# WELTRANSIM

Finnish Centre for Pensions (FCP)
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DEMOGRAPHIC CHANGE AND INTRA AND INTERGENERATIONAL DISTRIBUTION: MODELLING THE IMPACT OF DIFFERENT WELFARE MODELS.

Starting point: The NTA "life cycle deficit" (LCD) = C-YL

Labor income Yl

Consumption c

Age
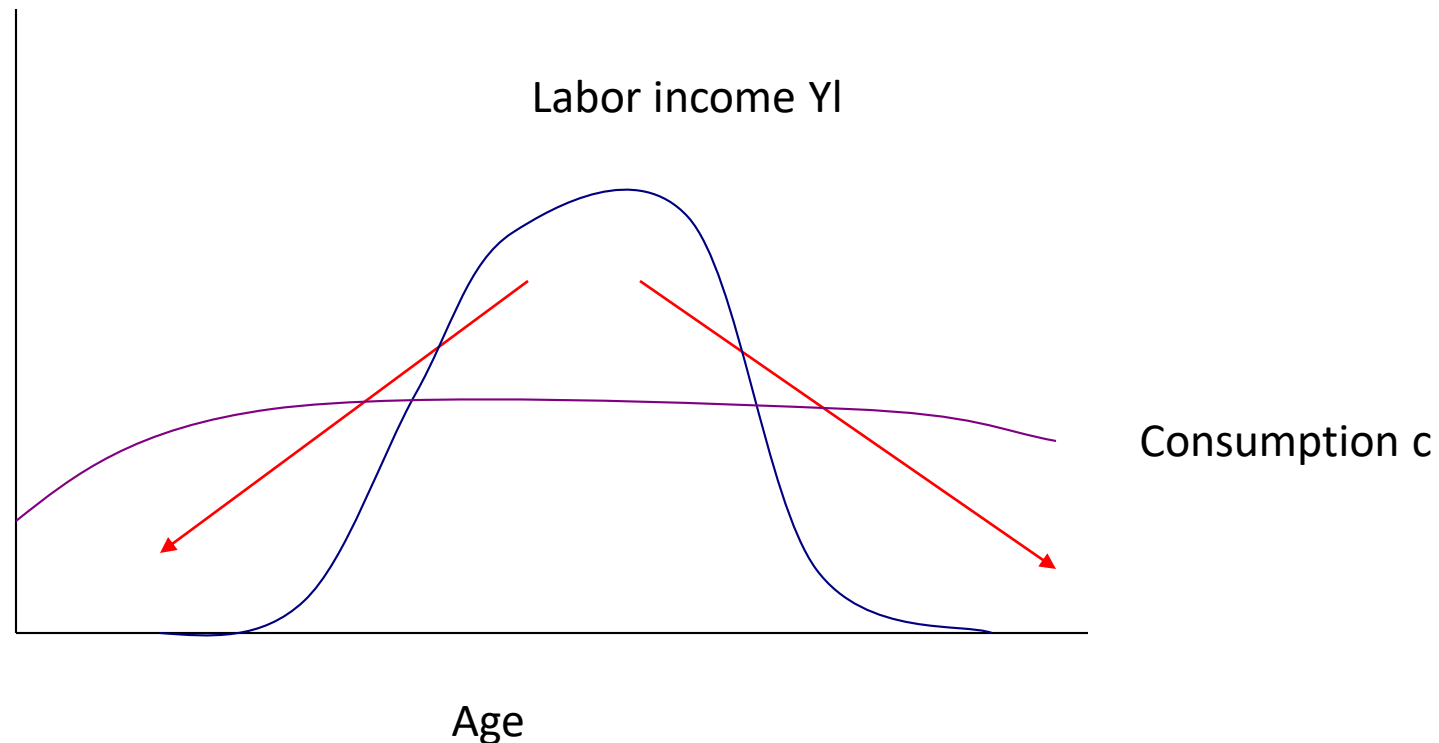
1. Estimates LCD and how is it financed through Family Market and Welfare State
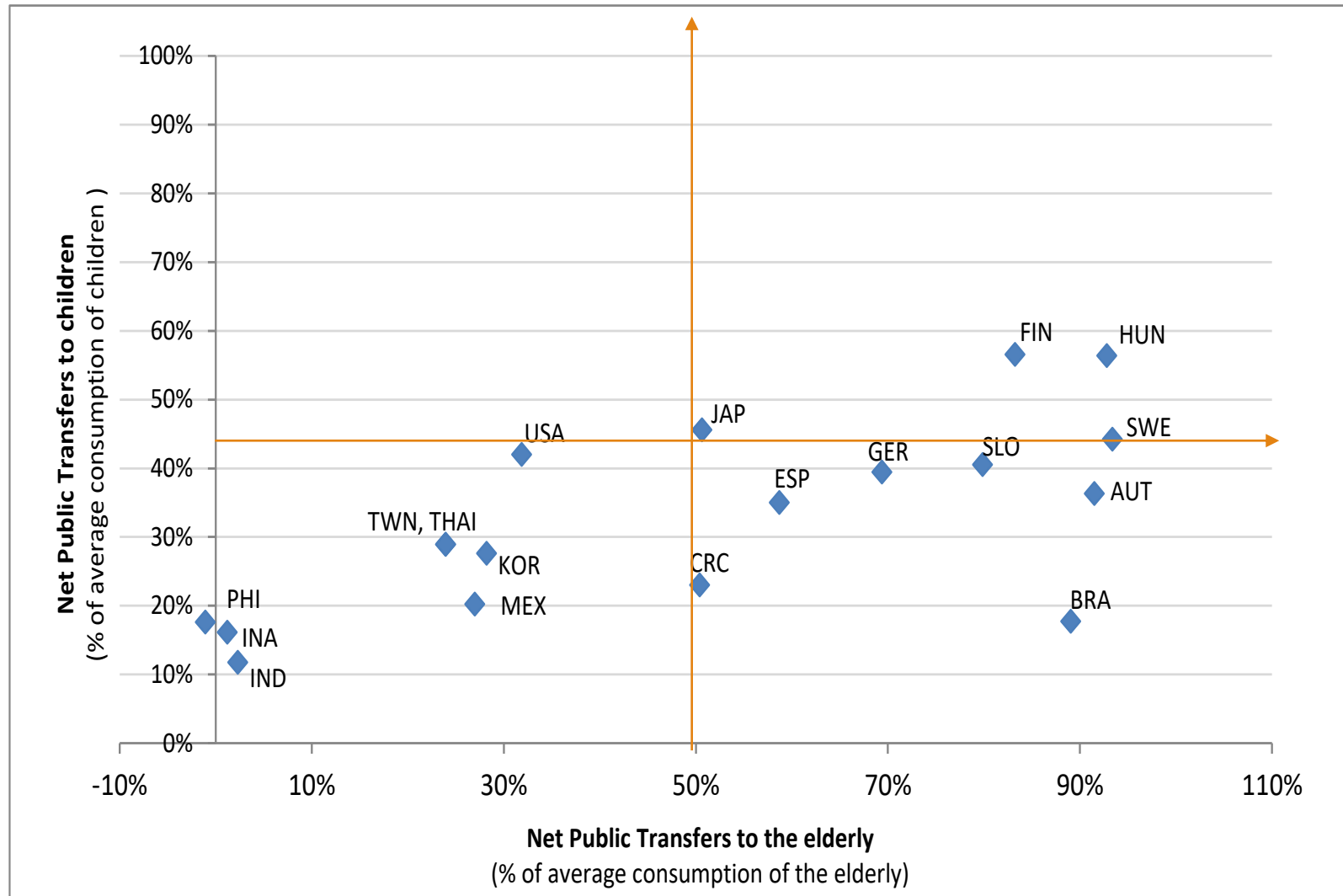2. Add time transfers (NTTA)

Summarizing results: the 4 NTA profiles
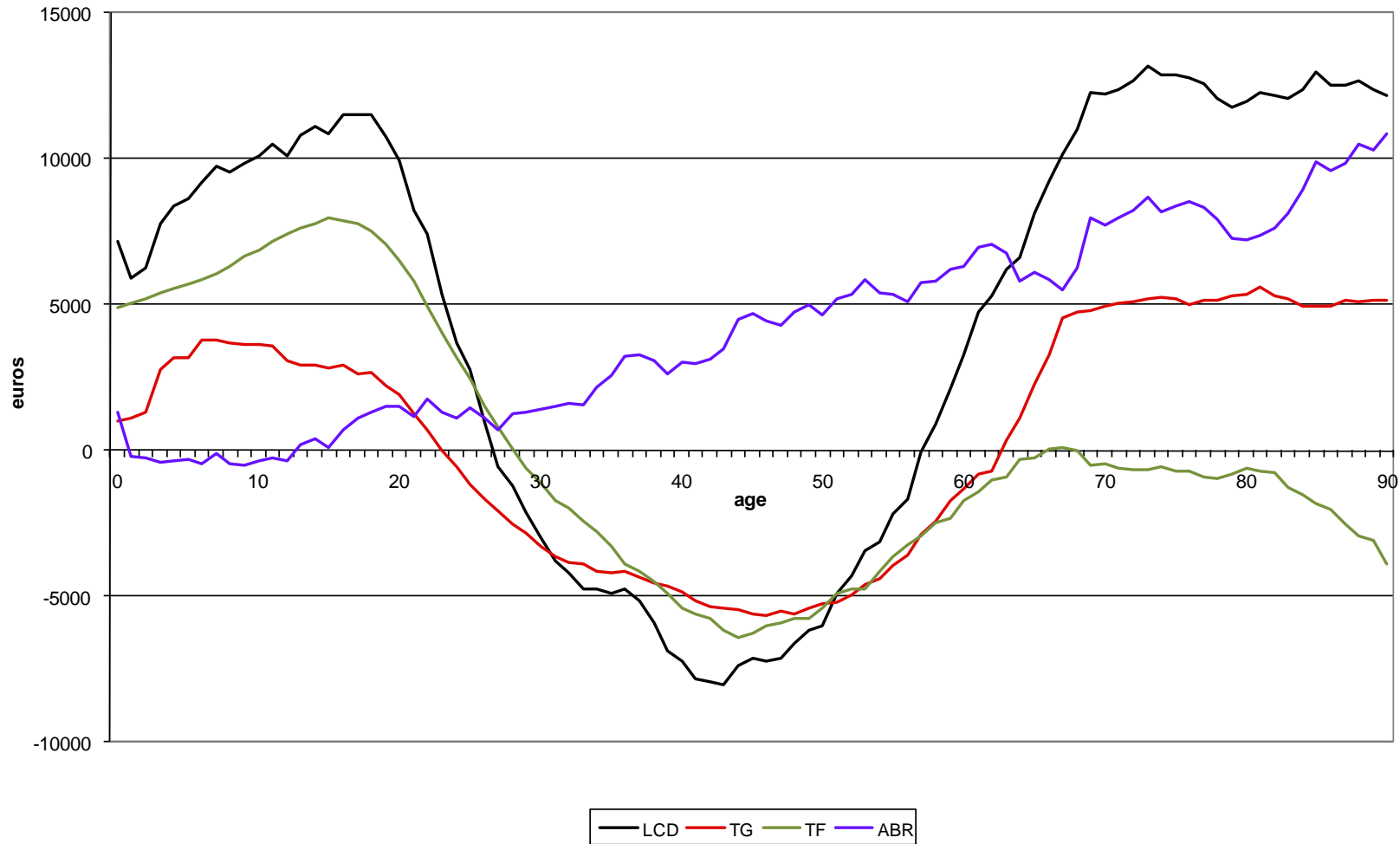
LCD (Life Cyle Deficit), TG (Public), TF (family), ABR

Share of consumption financed by net public transfers (TG/C) for children and the elderly

Overview of the Project

The WELTRANSIM project aims to explain the distributional effects induced by the ageing process and how welfare models contribute to mitigating such effects and securing wellbeing across the life cycle (from childhood to old age). WELTRANSIM places special emphasis on:

1. The distributional effects of education, particularly on causing life-expectancy differentials.

2. The potential generational conflict and the possible political pressure of the elderly on shifting resources from the young to the old.

3. The effects of changes in family structures and fertility trends in time and money transfers over the life cycle and particularly from/to old people.

4. The relationship between fertility, public and private transfers, and ageing.

Main lines of the Project (1)

1. *Comparative analysis of welfare models in terms of <u>distributional effects</u> of ageing and life course risks affecting wellbeing of older people.*

- How life expectancy costs are distributed among education levels and the distributional effects.

- How country-specific interventions related to the welfare models (such as public education expenditure, unemployment, tax or retirement policies) influence lifecycle risks and how they are insured by means of the three axes that differentiate welfare models: market, state and family.

- **METHODOLOGY**: microsimulation (static-dynamic) and NTA. The National Transfer Account project provide an accounting of economic flows across age groups in a given year.

Main lines of the Project (2)

2. *Analysis of <u>Political Economy</u> aspects related to ageing and their distributive effects.*

Test the so-called "generational conflict". The intuition behind this hypothesis is simple: the old population has probably different preferences in comparison with the younger population and therefore they demand different allocations of public resources. In a framework of a representative democracy and population ageing, this means that policies are shaped by the desires of the older people

METHODOLOGY: macroeconometric estimations (OECD panel data)

Main lines of the Project (3)

3. *The role of family and <u>family transfers (money and time)</u> in securing life course risks and contributing to <u>wellbeing of older</u> people*

METHODOLOGY: NTA by family type and NTTA

Main lines of the Project (4)

4. The provision of care for older people.

Analyze the role of <u>older people as care givers</u>, using information on money and time transfers from old people to other generations.

Stresses how the time use dimension can be used as an indicator for wellbeing in the elderly.

METHODOLOGY /data: SHARE - NTA - NTTA

Thank you

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