First steps for the Discussion paper in the framework of the ETUC SociAll project

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Kick off

3 May 2021
Outline of the paper

• Introduction (the paper in the context of SociAll)

• Section 1. Pensions policy and governance in Europe (3 pages)

• Section 2. Covid 19 and its main socio-economic effects (7 pages)

• Section 3. Pension reforms across Europe (15 pages)

• Section 4. Conclusions and recommendations (5 pages)
Section 1. Pensions policy and governance in Europe

• Two pension models
  • Multi-pillar
  • Social insurance

• Multi-level pension governance
  • Global level (ideas and priorities)
  • EU (European Semester and its components; EPSR)

• National policymaking
  • Governments and stakeholders

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<th>Exogenous shock</th>
<th>Multi-level Governance</th>
<th>Policy institutions</th>
<th>Pension policy</th>
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<td>Pandemic crisis (Economic and social consequences)</td>
<td>Global IMF/WB/ILO-ISSA</td>
<td>Multi-pillar Social Insurance</td>
<td>Emergency measures Reforms</td>
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<td>National (Governments/Stakeholders)</td>
<td>EU European Semester EPSR</td>
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Section 2. Covid 19 and its main health effects

Cumulative cases (April 21)

Cumulative deaths (April 21)
Section 2. Covid 19 and its main socio-economic effects

Quarterly GDP trends (Q1-2018_Q3-2020)  GDP growth, 2009 vs. 2020
Section 2. Covid 19 and its main socio-economic effects

Debt/GDP ratio (Q1-2018_Q3-2020)

Quarterly deficit/GDP ratio, (Q1-2018_Q3-2020)
Section 2. Covid 19 and its main socio-economic effects

Quarterly Labour market slack (% of extended labour force aged 20-64)

Monthly Unemployment rates (% of labour force aged 15-74)
Section 2. Covid 19 and its main socio-economic effects

Evolution of MSCI Indexes, 2020 (Oecd, 2020)

Assets of retirement savings schemes in OECD countries (Q4-2019-Q3-2020)
## Section 2. Covid 19 and its main socio-economic effects

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<th>Economic and social trends</th>
<th>Potential Impact on pensions</th>
<th>Real impact (so far)</th>
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<td>High mortality</td>
<td>Low impact in short term</td>
<td>A 6% higher mortality results in a roughly 0.2% lower pension expenditure in 2020 (OECD, 2020) But longer-term effects may be higher</td>
</tr>
<tr>
<td>GDP decline</td>
<td>Increased budgetary tensions Lower pension benefit increase Increased pension spending and deficit</td>
<td>Increased public budget debt and deficit Increased pension spending and deficit</td>
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<tr>
<td>Increased unemployment</td>
<td>Low revenues for pension systems Increased demand for benefits</td>
<td>Job retaining strategies allowed to reduce negative consequences</td>
</tr>
<tr>
<td>Capital market trends</td>
<td>Reduced assets Stable if not increased liabilities</td>
<td>Assets recovered after the first fall (also due to central banks Regulation and support for retirement savings</td>
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</table>
Section 3. Pension reforms across Europe

General trends about emergency measures

- deferred payment and/or temporary reduction of social security (and pension) contributions;
- additional resources through the public budget in order to stabilise the pension system;
- Ad hoc improvement of pension benefits (additional protection and transfers);
- Regulation of, and compensation for losses in, retirement savings;

- **Job retaining policy (effects on the accumulation of pension rights)**
# Section 3. Pension reforms across Europe

## General trends about reforms

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<th>Country</th>
<th>Main reforms</th>
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<tr>
<td><strong>DK</strong></td>
<td>New senior pension for workers with reduced capacities came into effect on 1 January 2020; New pension for workers who entered the labour market at an early age was finalised and adopted in late 2020</td>
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<tr>
<td><strong>FR</strong></td>
<td>Reform proposed to merge forty-two private and public sector regimes into a universal point-based system and increasing the retirement age by two years to sixty-four. After protests, reform proposal to be discussed between 2021-22 (maybe after Presidential elections)</td>
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<tr>
<td><strong>IT</strong></td>
<td>Reform process to end by 2021, between the reform hypotheses: to reduce retirement age and career requirements (e.g. 62 plus 30 years of contribution) but with parallel reduction of future benefits</td>
</tr>
<tr>
<td><strong>HU</strong></td>
<td>Broad strategy on increasing employment rates in old age</td>
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First (very preliminary) conclusions

- Economic recession has constant effects on pensions
  - Declining resources for all type of pensions (due to GDP fall; employment crisis); future adequacy risks (indexation; accumulation of rights); conditions of the elderly under stress

- Yet the way governments address the crisis shape the challenges on pensions
  - Expansionary budgetary and monetary policy (reduce the impact of the lockdown; and save pension funds); Job retaining policy (save the labour market); pension funds regulation and support (save pension funds)
First (very preliminary) conclusions

- Is this crisis different? Maybe yes…..
  - EU Governance (SGP escape clause; SURE; ECB policy)
  - Governments revised their reform priorities (focus on adequacy and inequality; learning from the past)
  - Postponement of broader reforms; policy reversal (see IT; DK)

- But still risks
  - After the crisis, back to usual business (austerity, the case of Spain?)
  - Miss (again) the opportunity to change the priorities (the case of France?)
  - E.g. Job rich recovery; investment in white jobs and support for the elderly (true active ageing); the battle of the debt (revision of the SGP)