DEMOGRAPHIC TRANSITIONS: THE ROLE OF THE LABOUR MARKET

ETUI-ETUC Conference:
The world(s) of work in transition

Panel 4 - Employment forecasts and the digital, green and demographic transitions

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Introduction

• Recurring debates in Germany on sustainability of social insurance systems, especially pension insurance: Sustainability is questioned due to demographic change

• Line of argument:
  More old persons + less young persons = more benefits (in sum) + less contributions/tax revenues (in sum)

• Solutions: lower benefits, higher contributions, higher pension age and/or more migration

• Is this all there is?
Demographic transition: A typical example

German Federal Ministry of Labour and Social Affairs (2016: 27)
Demographic transition: Another example

Abbildung 1: Alterung der Bevölkerung in Deutschland 1950 bis 2050


Holtemöller et al. 2018: 3
Demographic transition: Just one more example

Abbildung 3: Anstieg des Altersquotienten 2005-2060


Börsch-Supan/Rausch 2018: 6
Demographic change: What really matters

1. With respect to social policy and social insurance systems, the central relation is not old/young but beneficiaries/contributors → economic dependency ratios!

2. What is needed is an analysis of labour market performance and potential developments

3. Starting point for our analysis: Germany 2013
   • Demographic dependency ratio: 32%
   • Economic dependency ratio: 56%

   • In the following analysis: economically dependent persons = recipients of public transfers (pensions, unemployment benefits)
Demographic change: What really matters

Age structure and economic status 2013

2013 Germany
Age structure

2013 Germany
Age structure and economic status

Employed persons
AQ_d: demographic dependency ratio
Retirees and unemployed
AQ_w: economic dependency ratio
Other

Quellen: The 2015 Ageing Report (EK); eigene Berechnungen.
Analysis of the labour market

Groups with comparatively low labour market integration:
- Women
- Migrants
- Older employees

Employment ratio and employment ratio adjusted for working hours, m/f
(15-64-year olds, percent)

Quellen: Eurostat (LFS: Ifsa_pgaed, Ifsa_epgaed, Ifsa_ewhuna); eigene Berechnungen.
What we did

• Adjusted the LFS data
  • LFS treats persons with 1 hour/week paid employment as employed: overestimation of employment \(\rightarrow\) adjustment (= 5.3 million persons)
  • Also: adjustment of unemployment (underemployment in a narrow sense)
    \(\rightarrow\) Potential of 7 million persons!

• Used a high-employment scenario (Sweden)
• Compared different projections of the demographic development (Eurostat)
Status quo: A more realistic picture

Economic status 2013, LFS and adjustment

2013 Germany
Economic status (LFS)

2013 Germany
Economic status (adjusted data)

Quellen: The 2015 Ageing Report (EK); Sonderauswertungen der Bundesagentur für Arbeit (2017); eigene Berechnungen.
What can happen?
Dependency ratios 2013-2060

Demographic dependency ratio 2013
Demographic dependency ratio 2060 old
Demographic dependency ratio 2060

Economic dependency ratio 2013
Economic dependency ratio 2013 adjusted
Economic dependency ratio 2060 adjusted
Economic dependency ratio 2060 adjusted high employment
Economic dependency 2060 adj high employment

new projection

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What can happen?
Dependency ratios 2013-2060

Demographic dependency ratio 2013
Demographic dependency ratio 2060 old
Demographic dependency ratio 2060

Economic dependency ratio 2013
Economic dependency ratio 2013 adjusted
Economic dependency ratio 2060 adjusted
Economic dependency ratio 2060 adjusted high employment
Economic dependency ratio 2060 adj high employment

new projection

32 59 55 56 68 103

What can happen?
Dependency ratios 2013-2060

Demographic dependency ratio 2013: 32
Demographic dependency ratio 2060 old: 59
Demographic dependency ratio 2060 new projection: 55

Economic dependency ratio 2013: 56
Economic dependency ratio 2013 adjusted: 68
Economic dependency ratio 2060 adjusted: 103
Economic dependency ratio 2060 adjusted high employment: 80
Economic dependency ratio 2060 adj high employment new projection: 75

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What can happen?
Dependency ratios 2013-2060

Demographic vs economic dependency ratios
2040/2060 compared to 2013

- Demographic dependency ratio (pessimistic demographic projection)
- Demographic dependency ratio (optimistic demographic projection)
- Economic dependency ratio standard scenario (pessimistic demographic projection)
- Economic dependency ratio high employment scenario (pessimistic demographic projection)
- Economic dependency ratio high employment scenario (optimistic demographic projection)

Quellen: Eurostat 2018; The 2015 Ageing Report (EK); Sonderauswertungen der Bundesagentur für Arbeit (2017); eigene Berechnungen.
Consequences

• If analyses of demographic change are reduced to changes of demographic dependency ratios alone, the solution is often an increase of the retirement age.

• But: Economic dependency ratios are more relevant for policy-making and help to understand the most important option for politics: labour market policies!

• Demographic change can be dealt with if high labour market participation can be achieved – demographic transitions are not a force of nature but a political project!
DEN DEMOGRAPHISCHEN WANDEL BEWÄLTIGEN: DIE SCHLÜSSELROLLE DES ARBEITSMARKTES

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AUF EINEN BLICK


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THANKS!

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