The outline

1. Setting the context: how the NMS of CEEs fare?
   a. Population ageing opportunities/challenges: opportunities offered by rising shares of older people, but also age-related expenditures rising!
   b. Current situation: Economic crisis, followed by jobs and public debt crisis, and greater risks of poverty among older people in the NMS.

2. Future scenarios in pension income sustainability
   a. Impact using the ‘benefit ratio’ measure (EC’s EPC/AWG results).

3. Policy challenges going forward
   a. Fiscal policy (stimulus followed by budgetary consolidations; social impact to be understood better!)
   b. Labour market policy (active ageing promoted; clear incentives)
   c. Pension policy challenges (PAYG or funded; old age poverty risks to avoid)
1 Setting the context

How NMS fare in opportunities and challenges offered by population ageing?

What current situation with respect to the impact of the global crisis and poverty among older people?

1a. Population ageing opportunities
Demographic shift lead to higher shares of older people, especially in NMS of CEEs

Source: European Commission (2009), data originally from Eurostat, EUROPOP2008
Age-related public expenditures contained, yet they will continue to rise (in the absence of policies promoting active and healthy ageing)!

Period: 2010-2060, expenditures as % of GDP


1b. Current situation: Economic growth took a serious plunge: an ‘unreal’ boom, followed by a recession, and now a fragile recovery!....

GDP growth (annual change in percent), 2006, 2009 and 2010

Source: European Economic Forecast - Spring 2010
1b. Jobs crisis: Unprecedented joblessness has persisted during 2009,... and worsened during 2010 (and no improvements in 2011)

At-risk-of-poverty rate in EU countries, for people age 65+

Source: European Economic Forecast – Spring 2011 forecasts
Gender differences in at-risk-of-poverty rate (for 65+/18-64)

Capability deprivation approach
Ability to make ends meet
for persons aged 65+
Capability deprivation approach
Capacity to face unexpected financial expenses
for persons aged 65+

- below 20%
- between 20 and 40%
- 40% plus

2a
Pension reforms and their impact
a. Patterns of reforms and a likely evolution in the public pension benefit ratio?
Pension reforms have happened in many countries: affecting both sustainability and adequacy!

- Strengthening of contributory principles (e.g. PL)
- Greater role for pre-funding (many NMS EU countries)
- Automatic adjustment mechanisms (e.g. PL, SE, DE)
- Coverage, minimum pensions and indexation (e.g. ES, BE)
- Increasing diversity in pension income portfolio (many)
- Measures to reduce access to early retirement schemes and introduce/strengthen malus / bonus (many)
- Labour market measures to facilitate extension of working careers (many)

Reforms have improved sustainability + fairness between and within generations and men and women

Adequacy has also been addressed but not a priority!

Changes in public pension expenditures (relative to trends in number of pensioners and wage per worker)

<table>
<thead>
<tr>
<th>Benefit ratio % (average public pensions/average economy-wide wage)</th>
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<tbody>
<tr>
<td>Source: The 2009 Ageing Report, pp. 111</td>
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<td>Note: EU27 – unweighted average</td>
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2b

Pension reforms and their impact

b. Restructuring of future pension systems with respect to their redistributive aspects

Reshaping of future pension systems
(NRR for stylised workers under pre- and post-reform rules)

strengthened the link between contributions and benefits
across-the-board cuts in benefits
protecting low earners

Source: OECD (2009), pp. 80
3

Policy challenges going forward

Fiscal policy challenges....!

Stating the obvious...! => Budgetary consolidations are required in many EU countries

Not so obvious is the question “when” and “how”? 
“when”: consensus towards austerity emerging (and as soon as possible) while not putting economic recovery at risk....

“how”: it’s not just about reducing deficit and debt, but also about adjusting budgetary structures and not missing out on welfare state goals

Important to realise: what risks are faced towards reducing employment growth in the future (and in that event), greater burden for future pension spending?)

Very important to have a good appreciation of how fiscal policy moves compromise social welfare goals!
Labour market policies challenges....!

Stating the obvious...! => Improved (re-)integration of groups with typically low employment (particularly women, older workers, disabled persons) – a longer and less disruptive working career will promote both sustainability and adequacy

Not so obvious are the ways to encourage extending working life as an opportunity instead of a constraint!

What improvements in the health and safety environment of work place are absolutely essential?

Not so obvious is to determine how to compensate workers for atypical careers but without affecting incentives for work.

How best to improve financial education and change behaviours towards greater work and savings towards retirement?

What policies to be aimed at improving employers’ attitudes and employment protection in hiring and retaining older workers?

Pension policy challenges....!

Stating the obvious? => avoiding early retirement pathways, and raising pension eligibility age in accordance with development of life expectancy! And, NOT loose sight of adequacy considerations in all pension policy moves!

Not so obvious is to know whether a move towards private funded 2nd pillar still remains the right course? Or, in fact, parametric adjustments to strengthen the basic PAYG pillar sufficient?

Not so obvious is to determine how to compensate women for care responsibilities but without affecting incentives for them to return to work.

What regulations required, at the national and the European level?

Is social protection floor initiative the step in the right direction!

What simpler, more direct, policies to address poverty in ‘old age’ (in periods of welfare retrenchment): is raising social minimum pension levels the way forward?
Thanks for your attention

For more information
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