



Securing sustainable and adequate social protection in the EU

Session on Social Protection & Security

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Dr Lieve Fransen

European Commission
DG Employment, Social Affairs
and Inclusion

□ **Social protection in the EU - values**

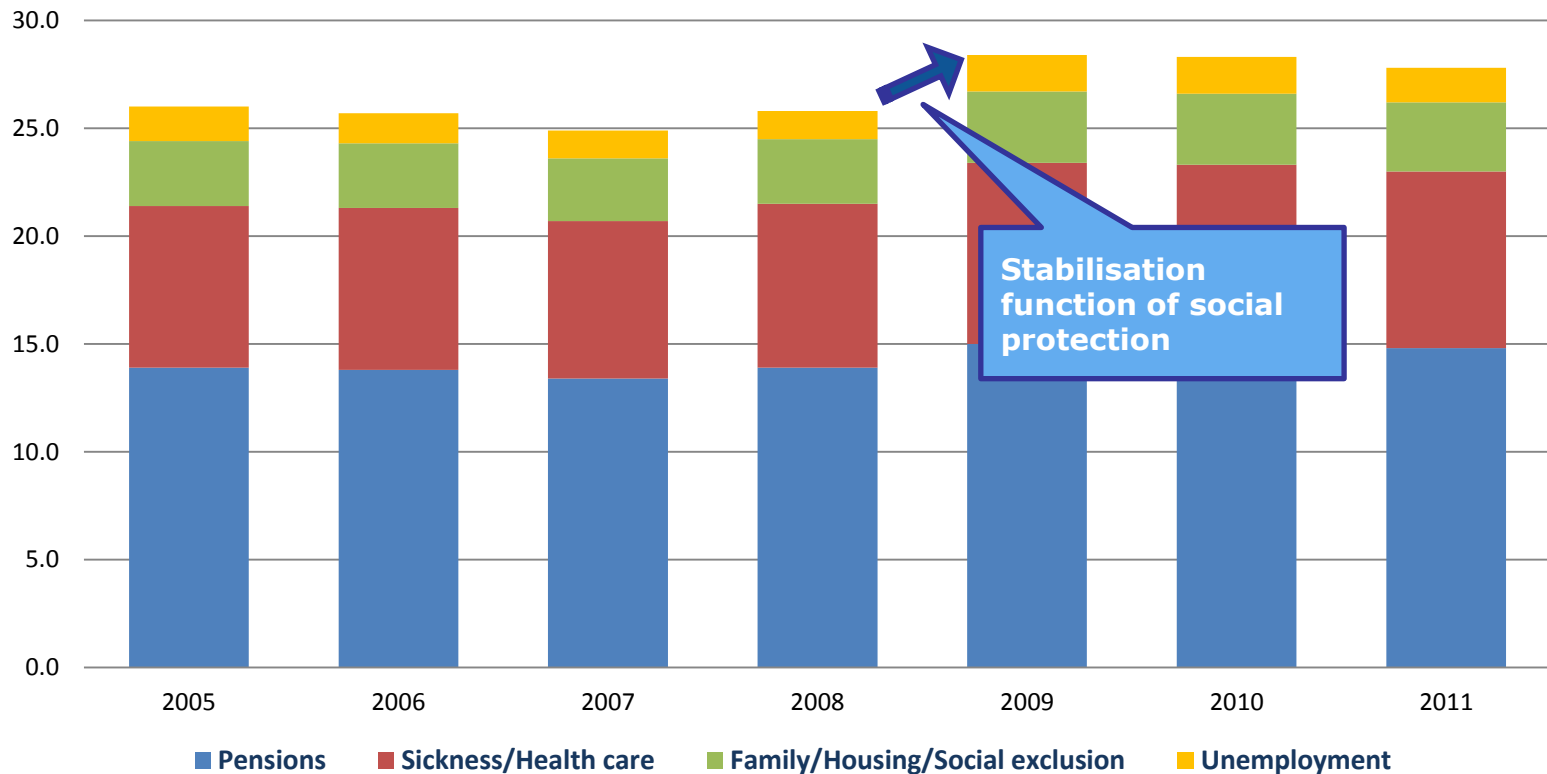
EU looks back at a long tradition of social market economies which agreed to establish an internal market with fair competition based on strong social values as included in:

- **The Treaty on the Functioning of the European Union**
- **The European Social Charter of the Council of Europe (STE No. 163)**
- **The Charter of Fundamental Rights of the European Union (2010/C 83/02)**

□ Social protection in the EU – achievements

EU citizens have access to extensive social protection

Social protection benefits in % of the GDP
European Union (27 countries)



□ Social protection against poverty

- **The poverty risk for people 65+ in the EU is below to those in the total population.**

At-risk-at-poverty rate EU-28	2012
EU 65+ years	16%
EU total population	18.2%

- **Women in the EU are at higher risk of poverty than men (gender gap also in pensions)**
- **Young generations in the EU face increasing poverty rates**

❑ Major challenges to EU social protection systems

Short-term challenge: The economic crisis and its aftermaths

- Financial, economic and public budget crises aggravate the situation for social protection schemes (fiscal constraints and employment impacts)

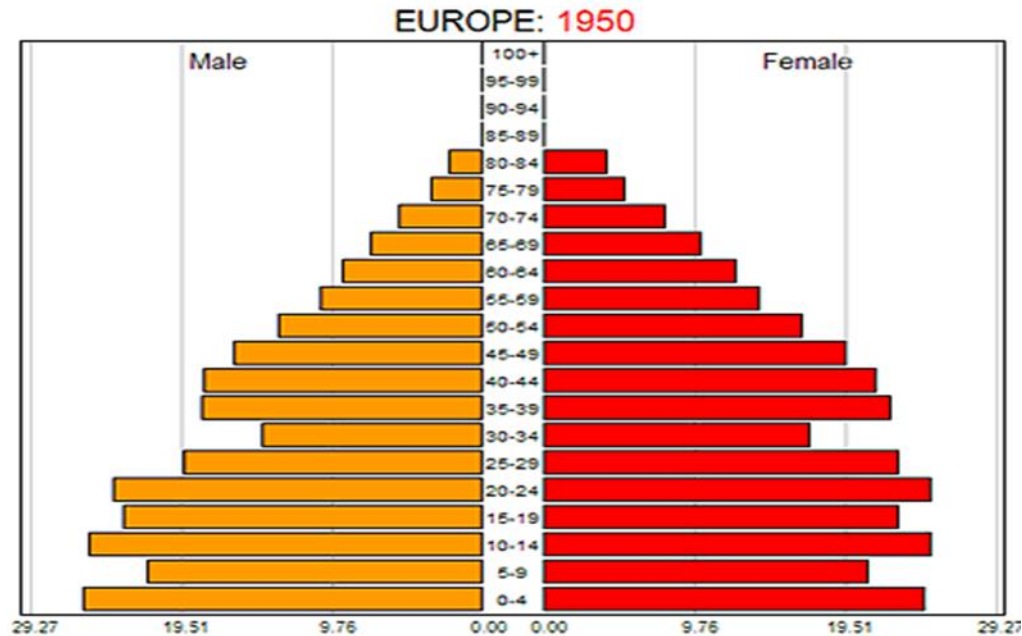
Medium and Long-term challenge: Demographic ageing

- Ageing of the 'baby-boomers' generation
- Increasing longevity amid persistently low birth rates
- Shrinking EU working age population
- Future generations: strengthening intergenerational solidarity

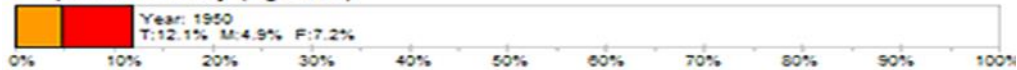


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Population by Age and Sex (1950 – 2050)



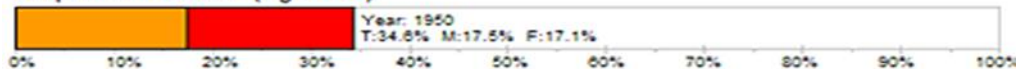
Proportion: Elderly (Age 60+)



Proportion: Working-age Population (Age 20-59)



Proportion: Children (Age 0-19)



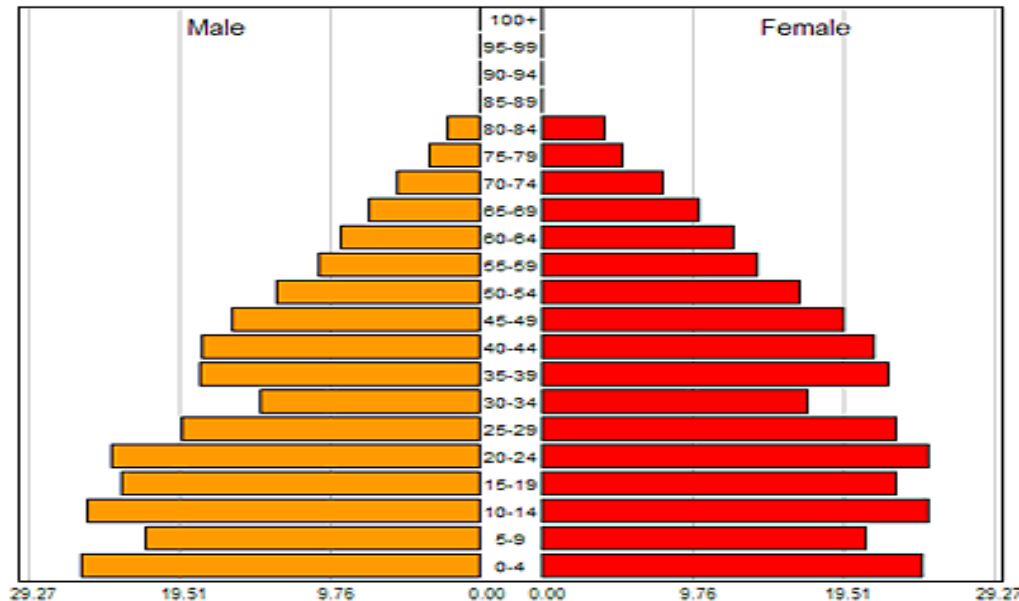
Source: United Nations Population Division



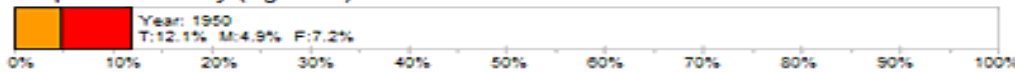
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Population by Age and Sex (1950 – 2050)

EUROPE: 1950



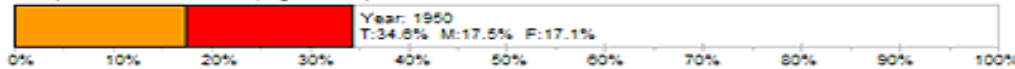
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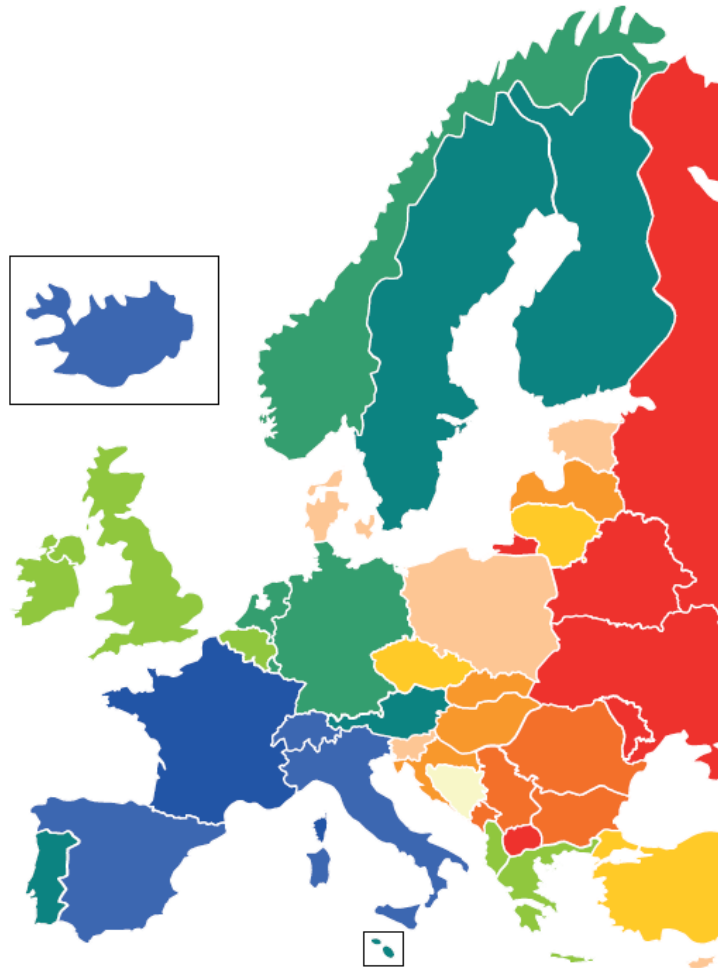
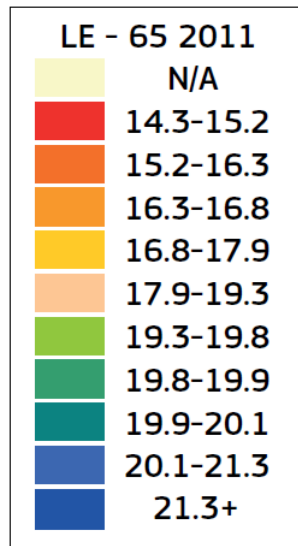


Source: United Nations Population Division



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Remaining life expectancy varies across EU



Remaining life expectancy at age 65 across Europe, 2010

Source: Eurostat

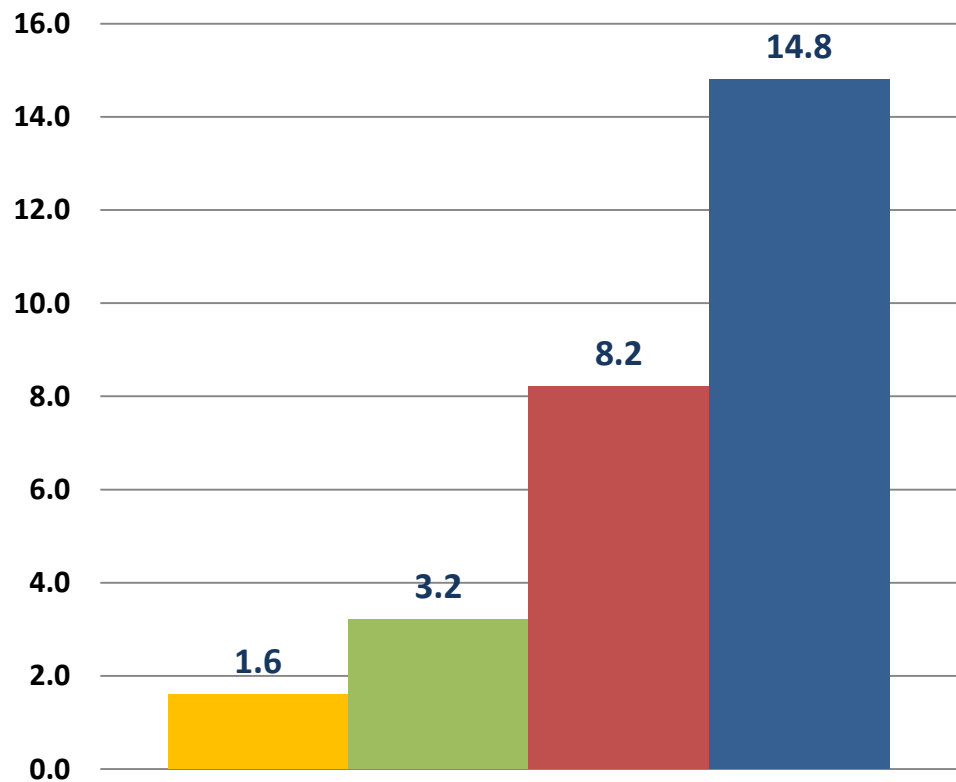
- ❑ **How does the EU want to address these challenges? The answer is **active ageing (1)****

- ❑ **A Social Investment Approach**
 - *Empowering and supporting people in crucial stages of their lives, starting in childhood*
 - *Focusing on prevention (keeps larger economic and social costs from arising in the future)*
 - *Developing human capital (gives people the skills and capabilities to participate in society)*

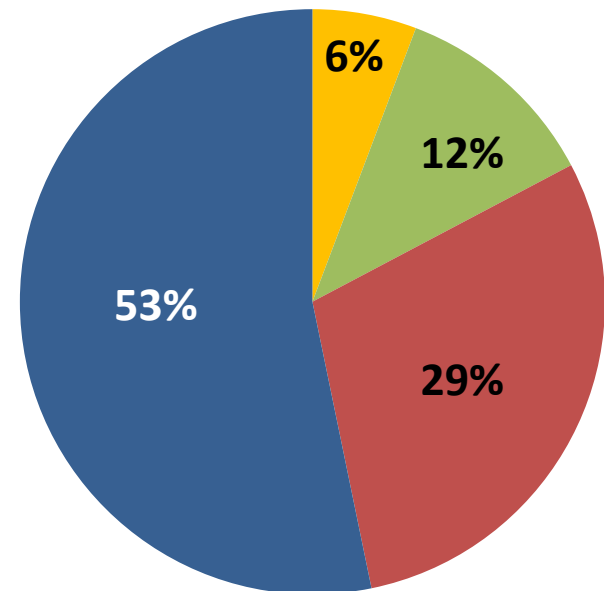
- ❑ **How does the EU want to address these challenges? The answer is **active ageing (2)****

- ❑ **Long term care, Health care and Pensions**
 - *Policies reducing care demand (improving prevention, rehabilitation and the capacity for independent living)*
 - *Policies boosting care services quality (support informal carers; raise quality care provision; use of ICT in drives for higher productivity)*
 - *Ensuring accessible, high-quality and sustainable health care*
 - *Policies improving the sustainability and adequacy of public pension schemes*

Social protection benefits in % of the GDP (EU-27, 2011)



Social protection benefits as % of total social expenditure (EU-27, 2011)



■ Unemployment
 ■ Family/Housing/Social exclusion
 ■ Sickness/Health care
 ■ Pensions

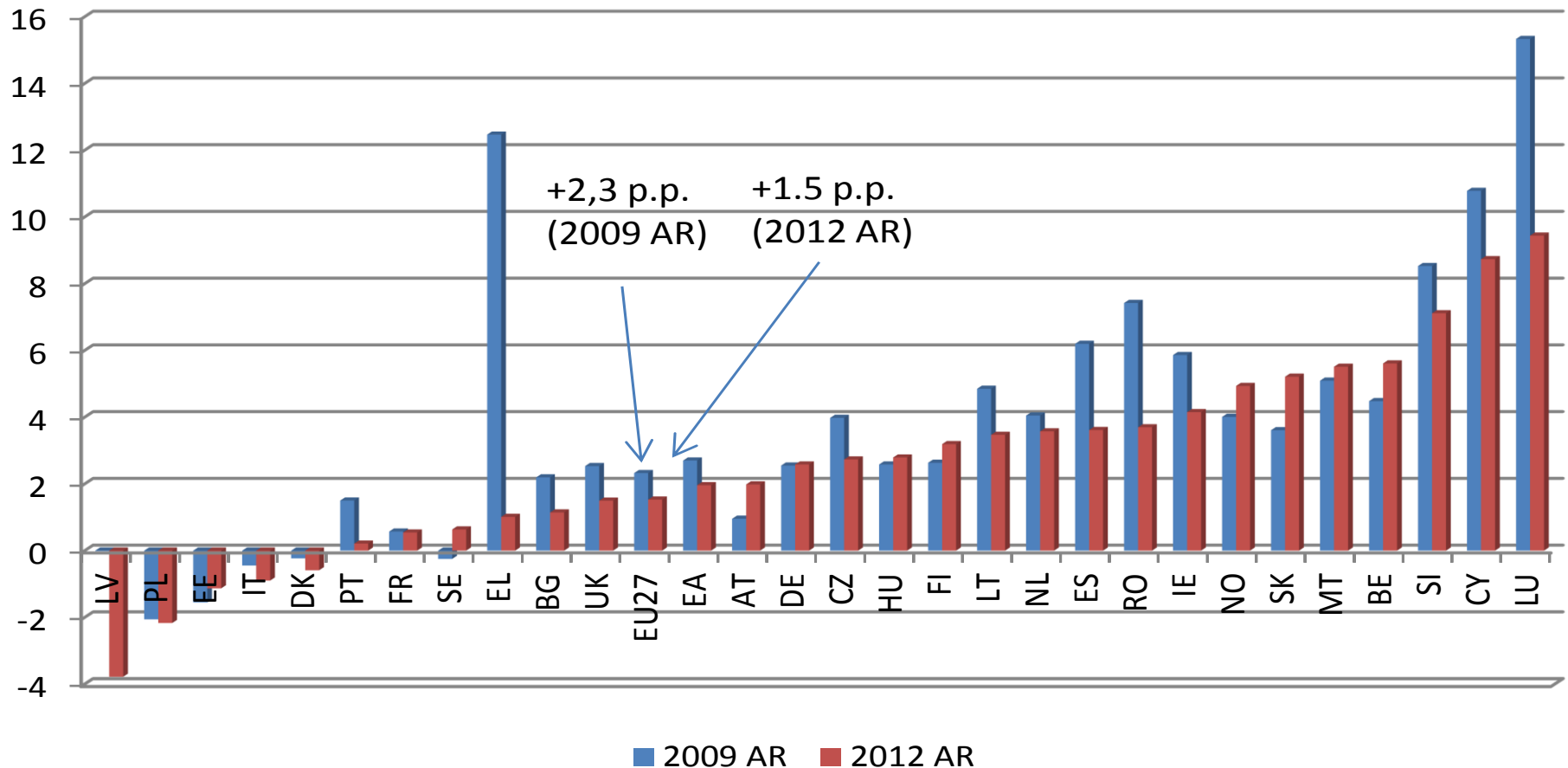
Early pension reforms in EU Member States

□ Pension reforms addressing demographic developments in the past years tended to achieve sustainability at the expense of adequacy by:

- *Raising the pensionable age*
- *Equalising the pensionable age for men and women*
- *Providing incentives for people to work more and longer (raising the effective retirement age)*
- *Tightening the penalties for early retirement*
- *Increasing the contribution rates*
- *Temporarily freezing pension benefits levels*
- *Reducing the indexation of pensions*

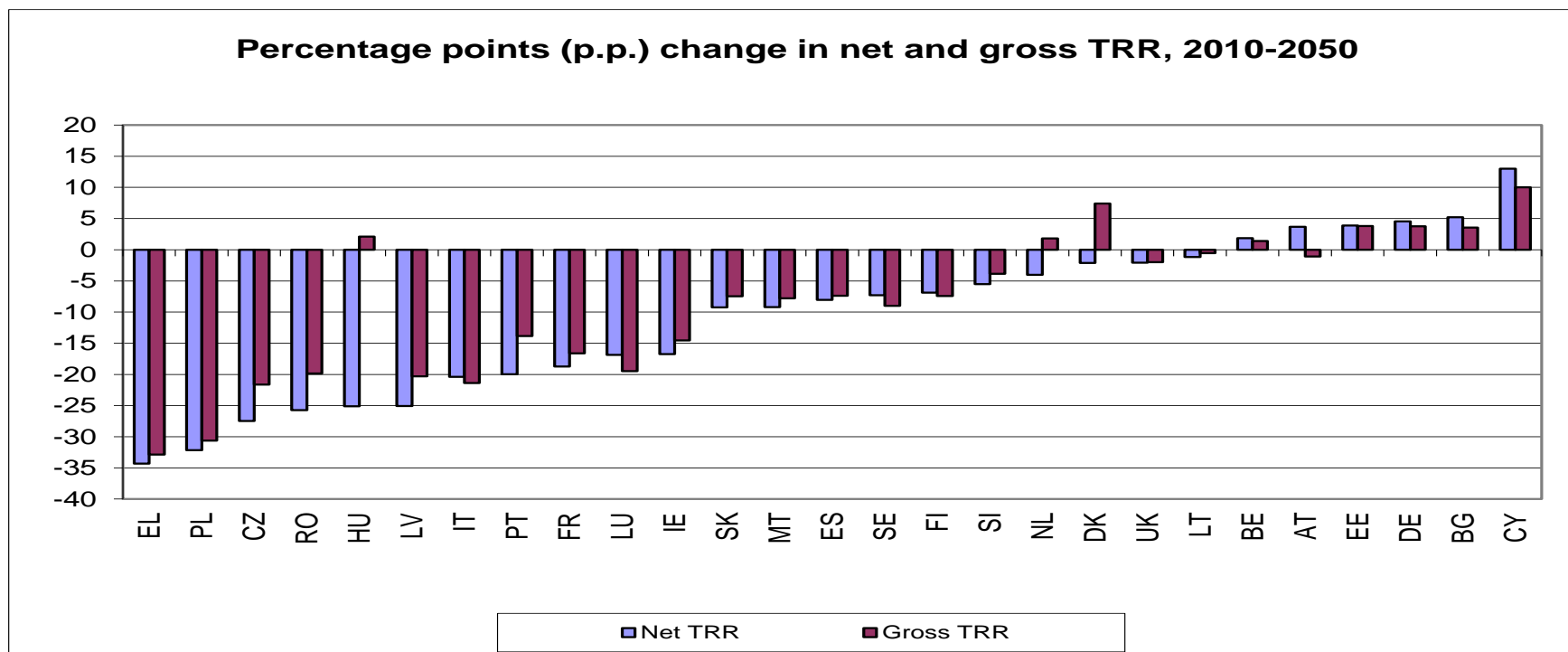
Improved pension sustainability

(change 2010-2060 in percentage points) - 2009 and 2012 Ageing reports



Future pension adequacy at risk

Figure 1. Trends in net and gross TRR 2010-2050, the "base-case" scenario (sorted according to ascending percentage point changes in net TRR)



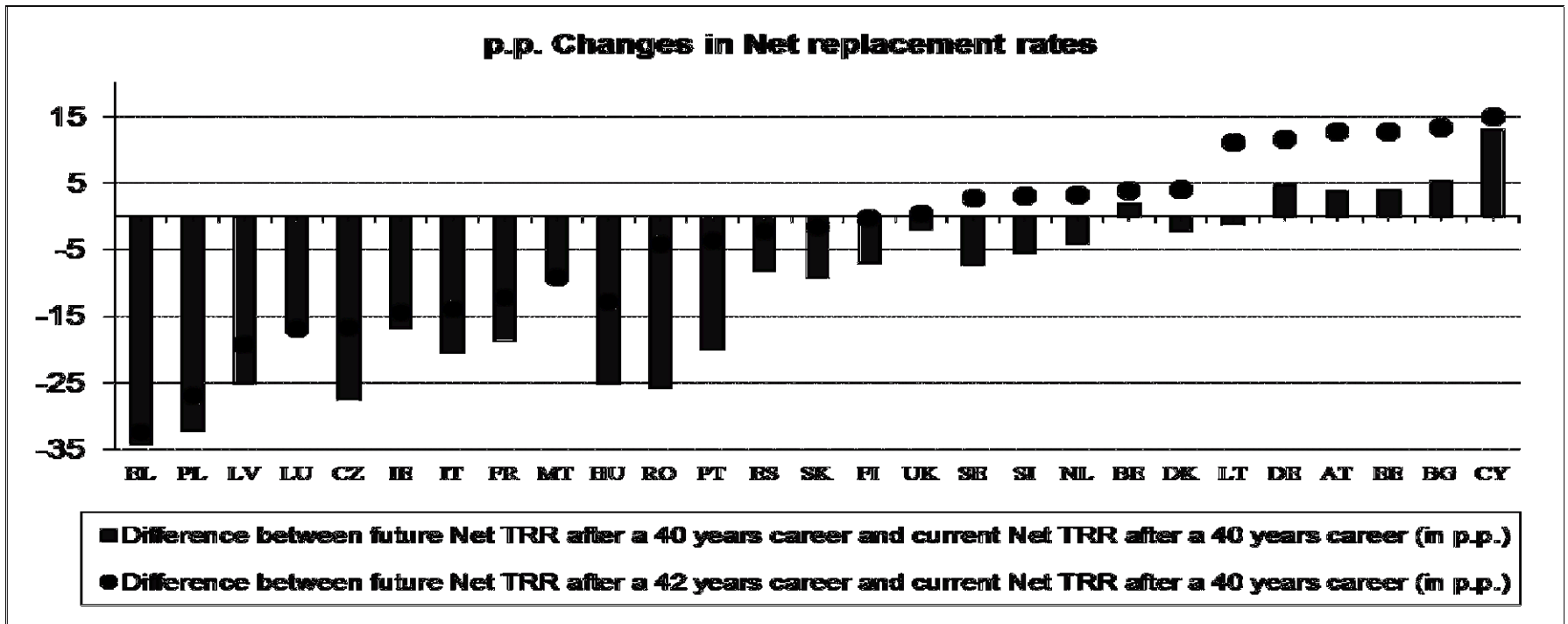
□ EU retirees at age 65 with 40 years career in 2050 will have significantly lower replacement rate compared to the levels in 2010.

The EU White Paper on pensions

- The White paper on pensions is the EU strategic guidance for Member states reforms to **ensure adequate and sustainable** pensions when people live longer and the proportion between those of active age to those of retirement age is quickly falling.
- The White paper on pension explores two ways for achieving pension adequacy and sustainability at the same time: Europeans will generally need to **work more & longer** and **save more** for their retirement while enhancing the safety and cost-effectiveness of such savings.

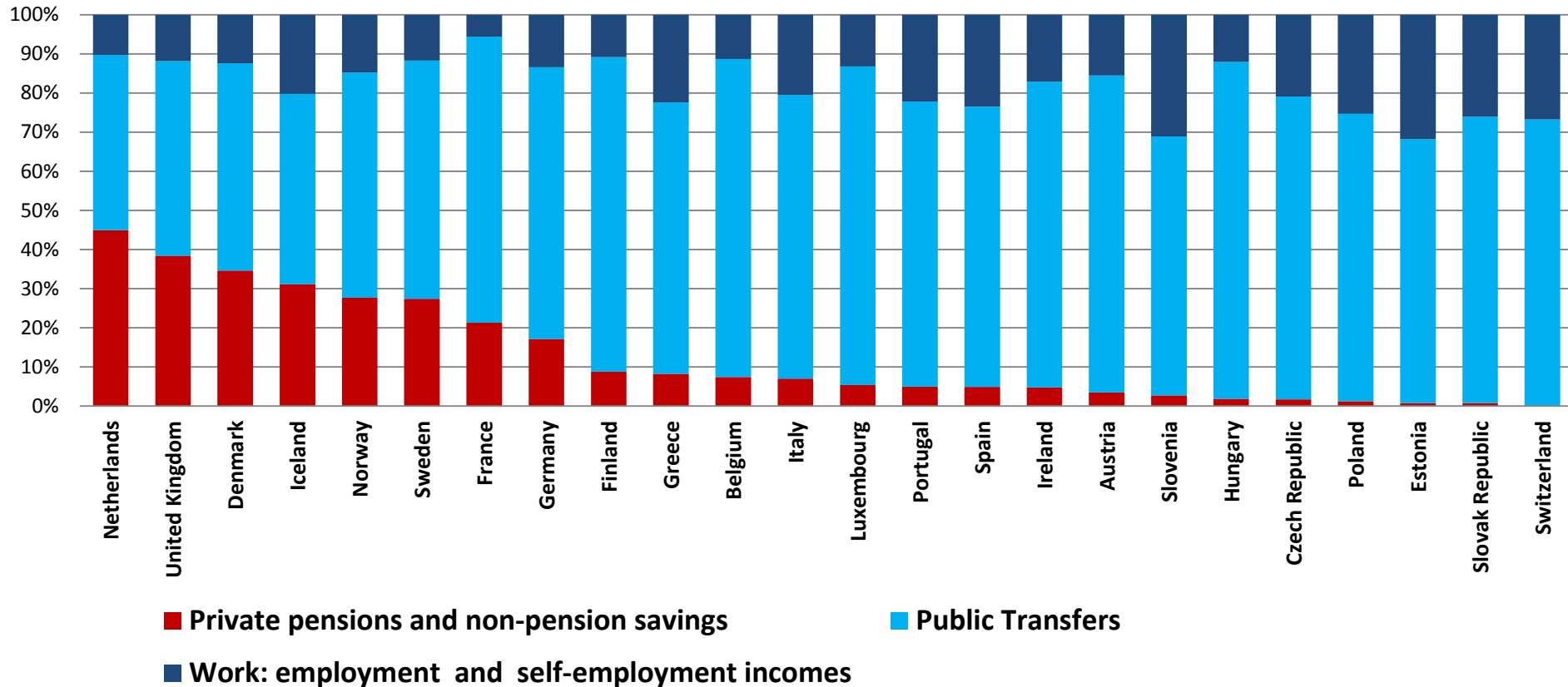
□ How to achieve pension adequacy and sustainability at the same time?

Future TRRs: **The effect of working longer**



□ Enhancing complementary retirement savings

Sources of incomes for age 65+, late 2000s
Percentage of gross household income



Source: Pensions at a glance 2013 (OECD)

❑ EU policy coordination - the European Semester

❑ Country-specific recommendations 2014 on pensions:

- *Increase retirement age:* Austria, Bulgaria, Croatia, Czech Republic, Finland, Lithuania, Luxembourg, Malta, Slovenia (9)
- *Reduce early labour market exit:* Belgium, Bulgaria, Croatia, Finland, Lithuania, Luxembourg (6)
- *Enhance supplementary savings:* Germany, Lithuania, The Netherlands, Slovenia (4)
- *Equalise pensionable ages for women and men:* Austria, Bulgaria, Croatia (3)
- *Review indexation of benefits:* Czech Republic, Lithuania (2)
- *Review special schemes:* Poland (1)
- *Monitor the implementation of recent reforms:* Austria (1)

- ❑ **EU policy coordination - the European Semester**
- ❑ **Recent national pension reforms in the EU Member States**
 - *24 of 28 MS have legislated current or future **increases of pensionable age**:*
 - *7 MS have decided to directly link pensionable age to life expectancy gains.*
 - *2 MS have introduced a flexible pensionable age.*
 - *26 of 28 MS either already **apply the same pensionable age to men and women** or have passed legislation which foresees gradual equalisation in the future.*
 - *No consistent reforms **enhancing complementary savings** across EU.*

□ Next Steps!

- **Continue supporting the EU Member States in further reforms by the implementation of the White Paper on pensions:**
 - To raise the employment of older workers
 - To improve the coverage and quality of supplementary savings
 - To close the gender pension gap
- **Continue monitoring the pension sustainability and adequacy:**
 - The 2015 Ageing Report
 - Pension Adequacy Report 2015

□ Sources and references

- **The White Paper “An Agenda for Adequate, Safe and Sustainable Pensions”**

<http://ec.europa.eu/social/main.jsp?catId=752>

- **The report on Pension Adequacy in the European Union 2010-2050 (2012)**

<http://ec.europa.eu/social/main.jsp?catId=752&langId=en>

- **The 2012 Ageing Report**

http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf

- **The report on the Gender Gap in Pensions in the EU**

http://ec.europa.eu/justice/gender-equality/files/documents/130530_pensions_en.pdf

- **MISSOC** (Mutual Information System on Social Protection) <http://www.missoc.org>

