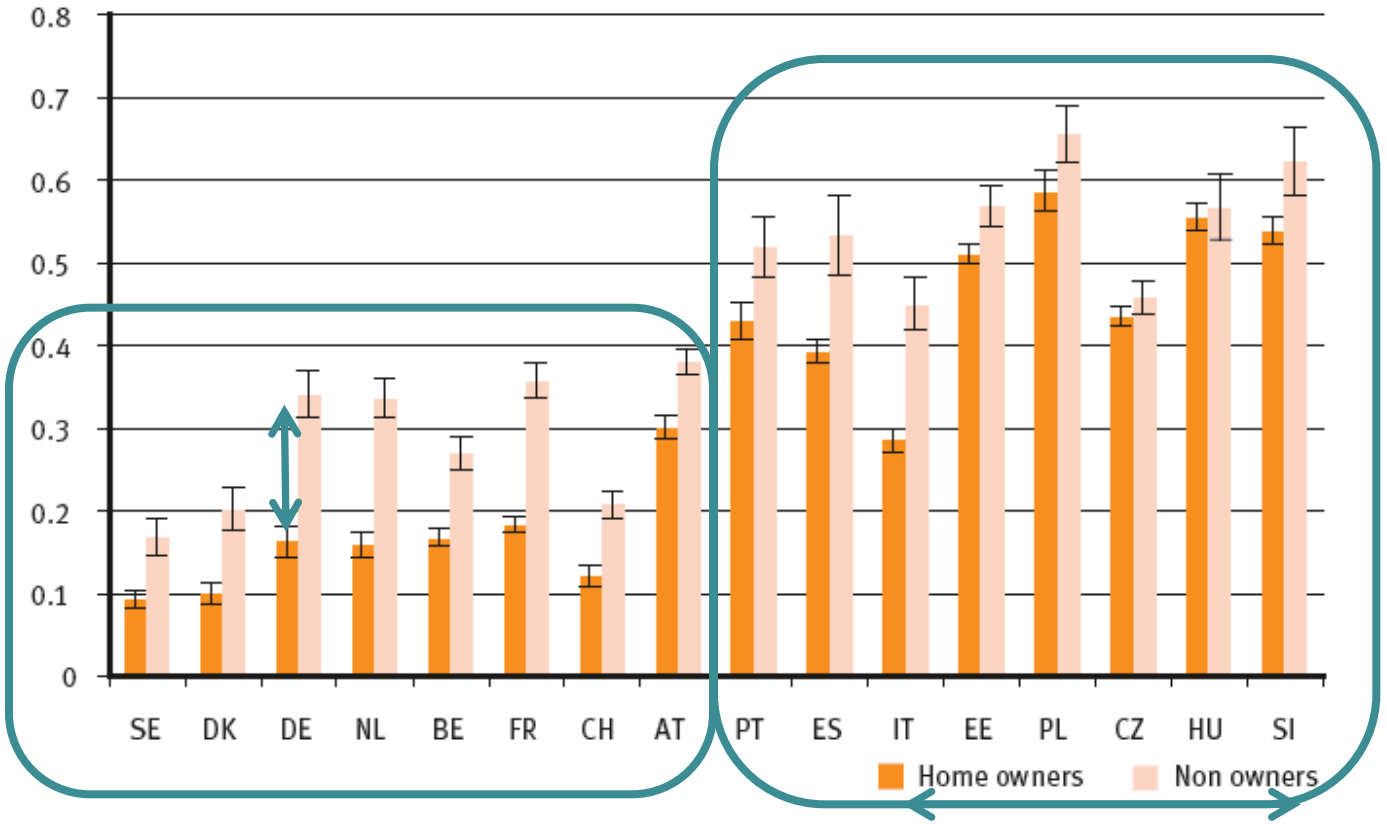


Figure 3.3: Fraction of households in financial distress
Notes: 21,102 observations
Source: SHARE Wave 4 release 1

Cavasso, Weber

SHARE
wave 4 launch

Benchmarking health:
poor self-rated health

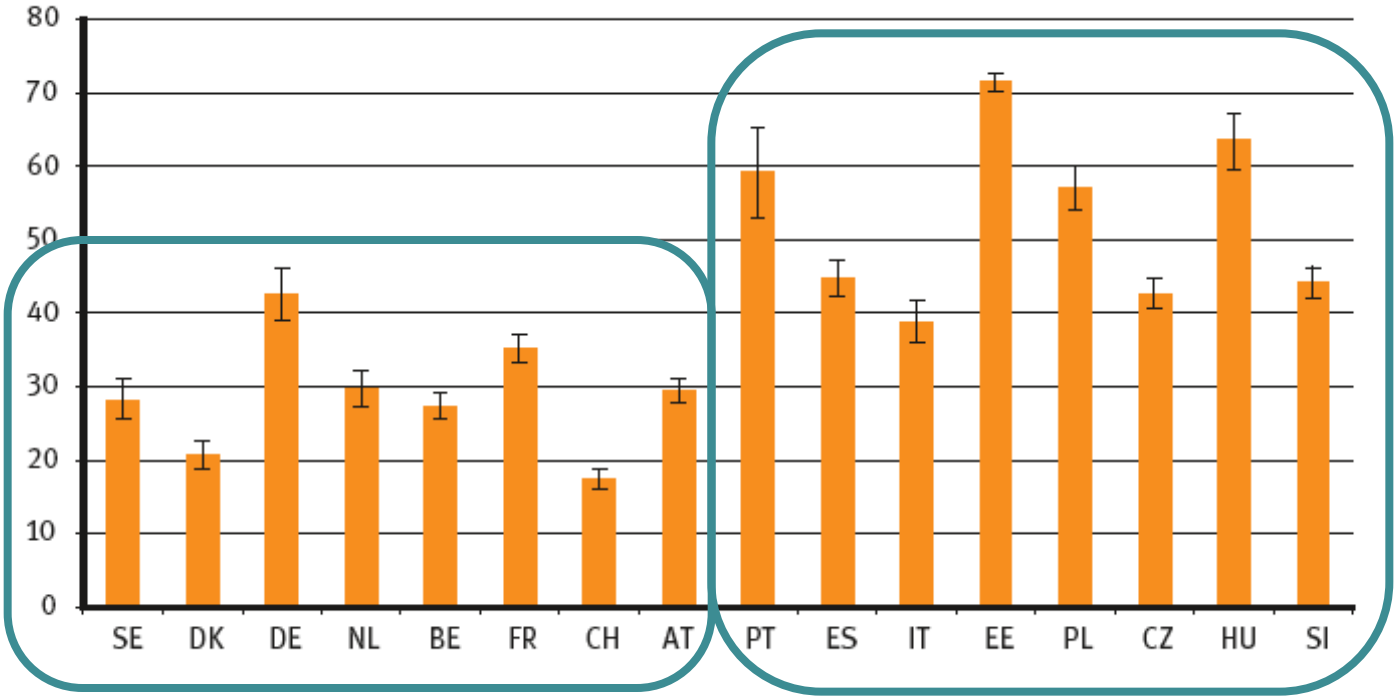


Figure 13.1: Cross-national prevalence proportions (y-axis; per cent) of respondents reporting poor self-perceived health (N=53,213)
Notes: Whiskers represent confidence intervals (CI). Adjusted by age and gender.
Source: SHARE Wave 4 release 1, using calibrated individual weight

Lindholm-Eriksen, Vestergaard, Andersen-Ranberg

Benchmarking social environment: social network composition

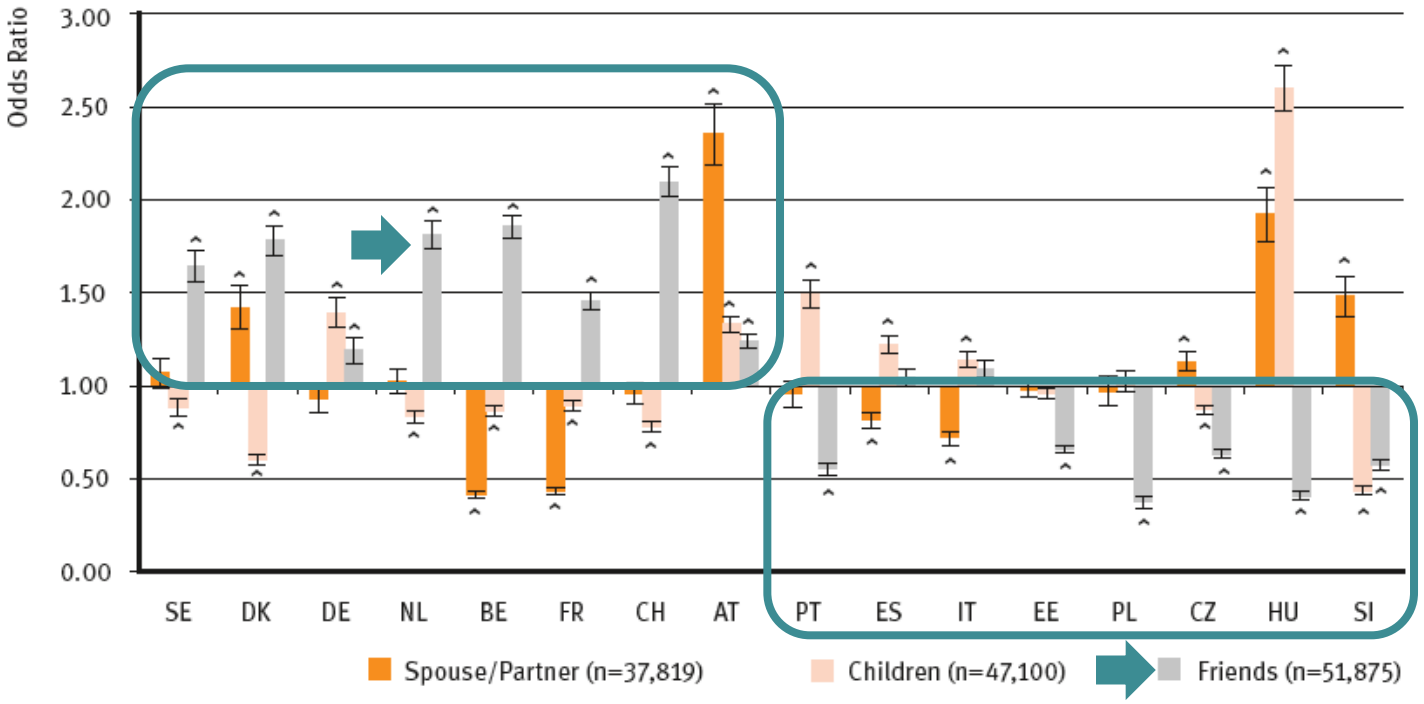


Figure 24.3: Country differences in the selection of spouse/partner, children and friends within named personal social networks

Notes: ^ denotes statistical significance of .05 or less; models are adjusted for age, gender, education, marital status, living siblings, grandchildren, activities of daily living (ADL), instrumental activities of daily living (IADL) and mobility limitations.

Source: SHARE Wave 4 release 1

Stoeckel, Litwin

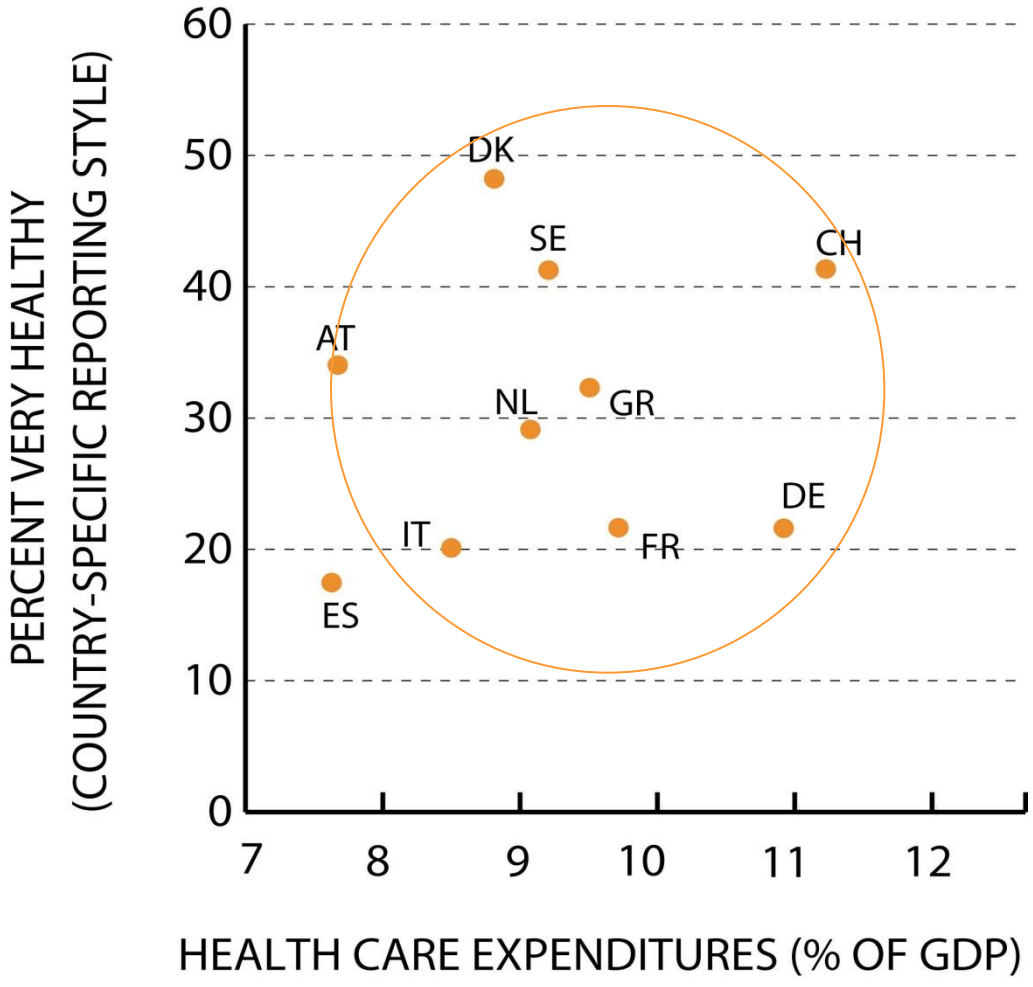
Key challenges

for the 21st century's ageing societies

- Will we resolve the **health care** dilemma?
- Will we be able to adapt the **active part of our life courses** to the new time frame?
- Will we be able to adapt the **retirement part** to the new time frame?
- Will we able to maintain **intergenerational cohesion** when ressource conflicts between generations become clearer?

Can evidence from comparing „younger" and „older" countries help in designing good long-run health care, pension, economic and social policies?

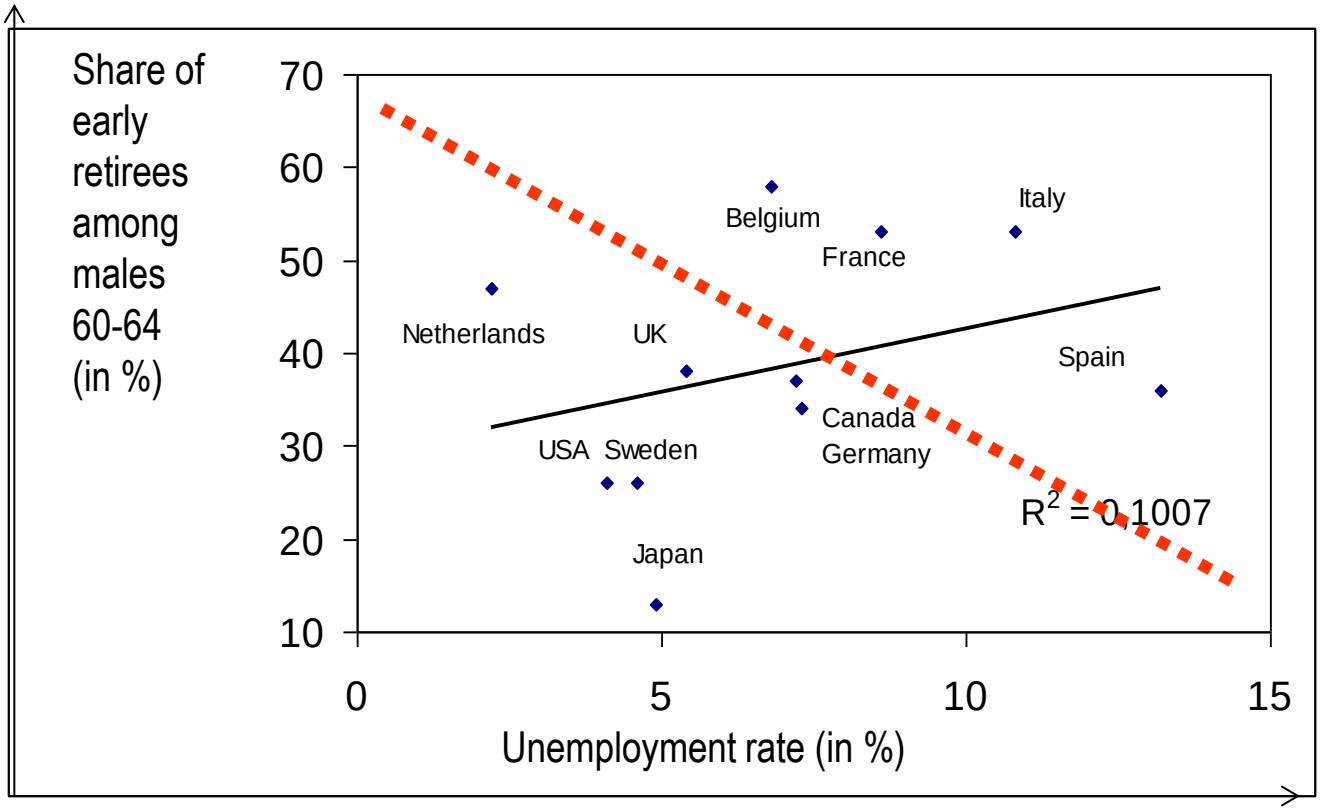
Theme 1: Resolve the health care dilemma



(Hendrik Jürges with SHARE data)

Theme 2: Increase the active part of the life course

„Place made free by the old"



„Lack of place for for the young"

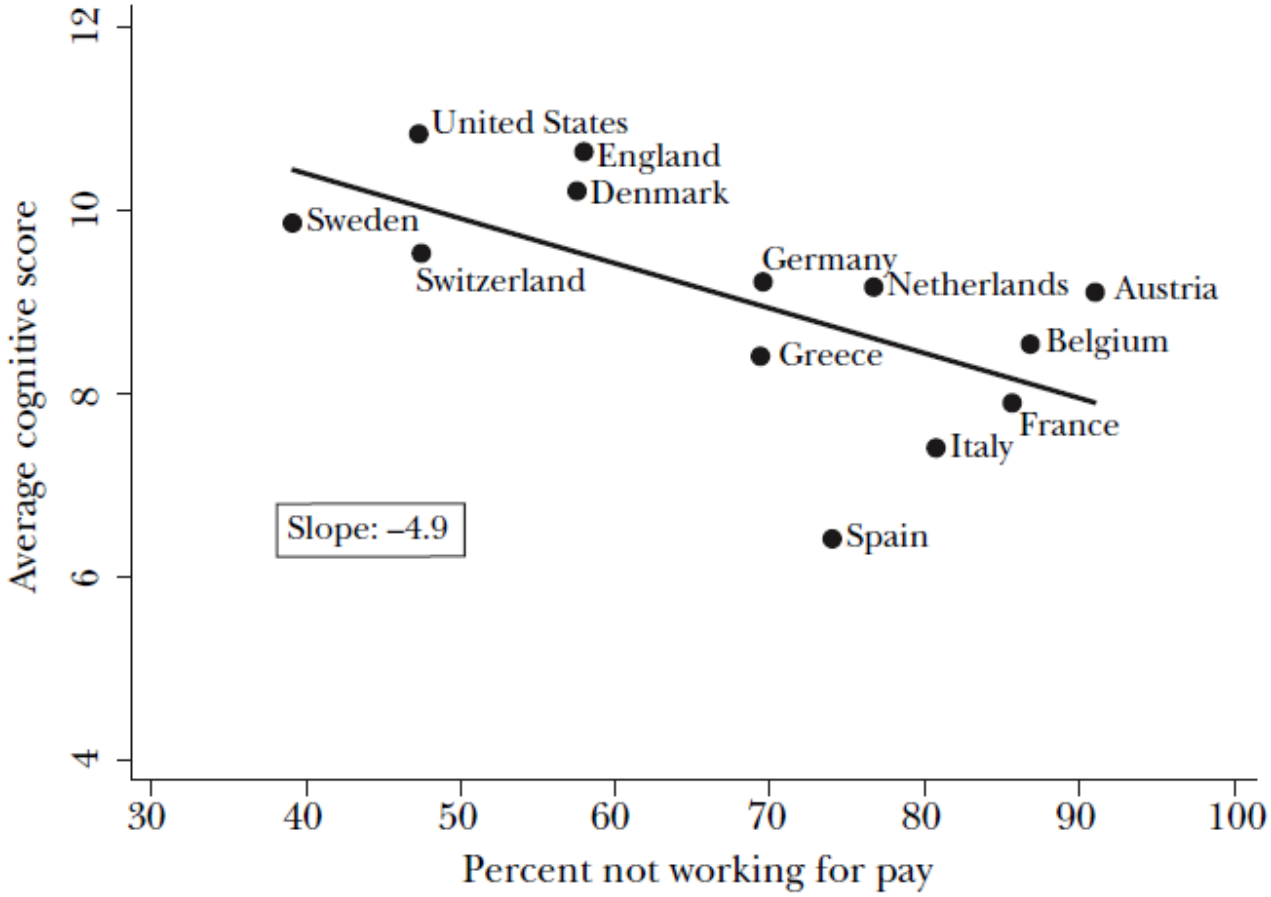
„Lump of labor fallacy"

(Börsch-Supan with OECD data)

Theme 3: Is retirement really bliss?

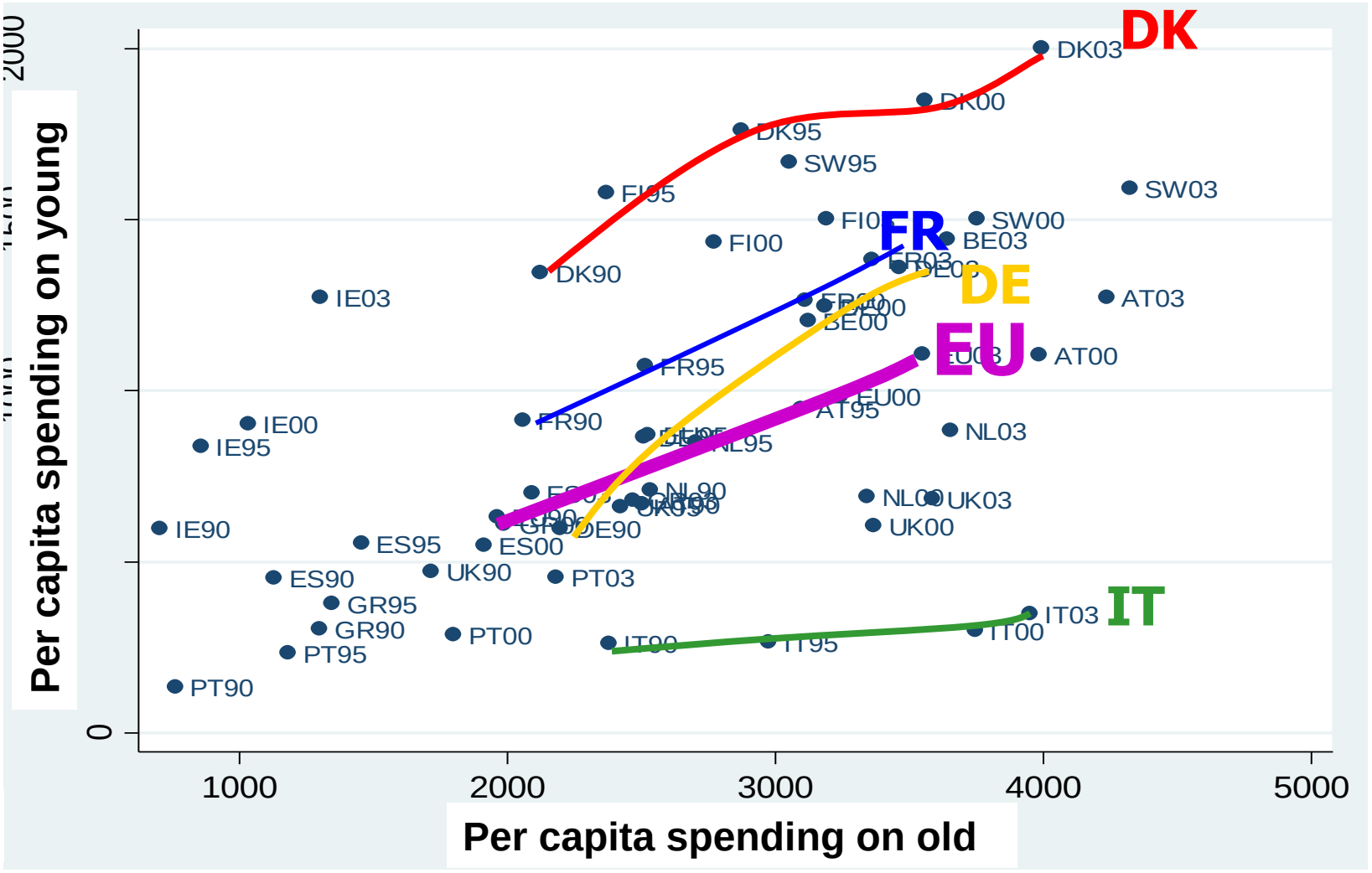
Cognition by Percent Not Working for Pay, 60–64 Year-Old Men and Women, Weighted

(Rohwedder and Willis 2010 with SHARE data)



Theme 4: Maintain intergenerational cohesion

(Börsch-Supan/Reil-Held with ESS/SHARE)



Methodological challenges

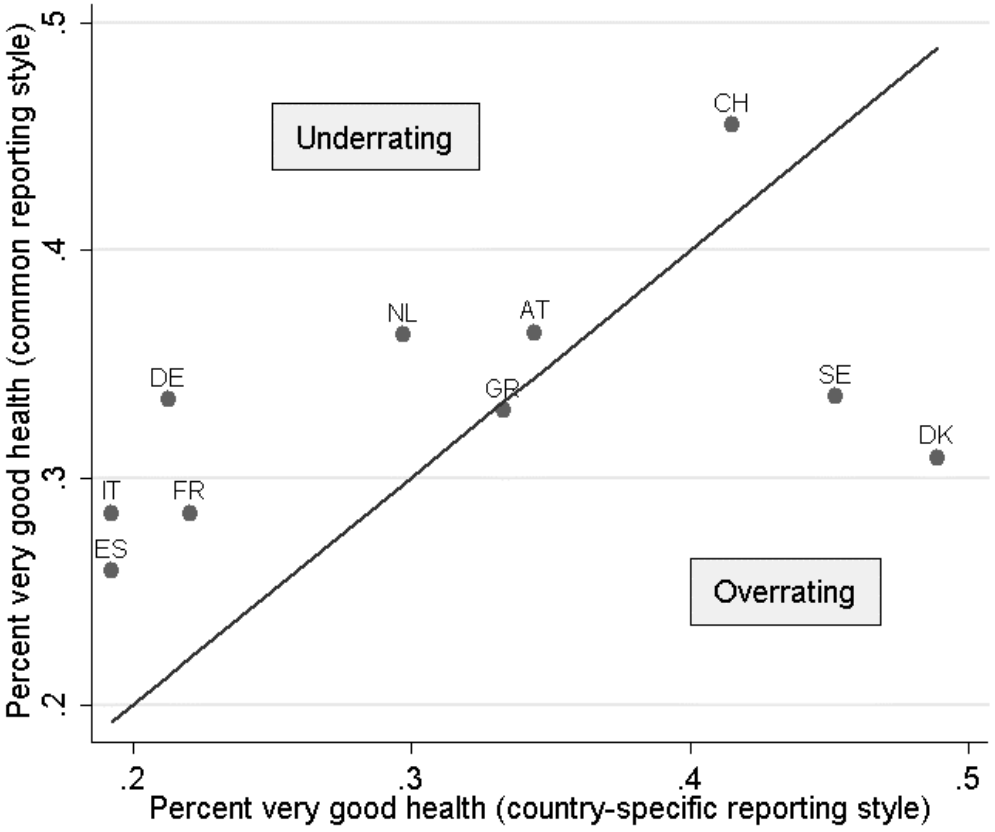
1. Distinguish cultural and methodological differences from genuine policy effects:

- Different **languages** and **interpretations**
- Different **histories** and **institutions**
- Different **methods**

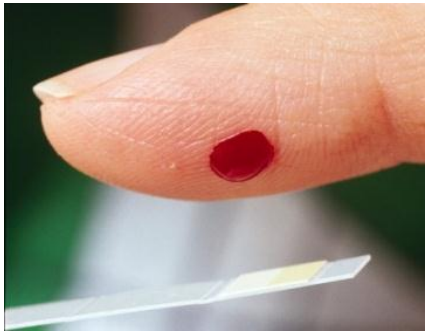
2. Causal attribution in macro and micro data:

- Macro level: Usually many **other influential variables**
- Macro variables: Usually **simultaneously** determined
- **Gold standard**: Randomly assigned controlled trials
- Usually not an option for **population-based policies**
- Exploit **„historical experiments“**
- Need **longitudinal** data („before“ and „after“)
- Regression **discontinuity** design, time as instrument

Culture, language and interpretations

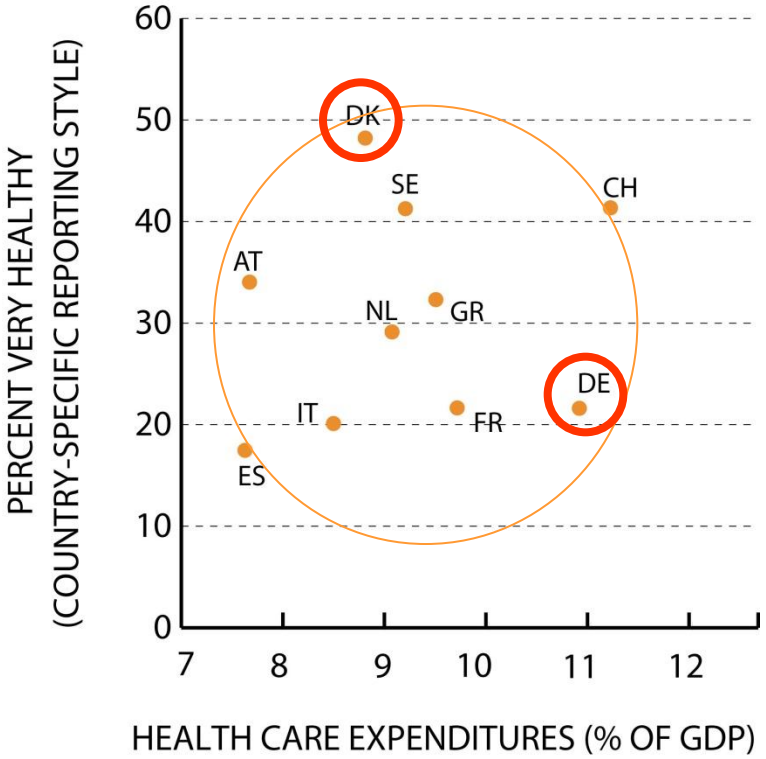


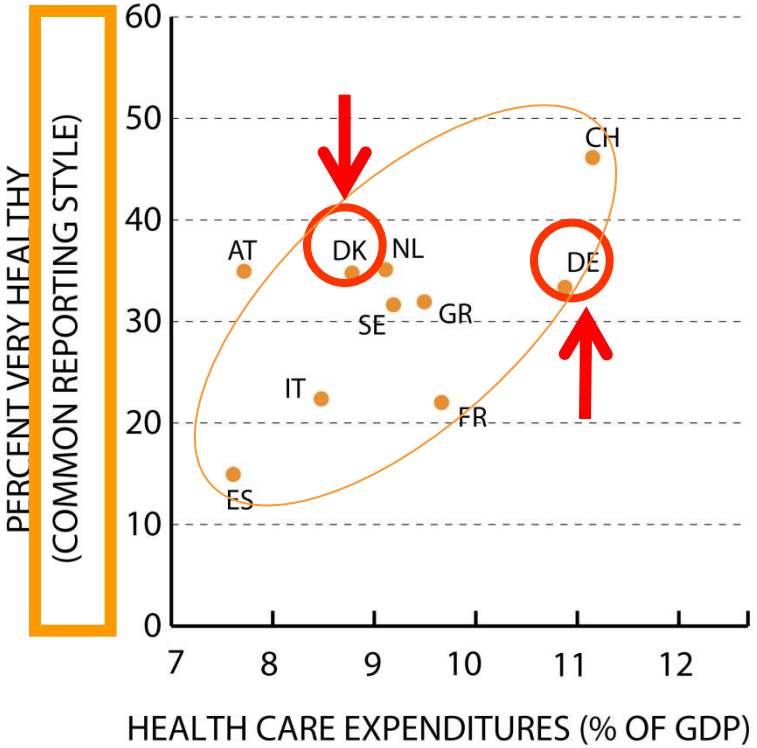
Source: Jürges, 2006



objective measures of health help distinguishing actual differences in health from different response styles to extract genuine policy effects

Theme 1: Resolve the health care dilemma

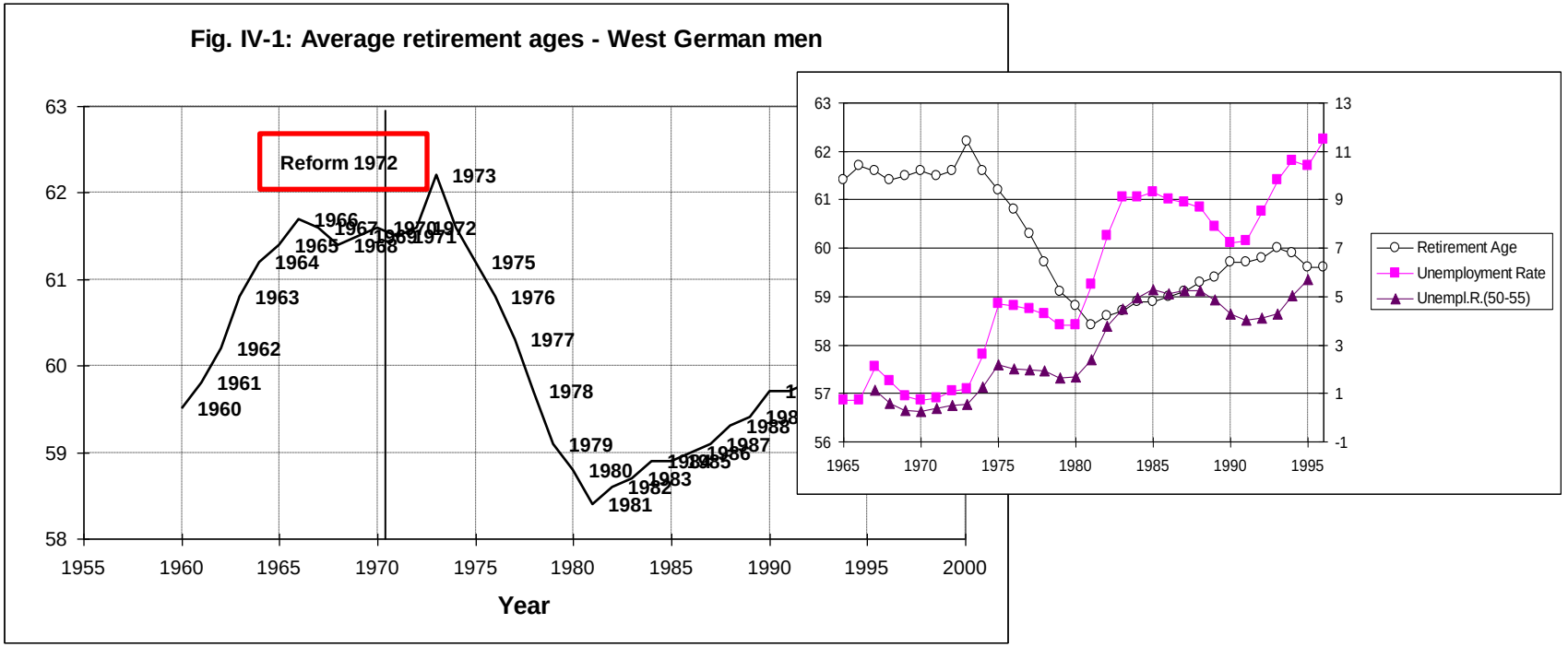




(Hendrik Jürges with SHARE data)

Theme 2: Increase the active part of the life course

*Exploit specific „**historical experiments**"*
to show the power of economic incentives



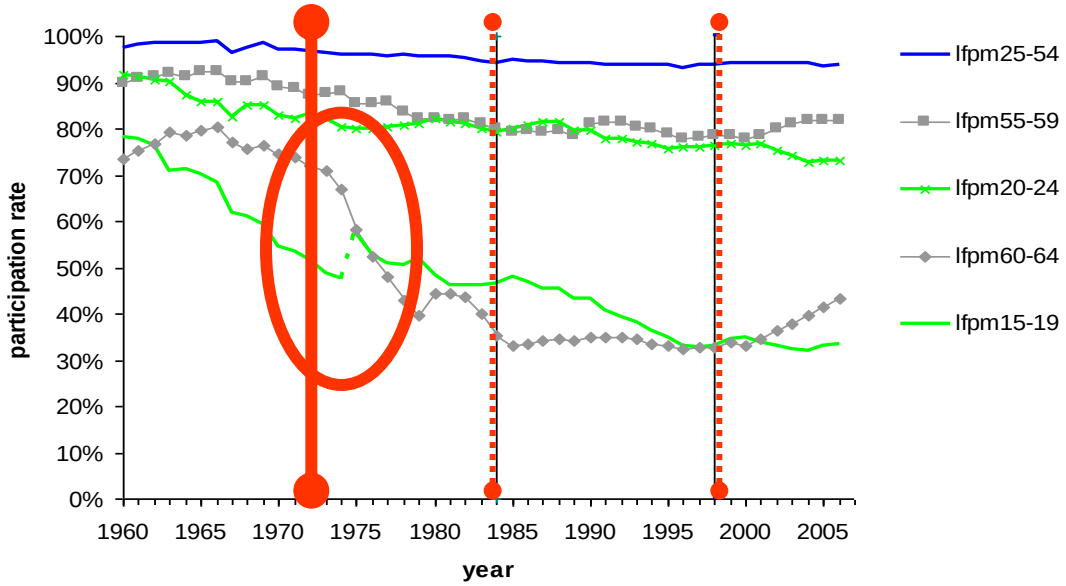
(Börsch-Supan / Schnabel)

Theme 2: Increase the active part of the life course

*Exploit specific „**historical experiments**" :*

Labor Force Participation of youth, young and elderly males

Shocks to the system: **1972**, 1984 and 1997

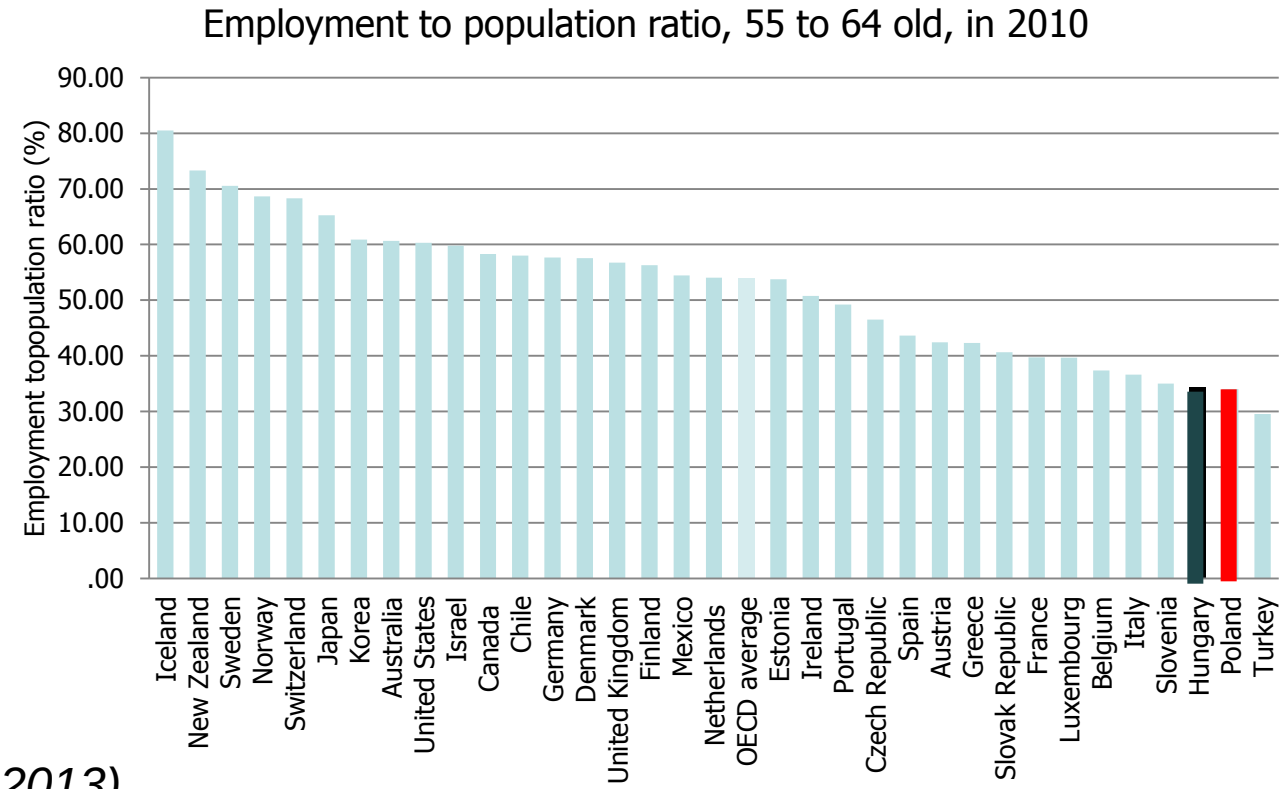


Source: German Mikrozensus

(Börsch-Supan / Schnabel)

Ageing and Employment

- Employment rate **in Hungary and Poland** among the 50+ population is among the lowest in the OECD. Why?



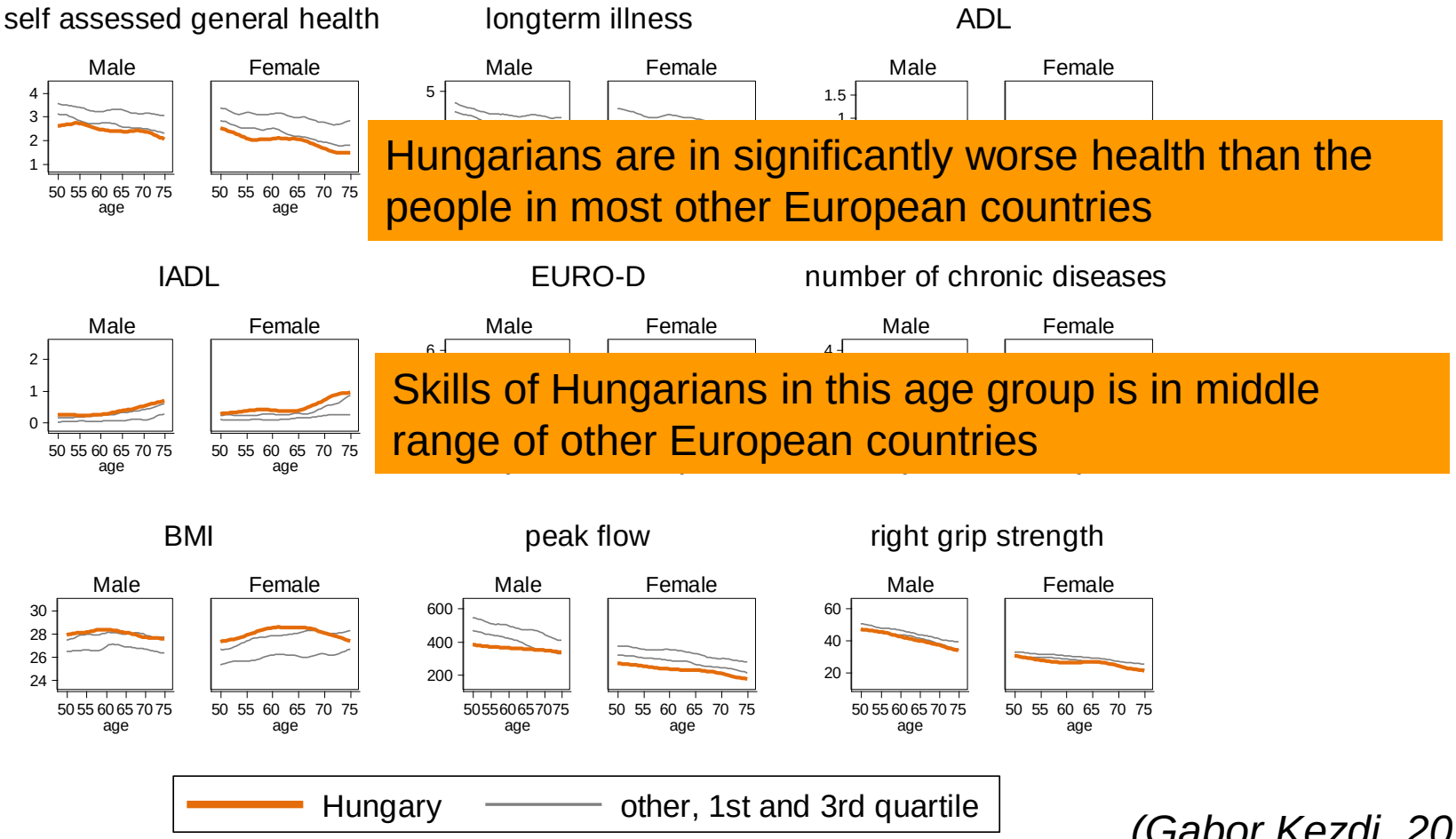
(Gabor Kezdi, 2013)

Value of international and multi-disciplinary survey data

- Three major drivers considered
  1. Financial incentives (earnings vs. pension incomes)
  2. Cognitive skills
  3. Health

- Comparisons across countries
  - Are drivers different in Hungary from other countries?
  - Decomposition of employment gap between Hungary and other countries

Evidence on health

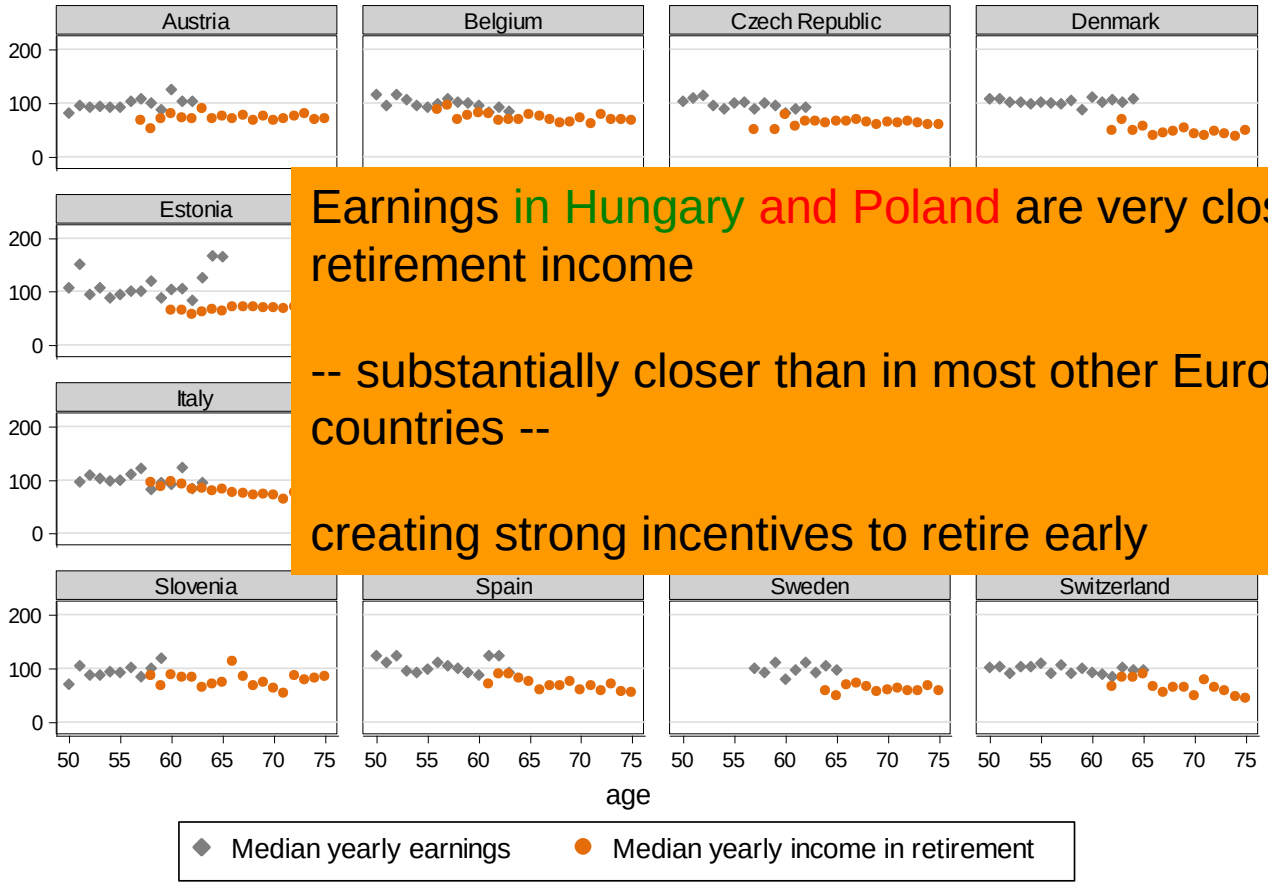


Hungarians are in significantly worse health than the people in most other European countries

Skills of Hungarians in this age group is in middle range of other European countries

(Gabor Kezdi, 2013)

Evidence on financial (dis-)incentives



Earnings in Hungary and Poland are very close to retirement income

-- substantially closer than in most other European countries --

creating strong incentives to retire early

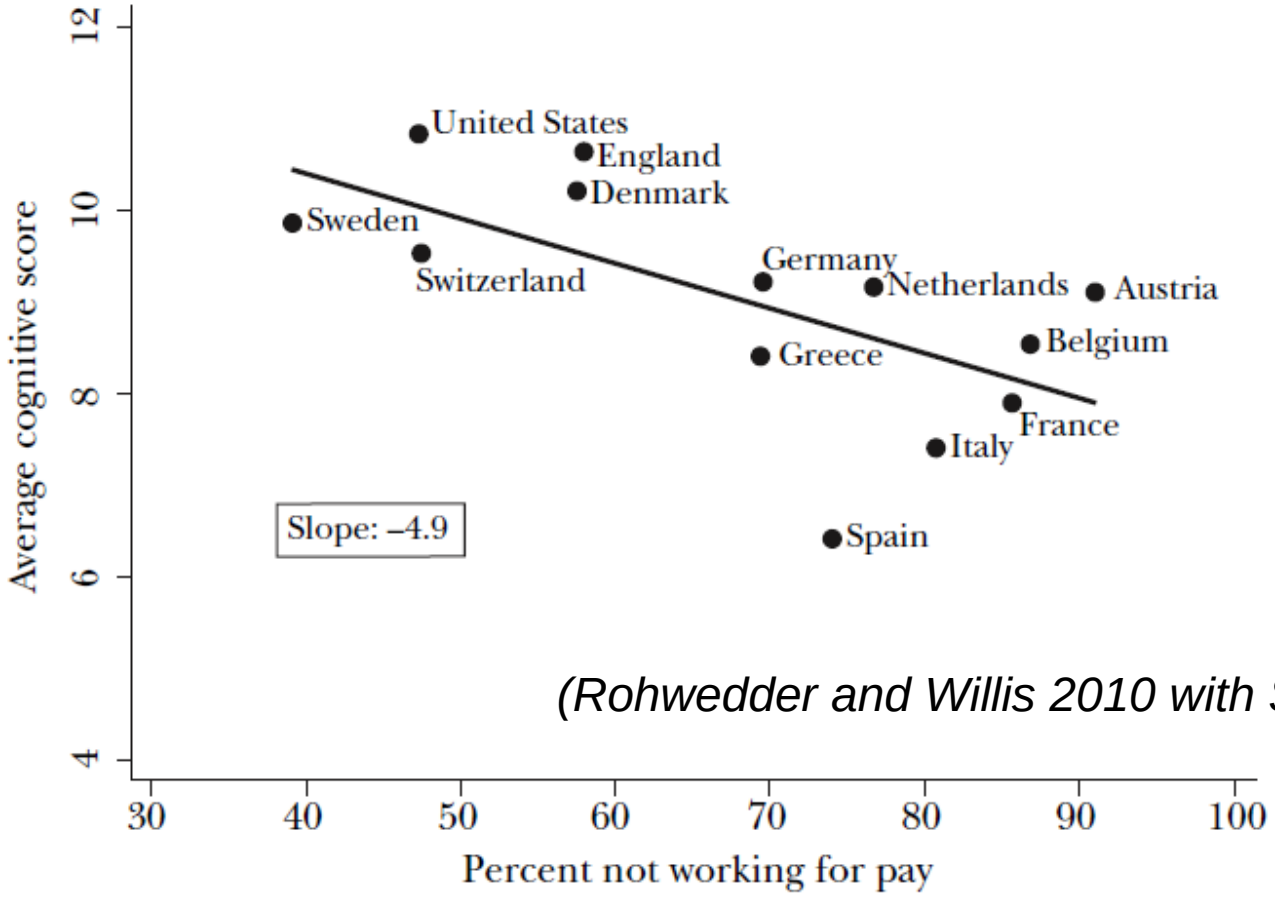
(Gabor Kezdi, 2013)

Policy conclusions

- **Health** differences explain one third of the employment gap between Hungary and Europe
- Much of the remainder likely to be policy generated: **Financial (dis-)incentives** to work at older ages
- **Skill** differences explain nothing of the employment gap
- *Methodologically: Note role of international comparisons!*

Theme 3: Is retirement really bliss?

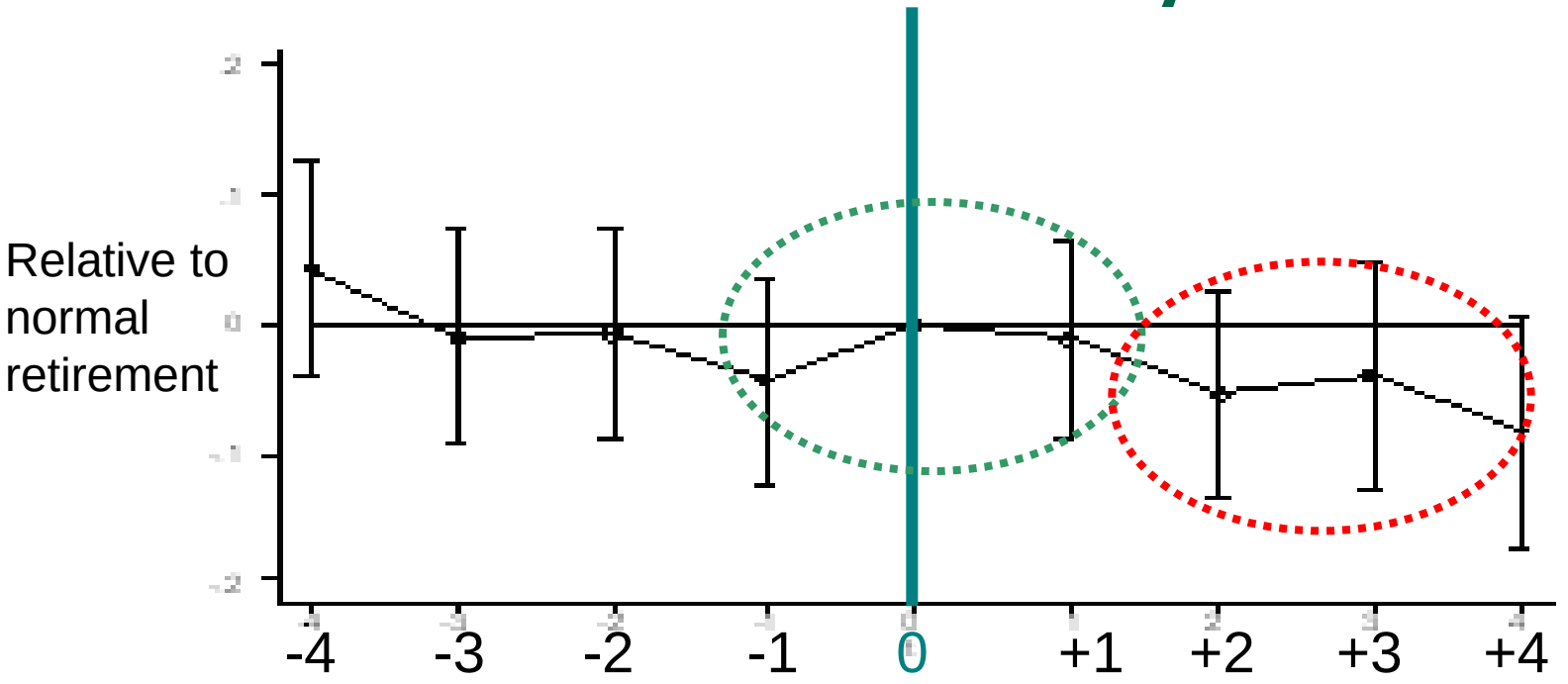
Cognition by Percent Not Working for Pay, 60–64 Year-Old Men and Women, Weighted



(Rohwedder and Willis 2010 with SHARE data)

Theme 3: Is retirement really bliss?

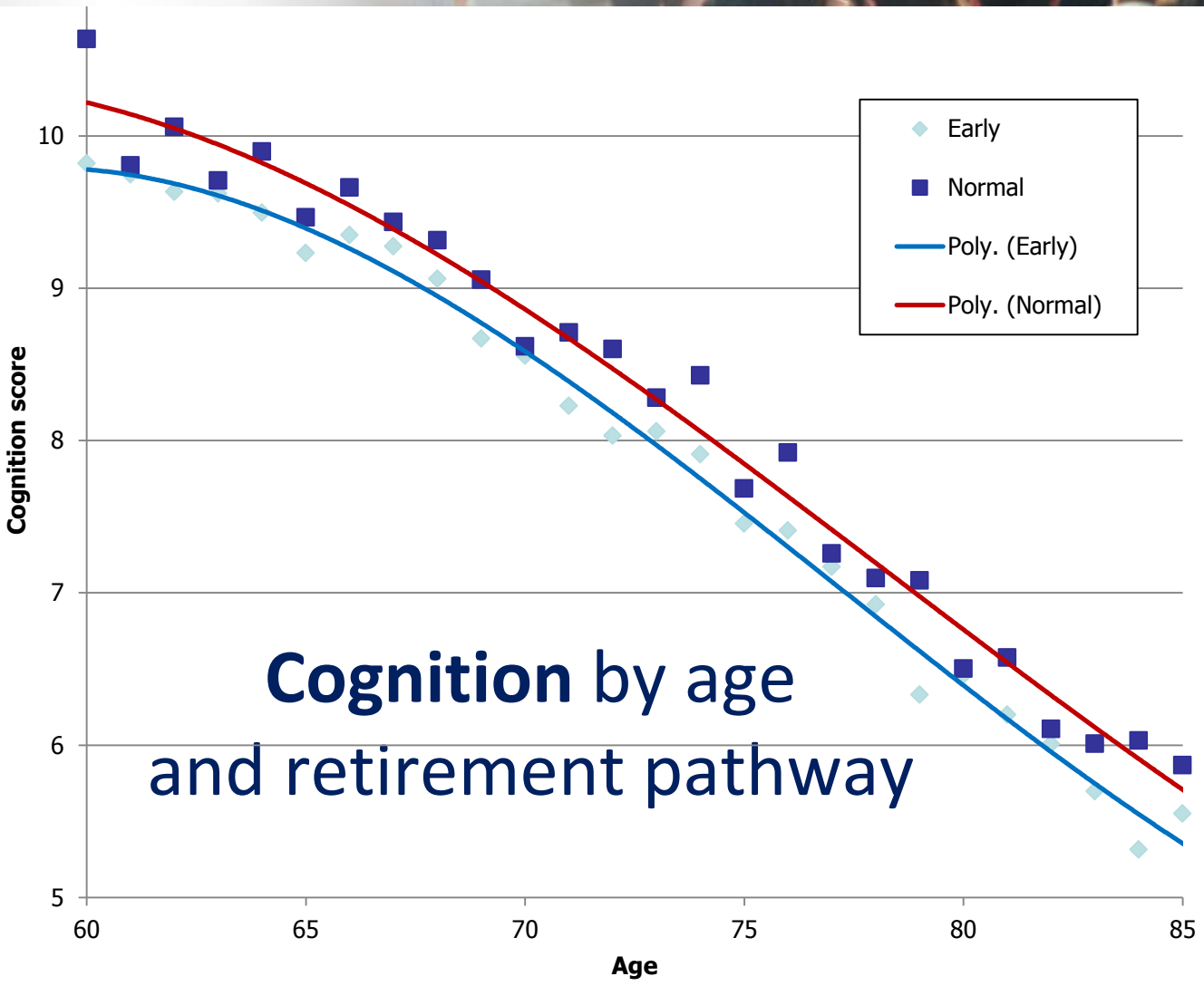
Life satisfaction after early retirement



Controls for selectivity effects

(Börsch-Supan und Jürges, 2007, GSOEP)

Theme 3: Is retirement really bliss?

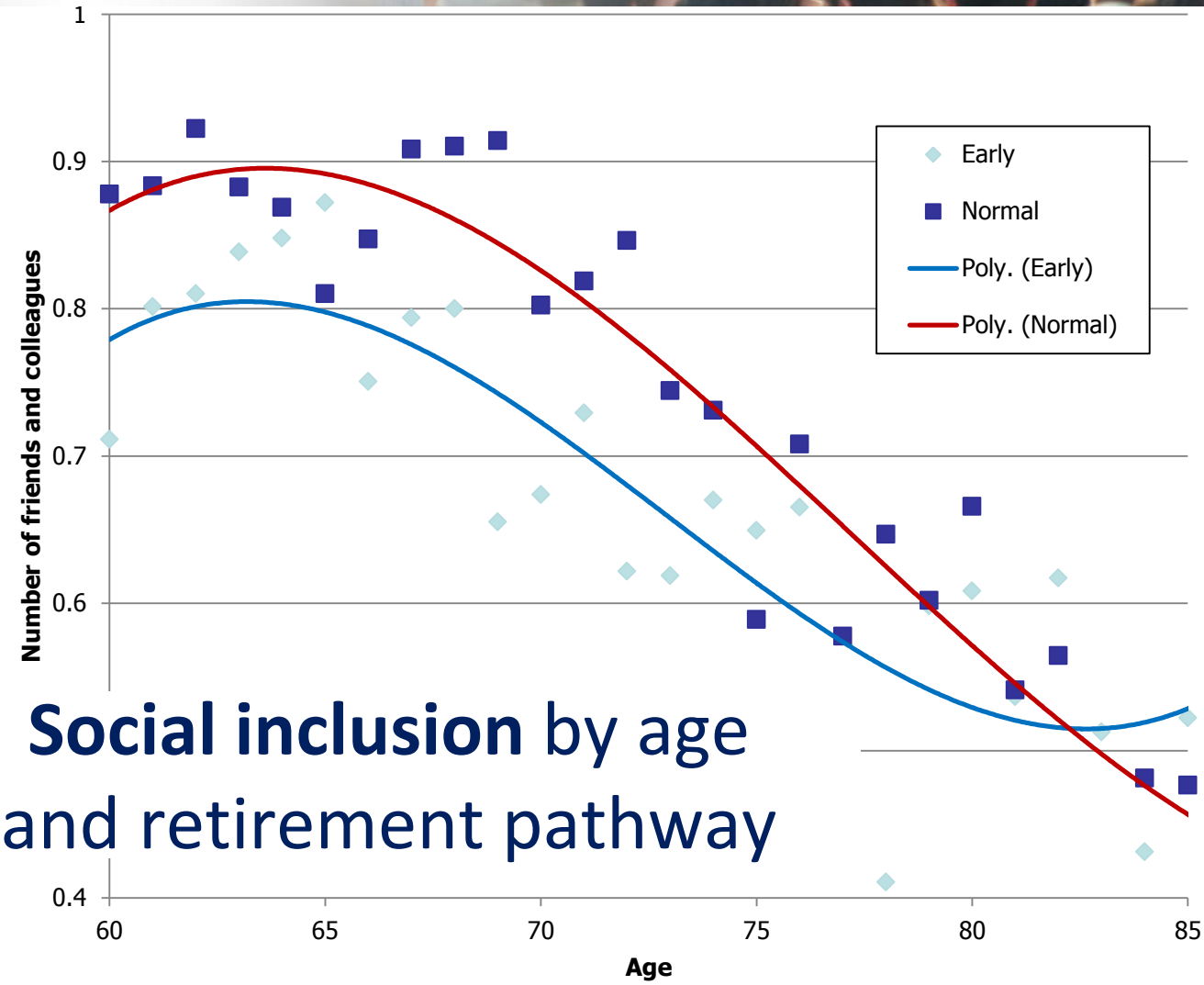


Cognition by age and retirement pathway

SHARE Survey of Health, Ageing and Retirement in Europe

(Börsch.Supan and Schuth, 2013)

Theme 3: Is retirement really bliss?



Social inclusion by age and retirement pathway

(Börsch.Supan and Schuth, 2013)

SHARE Survey of Health, Ageing and Retirement in Europe

What is cause, what is effect?

1. **Cognition -> Retirement:**

   Those with low cognition tend to retire earlier

2. **Retirement -> Cognition:**

   Those who retire earlier loose their cognition faster

3. **Cognition -> Social networks :**

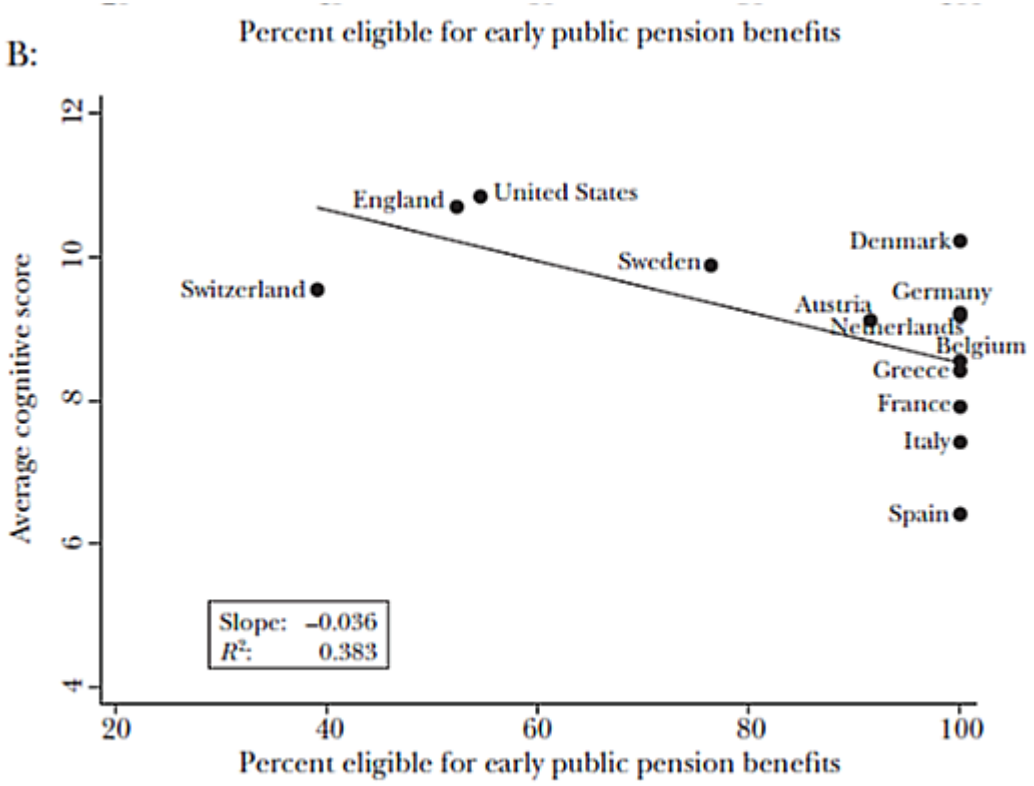
   Smart and succesful individuals have more friends

4. **Social networks -> Cognition:**

   Those who retire earlier loose their friends faster

Instruments to identify causal direction retirement -> cognition

- Statutory eligibility age for early retirement
- Statutory eligibility age for normal retirement

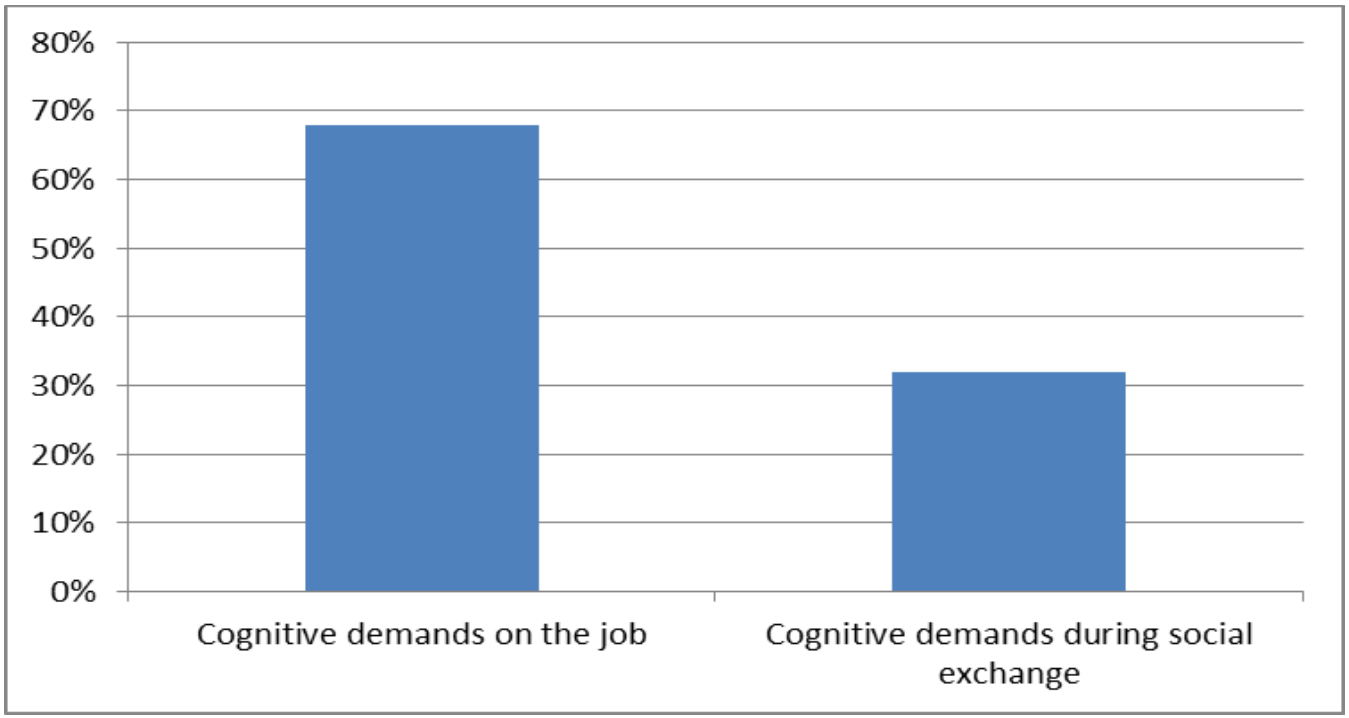


Quantitative effects in terms of cognitive aging:

	Cognitive ageing (in years)		
	ELSA	HRS	SHARE
Activities:			
Non-professional activity	-1.18	-3.18	-1.60
Moderate physical activity	-1.17	-1.54	-1.23
Vigorous physical activity:	-0.72	-1.75	-1.25
Mobility limitations	0.10	0.14	0.49
Work and retirement:			
Working	-	-	-
Retired within 5 years	1.46	3.90	1.01
Retired within 5 and 10 years	1.78	4.84	1.72
Retired within 10 and 15 years	2.13	5.67	2.01
Retired since more than 15 years	3.22	5.96	2.86
Never worked	3.83	6.25	3.21
Social isolation:			
Single household	0.24	0.78	0.80
Isolate	-	0.82	-

Adam, Bonsang,.., Perelman (2007)

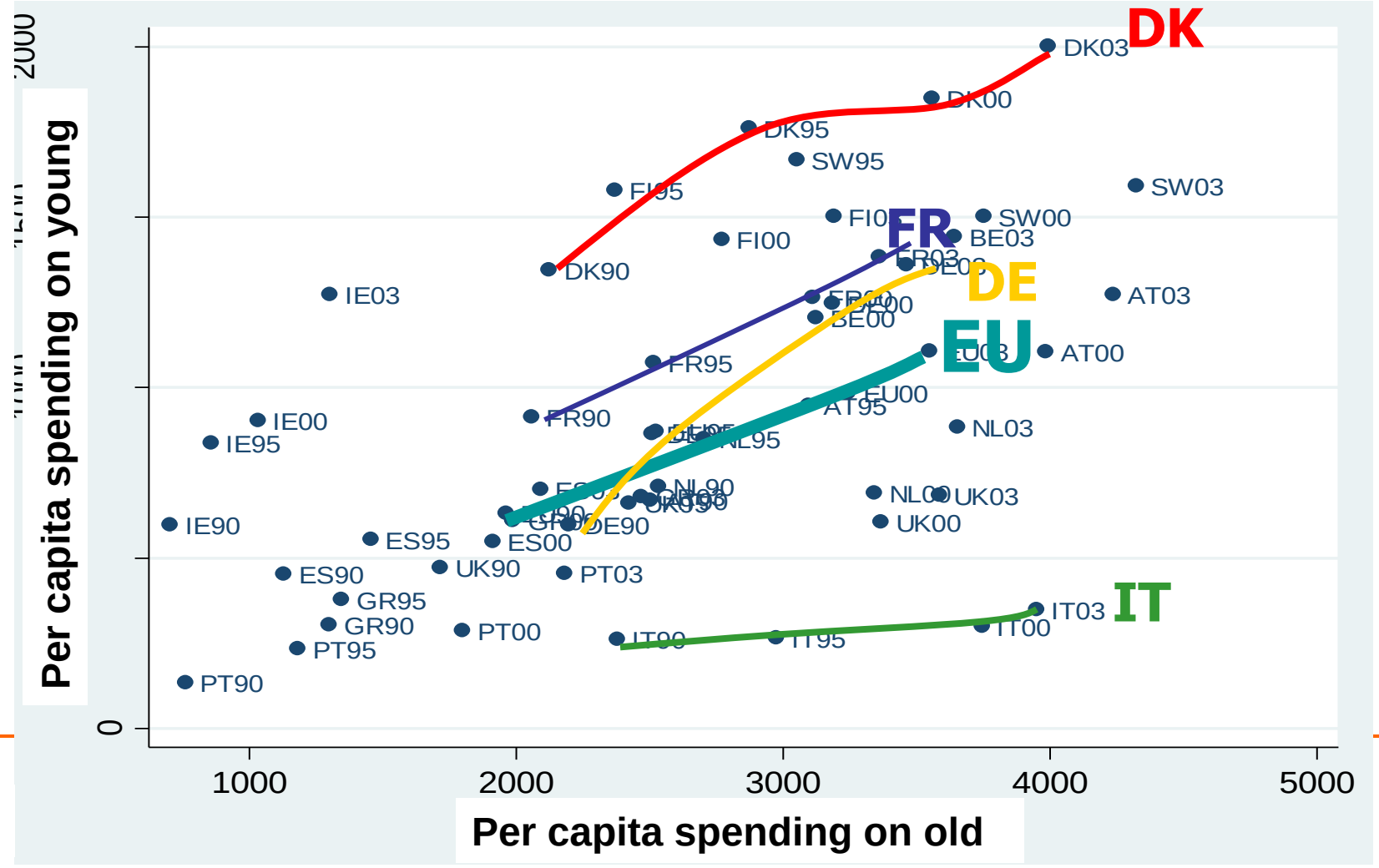
Sources of variation in cognitive aging:



(Börsch.Supan and Schuth, 2013)

Theme 4: Maintain intergenerational cohesion

(Börsch-Supan/Reil-Held with ESS/SHARE)



Conflicts with children

Figure 1: Old age dependency ratio in European regions

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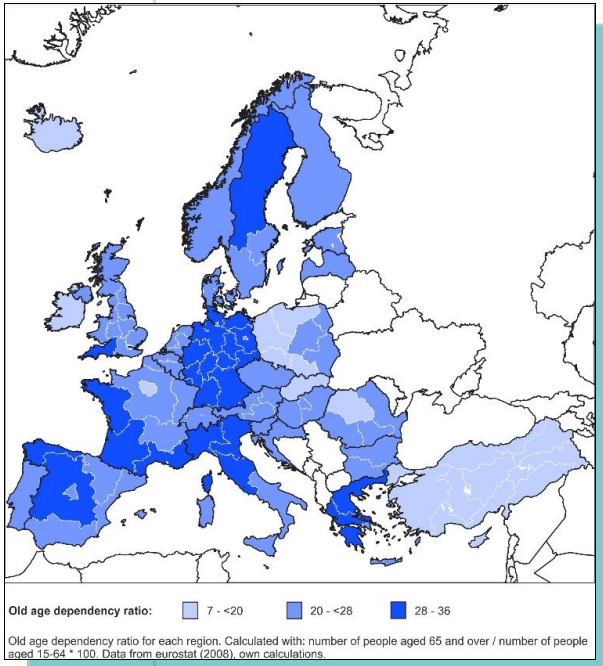

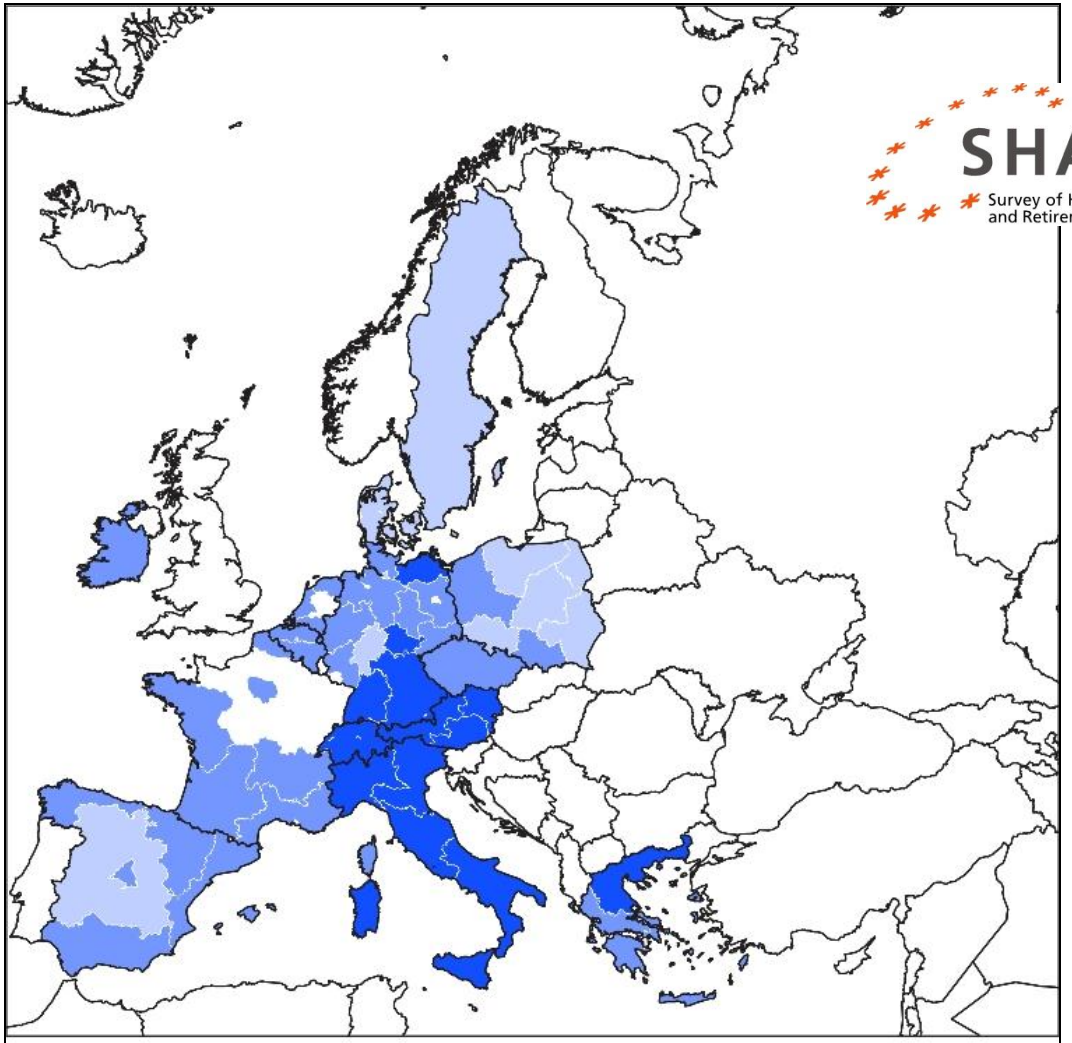

(Börsch-Supan, Heller, Reil-Held 2012)

Conflicts with parents

Figure 1: Old age dependency ratio in European regions

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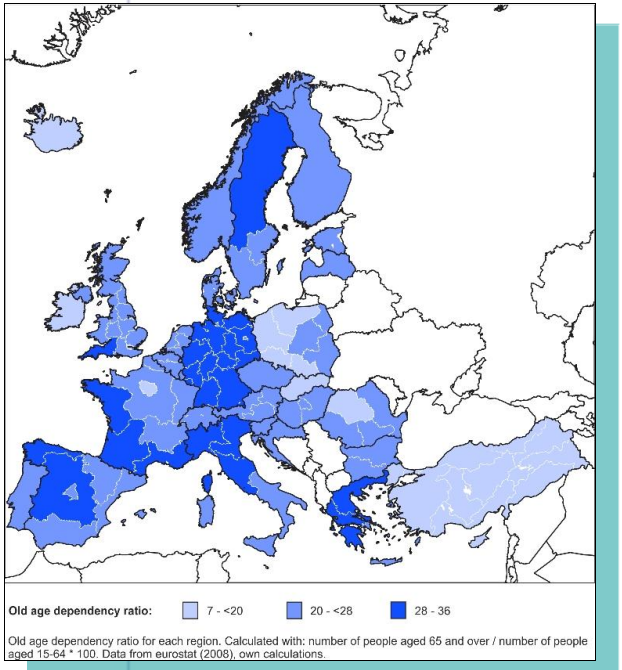

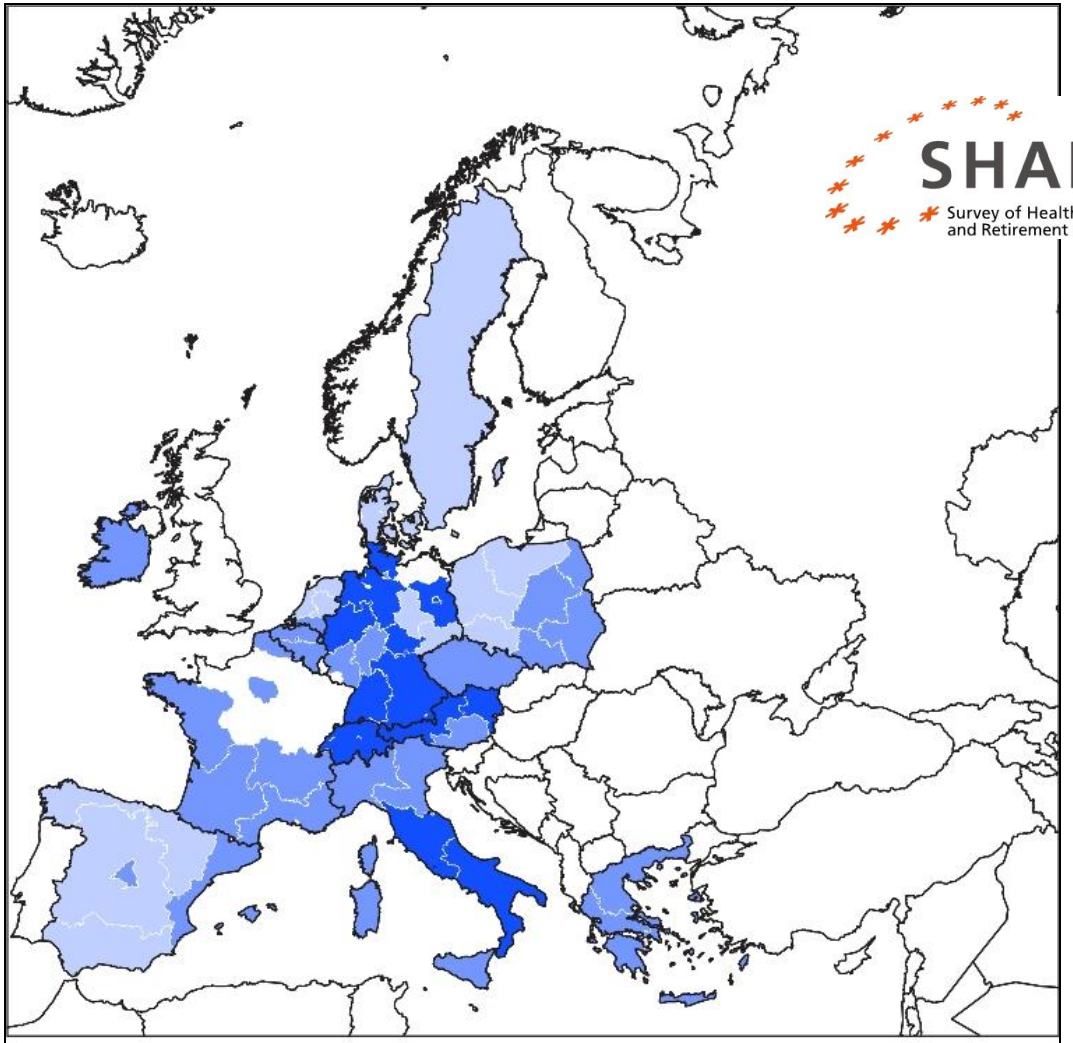

(Börsch-Supan, Heller, Reil-Held 2012)

More quantitative

SHARE
Survey of Health, Ageing and Retirement in Europe

Table1: Age structure and family relations

	Coefficient (t-statistic in parentheses)					
Dependent variable	Financial transfer …		Conflict with …		Trust to …	
In-dependent variables	(1) Provided to children	(2) Received from children	(3) Children and grandchildren	(4) Parents	(5) Children and grandchildren	(6) Family members over 70
Old age dependency ratio	0.707 * (3.23)	-0.507 * (-3.08)	0.37 (1.27)	0.230 (0.86)	0.616 * (2.74)	0.755 * (3.76)
PPS adjusted GDP per capita	0.00007 (0.48)	0.0002 (-1.66)	-0.0001 (-0.62)	-6.93e-06 (-0.04)	0.0004 * (2.18)	0.0003 * (2.18)
Continental regime	-6.866 (-1.52)	3.904 (1.15)	15.979 * (3.57)	18.03 * (4.34)	-7.854 (-1.73)	-2.171 (-0.53)
Eastern regime	2.873 (0.49)	11.715 * (2.67)	3.457 (0.51)	7.778 (1.24)	1.843 (0.31)	8.460 (1.61)
Mediterranean regime	-13.076 * (-2.49)	10.334* (2.62)	16.686 * (3.38)	14.826 * (3.24)	-4.117 (-0.73)	6.932 (1.37)
Pension replacement rate	0.082 (1.15)	-0.026 (-0.49)	0.032 (0.39)	-0.085 (-1.14)	-0.003 (-0.04)	-0.232 * (-3.42)
Constant	31.25 * (2.86)	24.77 * (3.01)	9.824 (0.69)	10.351 (0.78)	51.75 * (4.46)	47.28 * (4.60)

Source: Own calculations based on ESS, round 2 and 4 and SHARE, wave 1 and 2. Significance on a 0.5-level: *. For more details of the independent variables see 3.3.

(Börsch-Supan, Heller, Reil-Held 2012)

More dimensions

Family relations:	
1. **Financial transfer provided to children**	**reverse**
2. **Financial transfer received from children**	**yes**
3. Conflict with children and grandchildren	reverse
4. Conflict with parents	reverse
5. **Trust to children and grandchildren**	**reverse**
6. **Trust to family members over 70**	**reverse**
Non-family relations:	
7. **Having at least one friend who is younger than 30** (all respondents)	**yes**
8. **Having at least one friend who is younger than 30** (older than 64)	**yes**
9. **Having at least one friend who is older than 70** (all respondents)	**reverse**
10. Having at least one friend who is older than 70 (younger than 30)	reverse
11. **Meeting socially at least once a week** (all respondents)	**yes**
12. Meeting socially at least once a week (younger than 30)	yes
13. **Meeting socially at least once a week** (older than 64)	**yes**
14. **Felt age discrimination** (all respondents)	**reverse**
15. Felt age discrimination (younger than 30)	reverse
16. Felt age discrimination (older than 64)	yes
Values and political preferences:	
17. **Higher taxes and spending more on social services?** (all respondents)	**reverse**
18. **Higher taxes and spending more on social services?** (younger than 30)	**reverse**
19. **Higher taxes and spending more on social services?** (older than 64)	**reverse**
20. Family or state responsible for financial support for older persons	yes
21. Family or state responsible for help with household chores for older persons	reverse
22. Family or state responsible for personal care for older persons	reverse

(Börsch-Supan, Heller, Reil-Held 2012)

Conclusions

BSG 2013
Global Ageing: Implications for Individuals and Society

for the 21st century:
Active and healthy aging

Evidence from international comparisons can help in designing good long-run health care, pension, economic and social policies, and to answer key questions such as:

- Will we resolve the **health care** dilemma?
- Will we be able to adapt the **active part of our life courses** to the new time frame?
- Will we be able to adapt the **retirement part** to the new time frame?
- Will we able to maintain **intergenerational cohesion** when ressource conflicts between generations become clearer?