
7. CONCLUSIONS AND EVALUATION

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7.1 | General

The changing demographic structure of populations in industrialized countries has a number of socioeconomic consequences, among which that for social expenditures has attracted most attention in recent years. An important factor here is the marked age-dependency of social expenditures. Although an ageing population may have implications for aspects such as economic growth, aggregate demand, the labour force, and income distribution, the problem of resources necessary in the future for maintaining current levels of living among the elderly in developed countries, in particular in the long term, has probably most often been an issue of concern to policy makers and scientists (Myers, 1993). In 1985, almost nine per cent of GDP in OECD-countries was spent on public pensions (OECD, 1988a), and the substantial rise in both the number and proportion of the elderly in most industrialized countries is likely to have a major upward effect on this share. Indeed, whereas OECD-projections indicate a twenty per cent rise in social expenditure spending during the period 1980-2040, the growth in public pension expenditures alone may be as large as almost 80 per cent (OECD, 1988b).

In this book we have investigated what the impact of dynamics in living arrangements and age structures might be on future public pensions expenditures in industrialized countries.

As was stated in Chapter 1, the project has a number of merits over earlier comparative studies into the effect that demography has on public pensions

expenditures. The present study extends those carried out by OECD and IMF into several directions (cf. Heller *et al.*, 1986; Holzmann, 1987).

1. It facilitates the investigation of the impact of living arrangement (mainly operationalized as marital status) on social security, in addition to fertility, mortality, and international migration. Marital status is not only important for widow's pensions, but also for old-age public pensions. The reason is that entitlements, in particular those for females, are dependent on marital status in many countries, through the intermediate effect of work histories (numbers of years worked; see for instance Table 3.14 in Chapter 3 and Table 5.2 in Chapter 5).
2. Future trajectories of demographic and pension variables are analysed for various scenarios, both for demographic and socioeconomic variables.
3. It includes a number of countries from Central and Eastern Europe, in addition to western countries.
4. Pension variables are country-based, instead of scheme-based, and pension benefits are endogenous.

Which new insights did we obtain by using this extended approach? In this Chapter we evaluate the project. Section 7.2 gives substantive and methodological conclusions. Both demographic issues, public pension issues and distributional aspects are dealt with. An assessment of the project is contained in Section 7.3. In particular, we discuss the drawbacks of the approach chosen for the current project. Finally, some open research questions are taken up in Section 7.4. Strategies for dealing with issues unresolved so far are also briefly addressed.

7.2 | Substantive and methodological conclusions

7.2.1. Demographic issues

● Ageing

Much of the knowledge of demographers on population ageing originates from stable population theory. As extensively documented by, for instance, Coale (1972), we know what the effect is of particular fertility or mortality levels on the age structure of the stable population. Stable population theory assumes a constant regime of demographic components, e.g. time-invariant age-specific fertility and mortality rates. In other words, the theory considers demographic developments in a very long perspective or, if one prefers, in an a-temporal setting. As a consequence, it does not allow to account for changes occurring in the structure of a real population over a limited period