

FROM LABOUR SUPPLY TO LABOUR PRODUCTIVITY

BY **MARIA ECONOMOU**

The EU's working age population has been shrinking for a decade and this is projected to continue.

The population at working age (20–64 years of age), would shrink in all Member States as a proportion of the overall population. Whereas in 2019 people of working age represented 59% of the EU population, this share would fall to 51% by 2070.

The drivers include a) the increasing shares of the population in the higher age cohorts due to the combination impact of the large cohorts of those born in the 1950s and 1960s together with continuing gains in life expectancy and b) the changing patterns of fertility (in comparison with the natural replacement rate), and shrinking cohorts of women in childbearing ages.

The overall picture is one in which total employment is expected to decline steadily in the next 50 years, and the contribution of labour input to output growth to decline accordingly, at a slightly higher annual average rate in the EU than in the wider euro area.

Labour productivity growth, driven by Total Factor of Productivity growth, is projected to become the sole source of potential output growth in both the EU and the Euro Area.

As populations, societies, and markets change in a dynamic way it is essential that the issues of why to defend and how to defend the public pension systems be considered jointly, not separately. The contribution of Social Security systems is crucial to a well-functioning and just society.

In this light, the important question to be asked is not: 'where do we think we will be in the year 2070?', but 'where would we like the world to be in 2070?'

This expresses our primary concern, as Social Security Actuaries, for the wellbeing of people; we would wish to see that sufficient pension benefits will be provided to all European

citizens, to ensure, first and unconditionally, the prevention of poverty, but beyond that retirement incomes sufficient to assure human dignity in old age.

Moving, accordingly, along this 50-year time path we envisage the need to face a range of challenges, which are not necessarily 'actuarial' in a narrow sense, but which do impact on the objectives which actuaries seek to address. In particular: >



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LIFELONG LEARNING

The skills and knowledge acquired by individuals over time can and should be seen as representing productive assets, but this is a perspective that has not until recently been given sufficiently weight. Policymakers should consider the distribution of educational resources across the life course as a whole. Adverse stereotypes could be challenged through communication campaigns, aiming to increase knowledge about and understanding of the process of ageing, among the general public, policy-makers, teachers and service providers and as reflected in the media.

ACCESS OF CITIZENS TO THEIR PENSION INFORMATION

The access of an individual information on his/her own pension is expected to become a necessity in the near future. The development of digital pension tracking systems may be seen as a valuable starting point in this regard, enabling the provision of insights into the current and future patterns of an individual's income and expenses.

THE AUTONOMY OF OLDER PEOPLE AND THEIR PARTICIPATION IN SOCIETY

According to the World Health Organisation, physical and social environments are key determinants of whether people can remain healthy, independent and autonomous long into their old age.

An 'age-friendly' environment should be created, to allow greater numbers of older people to remain active and so reduce the prospective costs of social care; one approach is through choosing the optimal location of, and investing in, specialised housing and other facilities for older adults.

ENSURING SUSTAINABILITY OF SOCIAL SECURITY PENSION PROMISES

Among the factors which contribute to maintaining pension promises in the future is effective tracking, monitoring and evaluation of the implementation of pension schemes; an important aspect here is the frequency of scheme reviews to facilitate discussions and advance planning, between governments and specialist advisers. Member States should be encouraged to implement a statutory requirement for regular actuarial reporting on the long-term finances of social security. It should be also highlighted the importance of following international guidelines for analytical reporting on social security pensions and other benefits, both for actuarial work in individual Member States and for EU level exercises.

COMMUNICATION

The more people understand the world of pensions, the more possibilities they see for their future. Raising public awareness of pension issues, to help people to avoid old-age poverty, is an important, but difficult task.

At the present time, as with any crisis, social security systems face many and serious challenges, and these may impact on benefit levels. A conceivable and regrettable long-term consequence may be that those who feel they have been unfairly disadvantaged, may dissociate themselves from orderly social dialogue.

To face the challenges of realities 'on the ground' we, as Social Security Actuaries, seek to strengthen our problem-solving approaches. This includes steps to define as clearly as possible the requirements for recognising and measuring social benefits. We recognize that any problems, are susceptible to a variety of feasible solutions. The actuarial approach should [help to] identify those solutions which are optimal.

Our over-arching objective is, in the long run, to guide the provision of pension benefits sufficient at least to prevent poverty, to all European citizens. Before we actually translate it into reality, we must be able to dream about it. <

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