



#### NAME

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#### TITLE

Ageing, health and pensions in Europe

#### ABSTRACT OF PRESENTATION

Public pension schemes are a core element of the welfare state, but they have been under severe criticism in recent years. In a first wave it has been argued that a fully funded pension scheme dominates a public pay-as-you-go (PAYG) scheme in terms of return, and hence pension schemes should be privatized and funded. In a second wave focus has been on demographic changes, in particular increases in longevity, and the fact that public schemes are under severe financial pressure making reforms urgent. This paper argues that a public pay-as-you-go pension scheme has advantages both in terms of distribution and insurance which a privatized system does not have, and this is an argument for a mixed pension scheme. In addition public pension schemes can be associated with important efficiency gains. Any pension scheme – whether fully funded or PAYG – will have to adapt to changes in longevity, and hence this is not in itself an argument against a PAYG pension scheme. An increase in longevity is a fundamental welfare improvement, and not a threat to the idea of public pensions as such, but it does create needs for adaptation and policy makers may have been slow in responding to these changes. Increases in longevity also mainly reflect healthy ageing, and this makes it natural to consider an increase in the retirement age as the response to the demographic challenge. The paper discusses the arguments in support of linking retirement ages to longevity, and how this can be implemented in practice in various pension systems.

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Torben M. Andersen: Professor in economics at the University of Aarhus. Also affiliated to CEPR (London), CESifo (Munich) and IZA (Bonn).

Publications: Several books and extensive international journal publication on macroeconomics, labour economics, public economics and the economics of the Scandinavian Welfare Model.

Member of the editorial boards for several journals and former editor of the Scandinavian Journal of Economics. Member of research evaluation teams for various European research councils, universities and research institutions.

He has also been extensively involved in policy advising in Denmark and various other countries and the EU commission. Former chairman of the Danish Council of Economic Advisors and the Danish Welfare Commission; Former member of the Swedish Fiscal Policy Council, and commissions appointed by the governments in Norway and Greenland.