Annual Activity Report 2015: ILC Germany   07 Oct 2015

1 Organization

ILC Germany is represented by the Munich Center for the Economics of Aging (MEA), a division of the Max Planck Institute for Social Law and Social Policy. MEA is a research institute which focusses on academic publications and outreach to social policy makers.

MEA is organised into three research units: Social Policy and Old Age Provision, Macroeconomic Implications of an Ageing Society, and Health Econometrics. In addition, MEA pursues major data collection efforts, e.g. SHARE and a set of company studies on age and productivity.

2 Social Policy and Old Age Provision

This unit works on international comparisons, studying the reform processes towards demographically more stable multi-pillar public pension systems. Special attention is devoted to public pension policy in Germany. The research group has developed a detailed simulation model as a tool to analyze the German public pension system (MEA-PENSIM) and the effects of changes in retirement behaviour. The unit also exploits the SAVE panel data to study the development of the second (occupational pensions) and third (individual accounts) pillars, especially the highly subsidized "Riester pensions", with a focus on tax incentives, nudging mechanisms and the provision of financial information. In its international work, the unit exploits the SHARE data set to study retirement behaviour, especially the interaction between work and health, partially in collaboration with several projects under the auspices of the National Bureau of Economic Research (NBER).

3 Macroeconomic Implications of an Ageing Society

The second area of interest for MEA is computational general equilibrium modelling of aging economies. It employs a detailed model of retirement and pensions, also covering their implications for saving and growth in an international setting of free trade and capital flows, which is highly important for European countries. Recent amendments to the basic structure of the model permit estimating the expected behavioral backlashes to pension reform. Results have been published in major journals in the field (e.g., Economic Modelling, American Economic Review). This model has been used to provide projections for the commission on "Long-Term Implications of Aging for the U.S. Economy" of the U.S. National Academies of Science. It also attracted the interest of the World Economic Forum and the World Bank.

4 Economics of Health and Life Expectancy (Health Econonometrics)

The focus of this research unit is on applying state-of-the-art statistical and econometric methods to applied questions with a focus on health economics and insurance. Empirical questions are combined with theoretical contributions based on novel/innovative identification strategies for causal relationships or other advances in econometric modelling.

Three topics were mainly explored in the reporting period: 1) the effects of health care reforms on health care demand, 2) the extent of asymmetric information in insurance markets and 3) the analysis of cognitive abilities at older ages, resulting in a host of highly placed academic publications. The latter topic was especially significant for the cooperation among ILCs in the Global Alliance, partially in cooperation with the Berlin Demographic Forum (BDF).

5 The Survey of Health, Ageing and Retirement in Europe (SHARE)

The most prominent activity of MEA is to run SHARE, which is a large, EU and US National Institute of Ageing-sponsored project creating a longitudinal Survey on Health, Aging and Retirement in Europe. SHARE uses strictly harmonized methods to collect data on health, economic status and social integration of persons aged 50 and over in 20 European countries with a large sample of some 70,000 individuals. Data on the economic situation, physical and mental health as well as on family and social networks are collected every two years. The focus is

on the interdependence of all these characteristics. SHARE is characterized by (a) an extensive thematic and multidisciplinary scope, with measurements that are as objective as possible, (b) longitudinality, and (c) strict cross-national comparability with ex-ante harmonized survey tools and methods. This set-up enables the users of SHARE at MEA and in the world-wide research community to perform comparative analyses of the causes for, and the effects of, social, economic and health-related developments in the course of demographic change on an international scale. The survey has led to surprising and important findings. For example:

- the data revealed a European North-South gradient in many more dimensions than previously documented. While the income gradient was known from earlier Eurostat data, the differences in health and subjective well-being between the North and the South of Europe is surprising because they contradict mortality data and folklore about a healthy Mediterranean life style.

- SHARE data revealed a strong correlation between early retirement and the loss of cognitive abilities, both within and between European countries. This aspect of SHARE$ is exploited in the ILC-GA's project on health and retirement, see above.

- The SHARE data have provided evidence on the long-term scarring effects of recessions and financial hardship episodes, especially if these are experienced at school-leaving age, both on economic outcomes, such as employment and health outcomes late in life, measured in several dimensions.

6 Academic Publications

In 2014, MEA has published 31 articles in highly ranked refereed journals, such as the *American Economic Review, the American Journal of Public Health, the British Journal of Psychiatry* etc. Furthermore, papers appear also in refereed and non-refereed book volumes (mostly of Anglosaxon editors) and in other journals, and MEA is itself presenting a rich working paper series. As a result, MEA has a wide range of publications of high scientific value, which are also well disseminated both nationally and internationally.

7 Social Policy Outreach

MEA is a well-established think-thank on welfare and social security policies. It has gained competence, nationally and internationally, for issues relating to population aging from the perspectives of economics and economic policy. Many of the SHARE findings have strong policy implications, such as tighter targeting rules for disability insurance or a stricter handling of early retirement pathways. SHARE has been successful in providing help for evidence-based policy making, both at the European Union and the member-state level. These activities have given rise to numerous inquiries for scientific advice on policy matters in Germany, Italy, France, Finland, Greece, the United States, the European Commission, the OECD and the World Bank, among others. SHARE is also intensely used by the Organisation for Economic Cooperation and Development (OECD) and the World Health Organisation (WHO).

MEA's Director, Prof. Axel Börsch-Supan, serves in the Expert Council on Demography of the German Federal Government. His policy consulting also includes the Council of Advisors to the German Economics Ministry, the German Federal President's Office and the German Chancellery. He is member of the German National Academy of Sciences Leopoldina, the Berlin-Brandenburg and the Austrian Academy of Sciences, Research Associate at the National Bureau of Economic Research in Cambridge, Mass., and member of the MacArthur Foundation Aging Societies Network.

The impact of the work carried out is easily measured by the number of interviews (475 in the reporting period) and quotations in television, radio broadcasts, etc. in major newscasts.