

Joining the euro and then?  
How to ensure economic success after entering the common currency

# Aligning structural reforms with social justice – is it possible?

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World Bank

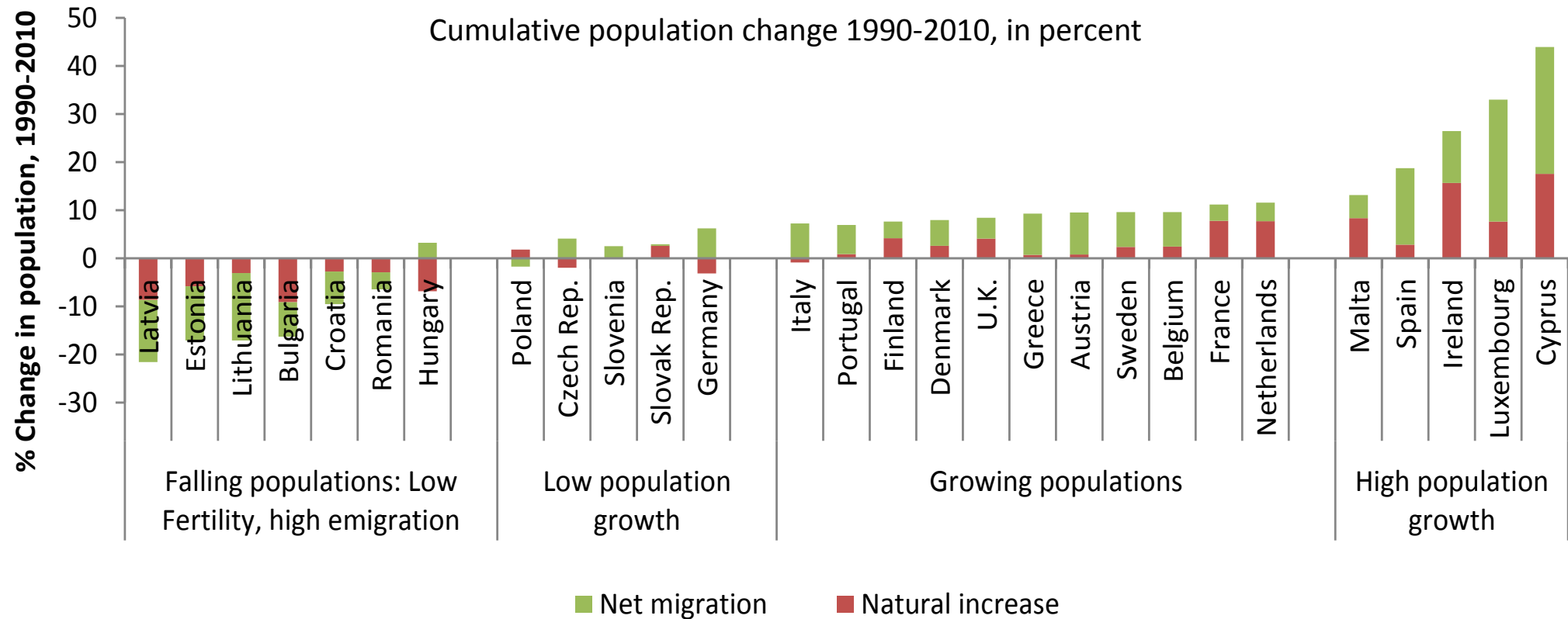
Vilnius, 16 June 2015



# Main message: Not actually a trade-off between structural reforms and social justice

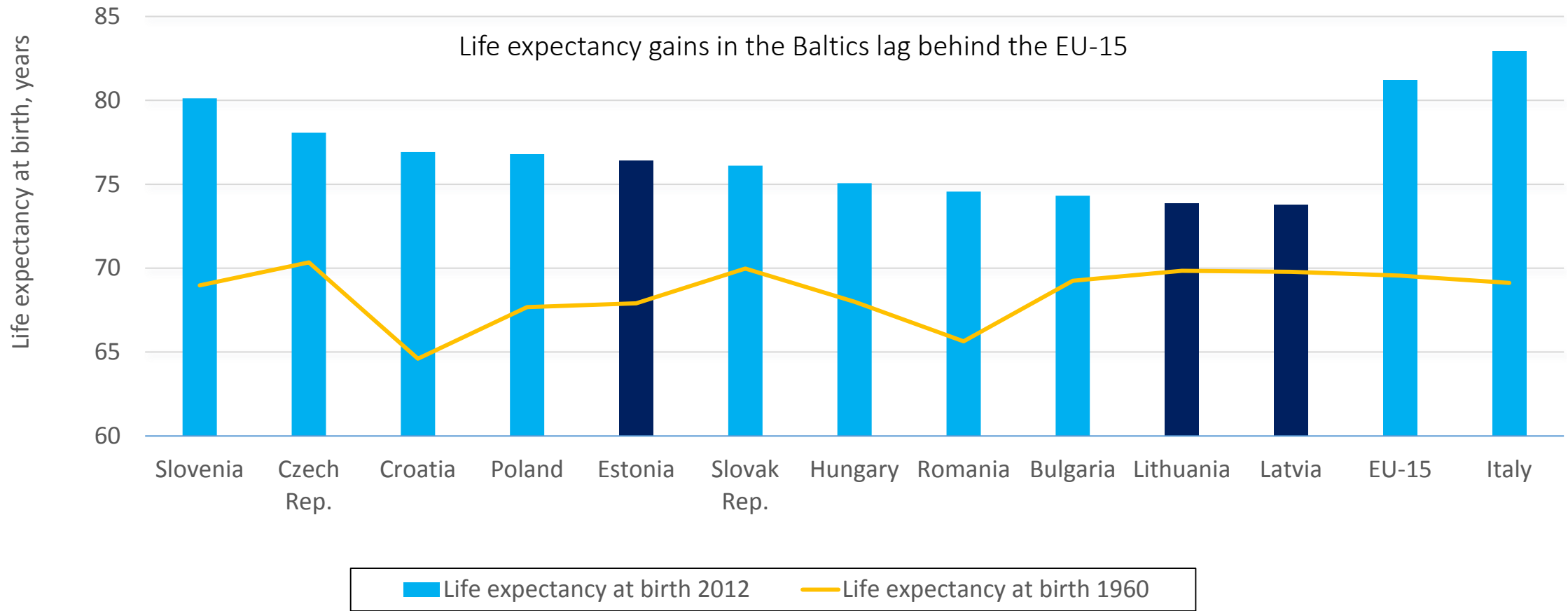
- Significant aging and population decline in the Baltic States: risks to economic growth and living standard convergence
- Need to invest in people and address inequities to promote healthy, active and productive aging
- Social justice is critical to help ensure the political sustainability of reforms
- But need to consider public spending trade-offs

# Aging Baltics: shrinking younger generations, with low fertility and high emigration...

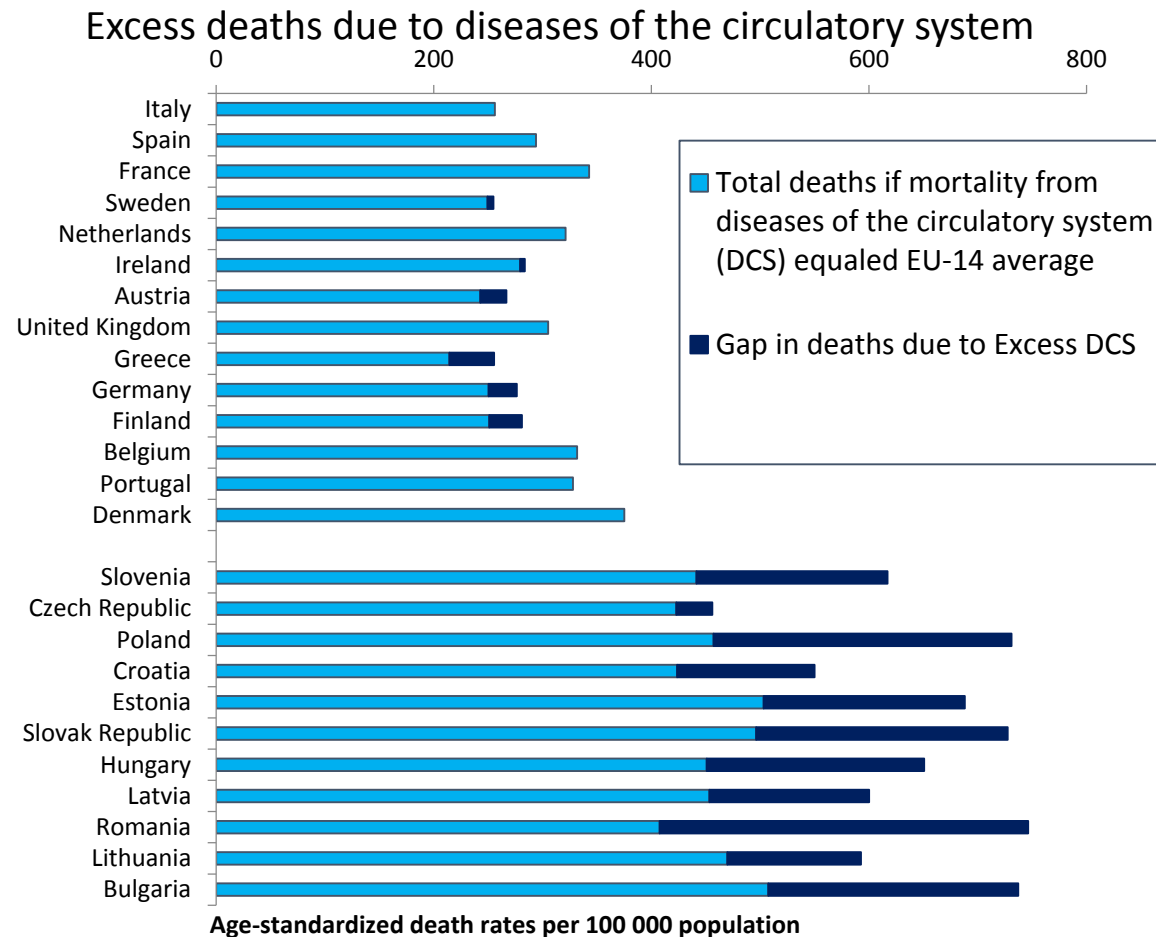


Source: Based on United Nations (UN) Population Division (2013). Notes: Natural increase in population defined as births minus deaths. Net migration is net total of migrants during the period, i.e. total number of immigrants less number of emigrants.

# ...and short lives: Italy gained 14 years of life expectancy since 1960 and Lithuania 4



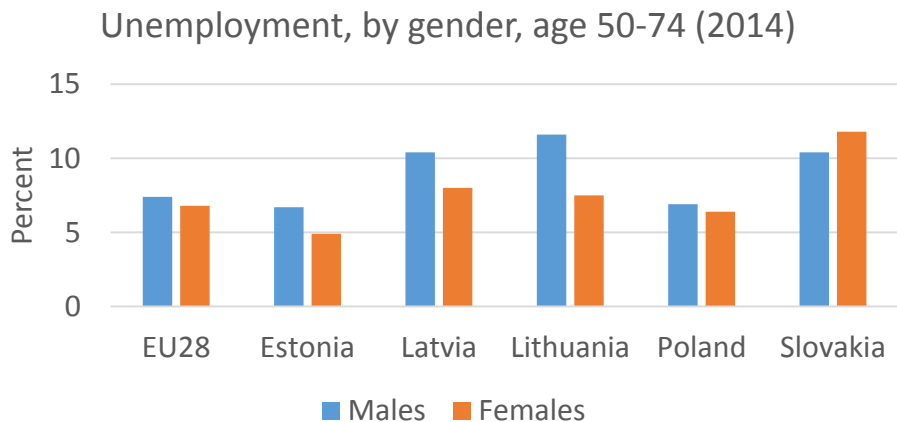
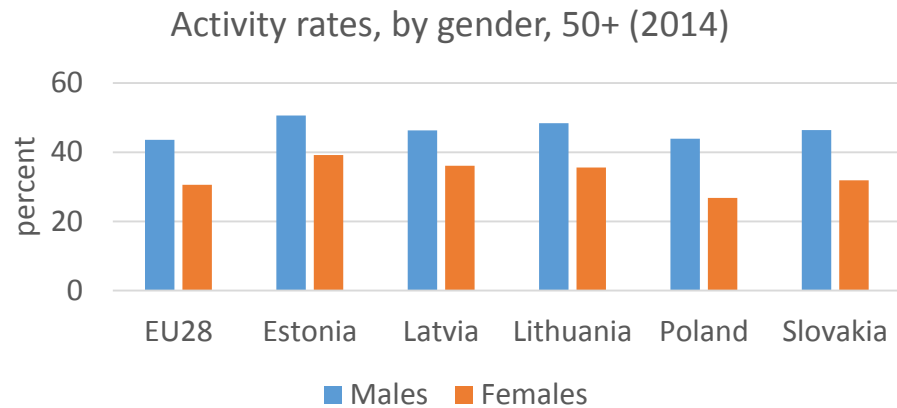
# Healthy aging: Reducing inequality while achieving the “cardiovascular revolution”



## Healthy aging policy agenda:

- raising health systems' efficiency and effectiveness
- tackling non-communicable diseases with prevention, detection and treatment
- strengthening provision and access to primary care
- improving financial protection by containing out-of-pocket expenditures

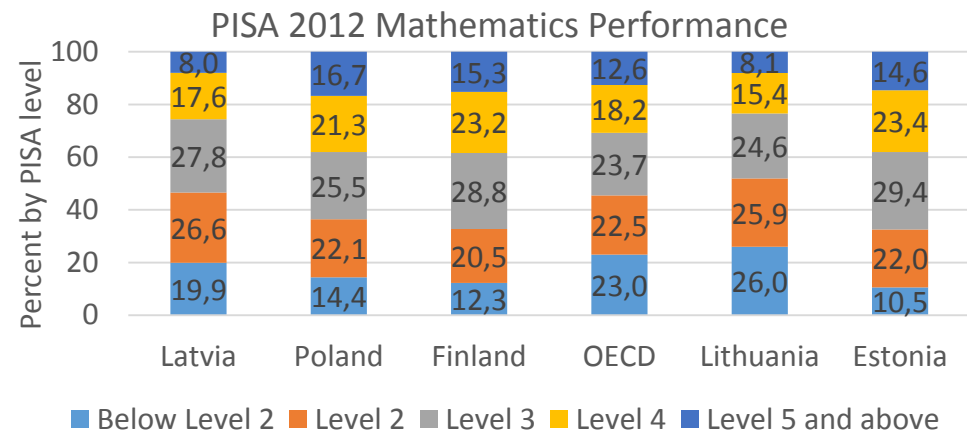
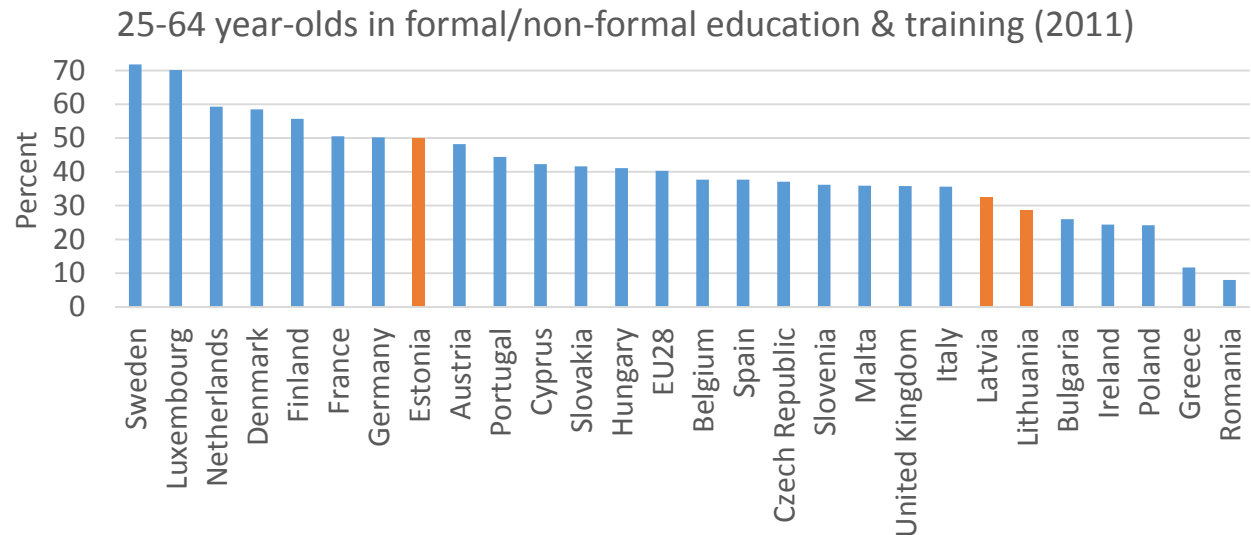
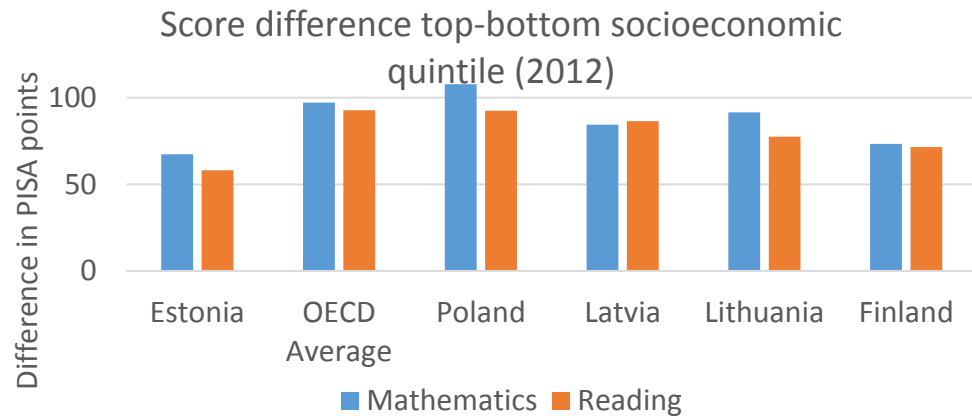
# Active aging: Promoting activity, tackling unemployment and gender gaps



## Active aging policy agenda:

- expanding part-time and temporary work, without excessive labor market duality
- appropriate incentives to reduce early retirement
- tailored active labor market programs
- expanding affordable child and eldercare options

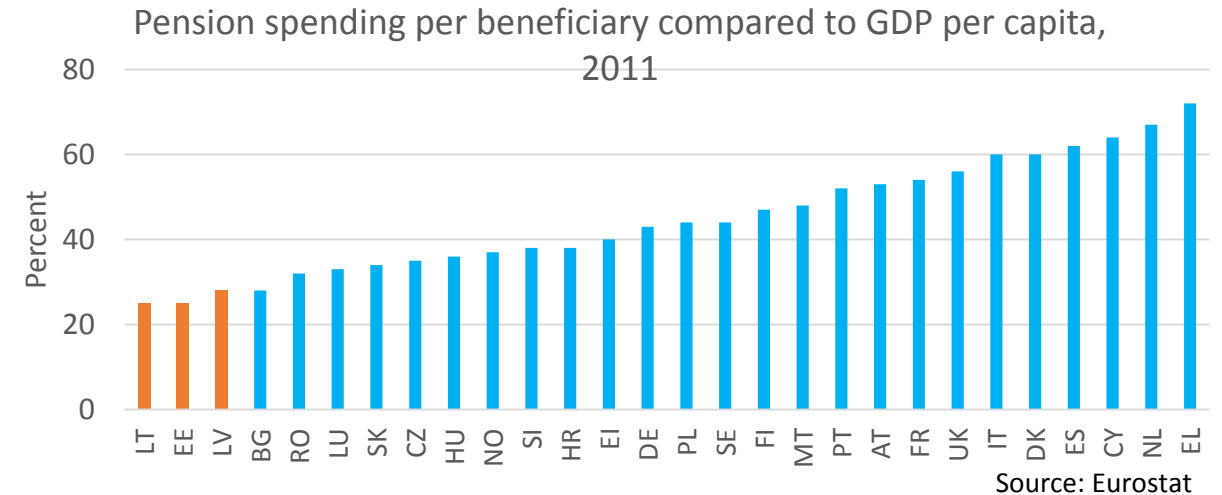
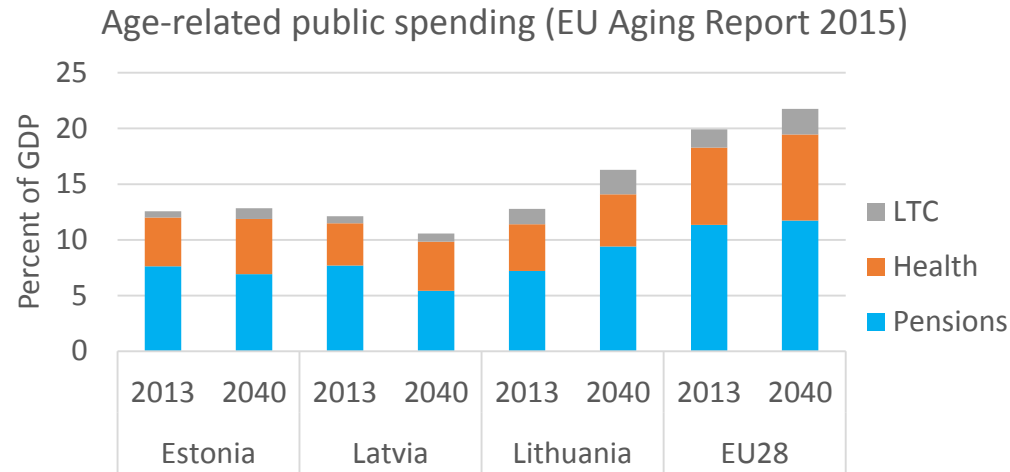
# Productive aging: Skilling up the current and future workforce and promoting equity



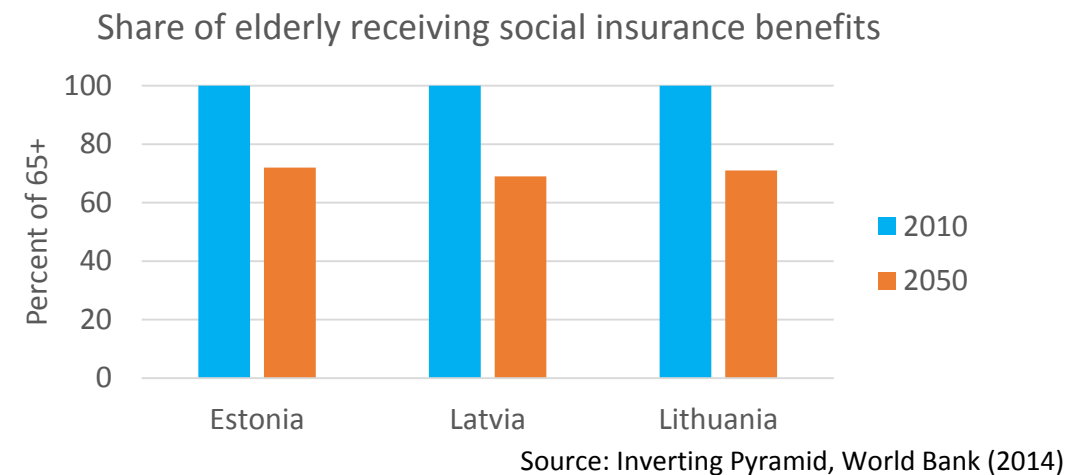
## Productive aging policy agenda:

- cognitive and socio-emotional skills development from early age
- adult education system connecting firms, workers and providers

# Shared prosperity: Adequate protection and containing aging-related spending pressures



- Affordable LTC systems, sustainable pension and efficient health spending
- Need to complement pensions with social safety net schemes and services?
- Private savings
- Extended working lives





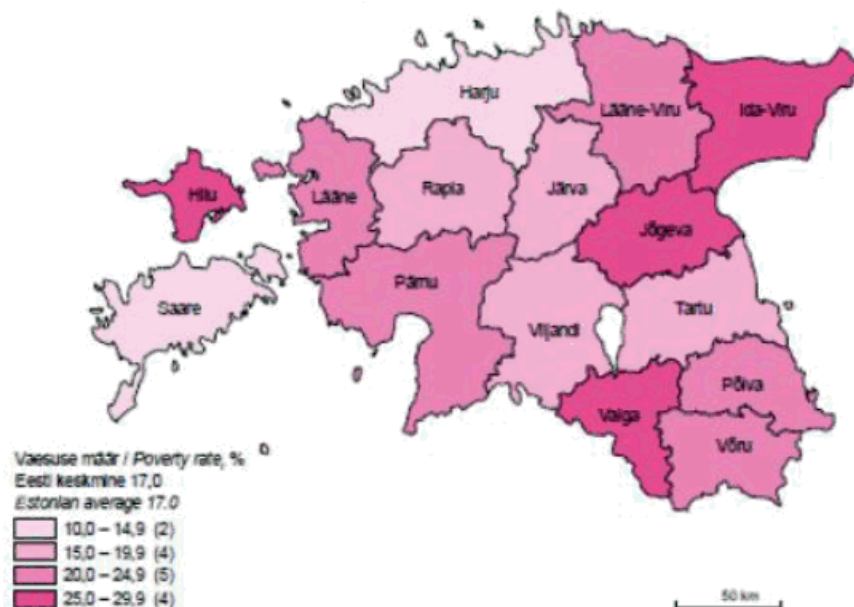
# Socio-economic conditions vary significantly by space, calling for spatial policy lens

**Figure 1: Risk of poverty rates at the county level (LAU1) and (groups of) local government unit level**

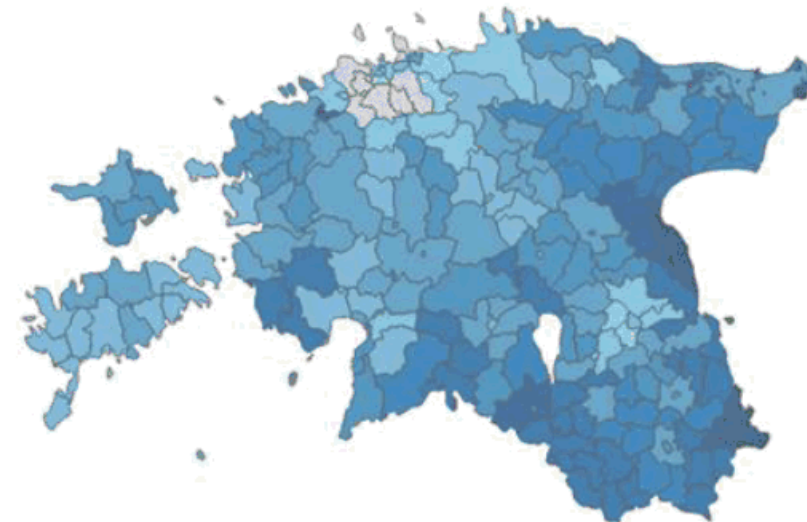
*Direct estimates from EU-SILC suggest some poverty heterogeneity across counties*

*Predicted local government unit level estimates reveal considerable variation in poverty incidence within counties*

Kaart 1. Vaesuse määra otsene hinnang sotsiaaluuringu põhjal, 2011  
Map 1. Direct estimate of the poverty rate based on the social survey, 2011



Legend  
5.8 34.2



**Source:** World Bank staff estimates using 2011 Population and Housing Census and 2012 EU-SILC data collected by Statistics Estonia.

**Note:** Risk of poverty defined using the EU standard of 60 percent of median national equivalized income after social transfers.

# In aging Europe investing in people will be critical for ensuring economic success

