

The background of the slide is a grayscale photograph of a car manufacturing plant. Several car chassis are visible on an assembly line, with their hoods and doors open. The factory floor is clean and well-lit, with various mechanical components and tools visible.

# DOES AGEING CAUSE MORE INEQUALITY IN GERMANY?

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# 1. Ageing and Inequality

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

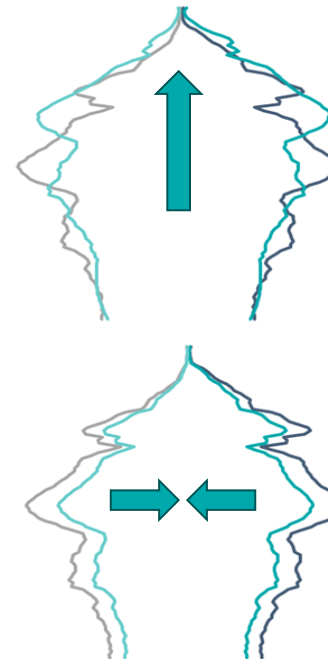
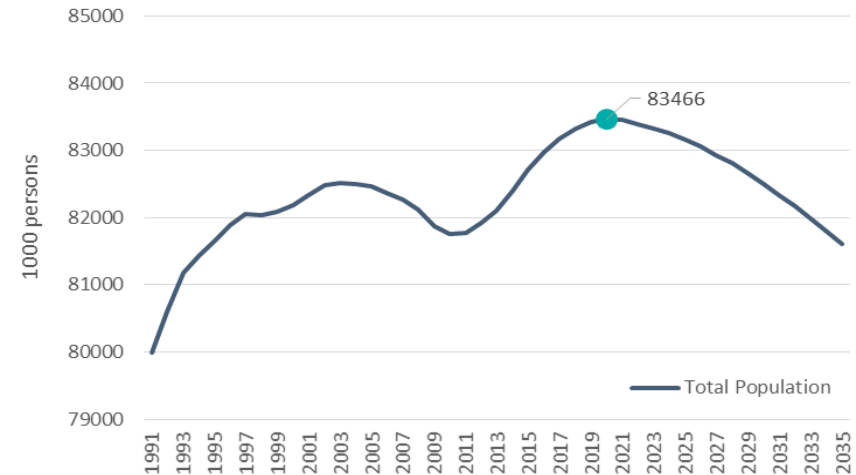
# Demographic change in Germany

## ► 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

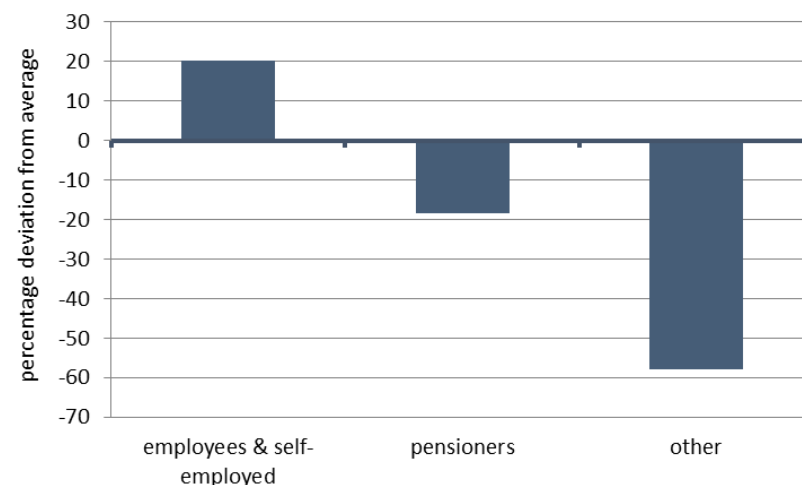
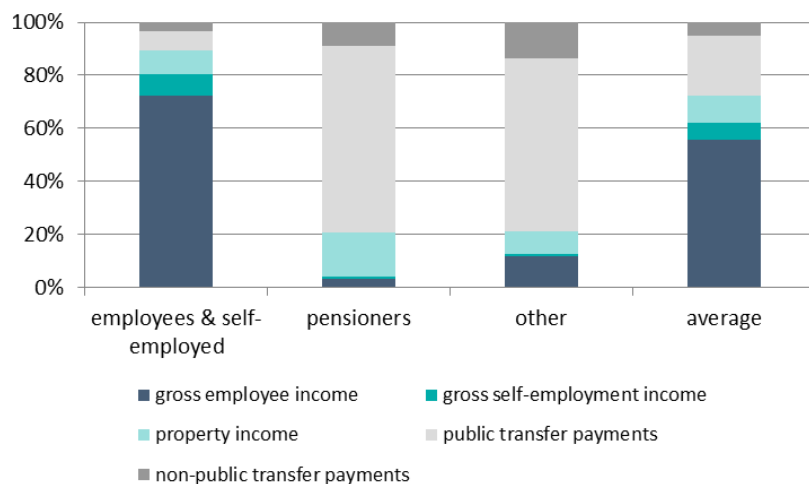
## ► Different income structures:

### ⇒ 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

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- ▶ **The interaction between ageing and inequality** (Mookherjee & Shorrocks 1982, Pestieau 1989, von Weizsäcker 1996, Lam 1997)
  - ⇒ 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

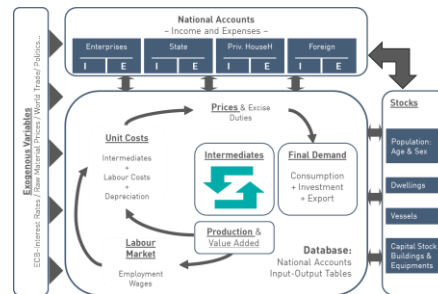
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**DEMOS & INFORGE**

**Total effect**

**Quantity and structural effect for pensioner households**

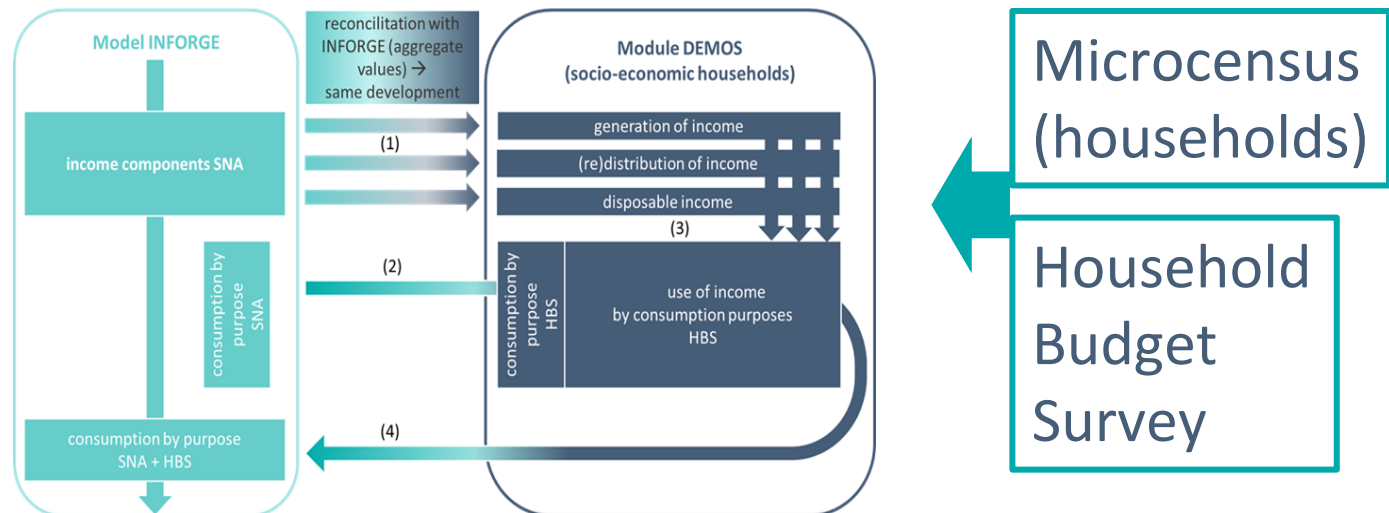
# Methodology



Macro-model INFORGE

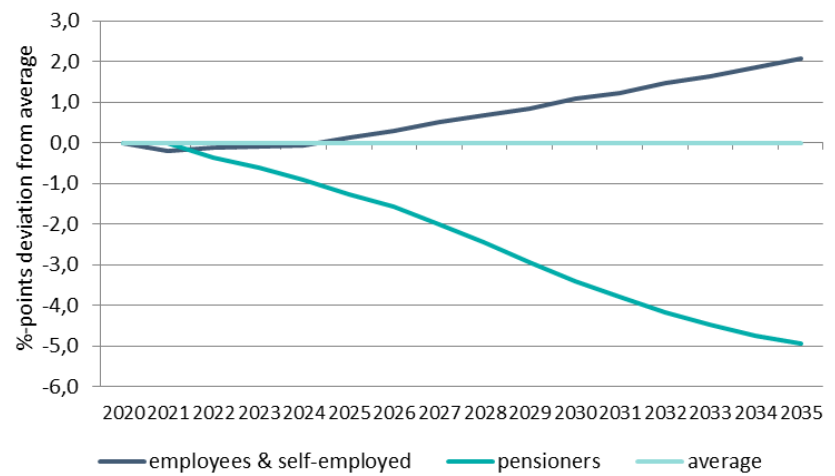
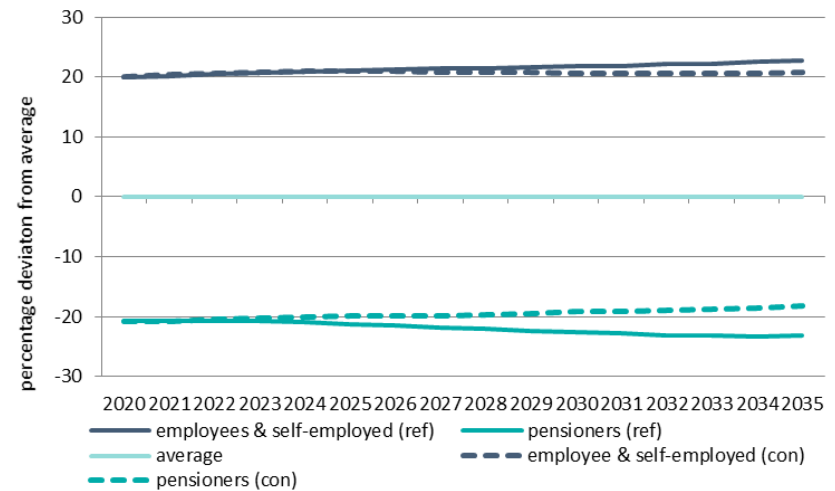


Socio-economic module  
DEMOS



# 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

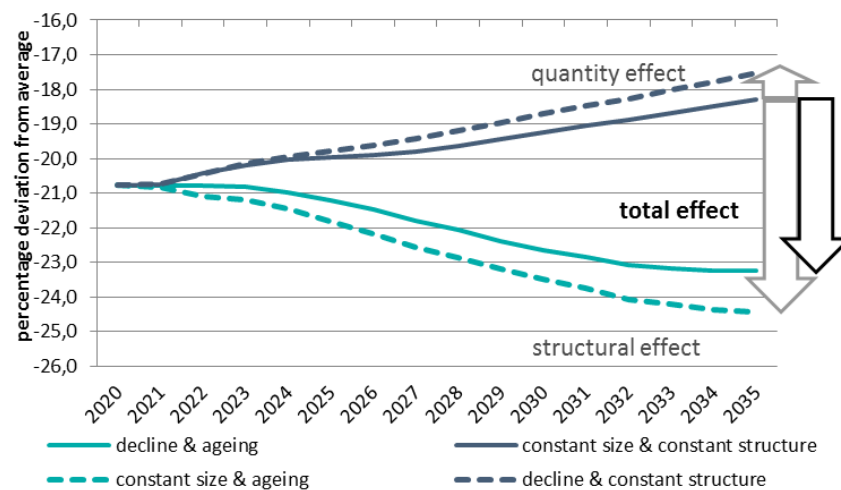
⇒ quantity effect:

- 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

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# Conclusion

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- ▶ **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

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