

# Social Policy in the EU and the Role of the EU

Tim Goedemé, PhD

[tim.goedeme@kuleuven.be](mailto:tim.goedeme@kuleuven.be)

[tim.goedeme@uantwerpen.be](mailto:tim.goedeme@uantwerpen.be)

Lecture 9 – 11/05/2016

# Pension policy

- Some basics
- Why government intervention?
- Huge diversity pension system design
- Ageing & reforming pensions
- (The EU and pension policy)
- Conclusion

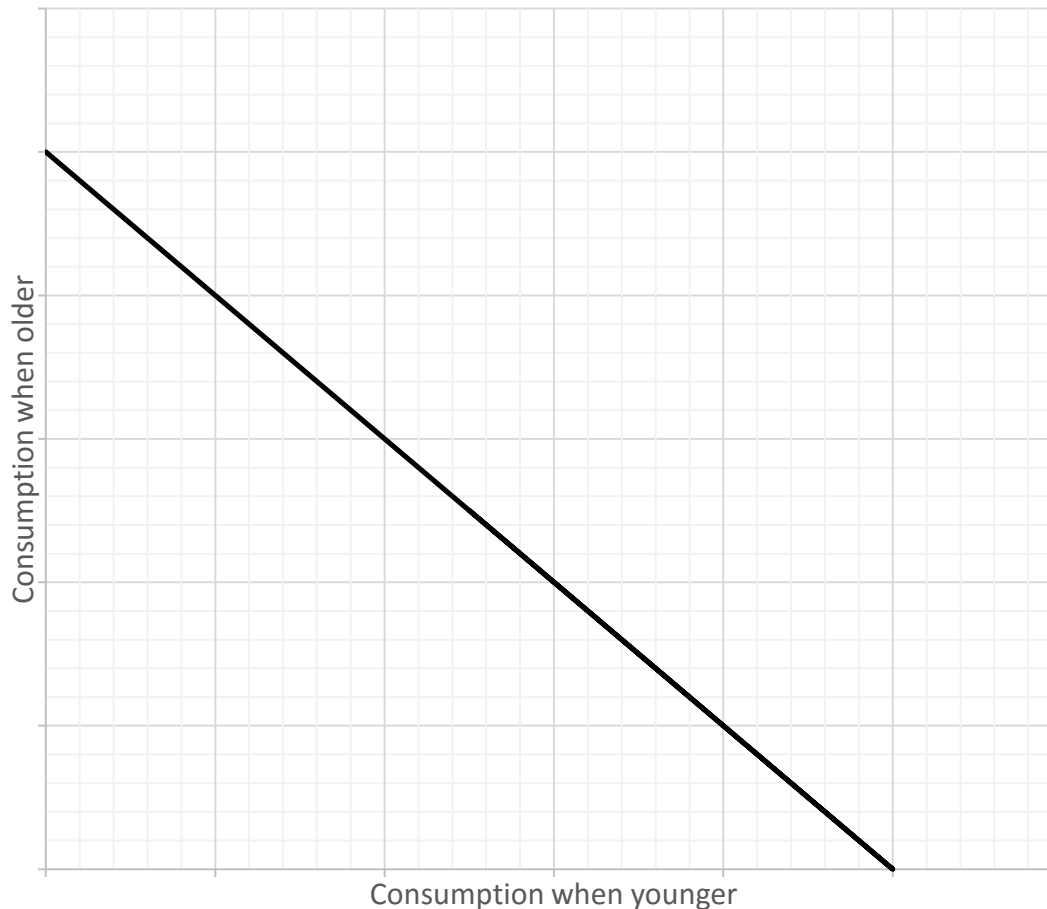
# Pension policy: some basics

- Main goals of pension policy:
  - Consumption smoothing
  - Avoiding poverty in old-age

# Pension policy: some basics

With perfect information (certainty) and rational behaviour: Fisher model

Simple Fisher model (Barr, 2012: 53)



# Pension policy: some basics

- With complete information:
  - Insurance is not necessary (no risk)
  - Voluntary action using private institutions
  - Transient poverty solved by borrowing and/or saving
  - Lifetime poor => government intervention

# Pension policy: some basics

- *Consumption* smoothing
- Problem of production and consumption of goods and services (*not* money)
- Only two ways:
  - Storing
  - Claim

# Pension policy: some basics

- Claim:
  - Money => Building up financial assets (funding)
  - Promise => unfunded / pay-as-you-go (PAYG) schemes

# Pension policy: some basics

- Funded schemes
  - Lump sum v. annuity
    - => exchange for goods & services when retired
  - Reserves match all outstanding liabilities
  - Generation is constrained by own past savings



# Pension policy: some basics

- PAYG schemes
  - Current contributions of working population
  - => contractarian
  - Can redistribute across generations (broader risk sharing)
  - Especially important in start-up phase, after high inflation (cf. historical developments), or other shocks

# Pension policy: some basics

- Relation contributions-benefits
  - Defined-contribution (DC) plans
    - Real rates of return
    - Future earnings
    - Future pricing of annuities

# Pension policy: some basics

- Relation contributions-benefits
  - Defined-contribution (DC) plans
  - Defined-benefit (DB) plans
    - Promise
    - No direct link between contributions and benefits
    - E.g.  $\text{pension} = \text{total gross earnings} * 0.6 * 1/45$
    - Risk => employer / society
  - Notional Defined-contribution (NDC) plans

# Why government intervention?

- First-best economy:
  - Perfect competition (price taker, equal power)
  - No externalities, no public goods, or increasing returns to scale
    - Public good: non-rivalness in consumption, non-excludability, non-rejectability
  - Perfect information (of buyers and sellers, about quality, price and future)
  - Maximizing behaviour (vs. bounded rationality & bounded will-power)
  - Complete markets
  - No distortionary taxation (changing behaviour)

# Why government intervention?

- Supply side
  - Risk, not certainty  $\text{Premium} = (1 + \text{admin costs and profit}) * \text{individual's probability} * \text{expected loss}$
  - Risk, not uncertainty
    - Asymmetric information: adverse selection (hidden info; cream skimming) & moral hazard (hidden action)
    - Known individual risk, not common shock (macroeconomic, demographic, political,...)

# Why government intervention?

## Demand side

- Lifetime poor
- Can people make good choices? (cf. Fisher model)
  - Premium, retirement age, provider, investment plan, annuitization, ...
  - Uncertainty (longevity, interest rates, inflation, needs, society, ...)
  - Pension investments require continuous monitoring (and asymmetric information)
  - Sizable administrative costs
  - Management risk & investment risk

# Why government intervention?

- Demand side
  - Lifetime poor
  - Can people make good choices? (cf. Fisher model)
  - Behavioural problems
    - Bounded rationality
    - Bounded will power

# Why government intervention?

- Demand side
  - Lifetime poor
  - Can people make good choices? (cf. Fisher model)
  - Behavioural problems
  - With high potential cost of mistaken choices or wrong (non-)action
  - Regulation and limiting choice
  - Compulsory (auto-)enrollment



# Pension policy

- Some basics
- Why government intervention?
- Huge diversity pension system design
- Ageing & reforming pensions
- The EU and pension policy
- Conclusion

# Diversity in pension system design

## Aim

- Social Risk
- Primary aims
- Secondary aims

## Mode of access

- Who is protected (category)
- Who receives (circumstance / conduct)

## Benefit structure

- Nature of benefit
- Who receives how much
- indexation

## Financing

- Who pays how much, under what conditions?
- Financing technique

## Governance

- Who are the actors?
- What is their role?

# Diversity in pension system design

**Figure 1** Different starting points for old-age pension schemes

	Tax-financed assistance schemes	Subsidized voluntary schemes	Compulsory contribution-based schemes
All citizens eligible	Denmark, Iceland, Norway, Sweden, United Kingdom, Ireland, Canada, New Zealand, Australia		US, Finland, Switzerland
Reserved for some groups (the industrial working class in particular)		Belgium, France, Italy, Spain	Germany, Austro-Hungarian Empire, Netherlands, Soviet Union, Greece

Overbye, E. (1997), 'Mainstream Pattern, Deviant Cases: the New Zealand and Danish Pension Systems in an International Context' in *Journal of European Social Policy*, 7(2): 101-117

**Figure 4** The paths towards mixed contributions-and-assistance systems in west European and Anglo-American countries

Type of scheme	Tax-financed minimum pension	Minimum plus compulsory contribution-based (dual mandatory system)	Subsidized voluntary schemes	Compulsory contribution-based
First pension scheme <sup>a</sup>	Australia, Canada, Denmark, Iceland, Ireland, New Zealand, Norway, Sweden, UK		Belgium, France, Italy, Spain	Austro-Hungarian Empire, Finland, Germany, Greece, Netherlands, Portugal, Switzerland, US
Present (1996) pension structure	Denmark <sup>b</sup> Ireland <sup>c</sup> New Zealand	Australia, Austria, Belgium, Canada, Finland, France, Greece, Iceland, Italy, Netherlands, <sup>d</sup> Norway, Portugal, Spain, Sweden, Switzerland, UK, US		Germany <sup>e</sup>

Overbye, E. (1997), 'Mainstream Pattern, Deviant Cases: the New Zealand and Danish Pension Systems in an International Context' in *Journal of European Social Policy*, 7(2): 101-117

# Diversity in pension system design

- Hybridisation

Individual Savings	VOLUNTARY Funded	VOLUNTARY Funded	VOLUNTARY Funded
Occupational Schemes	VOLUNTARY Funded	MANDATORY Funded	VOLUNTARY Funded
Universal Mandatory System	Public PAYG	Public PAYG	Public/Private FUNDED
			Public PAYG
<b>Revised Families</b>	<b>Bismarckian</b>	<b>Multi-pillar</b>	<b>Nordic</b>
	Public Payg systems	Private Funded /Public Payg	Payg/Funded Public systems
<b>Countries</b>	Continental, Southern (Cyprus and Malta), and part of Central Eastern Europe (e.g. Czech Rep.)	Anglo-Saxon countries, Path-breakers (Denmark, Netherlands)	Scandinavia and Baltic Countries, and part of Central Eastern Europe (e.g. Poland)

Natali, D. (2004), 'The Hybridisation of Pension Systems Within the Enlarged EU: Recent Reforms in Old and New Members' in *Belgisch Tijdschrift voor Sociale Zekerheid (Belgian Review of Social Security)*, 46(2): 349-374

## First pillar

## Second pillar

## Third pillar

Third tier: ( <i>Swedish individual funded accounts</i> )			
Second tier: earnings-related part of pensions ( <i>French Supplementary Occupational Pension Schemes</i> )			
Employees	Self-employed	Farmers	Civil Servants
First tier: basic pension ( <i>Irish Flat-Rate Pensions</i> )			
Employees	Self-employed	Farmers	Civil Servants
Means-tested part ( <i>Swedish Guarantee Pension</i> )			
Social assistance ( <i>German Social Assistance substitutes for minimum pension</i> )			

Voluntary occupational pension ( <i>British contributions above £3,600 per year</i> )
Government-subsidized occupational pension ( <i>Danish Tax Deductible Occupational Pension Schemes</i> )
Mandatory occupational pension ( <i>Swiss second pillar or de facto mandatory Dutch occupational pensions</i> )

Voluntary private pension ( <i>life insurance</i> )
Government-subsidized private pension ( <i>German Riester-Rente</i> )
Mandatory private pension ( <i>Proposed Portuguese Plafonamento</i> )

# A classification scheme of pension programmes

Source: Immergut et al., 2007: 22.

First pillar

Second pillar

Third pillar

Third tier: none		
First and second tier combined: earnings-related pensions		
Employees ( <i>Régime des travailleurs salariés</i> )	Self-employed ( <i>Régime des travailleurs indépendants</i> )	Civil Servants ( <i>Régime des fonctionnaires</i> )
Guaranteed minimum pension ( <i>gewaarborgd minimum-pensioen</i> )		
Social assistance at subsistence level ( <i>bestaansminimum/ minimum d'existence</i> )		

Voluntary occupational pension: none
Subsidized occupational pension
Mandatory occupational pension: none

Voluntary private pension
Subsidized private pension: none
Mandatory private pension: none

Belgium (mid-2000s)

Anderson et al.  
(2007: 316)



First pillar	Second pillar	Third pillar
Third tier: none	Voluntary occupational pension: all contributions above £3,600 per year (CISRS, CIMPS)	Voluntary private pension: all contributions above £3,600 per year
Second tier: State Earnings-Related Pensions Scheme (SERPS) (1978-April 2002) and State Second Pensions (SSP) (since April 2002)	OR Stakeholder pensions: mandatory offer by employer; voluntary for employees and self-employed	
Employees Self-employed Farmers Civil Servants		
First tier: basic state pension	OR Contracting-out to approved occupational pension schemes instead of SSP (either defined-benefit or defined-contribution: COSRS, COMBS, COHS, COMPS)	OR Contracting-out to Appropriate Personal Pensions (instead of SERPS or SSP)
Employees Self-employed Farmers Civil Servants		
Means-tested Part for > 80-years		
Tax-financed, means- tested Income Support for pensioners plus housing benefits, council tax Benefits, winter fuel payment (Pension Credit since Oct. 2003; previously MIG)		

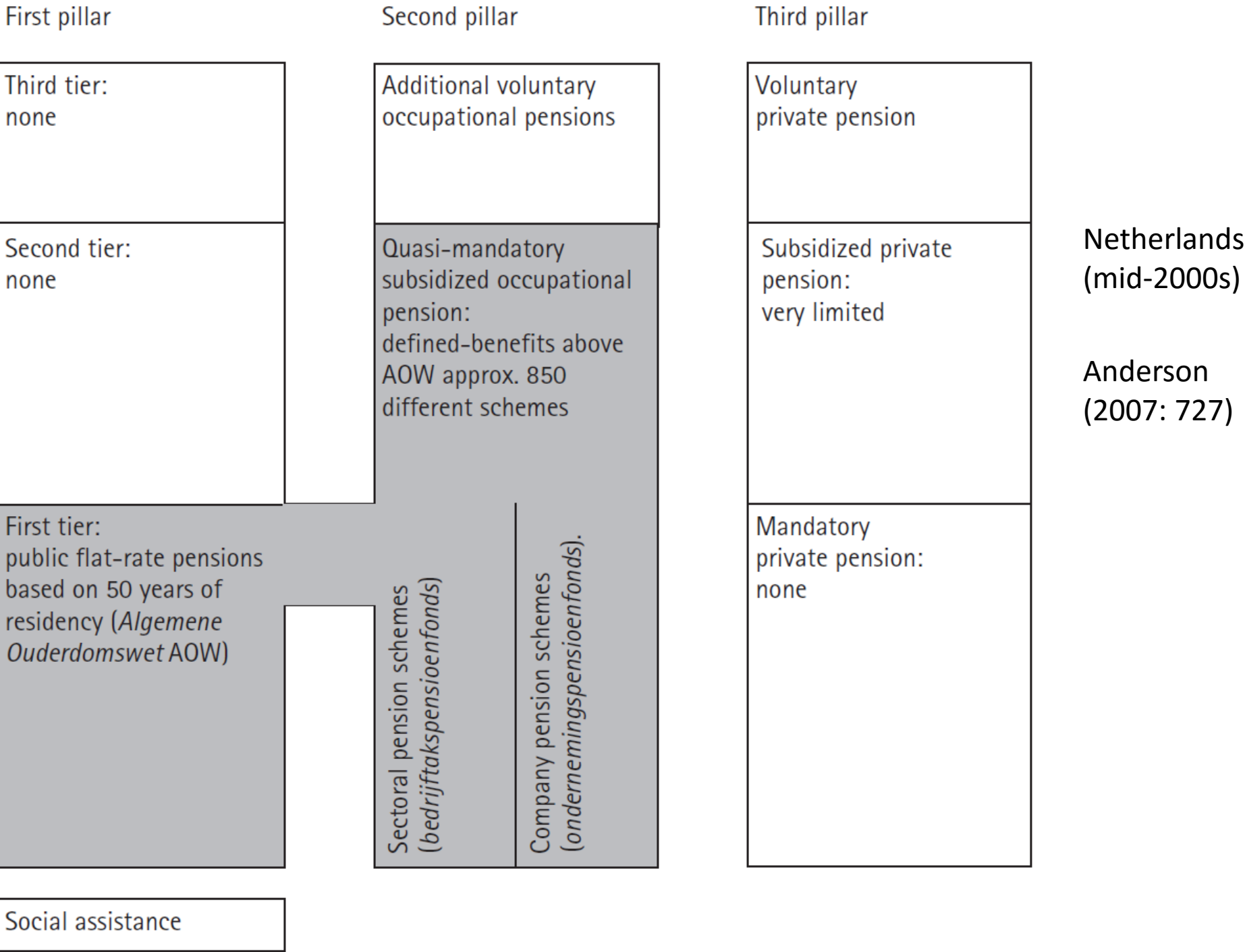
United Kingdom  
(mid-2000s)

Schulze and  
Moran (2007: 63)

First pillar	Second pillar	Third pillar
<div>Third tier: none</div> <div>Second tier: none</div> <div><div>First tier: <i>Contributory Old Age Pension and Retirement Pension</i></div><div><div>Employees</div><div>Self-employed</div><div>Farmers</div><div>Civil servants</div></div><div>Minimum contributory old age pension with yearly average of 10 weeks of contributions</div></div> <div>Means-tested <i>Non-Contributory Old age Pension</i> Plus Social Assistance Free Schemes</div>	<div>Additional voluntary contributions (AVCs) (only open to members of occupational pension schemes)</div> <div><div>Subsidized and regulated voluntary occupational pensions:</div><div><div>Defined-benefit schemes (1,901 schemes with 471,841 members)</div><div>Defined contribution schemes (105,863 schemes with 237,491 members)</div></div></div> <div>Mandatory occupational pension: none</div>	<div>Voluntary private pension: virtually not existent</div> <div>PRSA subsidized private pension: mandatory in terms of employer has to provide access but no insurance compulsion for employee</div>

Ireland (mid-2000s)

Schulze and Moran (2007: 772)

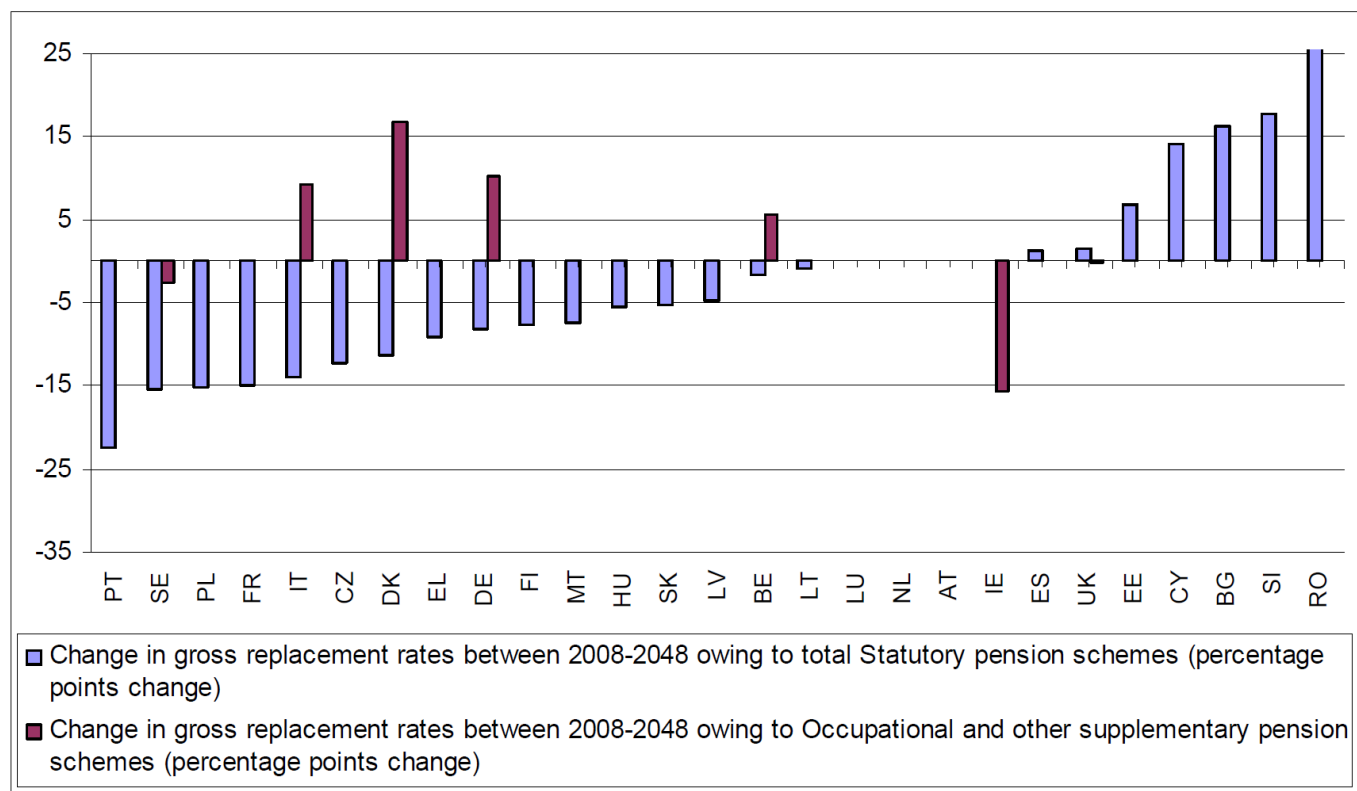


# Diversity in pension system design

- Avoiding old-age poverty is major goal
- But also other types of redistribution
- Minima more important in future? (E.g. EC, 2010)
  - re-strengthening of the link between contributions and benefits
  - growing reliance on defined-contribution (private) pensions
  - a projected fall in public pension replacement rates
  - growing reliance on price indexation of pensions in payment
  - improved benefit levels of minimum income guarantees

# Diversity in pension system design

Figure 2: Projected change in replacement rates of statutory and supplementary pension schemes between 2008 and 2048 (in pp.)



Source: Social Protection Committee Indicator Sub Group (ISG) exercise on 2008-2048 theoretical replacement rates

Source: European Commission, 2012: 5

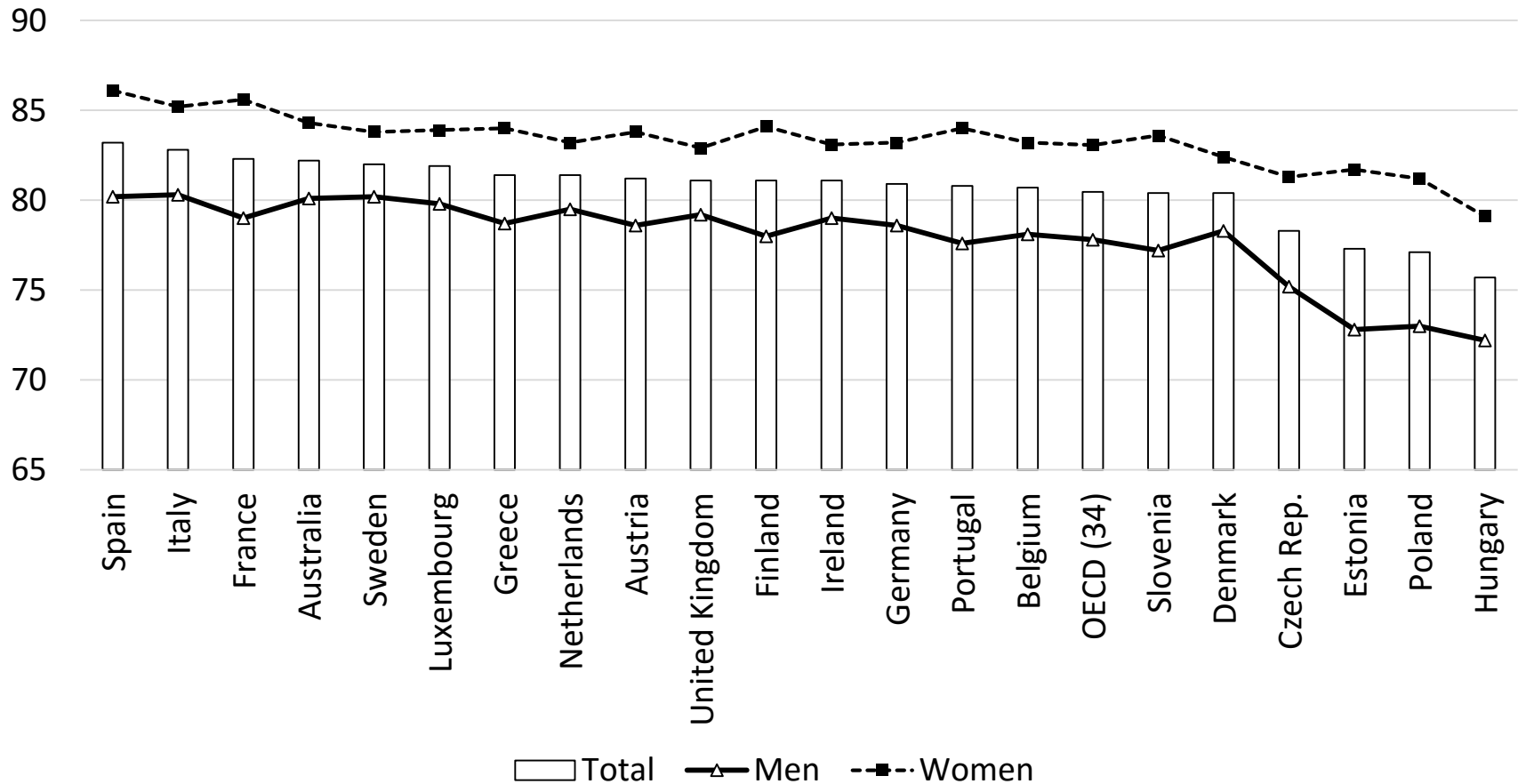
# Diversity in pension system design

Solidarity & redistribution

- 'Risk' pooling

# Diversity in pension system design

Life expectancy at birth, 2013

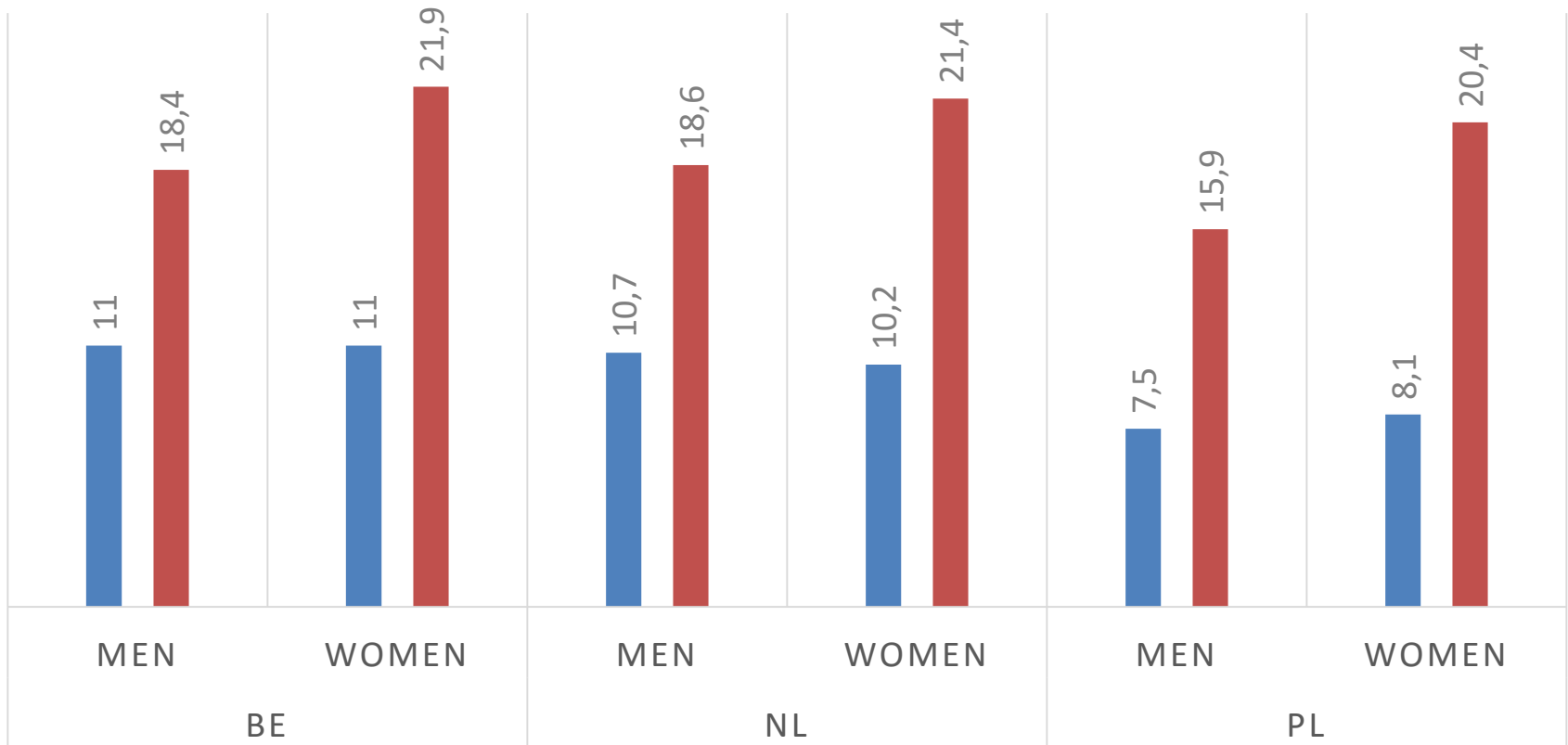


Source: OECD Health Statistics 2015, <http://dx.doi.org/10.1787/health-data-en>.

# Diversity in pension system design

## HEALTHY LIFE YEARS VS. OVERALL LIFE EXPECTANCY, 2014

■ Healthy life expectancy at age 65    ■ Life expectancy at age 65



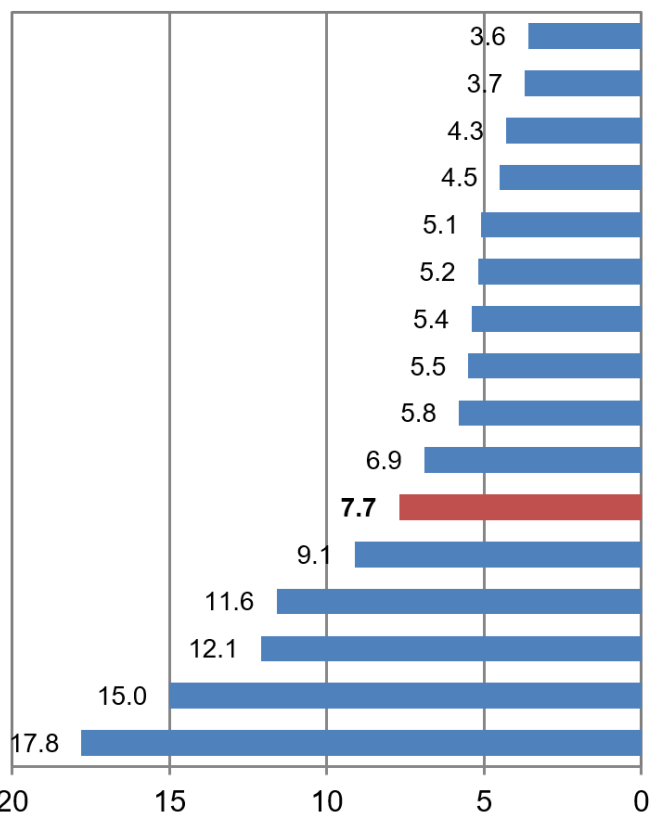
Source: <http://ec.europa.eu/health/dyna/echi/datatool/index.cfm> (May 2016)



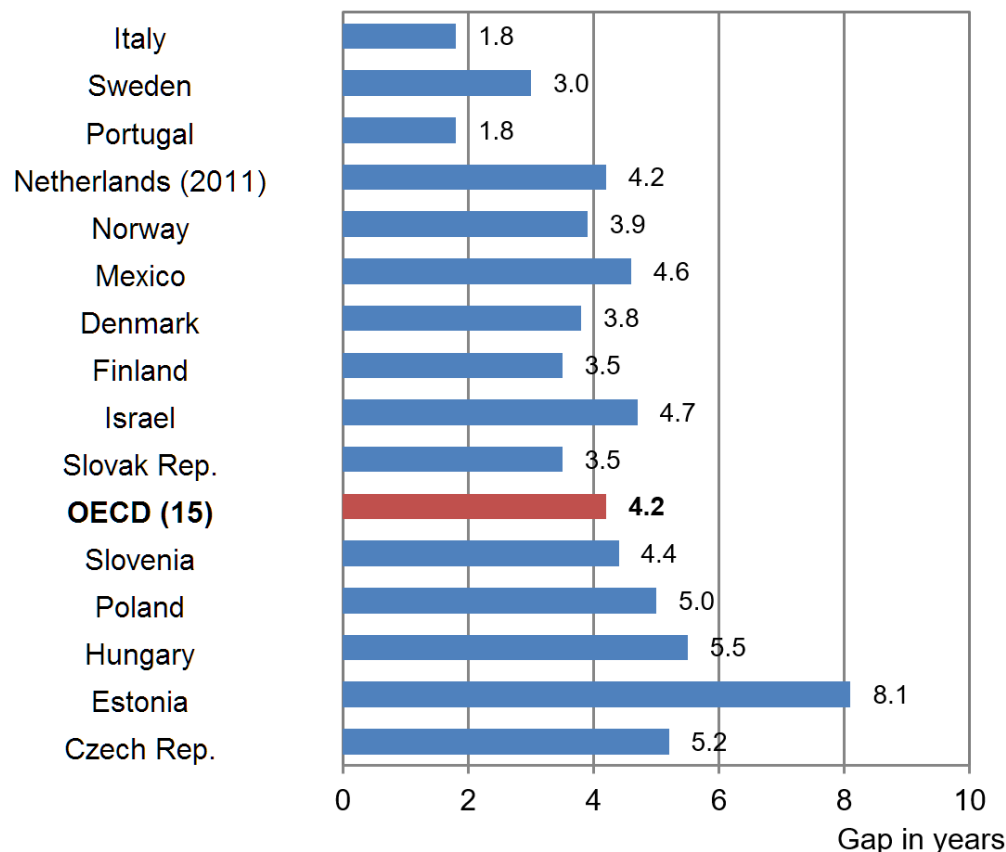
# Diversity in pension system design

3.5. Gap in life expectancy at age 30 by sex and educational level, 2012 (or latest year)

Men



Women



Note: The figures show the gap in the expected years of life remaining at age 30 between adults with the highest level ("tertiary education") and the lowest level ("below upper secondary education") of education.

Source: Eurostat database complemented with national data for Israel, Mexico and Netherlands.

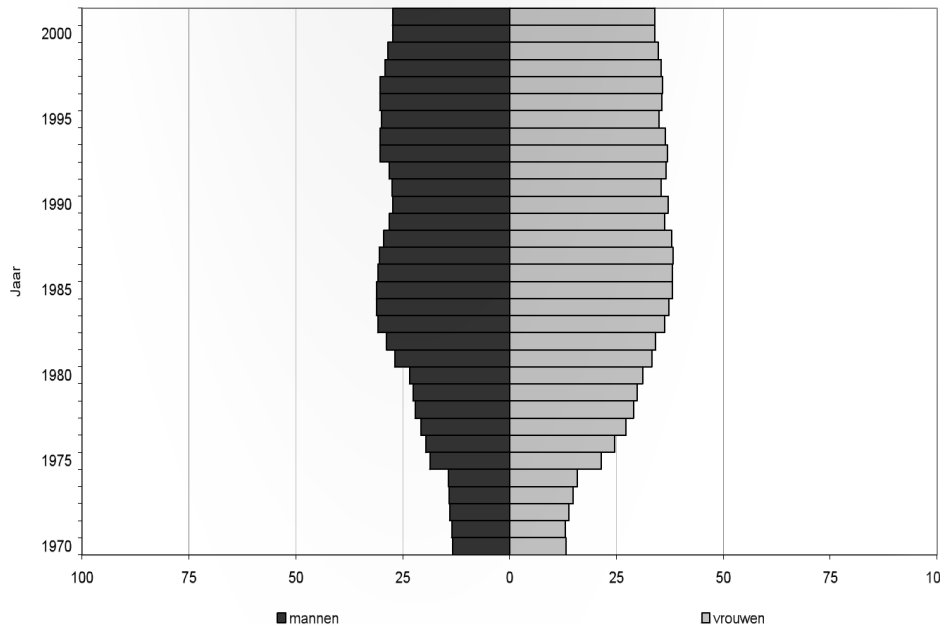
# Diversity in pension system design

## Solidarity & redistribution

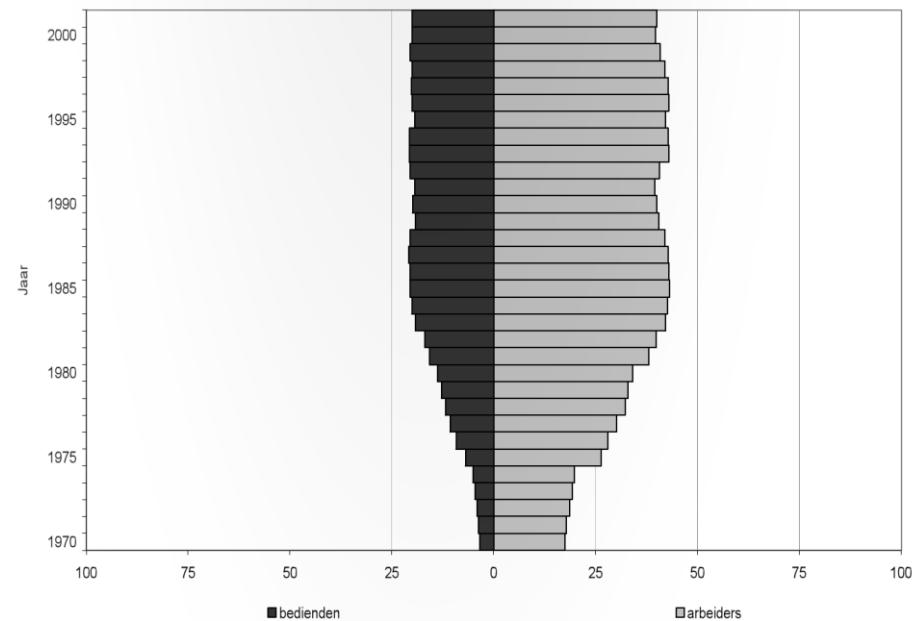
- Credited periods

# Diversity in pension system design

**GRAFIEK 4: PERCENTAGE GELIJKGESTELDE DAGEN IN PENSIOENOPBOUW, 1970-2001, NAAR GESLACHT**



**GRAFIEK 5: PERCENTAGE GELIJKGESTELDE DAGEN IN PENSIOENOPBOUW, 1970-2001, NAAR STATUUT**



Relevance of credited periods in Belgium (Peeters and Larmuseau, 2005)

# Diversity in pension system design

## Solidarity & redistribution

- Minimum income guarantees

# Diversity in pension system design

A Schematic Overview of Six Different Types of Minimum Income Guarantees  
Targeted at Europe's Elderly (Mid-2000s)

	Contributory	Non-Contributory
No means or income test	<b>Flat-rate pension</b> IE, UK, CZ, EE, LT, LU, PL (persons born before 1949)	<b>Basic pension</b> DK, NL, SE (until 2003)
Pension test	<b>Minimum pension</b> BE, BG, CY, EE, FR, GR, HU, LU, LV, MT, PL, PT, RO (since April 2009), SI, SK (until 2003)	<b>Conditional basic pension</b> CY, EE, FI, SE (since 2003), UK (persons aged 80 and over)
Means or income test	<b>Pension supplement</b> AT, CY (since 2009), ES, GR, IT (persons insured before 1996), SI	<b>Social pension</b> BE, BG, DE (since 2003), ES, FI (since 2002), FR, GR, HU, IE, IT, LT, LV, MT, PT, SE (since 2003), SI, UK

# Diversity in pension system design

Solidarity & redistribution

- Indexation of benefits

## Evolution of benefit: legal indexation rules of public old-age pensions

**Table 3 - Indexation of income-related pensions in Member States**

Variable	Member States
Wage growth	SI, DK and SE
Wage growth and change in pensioner-contributor-relation	DE
Prices and wages	BG, CZ, EE, CY, LU, HU, PL, FI, and SK, MT, RO
Prices	BE, ES, FR, IT LV, AT and UK
Prices and GDP growth (partially)	PT
Discretionary	EL, LT, IE and AT
Progressive	EL, IT, and PT

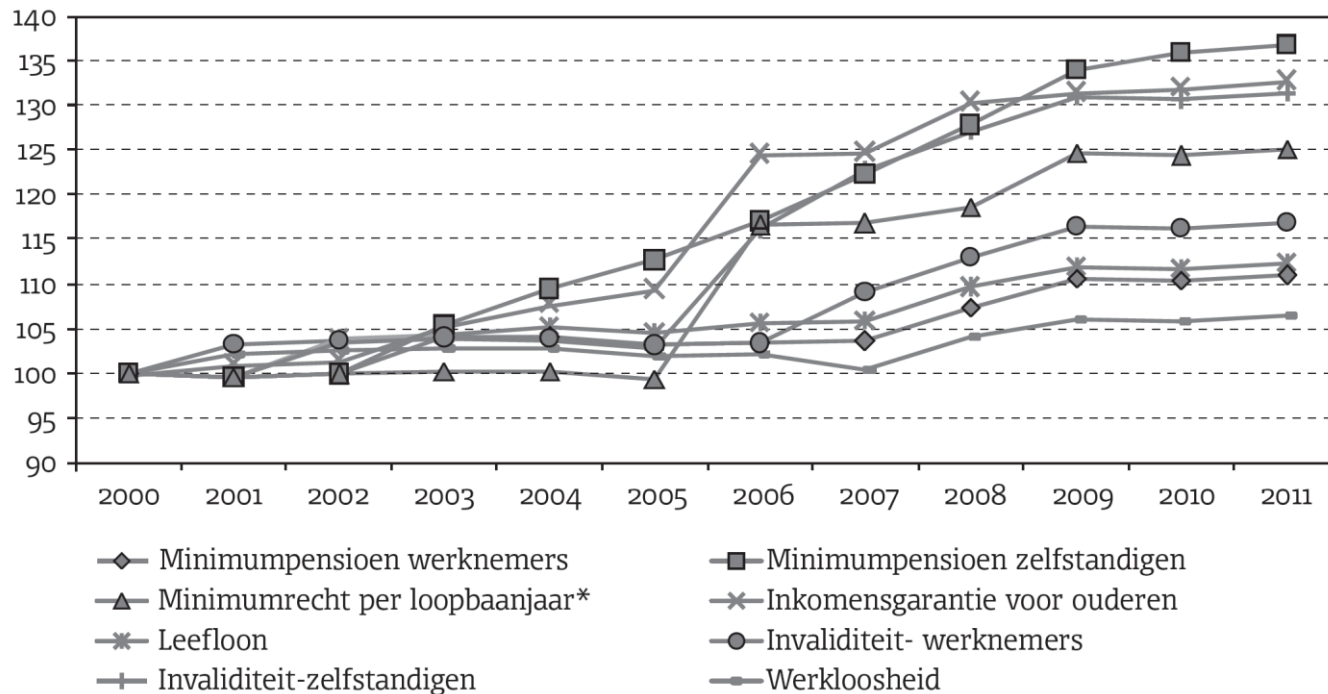
**Source:** 2009 Ageing Report, Joint Report on Social Protection and Social Inclusion 2009.

**Note:** Belgium: prices + partial adjustment to living standards. *Hungary: prices + partial adjustment to net earnings growth in case of high GDP growth.*

Source: Economic Policy Committee (AWG) and DG for Economic and Financial Affairs (2009), *Pension Schemes and Pension Projections in the EU-27 Member States. 2008- 2060. Brussels, European Commission* as well as European Commission (2010) Joint Report on Pensions

# Diversity in pension system design

**Figuur 5** – De evolutie van de Belgische sociale minima in reële termen, 2000-2011 (gezinsbedragen of bedragen bij gezin ten laste op 31 december, 2000 = 100).



\*Volledige loopbaan gewaardeerd aan het minimumrecht per loopbaanjaar.

Noot: Bedragen zijn gedefleerd aan de gemiddelde jaarlijkse index der consumptieprijzen (prognose voor 2011).

Source: Goedemé et al., 2012: 224



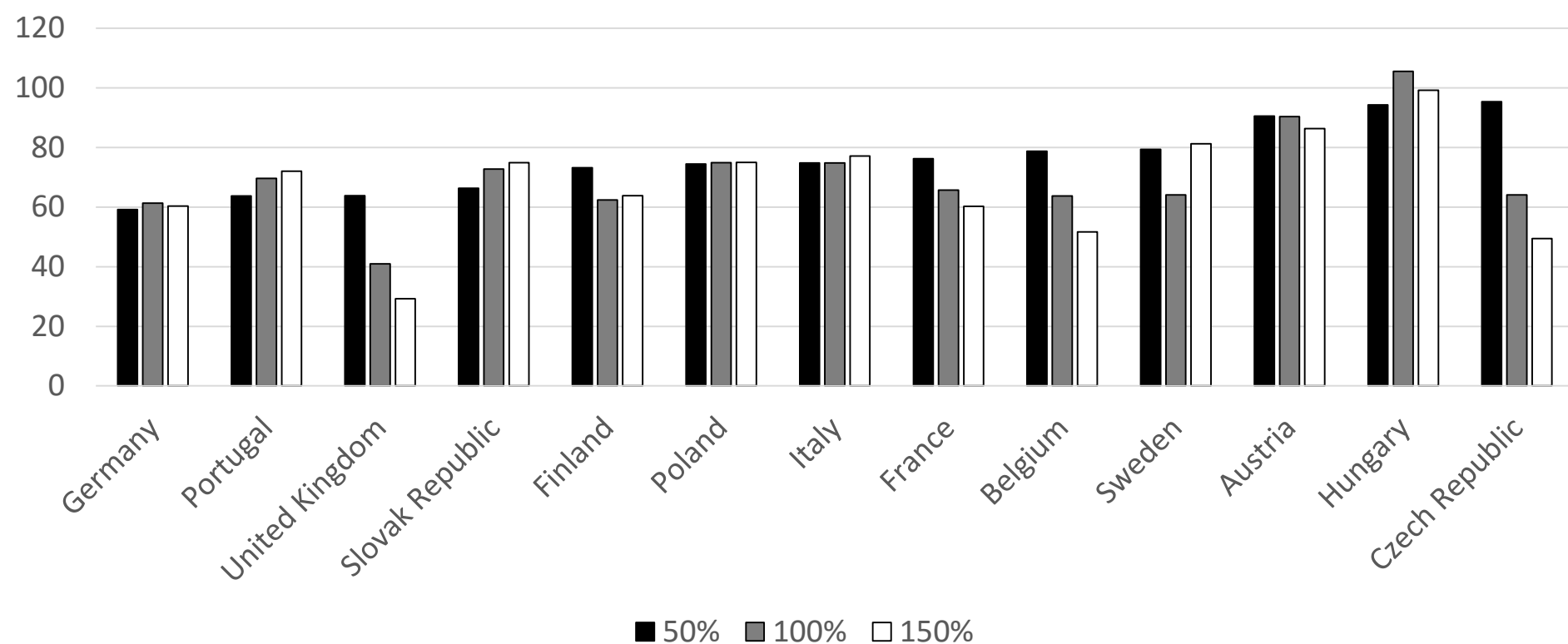
# Diversity in pension system design

## Solidarity & redistribution

- 'Horizontal' redistribution
- 'Risk' pooling
- Credited periods
- Reductions in social contributions
- Minimum income guarantees
- Indexation of benefits
- Reductions in social contributions
- Favourable taxation of pension income
- Always combination payments and benefits

# Diversity in pension system design

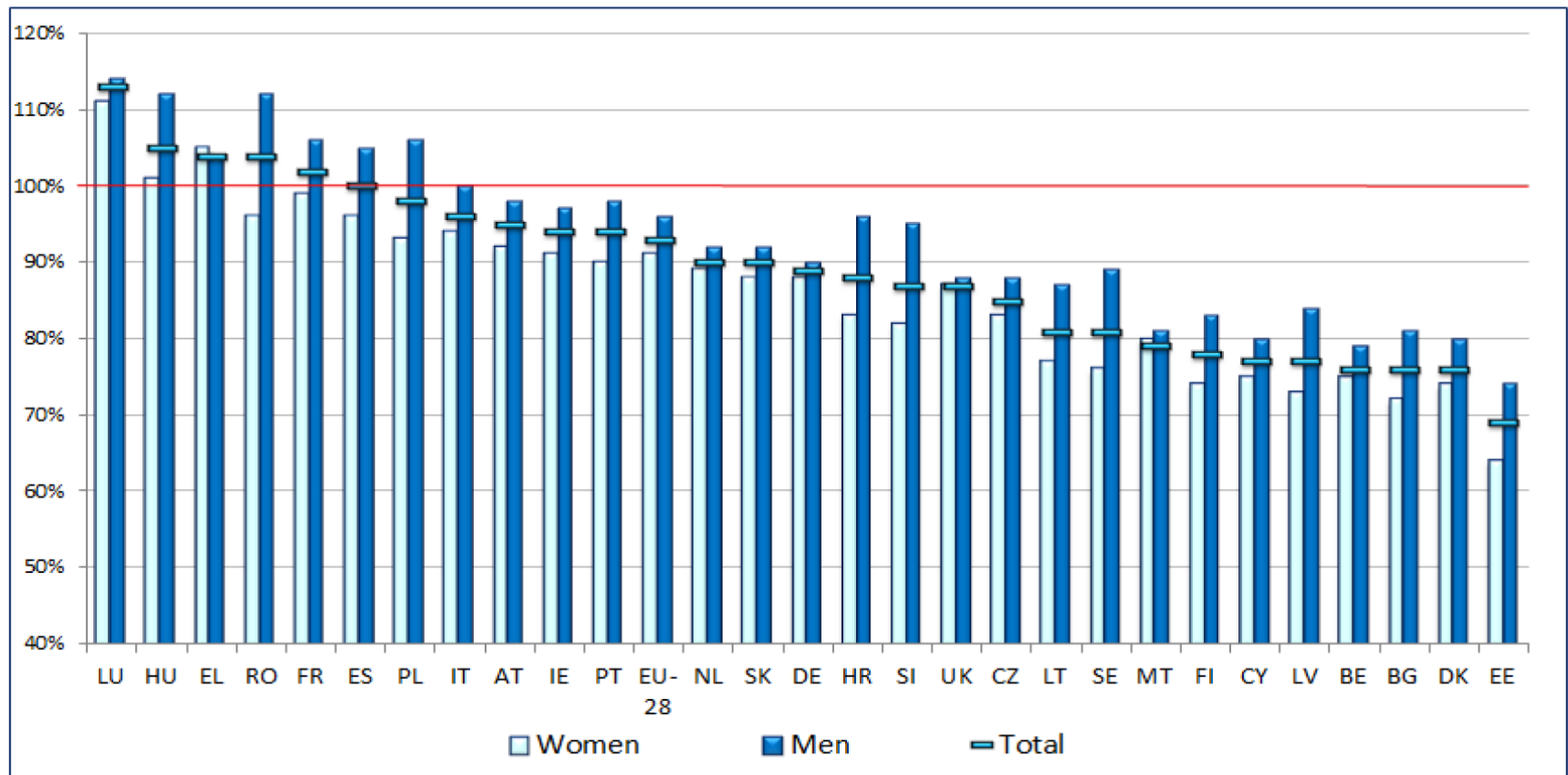
net replacement rate, single person, full career from age 20, earning 50%,  
100% or 150% of the average gross wage retiring in 2006



Source: Whitehouse et al., 2009: 526

# Diversity in pension system design

Figure 1: Median income of people aged 65 as share of the median income of people aged 0-64, total and by gender, 2013

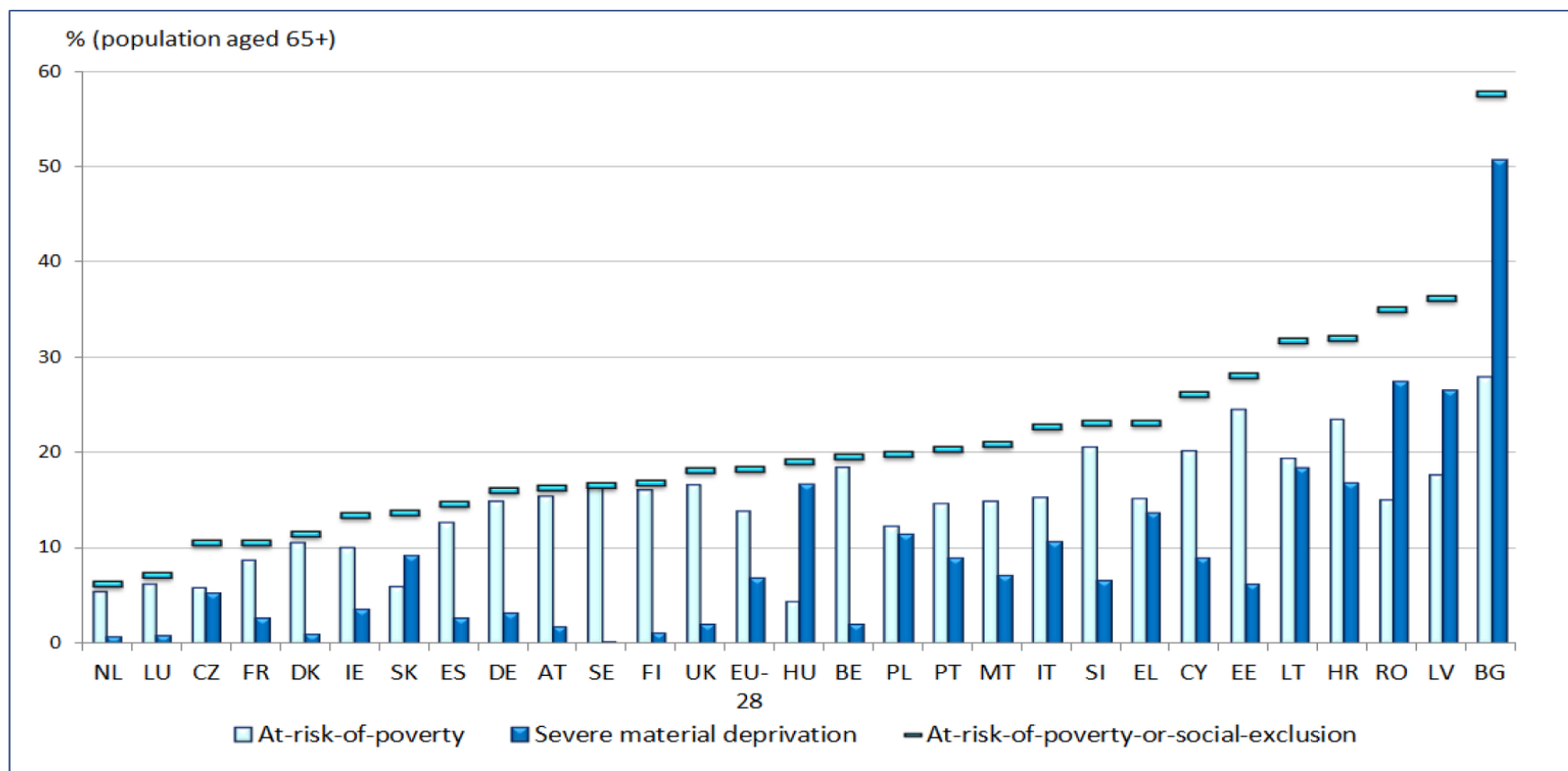


Source: Eurostat (table ilc\_pnp2). Note: Based on EU-SILC 2013, which refers to the income year 2012.

Source: SPC, 2015: 11)

# Diversity in pension system design

Figure 2: At risk of poverty and severe material deprivation, population 65+, 2013



Source: Eurostat. Note: Sorted by the at-risk-of-poverty-and-social exclusion rate for the population 65+. At-risk-of-poverty refers to the income year 2012, severe material deprivation refers to the survey year 2013

Source: SPC, 2015: 12)

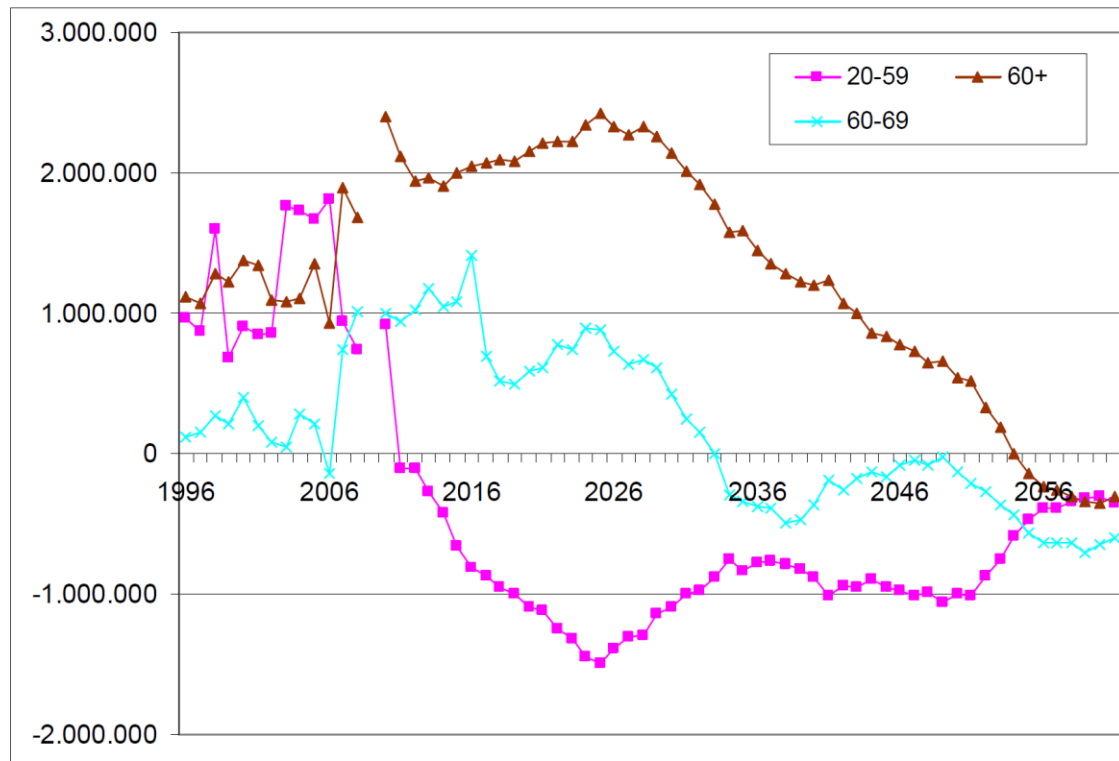
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# Ageing and reforming pensions

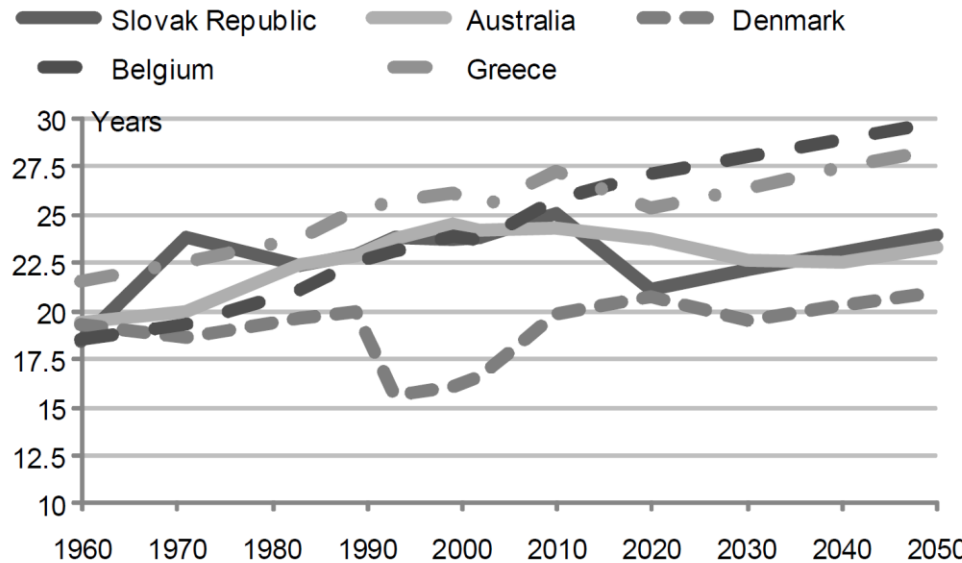
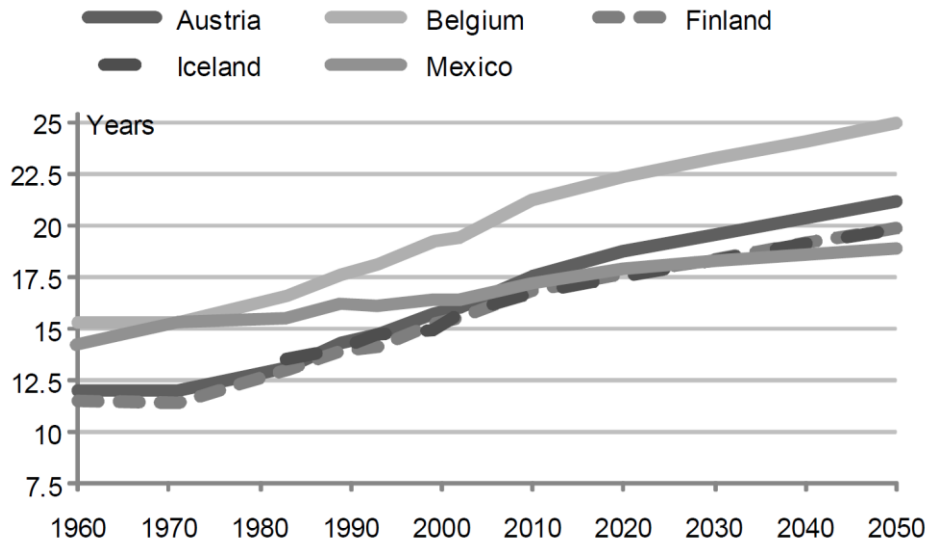
Fewer kids, longer in education, longer life expectancy, baby-boom

Figure 1 Population change over the previous year, EU-27, 1996-2061



Source: European Commission, 2012: 1

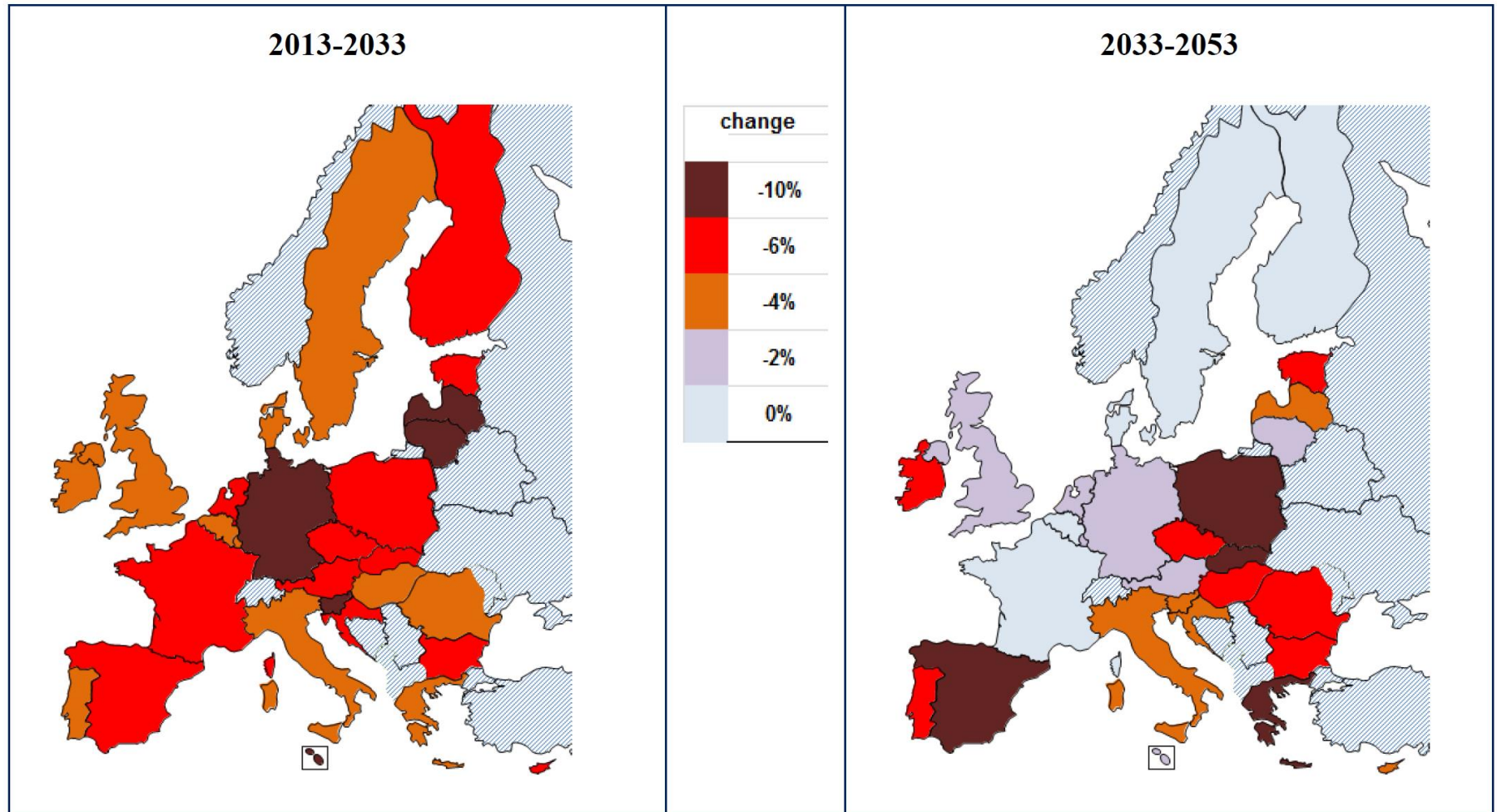
# Diversity in pension system design



Life expectancy at pensionable age, men (left) and women (right).  
Source: Chomik and Whitehouse, 2010.

# Ageing and pension reforms

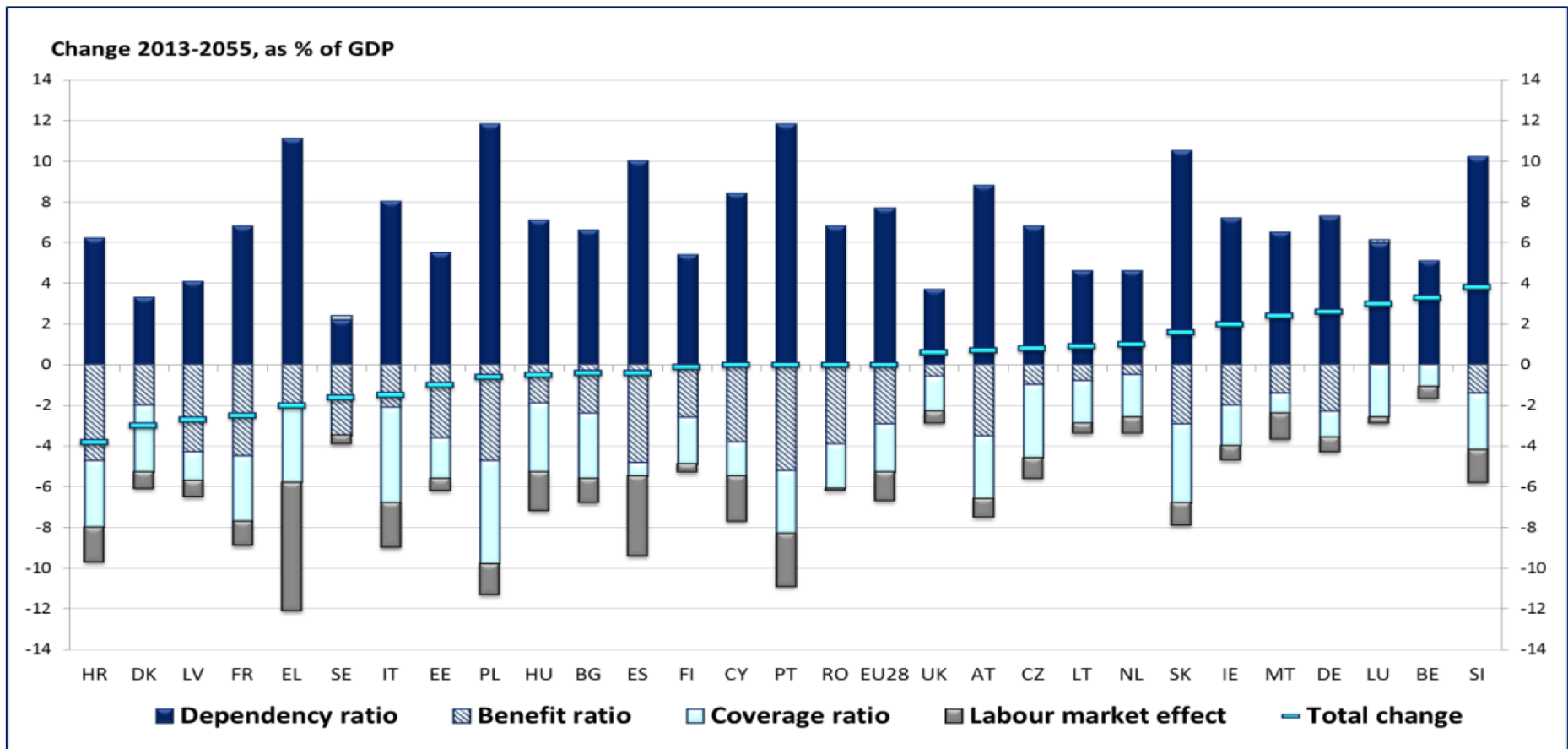
Figure 17: Change in working-age population (as % of the total population), 2013-2053





# Ageing and pension reforms

*Figure 26: Change in public pension expenditure projections between 2013 and 2055, total and decomposed into main effects (from the 2015 Ageing Report)*



# Ageing and pension reforms

- What can be done?
- Discussed here:
  - Increase funding
  - Increase retirement age

# Ageing and pension reform

- Key variables are future production and consumption
- Pension policy is about dividing the future output between workers and pensioners
- Options in context of ageing:
  - Reduce future demand
  - Increase future output

# Ageing and pension reform

- Reducing future demand
  - Increase contributions (reduce consumption by workers)
  - Reduce benefit levels (reduce consumption by pensioners)
    - Initial value
    - Indexation

# Ageing and pension reform

- Increase future output
  1. Increase quantity and quality of capital stock
  2. Increase investment in labour
  3. Increase labour force participation
  4. Raise average effective retirement age
  5. Import labour directly
  6. Import labour indirectly

# Ageing and pension reform

- More pre-funding, *not* a solution in itself
  - With falling output: inflation and/or less investment (lower rate of return)
  - Funding helps insofar it contributes to higher output later
  - Funding -> Saving -> investment -> output ?
  - Introduction changes intergenerational distribution
  - Government action with funded pensions equivalent to action with PAYG:
    - Increase taxes on corporate profits (depress stock values)
    - Increase taxes on pensions or consumption
    - Reduce tax advantages for pension accumulations

# Ageing and pension reform

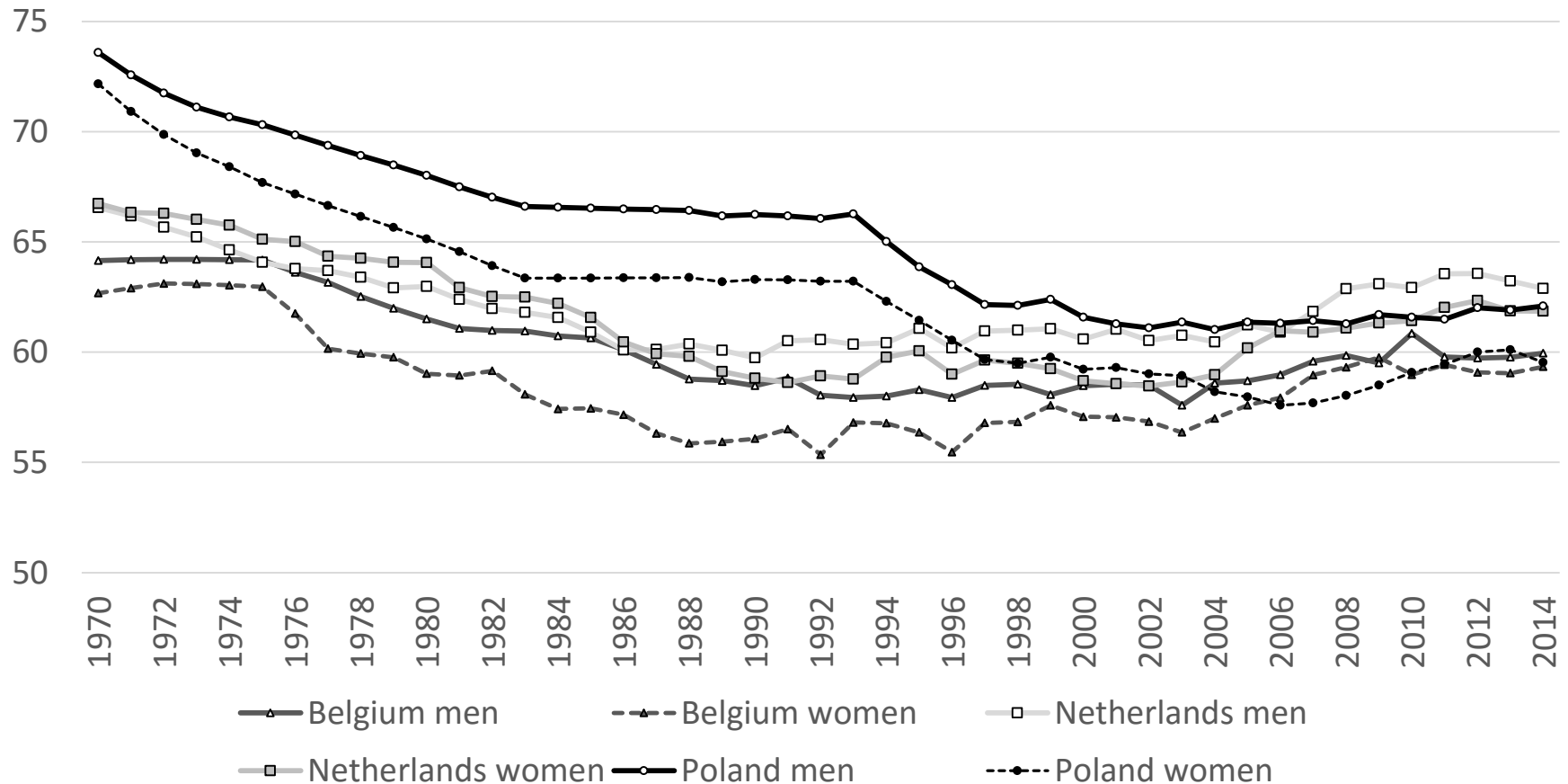
- Increasing the *effective* retirement age, one of the most efficient measures



**Figure 2.** Average pension eligibility age in OECD countries by sex, 1949–2050. *Source:* Turner (2007), OECD (2009), national officials.

# Ageing and pension reform

Average effective retirement age in three countries, 1970-2014

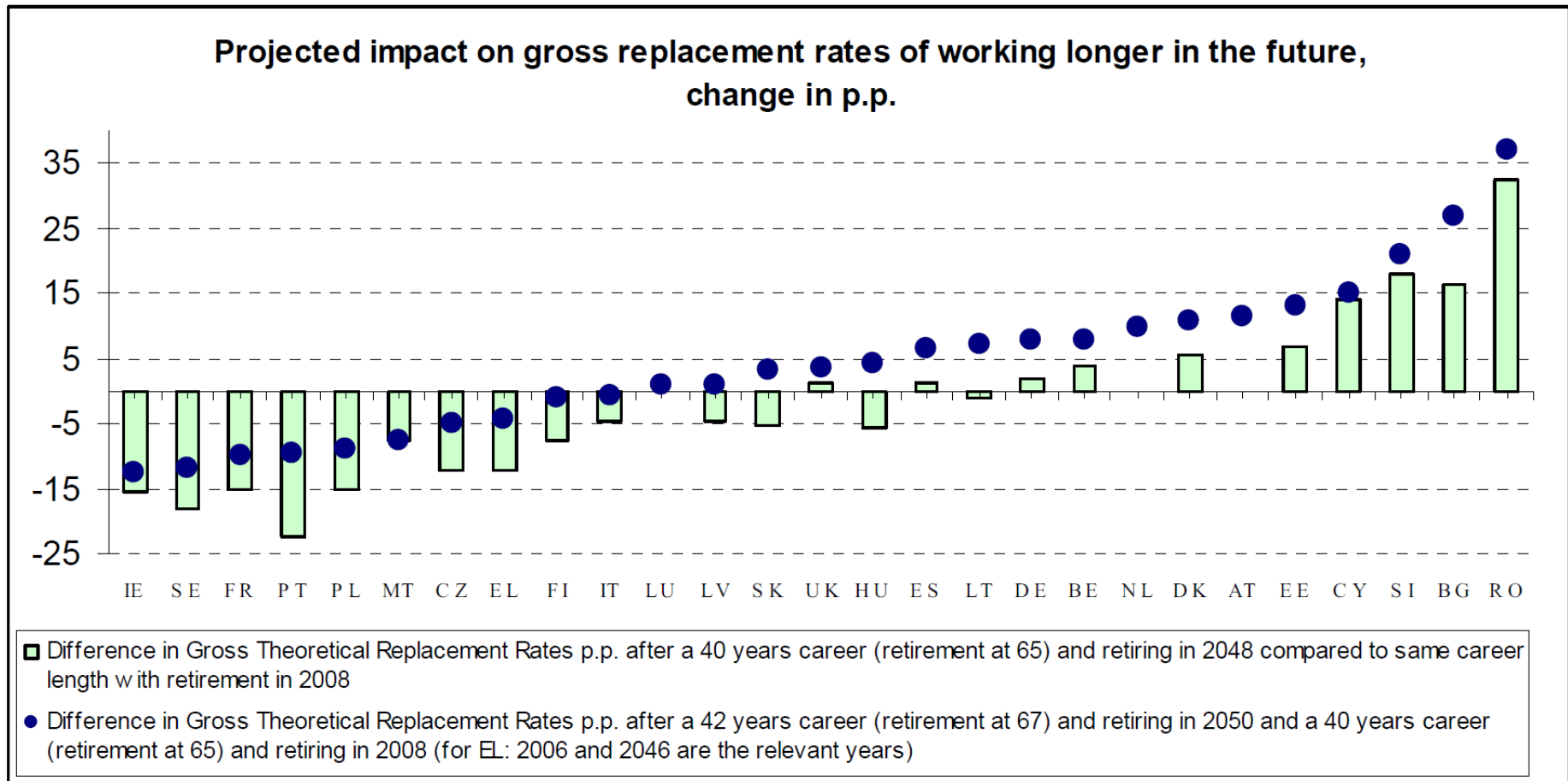


Source: OECD estimates based on the results of national labour force surveys, the European Union Labour Force Survey and, for earlier years in some countries, national



# Ageing and reforming pensions

Figure 3 Projected impact of longer working on change in replacement rates between 2008 and 2048



Source: European Commission, 2012: 6

# Ageing and pension reform

- Increasing effective retirement age can be very effective
  - Without increasing contributions
  - Or decreasing pensions
  - But only from a cross-sectional perspective
  - Redistributive effects can be very different from a lifetime perspective!
  - Should be implemented wisely
  - Feasible to take harsher working conditions and longer life expectancy of some groups into account?

<http://europa.eu/!pd64nu>

# Ageing and pension reforms

Three waves of reforms (SPC, 2015):

- Until 1990s: expansion of generosity
- 1990s-2008: medium long-term reforms
  - Extending pre-funding & ‘hybridisation’ => mandatory / subsidised funded pensions
  - Strengthening link between contributions & benefits
  - ‘grandfather clauses’

# Ageing and pension reforms

Three waves of reforms (SPC, 2015):

- Until 1990s: expansion of generosity
- 1990s-2008: medium long-term reforms\$
- 2008-...: also short term reforms
  - Halt + reversal of shift to funding
  - Cost containment also affecting current pensioners
  - Raising pensionable ages in shorter term + linking to life expectancy
  - Reducing pension levels and suspending indexation
  - Revising taxation of pensions
  - Larger role for EU

*Table 1: Pension reform elements aiming to extend working lives, recent years until end of 2014*

MS	Year	Access to Early retirement (incl. disability) restricted	Age for early retirement raised	Pensionable age increased	Women Pensionable age brought up to men's	Length of contribution period increased	Automatic indexation to life expectancy	Limit to combine work and pension eased
BE	2012/2014	✓	✓					✓
BG								
CZ	2011			✓	✓	✓		
DK	2011	✓	✓	✓			✓	✓
DE	2014			✓				
EE	2010			✓	✓			
IE	2012-2014			✓		✓		✓
EL	2010/2012	✓	✓	✓	✓	✓	✓	
ES	2013	✓	✓	✓		✓		✓
FR	2010-2011	✓		✓		✓		
HR	2013		✓	✓	✓			✓
IT	2011	✓	✓	✓	✓	✓	✓	
CY	2012	✓		✓		✓	✓	
LV	2011			✓		✓		
LT	2011			✓	✓			
LU	2012	✓						
HU	2010/2012	✓		✓				
MT	2008-2013	✓		✓	✓	✓		
NL	2012	✓		✓			✓	

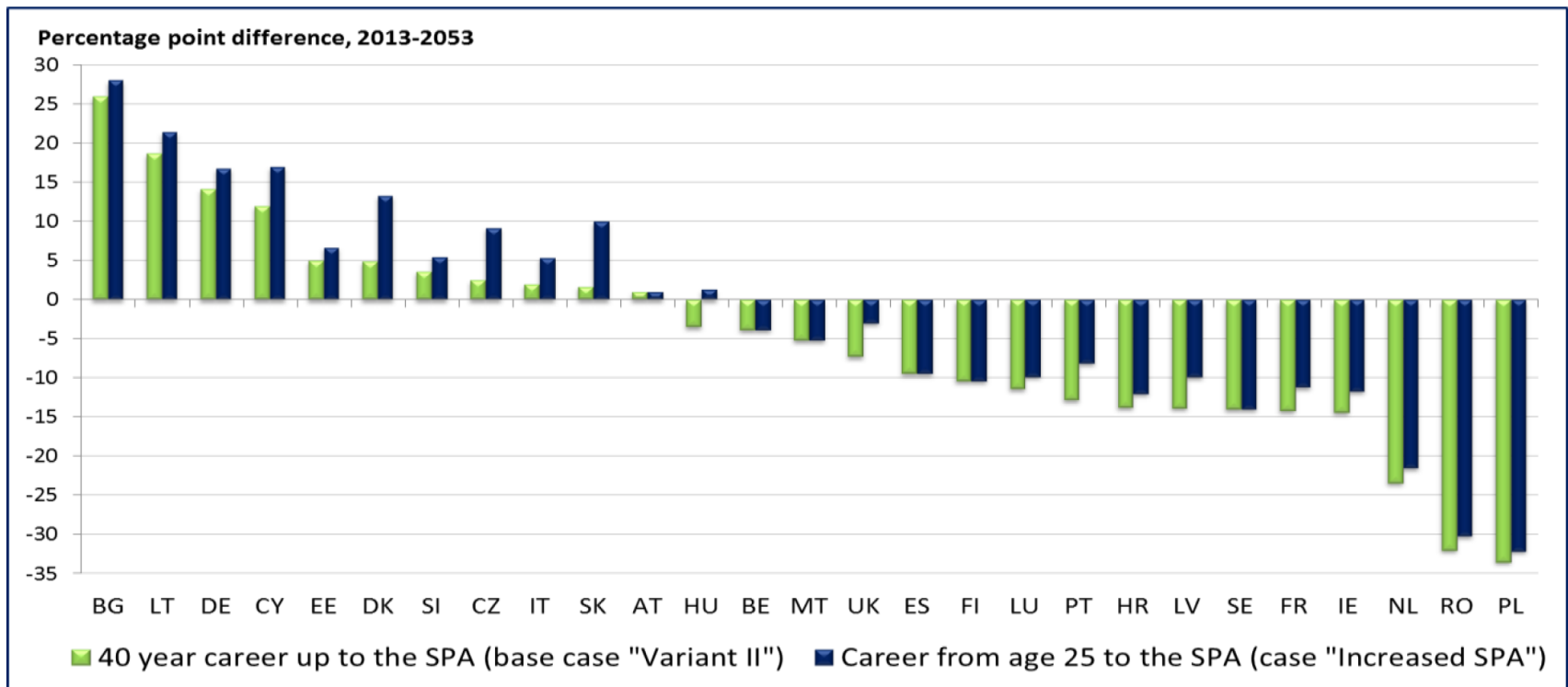
# Ageing and pension reforms

MS	Year	Access to Early retirement (incl. disability) restricted	Age for early retirement raised	Pensionable age increased	Women Pensionable age brought up to men's	Length of contribution period increased	Automatic indexation to life expectancy	Limit to combine work and pension eased
AT	2013	✓	✓		✓			
PL	2008-2010	✓		✓	✓	✓		
PT	2012-2014	✓		✓			✓	
RO	2011			✓				
SI	2012	✓		✓	✓	✓		
SK	2011-2012			✓	✓		✓	✓
FI	2010-2014	✓	✓					✓
SE								
UK	2011-2014			✓	✓			

*Source: Information provided by the Member States (for details see Volume II of the Report)*

# Ageing and pension reforms

*Figure 20: Percentage point difference in net TRRs between 2013 and 2053, average earnings*



*Data source: Member States and the OECD. Note: A positive difference indicates a higher net TRR in 2053 as compared to 2013. Sorted by the percentage point change under base case II. 2013 data for EL not available. If gender differences exist, results for men are reported in this figure.*

# Pension policy

- Some basics
- Why government intervention?
- Huge diversity pension system design
- Ageing & reforming pensions
- The EU and pension policy
- Conclusion



# Role of EU

- EU view on pensions
  - In principle no legal competence,
    - but:
      - Movement of labour and social security rights within EU,
      - Single market for financial services
      - Budgetary concerns
      - Soft law

# Role of EU

- Social OMC since 2001 -> common objectives (2006):
  - Adequate
  - Sustainable
  - Transparent and adapted pension systems

# Role of EU

- EU view on pensions
  - Stockholm strategy (2001):
    - Reducing debt at a fast pace
    - Raising employment rates and productivity
    - Reforming pension, health care and long-term care systems

# Role of EU

- EU view on pensions
  - EC Green paper on pensions (2010)
    - Adequacy and sustainability
    - Balance between work and retirement
    - Removing obstacles to mobility in the EU
    - Safer and more transparent pensions

# Role of EU

- EU view on pensions
  - EC White paper on pensions (2012)
    - Pensions are ‘common concern’
    - Pension adequacy report (SPC) in addition to Ageing report (EPC)

# Role of EU

- EU view on pensions
  - European Semester
    - More direct role for the EU
    - Rise in CSRs, especially with regard to extending working life
    - Linking pensionable ages to life expectancy

# Role of EU

- CSR Belgium (EC, 2012: 24):

“Take steps to improve the long-term sustainability of public finances. In line with the framework of the three-pronged EU strategy, the focus should be put on curbing age-related expenditure, notably by preventing early exit from the labour market in order to markedly increase the effective retirement age. Measures such as linking the statutory retirement age to life expectancy could be considered.”

# Discussion

- Are pension decisions democratic (if they pre-suppose considerable solidarity from future generations)
- How could pension decisions become more democratic in a context of a growing electorate in retirement?
- Which periods should count as credited periods?
- Who should finance credited periods?
- Who should finance minimum pensions?



# Discussion

- On average, women's life expectancy at pensionable age is five year higher than men's. Wouldn't it be fairer to increase their retirement age compared to men's?
- What would be a fair retirement age (or minimum contribution record), given differences in (healthy) life expectancy
- Should individual private pensions be subsidised?
- European minimum income scheme?

# Some points to remember

- Pensions are about consumption smoothing, and poverty alleviation
- Central question is how future output will be divided between those working and those not working
- Important role for governments (uncertainties and shocks + lifetime poor)
- Ageing is a severe challenge, but can be handled
- Increasing effective retirement age can be important part of socially acceptable solution

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