ETUC SociAll project

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

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Kick off

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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

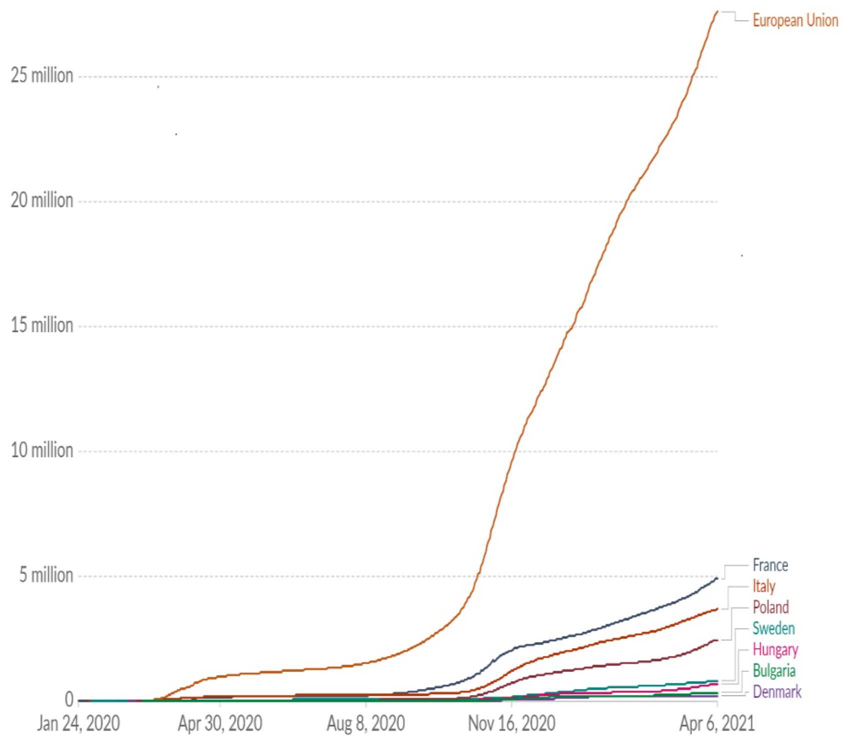
- Two pension models
  - Multi-pillar
  - Social insurance
- Multi-level pension governance
  - Global level (ideas and priorities)
  - EU (European Semester and its components; EPSR)
- National policymaking
  - Governments and stakeholders

Figure 1. Analytical model

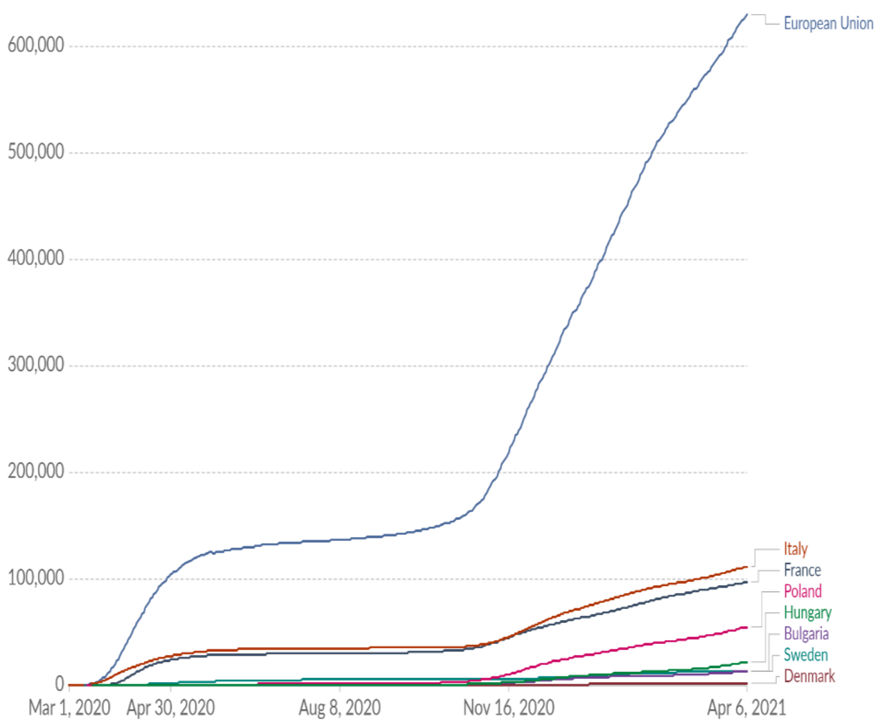
Exogenous shock	**Multi-level Governance**	**Policy institutions**	**Pension policy**
	Global IMF/WB/ILO-ISSA		
Pandemic crisis (Economic and social consequences)	**EU** European Semester EPSR	**Multi-pillar** **Social Insurance**	**Emergency measures** **Reforms**
	National (Governments/ Stakeholders)		

Section 2. Covid 19 and its main health effects

Cumulative cases (April 21)

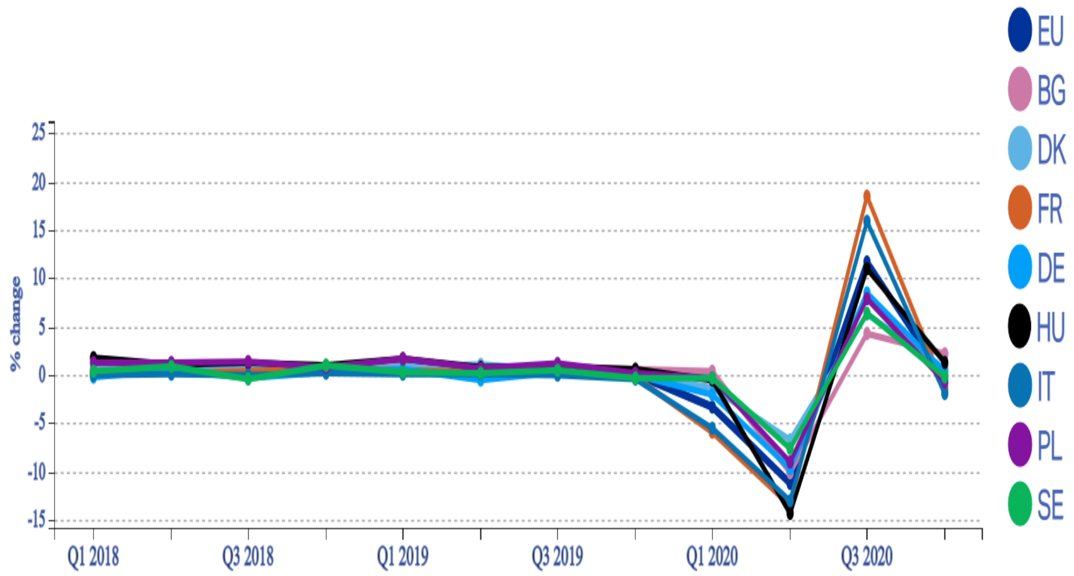


Cumulative deaths (April 21)



Section 2. Covid 19 and its main socio-economic effects

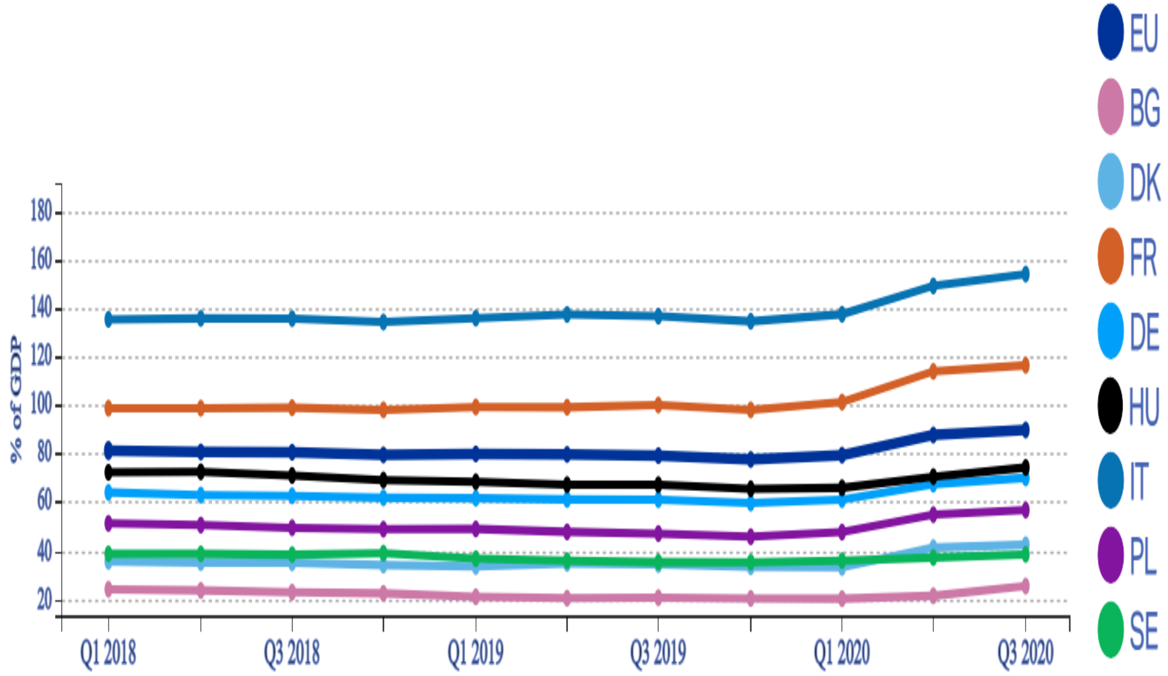
Quarterly GDP trends (Q1-2018_Q3-2020)



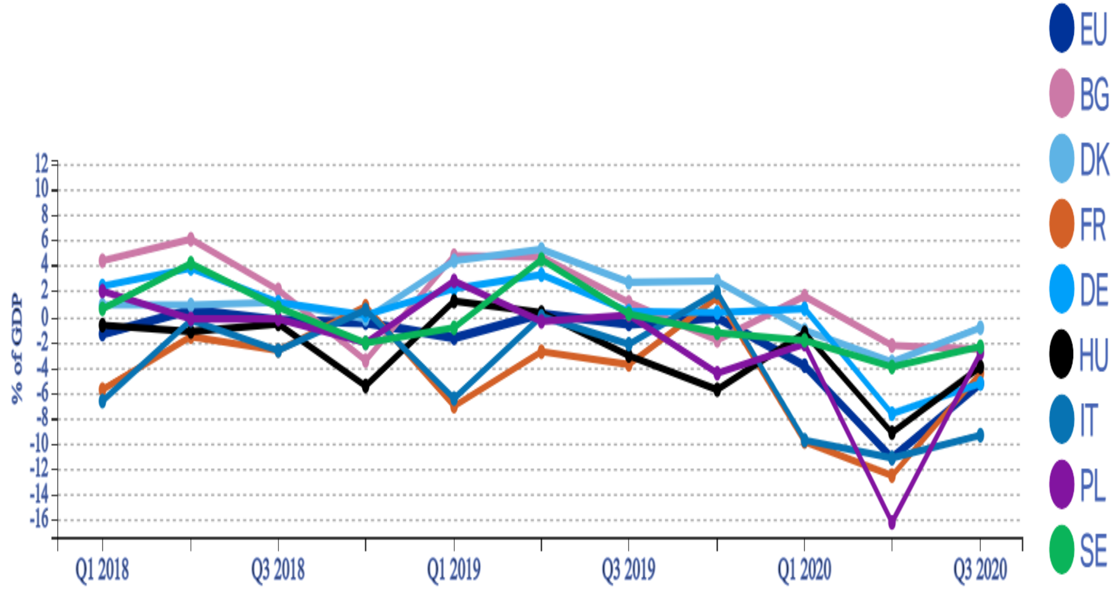
GDP growth, 2009 vs. 2020

Section 2. Covid 19 and its main socio-economic effects

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

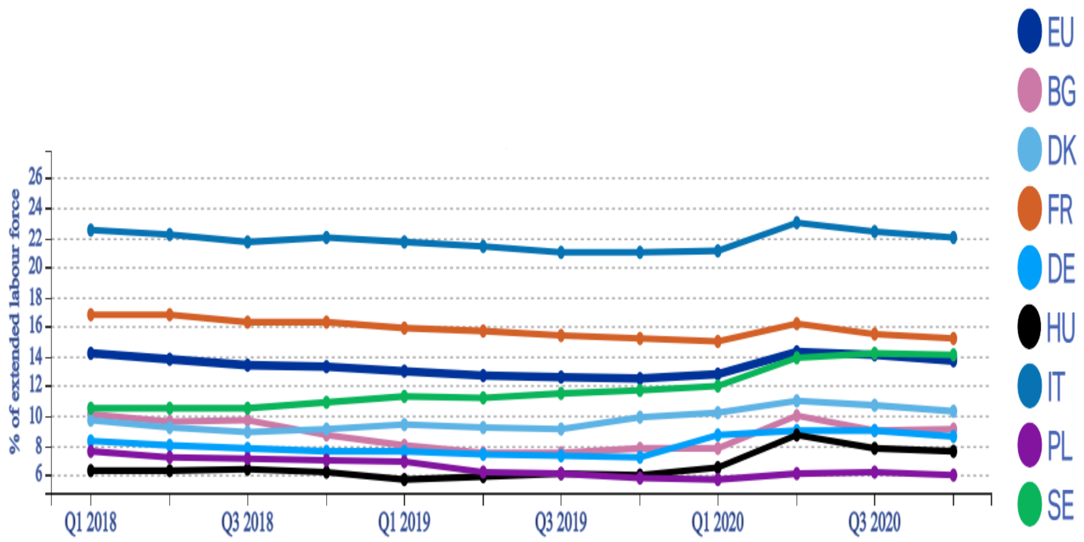


Quarterly deficit/GDP ratio, (Q1-2018_Q3-2020)

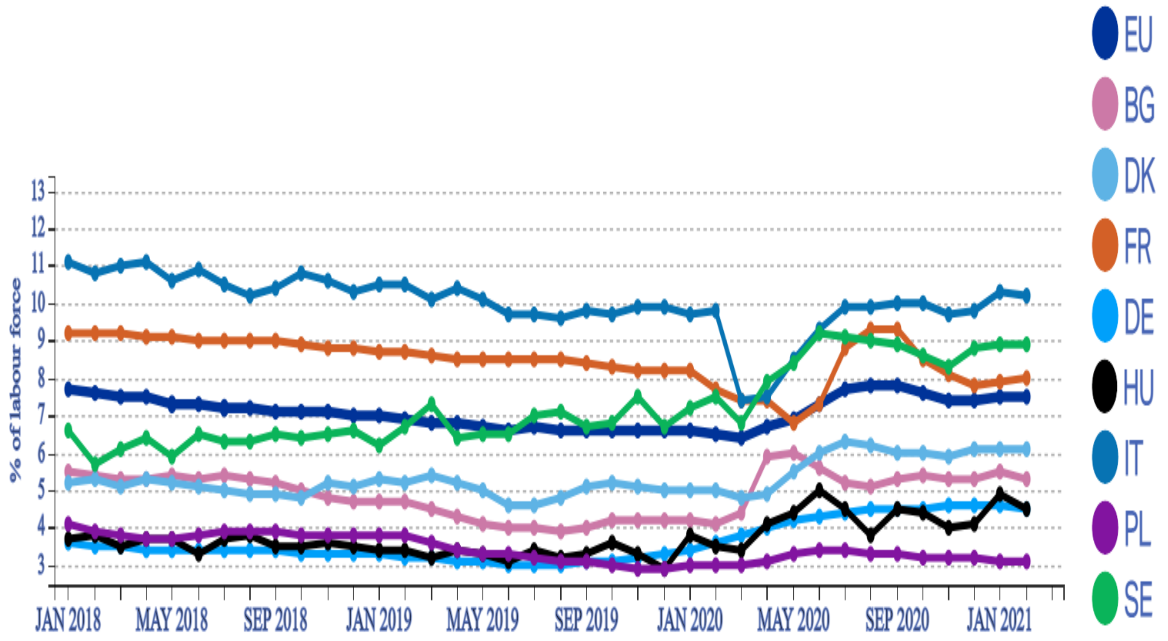


Section 2. Covid 19 and its main socio-economic effects

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

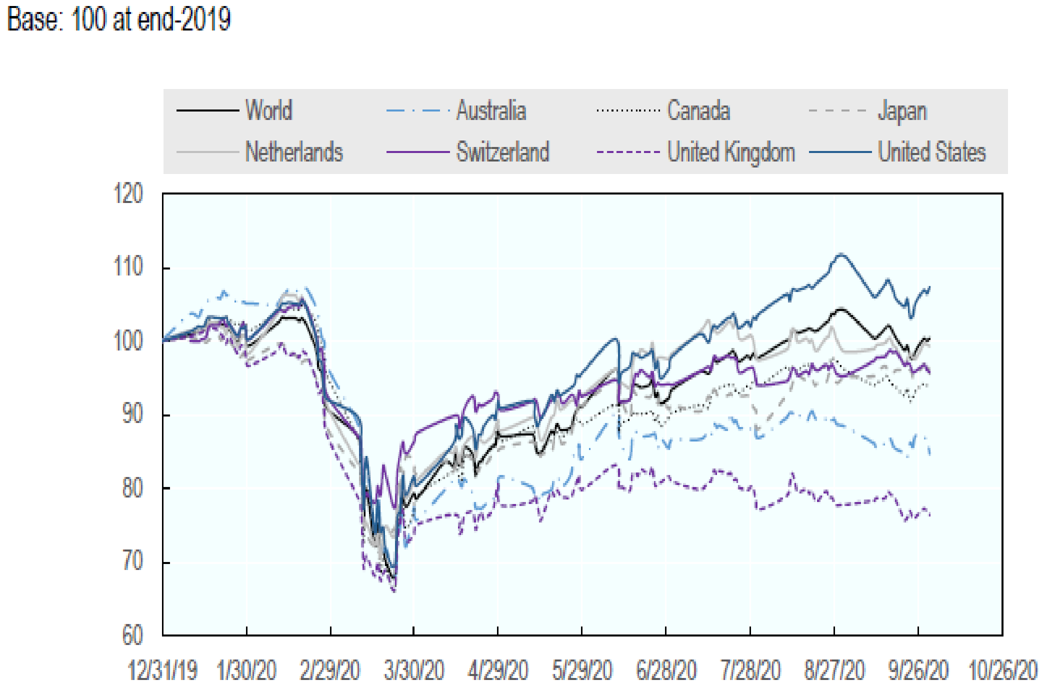


Monthly Unemployment rates (% of labour force aged 15-74)

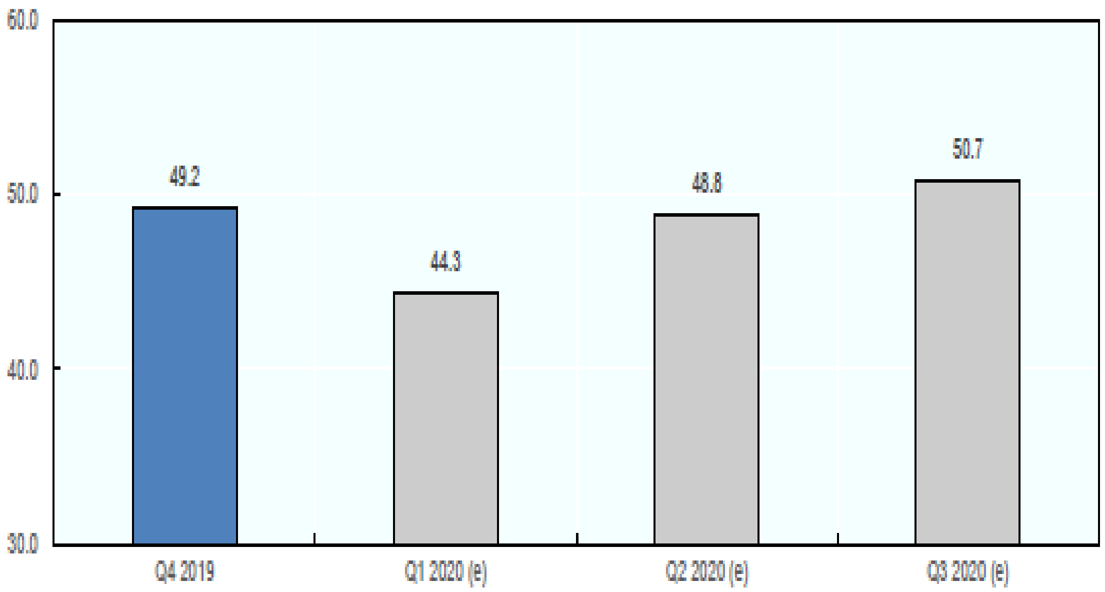


Section 2. Covid 19 and its main socio-economic effects

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

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

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

	Main reforms
DK	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
FR	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)
IT	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
HU	Broad strategy on increasing employment rates in old age

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)*