

Key Policy Parameters for Generating Sustainable Social Policy and Intergenerational Fairness

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The Background – fertility rates and labor supply growth

- The EC ageing report projects an increase in the EU average of country fertility rates from 1,59 (2013) to 1,76 in 2060 (EC Ageing Report).
- This is still below 2,1 – the rate needed to support EU's ageing population – expected to increase to 2060 by almost 5 years from age 65.
- EU member states with high or relatively high current and projected fertility rates are those that spend the most on early childcare & education (OECD Family Database).

Correlation between Public Spending on Child Care Services / Early Education and Fertility Rates

Country	Fertility rate ranking 2013. <i>EC Ageing Report 2015</i>	Public spending on Child care and early education, % of GDP, 2011. OECD Family Database
France	1	4
Ireland	2	2
UK	3	6
Sweden	4	3
Norway	5	5
Finland	6	7
Belgium	7	14
Denmark	8	1
Netherlands	9	10

Correlation between High Fertility Rates and Relatively Low Total Economic Dependency Ratios 2060

Country	Fertility rate ranking in 2013*	Total Economic Dependency Ratio Year 2060* Rank 1 = lowest ratio
France	1	17
Ireland	2	22
UK	3	6
Sweden	4	1
Norway	5	4
Finland	6	10
Belgium	7	21
Denmark	8	2
Netherlands	9	3
Lithuania	10	~~
Cyprus	~~	5

*EC Ageing Report 2015

Dependency Ratios

**Total Number of Economically Inactive Persons Supported by
Persons with Employment**

- **Increasing the workforce - and the number of employed - the key to supporting persons under 20 in education and the retired.**
- **The evidence shows that family policy helps (!)**
- **... but two structures remain counterproductive:**
 - **early exit from the labor force (ages 55-64)**
 - **low female labor force participation**
- **There is evidence that family policy strengthens LF participation of women.**

Strong Correlation between High Public Spending on Childcare/Early Education and the Labor Force

Participation of Women 20-64 in Scandinavia & Netherlands

	EC rank, Women's labor force participation, ages 20-64	OECD rank, Public spending on childcare and early education, % of GDP
SE	1	3
NO	2	5
DK	3	1
FI	4	7
LT	5	19
EE	6	X
LV	7	16
DE	8	26
NL	9	10
PT	10	32

Correlation between Total Economic Dependency Ratios 2013 and Historical Duration of Working Life, 2012.

Country*	Duration of Working Life				Total Economic	
	Men		Women		Dependency**, 2013	
	EC Ageing Report, 2015		EC Ageing Report, 2015		EC Ageing Report, 2015	
Netherlands	1	42.2 yrs	4	37.0 yrs	3	113.2
Sweden	2	41.8 yrs	1	39.3 yrs	1	111.7
UK	3	41.0 yrs	7	35.1 yrs	6	121.3
Norway	4	40.8 yrs	2	38.3 yrs	4	114.4
Denmark	5	40.7 yrs	3	37.8 yrs	2	112.6
Germany	6	39.9 yrs	9	34.9 yrs	9	133.2
Austria	7	39.4 yrs	10	34.2 yrs	7	127.9
Portugal	9	38.7 yrs	8	35.0 yrs	~~	147.2
Finland	10	38.0 yrs	5	36.7 yrs	10	137.3
Spain	13	37.4 yrs	15	31.9 yrs	8	129.2
EU average		37.6 yrs		32.2 yrs		141.6

*Ranked according to men's working lives

**Total inactive population (65+ and 0-19) over employed labor force 20-64

What Do the Leading Countries Have in Common?

- Generous family policy, which supports women in establishing themselves in the labor force, giving birth *and* returning after childbirth.
- Higher LF participation of women is reflected in women's long work histories.
- Pension rules: They: (a) set high minimum pension ages and (b) all years of work and postponed exit from the LF → go to DC.

Net Immigration Is the Final Component

- With fertility rates below 2,1 countries can create an additional flow into the labor force using two additional mechanisms:
 - education that reaches out to all in younger years, giving all labor force relevant human capital.
- Net migration among and from outside EU, but ... there are areas for concern, however:
 - insufficient integration into education, the labor force and society in general.
 - some EU countries may be net losers (does this suggest stronger EU regional policy?)

Summing Up – Achieving Sustainable Social Policy and Intergenerational Fairness

- Develop comprehensive family policy.
- Design the pension system so as to encourage (reward) long working careers and postponement of labor force exit.
- Focus on inclusive education that is relevant for the current needs of the labor force.
- Develop policy to facilitate integration of migrants into education, the LF and society.