Inequality among the Elderly: University of Hohenheim Conference Looks at Need for Policies

International expert workshop “The Economics of Ageing and Inequality” for the research focus “Inequality and Economic Policy Analysis (INEPA)” at the Faculty of Business, Economics and Social Sciences will run until 5 May 2018.

Meeting the demographic challenge, maintaining a high standard of life, and reducing inequality among the elderly: To reach this goal, the industrialized countries need to take appropriate political measures on time. Prof. Dr. Klaus Prettner drew this conclusion at today’s opening of the international expert conference “The Economics of Ageing and Inequality” at the University of Hohenheim in Stuttgart. The Professor of Growth and Distribution is the spokesperson for the research focus “Inequality and Economic Policy Analysis (INEPA)”. The exchange among the 25 internationally renowned experts from Germany, Austria, the USA, France, China, and other countries will end tomorrow, 5 May at 7 p.m. More information can be found at https://inepa.uni-hohenheim.de

Dementia seems to be the fate of many individuals. However, studies by the US think tank RAND revealed that the risk of developing the illness is much higher among low-income segments of the population. In general, the life expectancy of people with a higher income is longer by several years than those with lower income according to a conference contribution from the Vienna Institute of Demography. One reason for this is that medical innovations are available primarily to those who earn more.

As a consequence, the state pension system is also becoming skewed: The population segments with the highest income benefit more because they receive a higher pension and draw the pension for a longer period of time. This was shown by calculations from the US University of California, Berkeley - whose computer simulation also analyzed the effects of possible reforms.

“These are only a few examples of empirical studies and theoretical modelling that will be presented at the conference today and tomorrow. What can be seen in all of them, though: Especially in the economic and social areas, legislators need to take early policy measures to meet the demographic challenges and at the same time mitigate the growing inequality among the elderly,” explained Prof. Dr. Prettner from the University of Hohenheim.

“Until now, policies have concentrated too much on averages that show that life expectancy and income have risen considerably in the last century,” stated co-organizer Prof. Dr. Alfonso Sousa-Poza from the University of Hohenheim. “The average values ignore significant social inequalities, though. That is true in particular for the elderly, for example when it comes to the remaining life expectancy or pension income.”

Causes can be Found in Biographies as well as Conditions Set by the State
Both University of Hohenheim scientists see the reasons for the rise in inequality especially among the elderly both in the individual employment histories and the conditions of the social state

“The groundwork is laid at an early point in time during school, when choosing a career, in the employment history, and with the person’s individual health history. But individual prevention even including the family environment have an influence,” said Prof. Dr. Prettner.

“Whether that has an effect and how strong that effect is depends on the social security system and the organization of healthcare. That means that economic and social policies have a significant potential for influencing inequality,” explained Prof. Dr. Sousa-Poza.

Scenarios and Model Calculations Examine Reform Possibilities

In the following two days, the conference participants will discuss the effects on the pension system, pension assets, and pension equality and on health and remaining life expectancy of the elderly from various population segments. They are also looking for policy measures that can help master the demographic challenges, mitigate increasing inequality among the elderly, and at the same time ensure the high standard of living that has been reached.

“The conference contribution from the Chinese Fudan University shows, for example, that in the People’s Republic an expansion of the welfare program was successful in partially reducing inequality among the population,” reported Prof. Dr. Sousa-Poza. Additional scenarios from the German Institute for Economic Research and the FU Berlin looked at the conditions required for a prudent implementation of partial retirement. Model simulations from the US University of California, Berkeley, compared reform suggestions for greater pension equality. And calculations by Dr. Doris Prammer, who works at the Austrian National Bank, also predict a compensatory increase of state income from income taxes and social contributions due to the ageing population.

Demographic Change Can and Must be Organized

The calculations from Dr. Prammer show that demographic change must be viewed and shaped in detail, emphasized Prof. Dr. Prettner.

“Population statistics show: In some countries, the number of people between 60 and 64 years old, that is, just before retirement, is already more than the number of 15 to 19 year olds who are about to enter the workforce. However, there will also be compensatory effects that mitigate the economic burden of this demographic development: The portion of working women is increasing, and on average, the young people starting to work have a higher education than the older people who are leaving the workforce. Automatization will take on more and more tasks that especially unskilled workers did in the past,” stated the University of Hohenheim economist.

However, if the working and pension structures do not change, the portion of older non-working people per active workers in the OECD countries will double from around 38% in 2000 to almost 70% in 2050, cited Prof. Dr. Prettner.

BACKGROUND: Next World Program
The expert conference “The Economics of Inequality and Ageing” is being organized in the context of the “Next World Program”. The program is a joint initiative by the “Program on the Global Demography of Ageing” at Harvard University (USA), the World Demographic & Ageing Forum / WDA Forum St. Gallen (Switzerland), the “Asia Health Policy Program” at Stanford University (USA), the program “Comparative Ageing Societies” at Fudan University (Shanghai / China), and the research focus “Inequality and Economic Policy Analysis (INEPA)” at the University of Hohenheim. The initiative includes an annual congress on an important economic topic linked to ageing societies and a special issue in the “Journal of Economics and Ageing”. The conference “Inequality and Ageing” 2018 is supported by the Hohenheim Research Center for Health Sciences at the University of Hohenheim. It is a part of the University of Hohenheim’s 200th anniversary program.

BACKGROUND: Research Focus INEPA

The research focus “Inequality and Economic Policy Analysis (INEPA)” at the Faculty of Business, Economics and Social Sciences looks into the causes and consequences of unequal development to work on possible solutions. Besides attempting to uncover the mechanisms that lead to unequal economic distribution, the researchers also intend to formulate policy recommendations, develop new methods for a more precise analysis of inequality, and disseminate knowledge about the development of inequality, thereby strengthening society’s awareness of the issue. In particular, the research focus looks at the topics of the labor market and discrimination, globalization, public economics and policy responses, automatization, innovation and technology, measuring and assessing inequality, socioeconomic implications of inequality, and the historical roots of inequality.

BACKGROUND: 200 Years University of Hohenheim

Education and research as a the key to survival: This idea was the basis for King William von Württemberg and Queen Catherine founding the “Teaching, Experimental, and Model Institute Hohenheim” in 1818 - the predecessor of today's University. The occasion was a climate disaster with failed harvests and famines following the “year without a summer”. It was caused by the eruption of the Indonesian volcano Tambora, which threw tons of ash and dust into the atmosphere in 1815 with the explosive force of 170,000 Hiroshima bombs.

200 years later, the University of Hohenheim is still following the charge given to it at its founding: using research and teaching to contribute to facing global challenges. In the anniversary year 2018, it is celebrating this work with 180 events. Topics such as nutrition and health, climate, water and ecosystems, social inequality, or bioeconomy play a role as well as the cultural aspects of campus life. The program and information can be found on the University homepage, on Facebook, Instagram, and Twitter under www.uni-hohenheim.de/anniversary-2018 and #hohenheim200.

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Interview during the conference:
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Text: Klebs

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