



NEWSLETTER OF THE EUROPEAN NETWORK OF ECONOMIC POLICY RESEARCH INSTITUTES*

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CONTENTS

About ENEPRI	2
Workshop on "Simulation properties of macro-econometric models"	2
Exploratory Workshop on "Ageing, Skills and Labour Markets"	4
The composition and structural impacts of demographic evolution on labour markets	5
Social security, accumulation and retirement decisions	5
Roundtable discussion	6
Lessons drawn from case studies	6
Workshop on "Savings and Demographic Change"	7
Launching of a major European study of the consequences of ageing of the population	9
Forthcoming ENEPRI events	11
ENEPRI Working Papers	11

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About ENEPRI

The European Network of Economic Policy Research Institutes (ENEPRI) was created late in 1999 at the initiative of the Centre for European Policy Studies (CEPS). ENEPRI brings together leading national institutes from a number of EU member states and accession countries. The network fosters the international diffusion of existing research, helps to co-ordinate research plans, conducts joint research and increases public awareness of the European dimension of national economic policy issues. The activities of the network are co-ordinated and managed by CEPS. See the front page of this newsletter for a listing of the current ten member institutes.

The activities of ENEPRI include the organisation of workshops and conferences, the publication of working papers and policy papers and the formulation of joint research programmes. The network, in particular, prepares common research proposals to be presented to European bodies and national sources of funding for economic research. A contract providing financial support to ENEPRI during its first three years of operation (2000-2002) under the 5th Framework Programme of the European Union was signed in February 2000 and the first operations were launched in September in Paris. The European Science Foundation funded an exploratory workshop that took place in November 2000.

A number of workshops and conferences have already been implemented which are profiled in Newsletter Nos. 1 and 2. Three workshops were held in the second half of 2001 and are reported on in this Newsletter. Future ENEPRI workshops and conferences include:

- Workshop on *Portability of Pension Entitlements* (CEPS), June 2002, Brussels
- Workshop on *Mutual recognition of labour market regulations and welfare regimes* (ISAE), 14 June 2002, Rome
- Workshop on *Impact of alternative policy rules* (CEPII), July 2002

- Workshop on *Welfare systems and policy competition* (CPB), October 2002
- Workshop on *Labour markets and welfare systems* (CEPII/FEDEA/DIW), October 2002
- Conference on *Policy options for welfare systems in an integrating EU* (CEPS), January 2003

A selection of the contributions to these events and, additionally, from the output of ENEPRI member institutes are published as ENEPRI Working Papers, a series focusing on European policy issues. A selection of the titles of already published and forthcoming ENEPRI Working Papers are listed on the back page of this newsletter. They are available for free downloading in a PDF file from the ENEPRI web site (<http://www.enepri.org>). Printed copies are also available on request from member institutes.

High-level discussion forum on "Mutual recognition of labour regulations"

A conference on labour mobility was held at CEPS on 27 June 2001, dealing inter alia with "mutual recognition of labour regulations". The event served to interest policy-makers in the basic idea contained in this part of the ENEPRI work programme. The President of the European Commission, Romano Prodi, and the Italian Foreign Minister, Rocco Buttiglione, participated actively in this meeting, which was attended by 250 persons.

The topic will be the subject of a research-oriented workshop at ISAE, Rome on 14 June 2002. For more information, contact: Prof. Fiorella Kostoris Padoa Schioppa, ISAE, email: presidente@isae.it; tel: +39 06 44 48 22 30.

Workshop on "Simulation properties of macro-econometric models"

This workshop took place in the Royaumont Abbey on 4-6 July 2001 and was organised by CEPII¹ on behalf of the European Network of Economic Policy Research Institutes (ENEPRI). The workshop benefited from financial support from the European Commission Directorate General Research, the European Central Bank, the Fondation Banque de France pour la recherche and the Institute Caisse des dépôts et consignations pour la recherche.

Simulation properties of macro-economic models

The main objective of the workshop was to compare the properties of different multi-country macroeconomic models. Such models give useful insights into the diffusion of shocks and national policies in an interdependent world. In order to do so, the participants were asked to realise four standard simulations with their models.

Seven macroeconomic models were presented during this workshop, as well as the results of symmetric and asymmetric shocks, such as increases in government expenditures in the United States and in Germany, and productivity shocks in these two countries.

In the opening address **Lionel Fontagné**, Director of CEPII, stressed the importance of trade as a transmission channel of shocks, especially in the euro area, where the countries differ by their size, the structure of their economies and their degree of openness in trade with the rest of the world.

Werner Roeger and **Jan Int'Veld** (European Commission) presented the model QUEST II, which is designed to analyse the economies in the member states of the European Union and their interactions with the rest of the world, especially the United States and Japan. The

model is essentially devoted to economic policy analysis.

Doug Laxton (IMF) presented the Multimod Mark III model, which contains a specification of the inflation-unemployment nexus, an extended non-Ricardian specification of consumption-saving behaviour, and improved specifications and estimates of investment behaviour and international trade equations.

Jérôme Henry (ECB) presented an Area-Wide Model (AWM) for the euro area. This model treats the euro area as a single economy that aggregates all the EMU member states. Agents' expectations are in general adaptive but forward-looking for the financial variables. The equations estimation represents one of the first attempts of this kind in the euro area.

Jean-Pierre Laffargue (CEPREMAP) explained the philosophy behind Marmotte, the multi-country model of CEPII and CEPREMAP. A main motivation in the construction of Marmotte was to introduce a strong theoretical background, with the agents' behaviour being derived most often from intertemporal optimisation. The other team members – **Arjan Kadareja**, **Stéphane Déés** and **Bronka Rzepkowski** from CEPII – underlined the specific characteristics of Marmotte: the supply side of the model and its original putty-clay technology.

Karen Dury (NIESR) presented the model NiGEM. She explained that this model is devoted to the production of forecasts and scenario analysis. It has complete demand and supply sides, and there is an extensive forward-looking monetary and financial sector. The model uses a 'new-Keynesian' framework, in which agents are presumed to be forward-looking but nominal rigidities slow the adjustment process to shocks.

Jean-Louis Brillet (INSEE) presented the MACSIM Project, elaborated with the Méditerranée University. This model is a teaching tool designed to illustrate the main macroeconomics concepts, focusing on international trade. It is influenced by the neo-Keynesian approach: short-run output is determined by variations in demand, prices are relatively sticky and therefore, have a slow correctional impact.

¹ For more information, contact **Prof. Florence Legros**, CEPII, +33 1 53 68 55 00; email legros@cepii.fr. Papers can be downloaded under: <http://www.cepii.fr/anglaisgraph/meetings/2001/05060701.htm>

Pascal Jacquinot and **Ferhat Mihoubi** (Banque de France) presented the model Marcos. This model intends to answer the usual critique addressed to standard neo-Keynesian macroeconomic models. It is a calibrated rational expectations model of the euro area, designed to medium-long run simulations. It has been build under the assumption of a small economy with monopolistic competition in goods and labour markets.

Michel Juillard (CEPREMAP) presented a synthetic comparison of the simulations of the 7 models. To make the comparisons easier, the participants had prepared four simulations in advance of the workshop. The first shock simulated a symmetric demand shock in Europe, which was taken to be a permanent increase in government spending in the US by 1% of its GDP. The second represented an asymmetric demand shock in Europe, taken as a permanent increase in government spending in Germany by 1% of its GDP. In both cases, the increase in tax rates, necessary to satisfy the intertemporal constraint of the government budget, would be made in the far future (10 or 15 years). Before this date, tax rates were kept exogenous in all countries. The third simulation represented a symmetric supply shock in Europe and a permanent increase in total factor productivity by 1% in the US. The last simulation represented an asymmetric supply shock in Europe and a permanent increase in total factor productivity by 1% in Germany.

Michel Juillard pointed out the differences and the similarities among models concerning the shock effects on output in the short and medium term. Especially, he considered the impact of these four shocks on GDP, stressing the specific characteristics of each model in the explanation of the differences in the results. This synthesis gave rise to a fruitful discussion.

The workshop ended up with a round table conducted by **Ray Barrell** (NIESR), **Douglas Laxton**, **Werner Roeger**, **Pierre-Yves Hénin** (CEPREMAP and University of Paris-I), **Stéphane Déés** and **Jean-Pierre Laffargue**. They expressed their point of view concerning the utility of econometric modelling to study the international transmission of shocks.

In the closing address, **Florence Legros**, CEPII's Deputy Director, thanked all the participants for their useful presentations and discussions. She also thanked the sponsors and **B. Rzepkowski** for the logistical and intellectual organisation of the workshop.

Exploratory Workshop on “Ageing, Skills and Labour Markets”

This workshop was organised by CEPII² in Nantes, France, 7-8 September 2001, under the programme “Improving the Human Research Potential and the Socio-economic Knowledge Base” of the 5th Framework Programme (IHP-ACCO-00-1), Acronym PALM (contract HPAM-2000-00077).

Ageing, skills and labour markets

The ageing of the population in industrialised countries is expected to affect labour markets in several ways. Firstly, the level of productivity and other characteristics are not the same across different cohorts. Consequently, the ageing of the labour force may influence aggregate productivity, wage levels, unemployment and participation rates simply due to the changes in the relative size of different cohorts. Those effects are not independent, however, and the evolution of the cohorts' relative sizes will therefore not be linearly reflected in the aggregates.

The expected rise in longevity will lead to longer periods spent in retirement, undermining the sustainability and viability of pension schemes. Consequently, pressure is mounting to scale down early retirement plans in favour of an increase in the statutory retirement age. This again will lead to an even more pronounced ageing of the labour force, with, notably, an increase in the average age of a large number of professions and additional adjustment problems for a number of low-skilled labour market groups.

² For more information, contact **Prof. Florence Legros**, CEPII, +33 1 53 68 55 00; email legros@cepii.fr. Papers can be downloaded under: <http://www.cepii.fr/anglaisgraph/meetings/2001/07080901.htm>

Composition effects and structural impacts of the demographic evolution on labour markets. **Thai-Thanh Dang and Howard Oxley** (OECD) looked at three issues raised by the ageing of the labour force. Firstly, older workers must be discouraged from early retirement. Current transfer schemes need to be redrawn towards an actuarially fair system in order to make it neutral as to the time of retirement, while taking into account the joint incidence of individual measures. Secondly, the efforts to reduce poverty among the elderly, which have been one of the main social achievements of the past quarter century, need to be continued in an actuarially fair system, for example by mandatory minimum schemes of retirement benefits. Lastly, the weak employability of old low-skilled workers may justify public support for training policies for the old.

Pauline Givord (INSEE) considered the reasons behind the decline in participation rates of older workers in France, which can be attributed mainly to an extensive use of early retirement. Will the young cohorts of today retire later when they are old because they will possess better qualifications? Taking today's observed qualification structure of the population and the corresponding retirement behaviour as given and simulating for the next 20 years, she found only a very small positive effect on participation rates.

Didier Blanchet (INSEE) analysed the direct consequences of ageing within the labour force. The potential impact on productivity is probably low in absolute value. Despite evidence of seniority wages (that is, a ratio of productivity to the wage rate decreasing over the life-cycle), a direct demographic impact on labour costs will be small. However, the indirect effects through a cumulation of other cost increases outside the labour force (such as pension and health care contributions) may be larger.

Landis MacKellar and Martin Spielauer (IIASA) presented some micro-simulation extensions to the macroeconomic demographic growth model of IIASA. Those extensions were designed to endogenise labour market behaviour (such as exit from the labour force and human capital acquisition), as well as

closely related demographic behaviour (such as fertility, mortality and migration). Some preliminary simulations were presented.

Apart from the labour supply aspect, ageing may also affect labour demand, even in the absence of seniority wages or a decline in productivity over age. To test this hypothesis, **Victoria Büsch and Manfred Königstein** (Humboldt University) conducted a questionnaire study to look at the age discrimination in hiring decisions. Negative age stereotypes appear clearly in the answers, especially as the capacity to learn and flexibility are concerned.

Workers of different ages do differ and are not perfect substitutes. To study the composition and structural effects of ageing within the labour force, **Jean Chateau, Jean-Louis Guérin and Florence Legros** (CEPII) built a labour market matching model. Its calibration will enable the authors to forecast the wage and employment effects of demographic evolutions.

Social security, asset accumulation and retirement decisions. The influence of social security schemes on wealth accumulation and retirement decisions depends on the individual preference variables describing the attitude towards the future, but also to risk and uncertainty. **Luc Arrondel, André Masson and Daniel Verger** (DELTA-CNRS) discussed methodological issues in a questionnaire they designed to better evaluate those variables and also assess their impact on wealth distribution and composition. This survey was administered to over 1000 respondents in the framework of the INSEE "Patrimoine" survey. Using the dynamic micro-simulation model *Destinie*, **Carine Burricand, Emmanuelle Klotz and Béatrice Sédillot** (INSEE) found too that the evaluation of effects of pension reforms is sensitive to the value of individual preference parameters. Of the two reforms designed to encourage workers to retire later (more actuarially adjusted schemes versus a 3-year increase in the length of the contribution period), the second is deemed to provide stronger incentives to postpone retirement.

According to **Helmut Cremer, Jean-Marie Lozachmeur and Pierre Pestieau**

(GREMAQ, CREPP-CORE), early retirement comes mainly from implicit taxation on continued activity of elderly workers. This distortion cannot be averted if redistribution was an objective in a world of asymmetric information (for example on health prospects) and in the absence of lump-sum instruments. **Andras Simonovits** (CEU) found too that the conflict between efficiency and insurance cannot be eliminated but only mitigated. The differences between the life expectancies used by the authorities to design its benefit rule and individuals to determine their employment length lead to unfairness.

Andreas Wagener (University of Siegen) noted, however, that the clear-cut results of many studies on the impact of changes in social security provisions on either savings or retirement decisions change profoundly when interdependencies between these two in individual decision-making are considered. An application to the German pension reform shows that, contrary to conventional wisdom, the increase in pension risk may well lead to a decrease in the savings rate and possibly to earlier retirement.

Roundtable discussion. The participants discussed a large range of topics: **Karl Gustav Schemann** (ISSA) underlined the need to take into account the impact of the demographic evolution, not only on labour supply (reactions of workers to incentives), but also on labour demand (firms' behaviour). Also there was need for a more time-coherent and consistent government planning to better develop the human resources that would be needed in 20 years. **Landis MacKellar** (IIASA) reminded participants that many early retirement decisions were made by the agents on health considerations; to his mind, a major problem nowadays was the very blurred estimation by firms of older workers' productivity. He stressed the importance of looking at the distributional impact, and not just only at the aggregate effects. A move back to a Beveridgian system was maybe the only way to prevent a never-ending rise in contribution rates.

Henry Nogues (CDU Gérontologie) worried about the consequences of the fading family support for the elderly, and the potential lack of skilled personnel for services for dependent

people. He called for the development of better suited long-term indicators to look at the living conditions of old people. According to **Annie Jolivet** (IRES), most demand today for early retirement came from workers (and not firms); in this light, flexible progressive schemes seemed worth looking at. Economists should learn from the various works in psychology, sociology or management to study old workers' productivity and to understand the peculiar matching problems (worse than the wage problems) faced by this population. **Bernard Casey** (OECD) questioned whether financial transfers to subsidise leisure time could be considered a good thing as very few people seemed to use the extra leisure time for "active" leisure activities.

Lessons drawn from case studies.

Population ageing affects all social spheres in every industrialised country; however, market settings and institutional circumstances and the ongoing reforms do vary.

Using a political economy model (with median voter), **Hans-Werner Sinn and Silke Übelmesser** (CESifo) looked at the possible outcome of putting reforms of the pension system to the vote. Until 2023, the median age of the electorate will be lower than the indifference age (defined as that cohort not adversely affected by a reform of pensions). However, after that date, only altruism or fears of youth emigration will make a political situation to this problem possible and prevent the old from exploiting the young.

The process of population ageing in Japan started earlier than in other industrialised countries, so studying Japan may help in forecasting ageing impacts in other countries. However, noting that after a decade of poor economic performance, the level of labour force participation amongst older men remains very high, **Bernard Casey** (OECD) outlined some possible explanations of Japan's special situation: seniority wages, sheltered employment in some sectors or firms' affiliates. Those peculiarities make it hard for other countries to emulate Japan; at the same time, the Japanese policies are unlikely to be continued since the conditions that favoured them will not prevail any longer.

Retirement decisions are often considered to depend on the pensions system. Trying to better evaluate the consequences of specific social programmes, **Madior Fall and Muriel Roger** (ENS) looked at the impact of the 1990s reform on French farmers' retirement decisions. Using multiple treatment statistical methods, the authors showed that retirement decisions have, as expected, been influenced by the reform, but also that these impacts strongly vary between sub-categories of farmers, which raises questions on the distribution effects of pensions reforms.

Are older workers more exposed to the adjustment pressure from technological shocks? **Pasi Huovinen and Hannu Piekola** (ETLA) conducted an empirical analysis of gross job flows in Finland in the context of the great depression of the early 1990s. The aged workers appear to have a considerably higher propensity to lose their job than the majority; however, their withdrawal rate is rather weakly correlated to the long-run productivity and profitability of the firm. This can be interpreted as job destruction due to skilled-biased technical change.

Looking at the effects of various reforms of the social security system in Romania, **Costin Borc** (University of Wisconsin-Madison) found, using an overlapping generations general equilibrium model, a strong impact upon many economic variables, among them wages and labour supply. The three separate aspects of the proposed reforms (increase in the retirement age, linking contributions and benefits, and introducing a complementary fully funded system) can have very different effects depending on the choice (and level) of parameters.

The great variety of methods used to study the impact of the demographic evolution on labour markets in the papers presented at this workshop underlines how far-reaching are the associated problems with which industrialised countries will be confronted in the coming years, and how wide is the spectrum of possible solutions.

Workshop on “Savings and Demographic Change”

Net foreign capital income as a source for financing old-age expenditures was the leading theme of an ENEPRI workshop, organised by CPB³ and CEPII in The Hague on 16-17 November 2001. Researchers gathered to focus on the effects of ageing on savings and investment, and net foreign capital income as a possible source for financing old age expenditure in Europe during the coming decades.

International Capital Mobility: No panacea for ageing

Ageing in Europe during the coming decades is mainly the result of decreased birth rates. This implies that an increase in the dependency ratio will go hand-in-hand with a decrease in the growth rate of the working-age population. In 2020, labour supply in Europe will be roughly at its current level. The combination of a high dependency ratio and stationary employment puts pressure on the financing of pensions and health expenditure. To relieve this pressure, pensions systems could be (more) capital funded. However, large-scale investment at home is likely to depress the return on capital to low rates, especially since employment growth is virtually zero. The question discussed at this workshop is whether investment abroad could help to relieve the pressure.

Investments abroad could avoid the problem of low rates of return. Especially developing countries may offer abundant investment possibilities. Their labour force will still be growing significantly in the coming decades, and technological progress is expected to be large since these countries can exploit their potential to catch-up with developed countries. However, since developing countries are likely to account for less than 40% of world production in 2020, the funding of pensions cannot rely too heavily on capital income from

³ For more information, contact **Dr. Arjan Lejour** (tel: +31-70-3383311; e-mail: aml@cpb.nl); papers can be downloaded from:

[http://www.cpb.nl/eng/activ/ageing/..](http://www.cpb.nl/eng/activ/ageing/)

emerging economies. Therefore, it is worthwhile to consider also the differences among developed countries. While ageing starts early in Japan, the United States is expected to see an annual employment growth rate of 0.7% until 2020. That means that one might expect considerable capital flows among these three OECD areas.

The participants of the workshop considered these issues from different perspectives. Most of them used simulation models, while others concentrated on empirical relations between ageing and capital mobility. Despite the differences in method, they reached a pressing conclusion: Net foreign capital income is not the ultimate source for financing old-age expenditures. The reasons are straightforward. First, the absorptive capacity for investment is limited to the non-OECD countries. Second, the (political) risks involved in investing in emerging economies hamper the size of these capital flows. Third, foreign investment will increase capital income in the ageing OECD countries, but will reduce labour income because capital is invested abroad.

Philippe Liégeois (Université Libre de Bruxelles) and **Thijs Knaap** (OCFEB Rotterdam) presented overlapping generations models for France and the Netherlands, respectively. These models are well suited to represent the coming demographic changes and the effects on the economy. Due to the reduction in labour supply and stimulation of capital accumulation, wage rates will rise and interest rates may fall. Liégeois showed that the payroll tax will rise rapidly until 2050 to finance public pensions at the current level. Knaap showed that the surplus on the current account for the Netherlands will reduce significantly, but that it will be positive to 2050. The main reason for the declining surplus is the decline in personal savings. Interestingly, this result applies for different scenarios for the world interest rate. An advantage of these models is that pension systems and health expenditures can be presented quite well.

This is not the case for the multi-country models that were presented by **Joachim Winter** (University of Mannheim), **Jacques Le Cacheux** (OFCE Paris), and **Landis**

MacKellar (International Institute for Applied Systems Analysis, Austria). They have explicitly modelled international capital flows. MacKellar confirmed that, due to capital mobility, returns on capital in the OECD countries will increase, while wage rates decline. The effects on pensions thus depend on the extent to which these are financed by returns on capital and taxes on wages. Winter showed that capital flows from fast-ageing countries to the rest of the world can be substantial. He compared the cases that the capital market is restricted to Germany and is extended to the OECD. From this comparison he concluded that the benefits of pension reform in Germany are much higher if capital is mobile internationally. The main reason is that the return on invested capital is higher in that case. Le Cacheux discriminated three OECD and three non-OECD regions in his model. He concluded that the economic effects of ageing are significantly smaller when capital is internationally mobile.

Melanie Lührmann (University of Mannheim) and **Henri de Groot** (CPB and VU) concentrated on the empirical relations between ageing, savings and investment. Lührmann showed that demographic changes affect international capital flows. Countries that are confronted with a declining share of the youth in the population export relatively more capital. De Groot showed that savings will decline due to ageing. Before the baby-boom generation retires, countries will build up foreign assets. After this generation retires, these assets will cut back. In 2050, the net foreign assets position of the ageing countries will be lower than it is now (measured as the share of GDP), while it will be higher in Asia and the rest of the world.

Overall net foreign capital income might be an additional source for financing old-age expenditures, but it is surely not the most important one. International capital markets smoothen the effects of ageing to some extent, but not sufficiently. In this respect, one of the conclusions of the OECD⁴ still holds: to deal with ageing, domestic policies are needed.

⁴ D. Turner, C. Giorno, A. De Serres, A. Vourc'h, and P. Richardson (1998), *The macroeconomic implications of ageing in*

Launching of a major European study of the consequences of ageing of the population

A consortium consisting of nine European research institutes,⁵ most of which are members of ENEPRI, under the leadership of the Centre for European Policy Studies (CEPS) has been selected by the European Commission's Directorate-General for Research to undertake a major study on the consequences of ageing of the European population over the coming generations. The study, entitled **AGIR**, the acronym of *Ageing, health and retirement in Europe*, is co-financed as a shared cost project in the context of the 5th Framework Programme.

The principal objectives of AGIR are:

- to document the improvement in the health of the elderly, ideally since 1950, based on a systematic collection of existing national data on the health and morbidity of different cohorts of the population;
- to analyse retirement decisions and the demand for health care as a function of age, health and the utility of work and leisure;
- to combine these results and on this basis to elaborate projections and scenarios for the future evolution of expenditure on health care and pensions.

The data search and compilation constitute the first and most important phase of the work programme. It will be undertaken by a team

a global context, Economics Department Working Papers No. 193, OECD, Paris.

⁵ Centre for European Policy Studies (CEPS), Brussels, Centre d'Etudes Prospectives et d'Information Internationales (CEPII), Paris, Netherlands Bureau for Economic Policy Analysis (CPB) The Hague, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, The Research Institute of the Finnish Economy (ETLA), Helsinki, Fundacion de Estudios de Economia Aplicada (FEDEA), Madrid, Federal Planning Bureau (FPB), Brussels, National Institute of Economic and Social Research (NIESR), London and Laboratoire d'Economie et de Gestion des Organismes de Santé (LEGOS), Paris.

composed of researchers from a majority of EU member states and with a detailed knowledge of the national environment, applied economics and statistical sources. The intention is to dig deeply into available archives and unofficial sources in order to provide even partial and incomplete information about the health and actuarial calculations of health risks during the last fifty years.

The collection and compilation of data will be done for a majority of EU member states and certain third countries with the aim of confronting national experiences, comparing the development and forecasts for the individual countries and drawing conclusions for the EU as a whole and for selected candidate countries. Comparison with corresponding data for the USA and other non-EU OECD countries will be made where possible. One objective is also to provide background material for benchmarking of the policy addressing the policy issues raised by the ageing of the population. The research concerns the new perspectives of bio-demography and the process of senescence and the health of the elderly (and in particular the oldest-old). The fact-finding phase, thus, includes:

- Research on inequality with respect to health within different cohorts (income status, age and gender) and its evolution through time will be possible once the above sources have been exploited and systematised;
- Exploitation of surveys of "in-hospital morbidity" in order to establish the patterns of medical services use by individuals distinguishing them by age and gender; and
- Partial surveys relating health conditions of individuals with their retirement decisions. Every effort will be made to establish the best possible evidence about this phenomenon in the EU. Other surveys dealing with health-related behaviour, use of time, etc. among the elderly will be exploited in order to complete the picture.

This phase of the project also aims at providing data on various aspects of the interface between the elderly and the system of health protection

and nursing. In fact, there are indications that the provision of institutional health care to the elderly is rising not due to ageing as such but as a result of changes in the family structure, notably the rise in the labour market participation ratio of women and the rise in the number of single-parent households. The study thus aims at showing the ways in which the elderly make use of the health institutions and health protection systems and to what extent the elderly receive care and nursing by their families and/or charitable institutions. It aims, furthermore, at showing to what extent the provision of care for the elderly has developed over time, in response, notably, to changes in labour force participation of women.

Finally the fact-finding part of the study aims at broadening the scope of earlier studies examining mainly financial incentives to retire by bringing in information on individuals' valuation of leisure and domestic work. This information is gathered through surveys that ask people to use a time diary keeping track of their daily activities, covering partly also the whole household. The data are available from several European countries. Some earlier studies have found that there is a much bigger share of leisure in the time use patterns of present-day's typical worker than before. This would suggest that there has been a considerable increase in the utility of leisure. On the other hand, it has also been found that "passive activities" are more prevalent than before. A more thorough analysis of time use patterns is therefore needed before policy conclusions on retirement policy can be drawn.

The second phase of the project will be devoted to analysing the findings emerging from the three parts of phase 1 and to preparing projections of health and retirement expenditure. This phase will also include an analysis of the long-term sustainability of public finance based on various assumptions concerning the state of health and the behaviour in terms of retirement of the elderly population. In addition the policy implications will be further examined using general equilibrium modelling. Finally a work package will be devoted to a general synthesis of the findings and conclusions of the project, to the organisation of a conference, the publication of

a book containing the main contributions and to dissemination of the policy conclusions.

The consortium includes a team of researchers with a long experience in demographic, health care and retirement research and a group of scientific advisers⁶ specialised in the various subjects being examined within this project. The Consortium will mainly draw upon its own resources and data sources available to the various institutes. In addition it aims at establishing links with public health institutions, life insurance companies and pension funds and other similar institutions with a long experience in calculation of health risks and life expectancy in order to exploit their insight into longer-term trends in these fields.

The implementation of the contract started formally on 1 January 2002. On 25 February, **the first workshop** will be held to discuss data requirements to document the improvement in the health of the elderly, ideally since 1950, based on a systematic collection of existing national data on the health and morbidity of different cohorts of the population. The workshop will take place at FEDEA, Madrid.

Additional information on the project can be obtained from Daniel Gros, Centre for European Policy Studies, Brussels, and from Jørgen Mortensen, j.mortensen@ceps.be; telephone: office: 00 32 2 229 39 11 or home: 00 33 1 34 94 67 10. In the near future an AGIR web page will also be opened within the ENEPRI web site: <http://www.enepri.org>. The ENEPRI web site also provides a link to the partner institutions, which can supply further information on the project.

⁶ *Axel Börsch-Supan*, Professor, University of Mannheim, Director, Mannheim Institute for the Economics of Ageing (MEA); *Terkel Christiansen*, Professor, Department of Public Health, University of Southern Denmark, Odense; *Marie-Eve Joël*, Professor, Director of Laboratoire d'économie et de gestion des organisations de santé (LEGOS), University Paris-Dauphine, Paris; *Alain Joustin*, Professor at the University of Liège (Belgium) and Research Associate at the CEPR, London (UK); *Pierre Pestieau*, Professor, University of Liège, and Director of the Centre de Recherche en Economie Publique et de la Population; and *Jean-Marie Robine*, Senior Research Fellow at the French National Institute of Health and Medical Research (CR1, INSERM), Montpellier and head of the Health and Demography team.

ENEPRI Working Papers

Ulrich Thiessen, *Fiscal Federalism in Western European and Selected Other Countries: Centralisation or decentralisation? What is better for economic growth?* (No. 1)

Ray Barrell and Karen Dury, *Asymmetric Labour Markets in a Converging Europe: Do differences matter?* (No. 2)

Michael Burda, *European Labour Markets and the Euro: How much flexibility do we really need?* (No. 3)

Agnès Bénassy-Quéré, Lionel Fontagné, and Amina Lahrière-Révil, *Foreign Direct Investment and Corporate Income Taxation in Europe* (No. 4)

Olivier Bontout, Sébastien Jean, *What drove relative wages in France? Structural Decomposition Analysis in a General Equilibrium Framework, 1970-1992* (No. 5).

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