DOES AGEING CAUSE MORE INEQUALITY IN GERMANY?

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1. Ageing and Inequality

Demographic change in Germany
Income structure of pensioners
Demographic change and inequality
Demographic change in Germany

► New:
  ➞ high net migration
  ➞ population grows until 2020

► Demographic change in Germany
  ➞ **structural effect**: different age structure (population is ageing)
  ➞ **quantity effect**: different population size (population is getting smaller)
  ➞ Pensioner households
    ▪ 31% in 2013
    ▪ 40% in 2035
Income structure of elderly people

Different income structures:

- Pensioner household:
  - public transfer payments, property income
  - 18% below average

- working households:
  - 80% wage income, higher level of disposable income, 20% above average
  - 60% of all households → high impact on average income
Demographic change and inequality

  ➣ not easily answered
  ➣ outcome depends on opposed effects
  ➣ is sensitive to influencing factors such as politics

► Empirical findings (Faik, 2012, Peichl et al., 2012, Guerin, 2013): Income inequality increase with ageing
2. Methodology and Results

DEMOS & INFORGE
Total effect
Quantity and structural effect for pensioner households
Methodology

Macro-model INFORGE

Socio-economic module

DEMOS

Model INFORGE

income components SNA

consumption by purpose SNA + HBS

reconciliation with INFORGE (aggregate values) → same development

(1)

(2)

(3)

(4)

Module DEMOS
(socio-economic households)

generation of income

(re)distribution of income

disposable income

use of income by consumption purposes HBS

consumption by purpose HBS

Microcensus (households)

Household Budget Survey
Results (1/2)

► Distance between pensioner and working household increases:
  ⊳ pensioners: 21% (2020) → 23% (2035) below average
  ⊳ working: 20% → 23% above average

► Total effect of demographic change
  ⊳ higher for pensioner households
  ⊳ income inequality 5%-points higher than under constant conditions
Results (2/2)

- split of demographic change in
  - quantity effect:
    - very small
    - positive
  - structural effect:
    - main component of total effect
    - negative
    - share of pensioners increase → labour force decrease
    - labour shortage, high wage raises

Structural, quantity and total effect of demographic change on income inequality for pensioner households (2020-2035)
3. Conclusion
Conclusion

► **Ageing** increases the distance of different household incomes from average → **more inequality**

► **Labour market shortage** is the main driver for inequality: wages increase faster than transfer payments (pensions)

► Declining population size has equalizing effect

► Outcome depends also on **successful integration** of migrants

► Future net **migration can postpone** the inequality effect of ageing

► Next steps:

  ⇒ new HBS data end of 2015 → assessment of the magnitude of increasing inequality
Thank you for your attention.

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References


