

RESEARCH INSTITUTE FOR WORK AND SOCIETY

REVISITING EU SOCIAL INDICATORS: A NEEDS-DRIVEN APPROACH FROM A WORKERS' PERSPECTIVE *

* Report prepared for ETUC within the context of the SociAll project and with the support of the European Commission

Jozef Pacolet*, Josef Wöss**, Frederic De Wispelaere* & Lynn De Smedt* *HIVA, KU Leuven; ** Arbeiterkammer Wien





Part 1 Monitoring the implementation of social protection for all: a critical assessment

- **Part 2** Enlarging EU social and economic indicators: a workers' narrative
- Part 3 Adequate pensions for ageing in dignity
 - 3.1 First and second pension pillars
 - 3.2 Affordable health and LTC



Part 1

Monitoring the implementation of social protection for all: comments on Version 0 of the monitoring framework



General assessment

- EPSR monitoring much welcomed;
- Consideration of context indicators (labour market related) much appreciated;
- First data published confirm the correctness of TU's view -> a huge share of workers and selfemployed is confronted with a reality which falls far behind EPSR goals;
- More monitoring attention has to be paid to effective and adequate coverage;
- Monitoring for all forms of employment needed, including standard employment.

Formal coverage

Indicators listed in Version 0

- Number of non-standard employment contracts lacking formal coverage, by social protection branch
- Number of non-standard employment contracts which are part of a voluntary social protection scheme, by social protection branch
- Number of self-employed contracts lacking formal coverage, by social protection branch
- Number of self-employed contracts which are part of a voluntary social protection scheme, by social protection branch

Comment

- Monitoring of formal coverage of standard workers is missing (of relevance especially in supplementary schemes)
- Specific attention has to be paid to qualifying conditions and length of period of access

Effective coverage

Indicators listed in version 0

- Benefit recipiency rate ("receiving any benefit") for the population at risk
 of poverty before social transfers
- Coverage of unemployment benefits for the short-term unemployed

Comment

- "Receiving any benefit" gives very little valuable indication on effective coverage (not 'effective' if only minuscule benefits are granted)
- "Receiving any benefit" does not allow a link to a specific branch of social protection
- Why limiting the monitoring to those 'at risk of poverty'? (not only those at risk of poverty are addressed by ESPR and can experience unmet needs of social protection)
- Existing indicators , such as pension coverage rate among persons aged 65+, should also be used
- Additional use of administrative data recommended (as suggested in Version 0)

Adequacy

Indicators listed in Version 0

- Material and social deprivation rate (by most frequent activity status during reference year)
- Poverty rate after social transfers (by most frequent activity status during reference year)
- Impact of social transfers, excl. pensions (by most frequent activity status during reference year)
- Relative median at-risk-of-poverty gap (by most frequent activity status during reference years)

Note: All these indicators are based on household income -> it is pooled together and the equivalised

Comment

- Only to use poverty related indicators falls far behind EPSR objectives (Version 0 is aware of this shortcoming: "The list should be complemented by other indicators reflecting the income-smoothing function of social protection")
- A look at OECD's pension (theoretical) replacement rate calculations show that, in many countries, even standard workers with a full career are not entitled to adequate old-age pensions

PENSION PROSPECTS OF TODAY'S YOUTH (Theoretical) Replacement Rate Calculations – Mandatory Pension Schemes

Main assumptions: Labour market entry 2018 at age 22; uninterrupted career until legal pension age; constant earnings at average earnings level; no future change of pension formula



* Values for men (different retirement age for women)

Employed – Disaggregated by labour market status EU27/ Age group: 15-74 / 2019

•	Employee (full-time, permanent)	59.5%	
•	Employee (full-time, temporary)	8.9%	
•	Employee (part-time, permanent)	12.7%	
•	Employee (part-time, temporary)	. 3.8%	
•	Self-employed (with employees)	4.3%	
•	Self-employed (without employees)	9.8%	
•	Family workers		1.0%

Context indicators Labour market related

	EU 27
Proportion of full-time permanent employees	59.5%
% of employees with a short term contract (up to 3 months/ 6 months / 1 year)	2.3% \rightarrow up to 3 months 8.1% \rightarrow up to 1 year
% of employees by duration of employment with current employer	11.9% → up to 1 year 43.7% → 10 years and over
% of employed persons who work less than 10 hours a week	2.7%
% of low wage earners among all employees	15.3% \rightarrow permanent contract 31.9% \rightarrow limited duration contract)
% of dependent self-employed	2.8% of self-employed 806.000

Key requirements

- Disaggregation of data by sex and age groups / focus on working age
- Additional use of administrative data
- For detecting and monitoring marginal part-time employment a higher limit than 'less than 10 hours' is needed
- Collective bargaining coverage should be included in labour market monitoring
- Specific monitoring of the phenomenon of false self-employment is needed (for example in the context of platform work)
- Jobless people not recorded as unemployed but ,discouraged' or ,seeking but not immediately available should be included in monitoring unemployment
- The negative impact of precarious forms of employment on social protection (both on the protection of those concerned and the overall financing of social protection systems) should be highlighted
- Improving employment integration throughout working age has to be one of the cornerstones of a strategy of implementing EPSR goals



Enlarging EU social and economic indicators: a workers' narrative



Same indicators, different narrative

- Same statistics and different narrative
- Additional statistics and different narrative
- Plethora of social and economic indicators, dashboards, and flagship reports: let us use them
- The advantage of the synthesis indexes
- But the devil is in the detail
- In search of missing dimensions
- Own dashboards or use of common official dashboards
- Indicators and targets; indicators become normative
- Value added of our own reading and narrative

Context: EU social monitoring

- EU social monitoring may be defined as a systematic and continuous observation of social protection/rights in the EU and related changes across time;
- The purpose of monitoring is to identify whether we are on the right track to where we want to be.
- Mostly by making use of quantitative measurement instruments, e.g. indicator systems, indicator dashboards;
- It seems appropriate to distinguish between data-driven, policy-driven, and ... needs driven approaches towards monitoring;
- While policy-driven approaches usually depart from policy concerns and objectives, which have been agreed upon in political discourses or decision making processes, datadriven approaches usually turn out to be rather pragmatic, departing simply from available data sources.
- A needs-driven approach from a workers' perspective depart from the concerns and objective workers and their representatives have.

Context: EU social indicators

- When discussing 'monitoring', one sometimes gets the impression that this can only be done with numbers and quantitative indicators;
- Monitoring relying solely on quantitative indicators might give the impression that if there is not a number, nothing is happening;
- With qualitative questions (e.g. by asking open-ended questions to 'beneficiaries'), one can complement quantitative indicators and get a richer understanding of whether or not the intended results are starting to be observed;
- Social benefits rights data: quantitative indicators are based on the collection and processing of qualitative text-based information from the legislative framework. Analysis of the generosity of social benefits by analysing the eligibility criteria (i.e. reference group personal scope), the entitlement conditions (i.e. waiting period, qualifying period, the duration of the benefit), targeted or universal, means tested, and the level of benefits.
- This will hopefully also give a better and more complete picture of reality;
- Concerns about the adequacy of indicators as well as data availability.

Monitoring the transnational dimension of social protection

- Gaps in transnational social protection, both in terms of protecting social security rights and working conditions of intra-EU mobile persons (EU-movers, posted workers, seasonal workers, frontier workers ...);
- Movements between Member States should not lead to lower social protection or gaps in coverage;
- Legal framework is difficult to convert into quantitative indicators;
- Useful to evaluate and improve transnational social protection policies.



The benefit of synthesis indicators: the example of 'EUSDG8 Decent work and Economic growth Index 2010 and 2019'



Marco Cilento, **SDG8 Index** to monitor the progress of each European country over time, Presentation ETUC 4 March 2021

17

Mercer CFA Institute (Chartered Financial Analyst) **Global Pension** Index

2020 Results

OVERALL		ADEQUACY	SUSTAINABILITY	
82.6	Netherlands	-		
81,4	Denmark			
74.7	Israel			
74.2	Australia		Sector Sector	
72.9	Finland			
71.2	Sweden			
71.2	Singapore			
71.2	Norway			
69.3	Canada			
68.3	New Zealand			
67.3	Germany			
67.0	Switzerland			
67.0	Chile		and the second second	
65.0	Ireland			
64.9	UK		and the second second	
63.4	Belgium	200 C	A CONTRACTOR OF	
51,1	Hong Kong SAR*			
50.3	USA			
60.1	Malaysia			
60.0	France			
58.5	Colombia		and the second	
57.7	Spain			
57.5	Saudi Arabia			
57.2	Peru			

https://www.mercer.com.au/our-thinking/global-pension-index.html

Euro Health Consumer Index 2018 (Health Consumer Powerhouse)



https://healthpowerhouse.com/media/EHCI-2018/EHCI-2018-report.pdf

KU LEUVEN HIVA

Euro Health Consumer Index 2018 (Health Consumer Powerhouse)



- The Green countries on the map on the front cover are scoring >750 on the 1000-point scale. Red are countries scoring <650.
- https://healthpowerho use.com/media/EHCI-2018/EHCI-2018report.pdf

Euro Health Consumer Index 2018 (Health Consumer Powerhouse): a dashboard for upward convergence

Sub- discipline	Switzerland	Netherlands	Norway	Denmark	Belgium	Finland	Luxembourg	Sweden	Austria	Iceland	France	Germany	Portugal	Czech Republic	Estonia	United Kingdom	Slovakia	Serbia	Spain	Italy	Slovenia	Ireland	Montenegro	Croatia	North Macedonia	Cyprus	Malta	Lithuania	Greece	Latvia	Bulgaria	Poland	Hungary	Romania	Albania
1. Patient Rights & Info	113	125	125	121	104	113	100	117	108	121	104	104	108	108	121	117	113	108	96	92	88	83	96	104	113	83	88	104	67	100	79	79	79	96	67
2. Accessibility	225	175	138	175	213	150	188	113	175	188	188	163	163	175	188	100	188	200	113	138	125	75	188	125	163	150	150	163	163	138	200	138	113	175	175
3. Outcomes	278	256	278	267	244	278	244	267	244	222	233	244	222	211	189	211	200	189	222	233	222	244	189	200	156	200	156	167	200	178	167	167	156	133	156
4. Range and reach of services	99	125	120	120	115	120	109	125	104	104	104	83	94	104	94	109	78	57	94	73	94	94	52	94	63	63	104	73	52	68	47	57	78	52	42
5. Prevention	95	113	119	95	101	101	95	101	89	107	83	101	89	71	77	113	77	83	101	101	77	89	71	71	83	83	95	71	83	77	60	89	95	54	71
6. Pharmaceuticals	83	89	78	78	72	78	72	78	78	56	83	89	78	61	61	78	67	61	72	50	72	83	72	50	61	56	39	44	50	44	39	56	44	39	33
Total score	893	883	857	855	849	839	809	800	799	797	796	785	754	731	729	728	722	699	698	687	678	669	668	644	638	635	631	622	615	605	591	585	565	549	544
Rank	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35

Sub-discipline	Top country/countries	Score	Maximum score
1. Patient rights and information	Netherlands, Norway	125!	125
2. Accessibility	Switzerland	225!	225
3. Outcomes	Finland, Norway, Switzerland	278	300
4. Range and reach of services	Netherlands, Sweden	125!	125
5. Prevention	Norway	119	125
6. Pharmaceuticals	Germany, Netherlands	89	100

https://healthpowerhouse.com/media/EHCI-2018/EHCI-2018-report.pdf

An affluent list of dashboards

- MIP Macro-economic imbalances procedure Core indicators and supplementary indicators
 - <u>https://ec.europa.eu/eurostat/documents/16624/9862137/2021</u> _statistical_annex_en.pdf
- Employment Performance Monitor (EPM)
- Social Protection Performance Monitor (SPPM)
 - Used to guide country specific recommendations in the social protection area)
- Europe 2020 Joint Assessment Framework (JAF).
 - The JAF is an indicator-based assessment system prepared jointly by the Employment Committee, the Social Protection Committee (SPC) and the Commission
- ESPR European Pillar of Social Rights dashboard from 2018 on



Flagship Reports

- 2021 Ageing Report
- 2021 Pension Adequacy Report
- 2021 Report on long-term care
- Yearly report ESDE Employment and Social Development Report in Europe

Social progress

- Social indicators added in 2015 to the MIP
- Dashboard EPSR included in social semester
- Social dimension more present in CSR, from restrictive to expansion of social protection
- Room for flexibility and fiscal stance
- In 2020, 2021 and perhaps 2020 activation of the general escape clause of the stability and growth pact
- And a discussion on the reform of this SGP is announced, allowing in the future probably more debt financed public investments
- A fiscal response package of Next Generation EU of 750 billion euro is approved of which 672,5 billion for the Recovery and resiliance fund, of which 312,5 billion as grants; for the period 2021-2026; total is 5,4% of GDP EU 27, or yearly 0,9% of GDP (some 13 870 billion in EU 27)
- But recovery and stability needs to come from national policies, including social protection (some 3 604 billion in EU, in one year, some 26% of GDP)

From social retrenchment to social protection in the country Specific recommendations CSR



Fig. 1 The internal composition of the Semester's social recommendations. *Source*: Authors' own elaboration. *Note*: percentage of policy prescriptions by 'orientation' over the total of social recommendations

An alternative (workers?) reading of the Ageing report: what future sustainability also means (example for Belgium, 2015)

AWG 2015 (2013 prices)

	2013	2020	2060 i	ndex 2060
GDP in billion euro	381	417	871	228
Population (millions)	11,2	11,9	15,4	138
GDP per capita in euro	34 054	35 000	56 552	166
Population +65 (million)	2,0	2,2	3,6	184
in % of total population	18%	19%	24%	
GDP per capita in prices 2013	34 054	35 000	56 552	166



Real implications behind public cost of ageing as % of GDP

	AWG 2015	(2013 price	es)	
				index
	2013	2020	2060	2060
GDP per capita in euro	34.054	35.000	56.552	166
Health care as % of GDP	6,0	5,9	6,1	102
Long-term care as % of GDP	2,1	2,3	3,7	176
Total health + LTC as % of GDP	8,1	8,2	9,8	121
Health care per capita in euro	2.043	2.065	3.450	169
LTC per capita in euro	715	805	2.092	293
Total health + LTC in euro	2.758	2.870	5.542	201
GDP- health and LTC, per capita, in euro	31.295	32.130	51.010	163

Real implications behind public cost of ageing as % of GDP

	AWG 2015 (2	2013 prix)		
	2013	2020	2060i	ndex 2060
GDP per capita in euro	34.054	35.000	56.552	166
Pensions as % of GDP	11,8	12,7	15,1	128
Pensions + health + LTC as % of GDP	19,9	20,9	24,9	125
Pensions in euro per capita	4.018	4.445	8.539	213
Pensions + health + LTC per capita in euro	6.777	7.315	14.081	208
GDP - pensions – health – LTC, per capita	27.277	27.685	42.471	156
Persons above 65 as % of total population	17,7	18,9	23,7	134
Ageing cost of 65+ in euro per capita	5.755	6.402	13.219	230
Ageing cost in euro per person above 65	32.514	33.874	55.776	172
Rest of GDP per capita	28.299	28.598	43.333	153
Rest of GDP per person below 65	34.385	35.262	56.793	165
Ratio evolution resources +65/65-				1,04

Part 3

Adequate pensions for ageing in dignity

3.1 First and second pension pillars3.2 Affordable health and LTC



3.1 First and second pension pillars



"Well if you set aside 2% of your salary for your pension you can retire at 97."

Pensioenrendement vergeleken

Vergelijking van de performantie van de eerste versus de tweede en derde pensioenpijler

Jozef Pacolet & Tom Strengs

HIVA

Assessment of adequacy (PAR 2018)

The triangle of pension adequacy



KU LEUVEN HIVA

Parameters for an adequate and sustainable (PAYG Pay-As-You-Go) pension scheme

- Income of the pension scheme, pension contributions $= A(t) \times c(t) \times W(t)$
- =
- pension expenditures $=B(t) \times P(t) = B(t) \times r(t) \times W(t)$
- where
 - · A is number of employed or potentially employed persons,
 - c is contribution rate,
 - W (t) is average wage and
 - B(t) is number of beneficiaries or retirees
 - P(t) is average pension
- r is the replacement rate or r(t) =P(t) /W(t)
- c is the contribution rate or c= (B(t) * P(t))/ (W(t) * A(t))
 - or c(t) = (B(t) /A(t)) *(P(t) /W(t))

- where
- B(t) /A(t) = dependency rate
- and
- P(t) /W(t = replacement rate.

Source: based on Devolder, P., & de Valeriola, S. University of Louvain (UCL) Belgium, May 2016, *Pension Design and Risk Sharing: New Mix Solutions between DB and DC, Institute and Faculty of Actuaries*, PowerPoint;



Role of the first and second pillar pension pillar: in contributions



Employers' actual pension contributions

Private defined benefit schemes

Defined benefit schemes for general government employees classified in financial corporations

Defined benefit schemes for general government employees classified in general government (not in core accounts)

■ Social security pension schemes (not in core accounts)

Role of the first and second pension pillar: in contributions





Role of the first and second pension pillar: in contributions





Role of the first and second pension pillar: total contributions, as % GDP





Role of the first and second pension pillar: in benefits





Role of the first and second pension pillar: administrative costs





Role of the first and second pension pillar: administrative costs

'A front-load fee (% of new contributions) of 1% would reduce the value of contributions after a 40 years career with some 20%;

an annual management fee (% of account balance) of 0.5%

would reduce the value of the account after 40 years with some 10.5%.

Peter Diamond (2018), https://saspensions.files.wordpress.com/2018/11/peter-diamond.pdf





Role of the first and second pension pillar: accrued-to-date pension entitlements



Role of the second pension pillar: accrued-to-date pension entitlements





Gross and net replacement rate, mandatory public and private pensions, and voluntary private schemes

Percentage of individual earnings													
	Gross public	mandat and priv	ory vate	Net mar and	ndatory p d private	oublic	To with	tal gross volunta	ry	Total net with voluntary			
	0,5	1	1,5	0,5	1	1,5	0,5	1	1,5	0,5	1	1,5	
Austria	76,5	76,5	76,5	89,7	89,9	89,6							
Belgium	57,3	46,8	33,7	70,7	66,2	48,3	78,1	61,0	44,1	87,9	72,4	57,8	
Czech Republic	75,0	45,9	36,2	91,6	60,3	47,9							
Denmark	113,8	74,4	64,0	104,5	70,9	63,3							
Estonia	61,4	47,1	42,3	65,6	53,1	49,0							
Finland	56,5	56,5	56,5	65,1	64,2	64,9							
France	60,2	60,1	54,0	71,4	73,6	69,0							
Germany	38,7	38,7	38,7	56,1	51,9	51,4	52,2	52,2	52,2	68,6	68,0	67,5	
Greece	63,1	49,9	45,5	57,6	51,1	50,3							
Hungary	56,1	56,1	56,1	84,3	84,3	84,3							
Ireland	54,1	27,0	18,0	60,5	35,9	26,7	89,9	62,9	53,8	105,6	81,1	75,5	
Italy	79,5	79,5	79,5	92,0	91,8	94,4							
Latvia	44,6	44,6	44,6	55,2	54,3	52,2							
Lithuania	36,8	23,6	19,2	48,4	31,0	25,3							
Luxembourg	91,5	78,8	74,5	99,0	90,1	85,9							
Netherlands	73,5	70,9	70,1	78,0	80,2	78,5							
Poland	29,4	29,4	29,4	35,9	35,1	34,7							
Portugal	75,8	74,4	73,1	88,0	89,6	89,0							
Slovak Republic	59,5	49,6	47,0	71,7	65,1	63,3							
Slovenia	47,8	38,8	36,0	62,8	57,5	53,7							
Spain	72,3	72,3	72,3	78,6	83,4	82,8							
Sweden	54,1	54,1	65,3	60,7	53,4	68,9							
United Kingdom	43,5	21,7	14,5	51,0	28,4	20,2	72,6	50,9	37,4	82,3	61,0	47,4	
EU28	60,3	52,0	48,8	69,8	63,5	60,4				73,6	67,0	64,0	

OECD, Pensions at a glance 2019; see also B. Davies, ETUC report 2021

Fiscal treatment of contributions and benefits: role of fiscal expenditures

- Difference between gross and net pensions
- Importance of fiscal and social expenditures
- Is similar for total social protection
- An example for Belgium: the taxation of benefits was some 2% of GDP; the fiscal expenditures for social protection was also some 2% of GDP



Total assets in retirement savings plans, as % of GDP, 2009 vs 2019



KU LEUVEN

HIVA

3.2 Adequate (available, affordable) and sustainable health and LTC



12 90% 80% 10 70% 60% 8 Share in tota % of GDP 9 50% 40% 30% 4 20% 2 10% 0 0% ΒG CY LV EL MT PΤ ΗU ES SI ΙE IT AT EΕ FI ΒE RO UK SK NL CZ HR FR SE DK LU DE LT General government □ Private social insurance/enterprises

Other

Private and public spending on healthcare, % of GDP, 2017

Source: Eurostat data, SHA

Private household out-of-pocket expenditure

• Share public sector in total



Private and public spending on healthcare, old member states, % of GDP, 2007-2018





Private and public spending on healthcare, new Member States, as % of GDP, 2007-2018



Household out-of-pocket payment

■ Voluntary health care payment schemes

Government schemes and compulsory contributory health care financing schemes

Source: Eurostat data

Long-term care (LTC) spending, % of GDP, projections



□ 2016 **□** 2025 **□** 2035 **□** 2045 **□** 2055 **□** 2065

LTC: % of beneficiaries of total population and total spending as % of GDP



HIVA

Relation between development of residential and home care



% of population receiving institutional care



In search of the expenditures on health and long-term care in the ESSPROS statistics on social protection, EU 28, as % of GDP



51



In search of the expenditures on health and long-term care in the ESSPROS statistics on social protection



Disability Old age Sickness/Health care Survivors



In search of the expenditures on health and long-term care in the ESSPROS statistics on social protection



■ Disability ■ Old age ■ Sickness/Health care ■ Survivors



Complementarity between in cash and in kind benefits, total of health, sickness, disability, old age and survivors





Complementarity between in cash and in kind benefits by function



KU LEUVEN HIVA

LTC: public and private spending for health long-term care social longterm care as % of GDP



HC R 1 Long-term care (social) - HF 3 Household out-of-pocket payment

□ HC R 1 Long-term care (social) - HF 2 Voluntary health care payment schemes

HC R 1 Long-term care (social) - HF 1 Government schemes and compulsory contributory health care financing schemes

HC 3 Long-term care (health) - HF 3 Household out-of-pocket payment

HC 3 Long-term care (health) - HF 2 Voluntary health care payment schemes

HC 3 Long-term care (health) - HF 1 Government schemes and compulsory contributory health care financing schemes



LTC: relative importance of the in SHA reported social long-term care, as % of total health care and social long-term care

You never know if zero means not existing or not reported or included in health care; You neither know if figures for other countries are exhaustive

12,0% 11,2% 10,1% 10,0% 8,4% 7,7% 8,0% 6,0% 5,3% 5,3% ^{5,5%} 4,2% 4,4% 4,5% 4,5% 4,7% 4,7% 4,0% 2,0% 0,7% 0,8% ^{1,0%} 0,0% AT BF BG CY DF FL HR ΡL SK ES EE RO LV UK PT HU SI SE FR LU CZ FI LT DK NL IF IT MT

Share HC R 1 in total health care expenditure including HC R 1

LTC: public and private spending for residential health long-term care as <u>% of GDP</u>



HP 2 Residential long-term care facilities

□ HF 3 Household out-of-pocket payment

HF 2 Voluntary health care payment schemes

■ HF 1 Government schemes and compulsory contributory health care financing schemes

Source: Eurostat SHA

Some conclusions

- Indicators are not targets
- We should take stock of what is available
- It is not only about sustainability and adequacy, but also about transparency and exhaustiveness
- There is no free lunch for social protection
- It takes time before substantial changes occur
- See first of all the conclusions on monitoring the recommendation for decent social protection
- We added somewhat to the transparency on pensions
- Adequacy is multidimensional: improvement is needed as well on the dimension of poverty avoidance, and improved replacement: take the momentum for the need to recovery, to improve the systems now, as part of the expansion policy
- Health and long-term care are by definition in kind. From European comparative perspective we should develop them further in those countries lagging behind
- For long-term care, financed or organized explicitly or implicitly, both at home, in residential setting and as care allowance, they all need to be further developed.

THANK YOU

