

RECOMMENDATIONS FOR EUROPE

Chapter 2 Intergenerational Fairness

- European countries are developing into gerontocratic societies focused more on paying out past savings than investing in the future. These trends need to be reversed or they may hamper future growth potential and lower social cohesion, not least by alienating young people.
- The northern European model of greater labour market flexibility with income protection for job losers (a safety network) reduced the potential exclusion of younger people from the social contract.
- Incentives should be provided to reduce the blocking of housing by the elderly, including reverse mortgages and higher rates of property taxes (often political taboo, especially in southern Europe).
- Retirement ages should be raised to make the pension system more sustainable. Setting Europe-wide norms would be the easiest way to achieve this, but is prone to political pushback.
- High labour mobility in an economic area enables individuals to leave nations with high debt levels. One way to avoid such migration may be to switch to a contributions-based insurance pension system on a cross-national basis.

Chapter 3 Tuning Secondary Education

- Education should cater for individual students' capacity and aspirations. European countries should create dual educational tracks that also offer practical education, in cooperation with private industry.
- The content of vocational education programmes should reflect labour demand characteristics, and be adapted to structural changes.
- Governments should continue to pursue the social and economic benefits of comprehensive education, and prevent family background from being the main determinant of track choice or of segregated schooling.
- Administration of public schools should ensure that teachers exert suitable effort, especially with underprivileged children. Standardised tests can be helpful to this end, as can family choices across public and private publicly-funded schools subject to quality controls.
- EU attempts to monitor and coordinate education policy should be adjusted to reflect the policy guidelines above, and deserve more attention from national policymakers and the public.

Chapter 4 Denmark: Too Good to Be True?

- The take-away lesson for other countries does not lie in the specific policies adopted by Denmark, but rather that a medium-term focus on economic policy and a string of reforms can work, and create scope for policy choices.
- Make reforms work. A large number of reforms, including forward-looking reforms to address Denmark's ageing population, have been launched. However, implementation is crucial and progress in harvesting their projected effects should be closely monitored.
- A high level of labour market-relevant qualifications and their relatively equal distribution are crucial for maintaining a high employment and income level, as well as a relatively equal distribution of income.
- Public finances will be strained in the future, calling for better reallocation of resources or improvements in the public sector's efficiency and productivity.

Chapter 5 Western Balkans: Coming Together

- The Western Balkan consumption-based growth model has reached its limits. Sustainable growth calls for re-industrialisation and a focus on producing higher value-added tradeable goods and services.
- Cooperation between the region's countries needs to be expanded beyond the free flow of goods and services to include the free movement of capital, people and ideas.
- Regional physical, institutional, financial and educational infrastructure needs to be dramatically improved and brought up to European standards. The public sector needs to be streamlined. Banks should clean up their balance sheets in order to resume lending to the productive sectors of the economy.
- To overcome the lack of competitiveness resulting from previous inflation, some countries may need to devalue, but scope for such a measure is limited, partly due to the high level of euroisation of both deposits and loans.
- Education reform is one of the key preconditions for the region's long-term viability. Students need to stop memorising facts and start learning how to creatively solve problems. A regional market for higher education should be established to support the creation of a regional labour market.