

*Mainstreaming Ageing: Instruments to Monitor Implementation*  
First Monitoring RIS Technical Workshop  
**“Sustainable Ageing Societies: Indicators for Effective Policy - Making”**  
IMSERSO, Madrid, 14-16 April 2004  
Organized by the European Centre for Social Welfare Policy and Research  
in collaboration with the UNECE

## **Executive Summary**

### INTRODUCTION

1. Within the context of the follow-up to the UNECE Ministerial Conference on Ageing (Berlin, September 2002), the Spanish Ministry of Social Affairs, through the Institute of Migration and Social Services (IMSERSO) hosted the first technical Workshop in Madrid. The main aim of the workshop was the discussion of meaningful and feasible indicators. After a short introduction on the demographic process, the workshop focused on three broad areas along with Commitments 1, 3, 4 and 5 of the Regional Implementation Strategy (RIS) for the Madrid International Plan of Action on Ageing 2002 (MIPAA), which was adopted by the Ministerial Conference: income and well-being of the older persons; social security and financial sustainability; and labour market issues. Based on this workshop's outcome, a set of indicators is going to be proposed to policy-makers, in order to allow them to systematically monitor the implementation of active and sustainable ageing policies while mainstreaming ageing in all policy areas.

2. The workshop brought together some of the foremost experts in the field of ageing involved in research and policy advice, representing different perspectives on and approaches to the issues discussed. Staff of international organizations active in the field of ageing, as well as observers from UNECE member states also attended. The list of participants is attached to the report as Annex 3.

3. Mr. A. Fernandez Lopez, Coordinator for International Affairs at IMSERSO, Mr. M. Macura, Chief PAU/EAD, and Mr. B. Marin, Executive Director of the European Centre for Social Welfare Policy and Research, welcomed the participants and delivered an opening statement.

4. An introductory session was held to set up the framework. Mrs. E. Hönigsperger, Adviser to the State Secretary at the Austrian Federal Ministry for Social Security, Generations and Consumption, presented the Task Force which had been set up just before the technical workshop, and summarized its major recommendations. Mr. M. Macura addressed three main points: the Berlin Conference, its follow-up, and the objectives of the workshop. Finally, Mr. A. Sidorenko, Senior Social Affairs Officer at the UN Focal Point on Ageing, sketched out the general modalities of the review and appraisal process of the MIPAA.

### ORGANIZATION OF THE WORKSHOP

5. The technical debates were organized as a series of plenary sessions. Three thematic sessions took place, following a demographic introduction. These were: a two-part session on individual well-being and healthy ageing; a second session on sustainability of social security schemes and pension systems; and the third addressed

the labour markets and the economic activities of older and younger persons. The chairs of these three thematic sessions were respectively Mr. D. Stanton, Mrs. A. Chlon and Mr. N. Botev, and Mr. D. Wise.

6. The objective was to propose a “minimum set of indicators”, that may be supplemented by additional ones, according to resources available and access to data. These indicators should ideally be gendered, compare old age with other age categories, and distinguish very old people from the not so old persons. They can also be country-specific, given the different countries’ needs and experiences. Demographic indicators are intended as basic tools for the other domains, too.

## DEBATES AROUND THE FOUR MAIN THEMES

### A. Demographic background

7. Our societies are affected by a more or less advanced ageing process. The Centenarian Doubling Time is but one striking illustration of this: in the 1960s in a country like France, for example, the number of centenarians doubled every 10 years, while it is now doubling every 5 or 6 years. But beyond this essential trend, we cannot think of “old age” as a homogeneous and stable category. Neither geographically, nor over time. Neither from an epidemiological point of view, nor from a social security one. Individual health has improved but still the disability-free life expectancy, or DFLE, is not increasing at the same pace in all countries, sometimes even decreasing. Moreover, the relative evolution of life expectancy (LE) and DFLE, which signals the improvement of health in old age, varies considerably across countries. Consequently, when the labour market-entering generation born 1975-1995 is 65, in a country like Austria they will have a residual LE of over 22 years for men and more than 26 years for women. Most of them will retire quite healthy and premature death will become an ever more rare phenomenon.

8. From a technical point of view, some commonly used benchmarks and indicators, it was suggested, should not to be used anymore, while others should be refined. For instance, indicators on the length of life should not only measure LE at birth, but also at ages 65 and 80. With regards to the labour market issues, indicators of LE at effective and statutory retirement ages would be meaningful. The importance of cohort-based approaches was also underlined. The demographic dependency ratio was subject to discussion: some participants argue that this ratio should start at birth to give a better overview of the situation, while others plead for a focus on the relevant age groups; in other words, they argue that demographic indicators should be based on those transfers with policy relevance in particular from the demographic standpoint (e.g. given the necessity to analyse the effects of pension reforms). General indicators on living arrangements could be part of an extended indicators’ set. In addition, health indicators should be included, as well as health expectancies. Finally, it was suggested to decompose the ageing effect in order to distinguish between its sources, the Baby Boom, the decreasing fertility trend, and the increasing longevity trend. This decomposition is needed to provide policy options specific to their different implications.

## B. Individual well-being, wealth and income

9. An essential practical problem is, of course, to be able to integrate the different suggested indicators. Nevertheless, many contributors put forward key criteria in order to set up useful and meaningful indicators, regarding well-being issues as well as all the other themes. These identified key criteria are: consistency, comparability, robustness, clear meaning and acceptance, policy relevance and flexibility; besides, indicators should be relatively easy to compute on the basis of existing data. Participants also emphasized that country comparisons should not be the primary objective, but instead other forms of comparisons, i.e. comparisons against clearly-set policy goals, or short- and long-term comparisons.

10. More precisely related to this thematic session, a general consensus was reached on the fact that income distribution indicators should deal with the household income of the older persons, and should enable one to assess not only how the income of the older people compares to the rest of the population, and to their previous income in life, but also how it is distributed within the old age groups; which packages mainly determine its composition; and to which extent the very old are worse-off than the younger old. Generally, these indicators should be broken down by gender, age groups and age cohorts.

## C. Financial stability from a fiscal perspective

11. The general discussion around the Generational Accounting method opposed the following two perspectives. The first stated that social security issues should not be considered separately from the overall fiscal sustainability of public expenditure, because of the arbitrary definitions of taxes and transfers. The second argued that it can be useful for people to do such analyses and that looking at the entire burden of the government would be very interesting but also very difficult from the perspective of modelling techniques.

12. The concept of generosity also raised a lot of comments about the alternative meanings of “generosity” and the fact that potential solidarity may depend on country-specific features, such as cultural characteristics. More generally, greater importance should be given to the generational balance issue, making for significantly more intergenerational solidarity and equity than currently at work in many UNECE countries.

13. Projections were used in many contributions, especially on social security issues. It was suggested that a lot of complementary hypotheses could be added to the standard projections and also that projections often do not take into account the measures and reforms that have already been implemented, whose effect will only be visible in 30-40 years, i.e. it will take one or two generations. But it was also pointed out that the very fact that pension reforms do take decades to actually have an impact, means that researchers are forced to make some assumptions about their projections on how things will look like in the next decades. The importance of projections as a political tool was further emphasized, in particular to provide policy-makers with a set of feasible scenarios, and to convince them to take actions, which sometimes requires pessimistic scenarios as well. It is also of particular interest, for example, to analyse how particular patterns in the labour market might affect future incomes.

14. Technically speaking, a unique fixed retirement age, e.g. 65 for all, was viewed by many participants as meaningless; in their view, it would be more relevant to analyse it against the residual life expectancy, survival rates up to age 65 or 75, or even a DFLE. By the same token, simple old-age dependency ratios are said to lead to biased interpretations. The economic dependency rates should be “refined”, to take into account the actual age of retirement, for instance.

15. Some new types of indicators and measures should be developed under this topic. On a macroeconomic level, a measure of the fiscal gap as proposed in the Generational Accounting method was proposed, as well as tax gap indicators used in the Open Method of Coordination on Pensions. Among suggested indicators were measures of the Total Pension Debt (TPD), by pension schemes (including public and private schemes), and a concept of “Resource Transfer Ratio”, i.e. the ratio of total pensions plus publicly funded long-term care and all health costs to GDP or GNP.

16. On a microeconomic level, a cohort dependency ratio (CDR, i.e. the ratio of the pension reciprocity duration to the employment duration, per each cohort) was suggested, as well as various replacement rates (by gender and by wage profiles). Further, social security- as well as labour market- related indicators should show the incentives and disincentives at work, for example, an ongoing strong incentive to early retirement in many countries of the UNECE region, detrimental to the RIS policy concern that future pension systems should be more in line with encouraging people to work longer.

#### D. Labour markets and labour force participation

17. The incentive issue raised along the previous social security theme concerns also the disability issue. Social protection systems that do not provide incentives for people to get disability pensions at a massive scale, as is currently the case, would be helpful. As in some countries, close to half of the male population or sometimes even the majority of people retire as “invalids”. Consequently, a review of the assessment mechanism is worthwhile. Moreover, policy decisions need to link activation and compensation policies, which would mean, for instance, to facilitate a gradual withdrawal from the labour force, e.g. going from full-time to part-time retirement, and improving life-long learning programmes.

18. As mentioned in the demographic theme, “old age” itself has become quite a variable category. As one of the participants quoted “the threshold for old age has steadily risen, from roughly 60 for men and 65 for women in 1930, to 71 for men and 77 for women in the early 90s...” Hence, there are ever more people aged 65 and more, but there are actually less “elderly” given changing medical and cultural standards. The varying socio-cultural meaning of “age” over time may be approximated by the residual LE at conventional retirement age of 65 or by survival rates up to that age. Across the UNECE region, both proxies vary dramatically, and chronological age differs a lot. This heterogeneity is further reinforced if we look at cohort-specific further LE, within countries and across countries, so that using a unique standard retirement age for countries with highly variable LEs is not a meaningful policy device. Instead, the flexibilization of retirement, as suggested by the RIS, is the only meaningful response to this situation.

19. Some activity and exit patterns indicators were put forward, like the labour force participation rates of older workers and the employment to population ratio (aggregate and for older workers), as well as the activity rate. Use-of-time indicators should be developed, to better assess the needs and resources of older active people. Early exit pathway indicators were also suggested, from the average effective retirement age, the minimum and maximum effective age, to the participation in pre-retirement schemes and the disability rates.

20. Moreover, even though less readily available, many participants pointed out the interest of some innovative indicators to monitor late-exit policies, activation and compensation indicators, such as part-time work rates among older people, improvement of working conditions for the ageing workforce.

#### E. Some cross-cutting conclusions

21. Hence, regarding all three topics covered, namely individual well-being and healthy ageing, social security and labour markets, the single most important answer to this evolution is to stretch working life to the extent that LE extends as well. More generally, to stretch active life, trying to get rid of “one-size-fits-all” social policies with standardized assumptions about standardized lives and life courses. A sort of “ageing and age-diversity management” of work would be worthwhile, so that older workers can work efficiently for a longer period of time.

22. All thematic sessions also questioned the causal link between specific policies and specific outcomes, and stressed the need to make existing incentives as intelligible as possible to the public, in order to display their possible and desirable effects – for instance, the pension formula “*each month of work counts*”. Hence, suggested indicators should be also informative about the incentive structure at work in different social security systems.

23. The sometimes-disappointing impact of well-intended policy interventions also means that we need an integrated, comprehensive approach, with a view to a “Society of All Ages”. First, the interrelations between different policy domains should be kept in mind. For instance, family policies, through their impact on fertility, will, of course, affect the pension and the overall social security systems. As an illustration, the simultaneous expansion of female labour force participation and fertility in the late 1990s in the Nordic countries suggests that labour market policies combined with family policies may play some role. Second, of course, the impact of policy interventions on individual and household – not only monetary – well-being should be monitored. This concern is now commonly shared. One may note that the Open Method of Coordination has now put forward in this domain as the first common objective, to reach an “Adequacy” of pension systems, i.e. the meeting of social objectives, which in turn requires financial sustainability.

24. To conclude, the emphasized need for integrated approaches and the recurrent concern about the meaning of the term “ageing” are related. Indeed, ageing is now recognized as a process and therefore includes some dynamism and should be placed in an integrated perspective to be taken into account by public policies. In short, there is a generalized and consensual shift from a culture of “old age” towards a culture of “ageing” – at any age.