

SGH

Szkoła Główna
Handlowa
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Sustainability of social protection in ageing populations

Agnieszka Chłoń-Domińczak

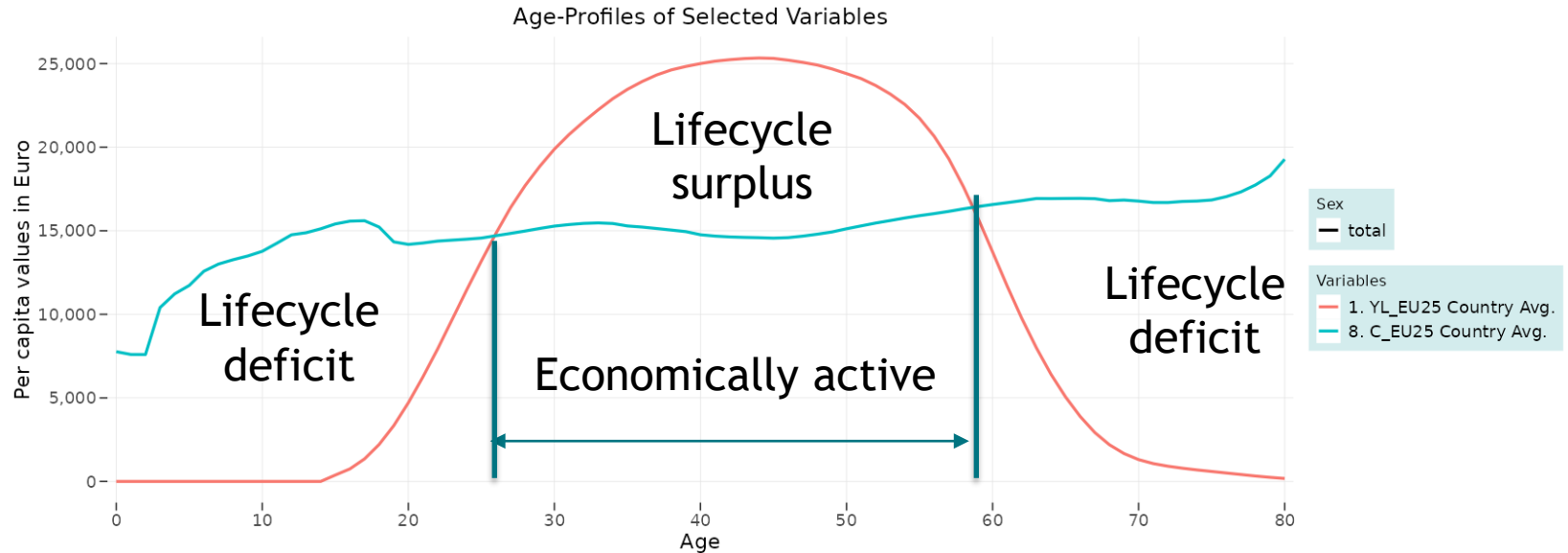
27 June 2024

Consumption, income and transfers in the life course

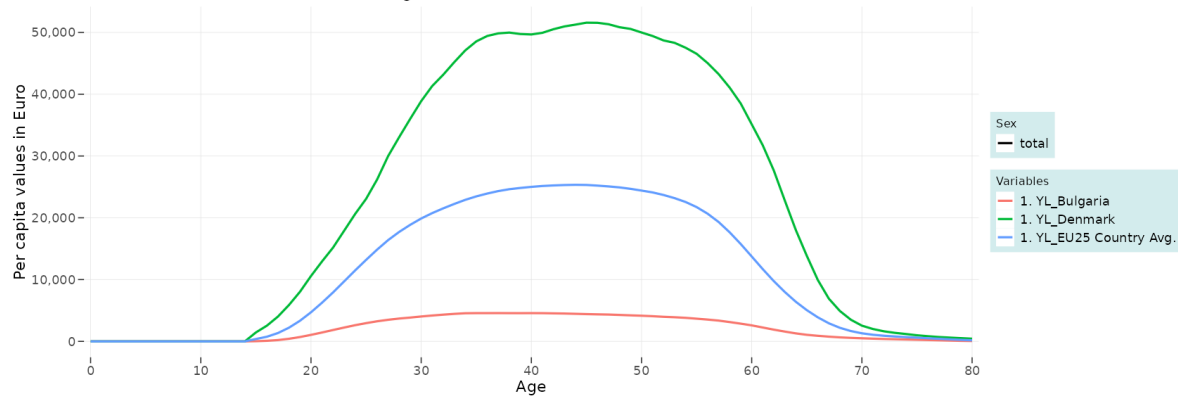
At each age, people consume, financing their consumption either from their income, assets or transfers

Consumption	Labour income	Transfers received	Transfers paid	Asset income	Savings
$\underbrace{C(x) - Y^l(x)}_{\text{Lifecycle deficit}} = \underbrace{\tau^+(x) - \tau^-(x)}_{\text{Net transfers}} + \underbrace{Y^A(x) - S(x)}_{\text{Asset reallocation}}$					
			$\underbrace{\hspace{10em}}_{\text{Reallocations by age}}$		

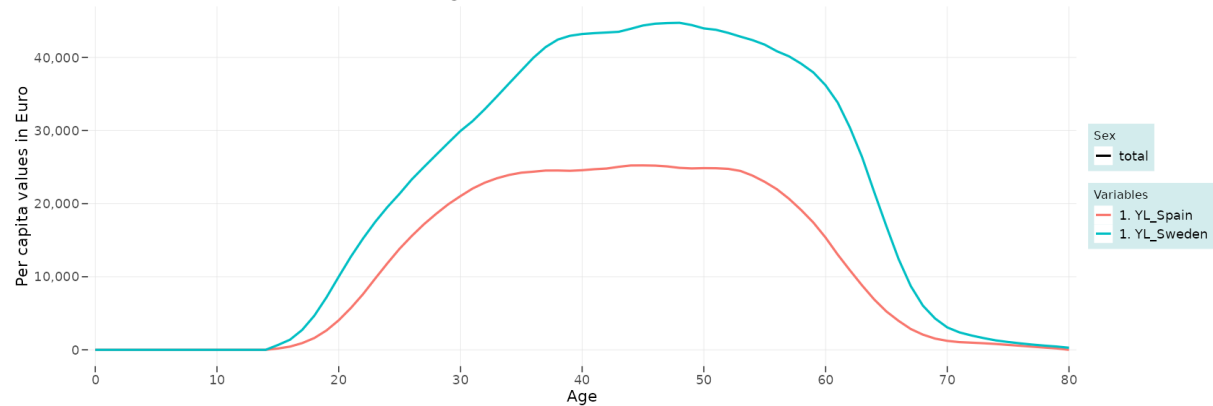
Labour income and consumption per capita in the 25 EU countries, 2010



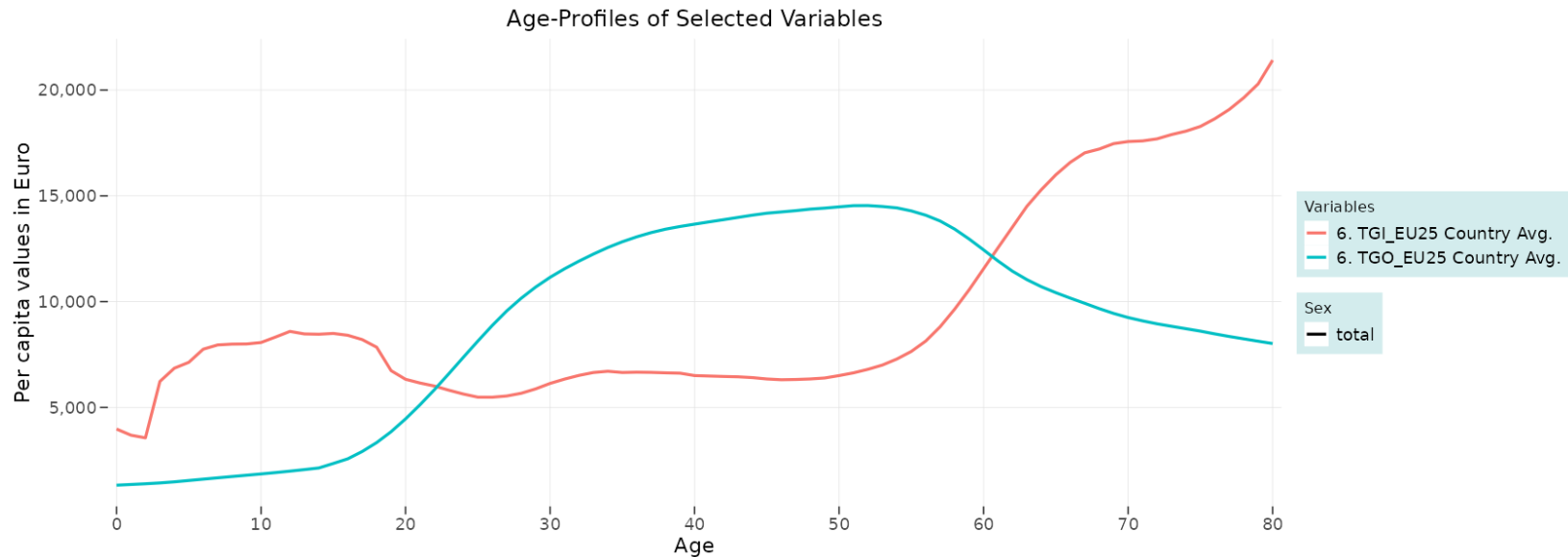
Age-Profiles of Selected Variables



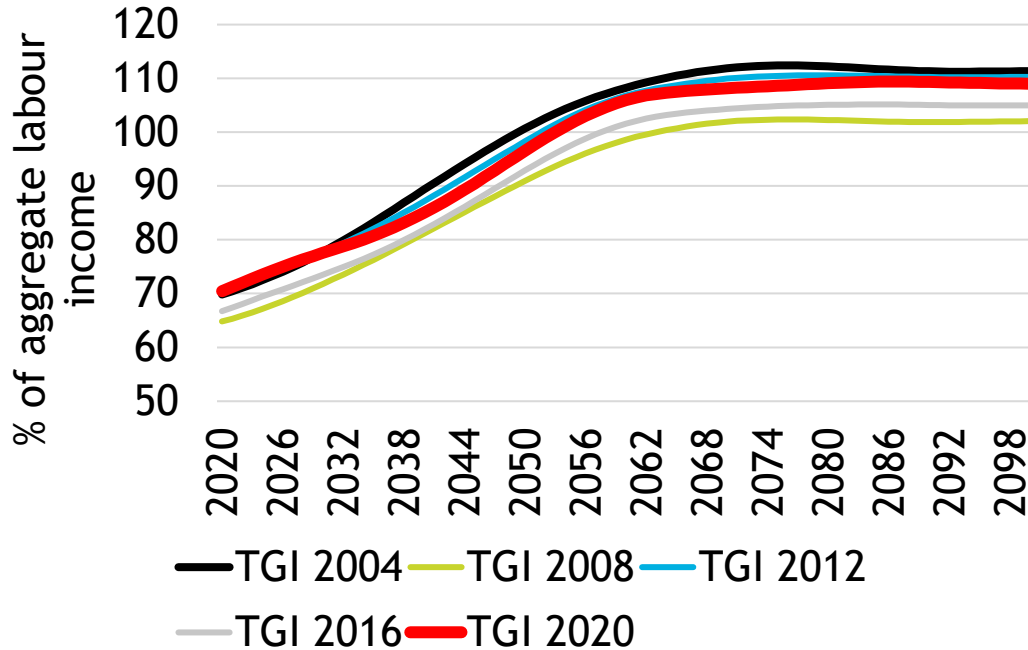
Age-Profiles of Selected Variables



Public transfers: inflows and outflows by age



Public transfer inflows: projections for Poland



- Public transfers inflows are expected to increase from current 70.4% to 109% of labour income
- Assuming no policy change scenario aggregate public transfers **will exceed aggregate labour income by 2053**

Population ageing will lead to higher pressure to increase public transfers to finance the emerging lifecycle deficit, but also other transfers to people in productive age

Maintaining current public transfers per capita relative to wages is unsustainable, as total transfers would exceed total labour income

Sustainability of social protection in old age

- One of the necessary developments: increasing aggregate labour income to meet the demand for public transfers:
 - Productivity
 - Necessary to shift the labour income profile „up”
 - Migration
 - Necessary to increase the aggregate labour income
 - Increase of healthy life span
 - Necessary to shift the labour income profile „right”