

# ADEQUATE, ACCESSIBLE AND SUSTAINABLE PENSIONS – CHALLENGES AND WORKING SOLUTIONS

SETTING THE SCENE:  
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OF LABOUR MARKETS AND SOCIAL SYSTEMS

4th (virtual) meeting: “Demographic change in the European Union”

24 November 2020

**THE DEMOGRAPHICS STRUGGLE IS LOST (\*)**

**(\*) but we should not cease to fight it**

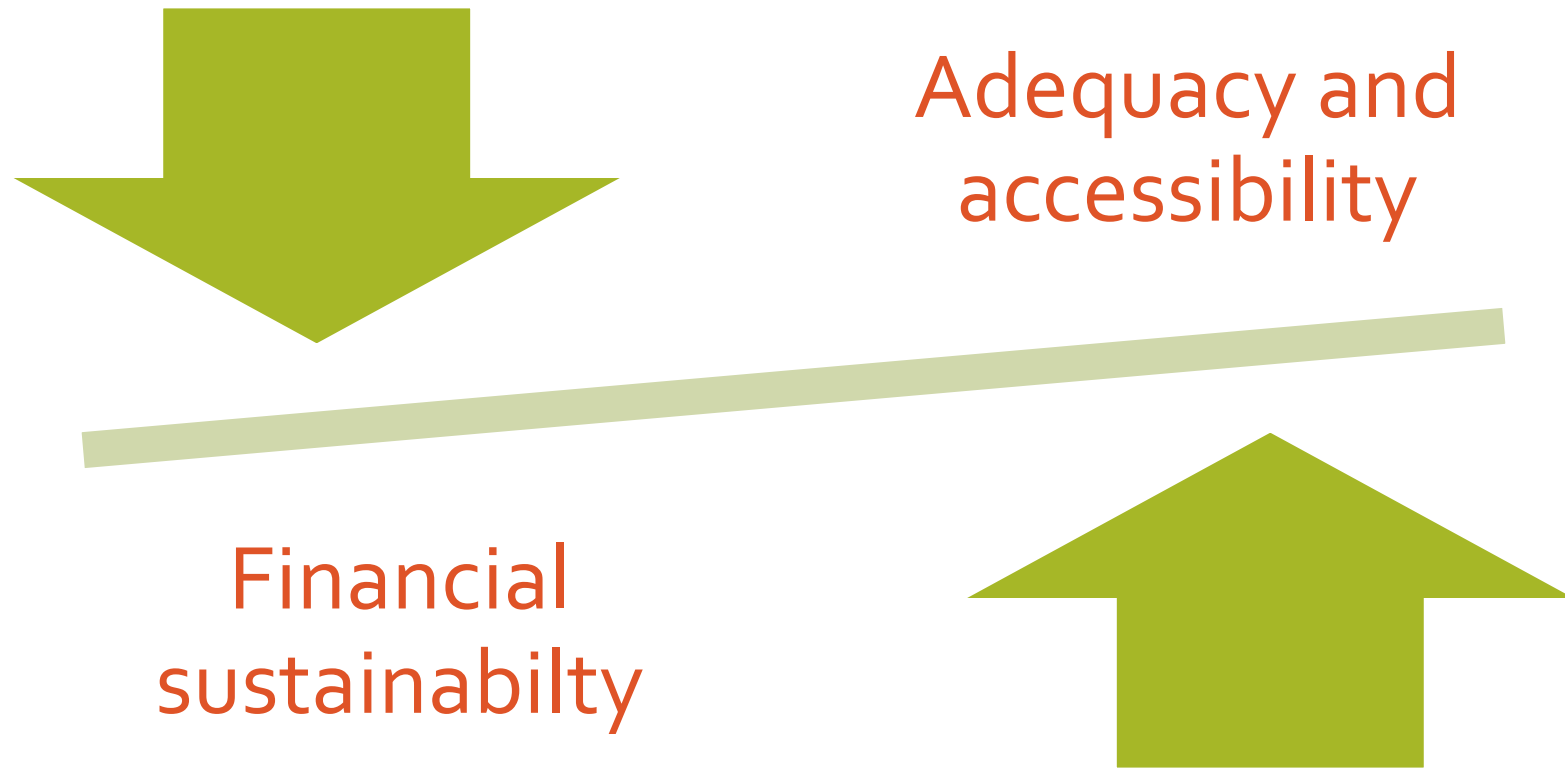
# THE PERSPECTIVE OF YOUNG PEOPLE

- We had the time to deal with the demographic evolution
- We had time for our societies to create better working perspectives for the younger people
- But what's happening?
  - Younger people have greater difficulties in finding a job
  - Many young couples don't have security in their lives
  - Many young couples can't see into their future
  - They won't raise children in these conditions

# NOT ONLY A PENSIONS ISSUE

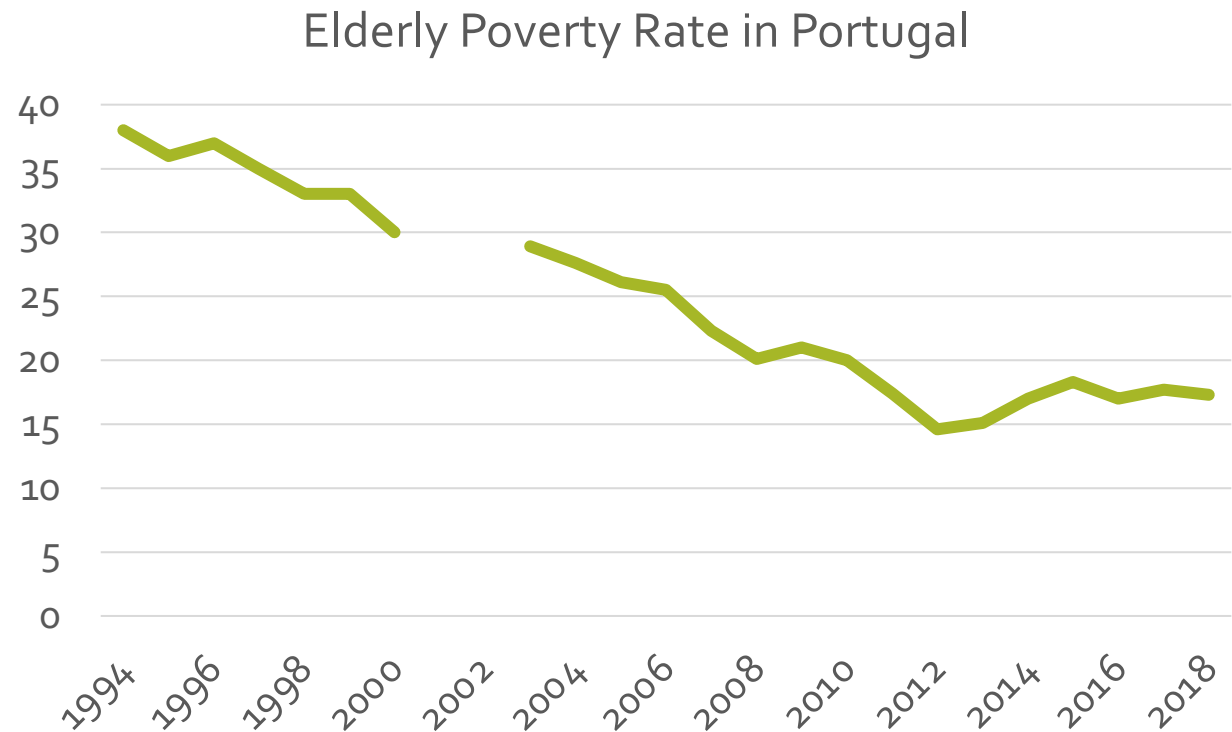
- Healthcare?
- Will older people rule our societies?
- Will our societies become more conservative?

# BUT SURELY IT IS ALSO A PENSIONS ISSUE



# ADEQUATE PENSIONS

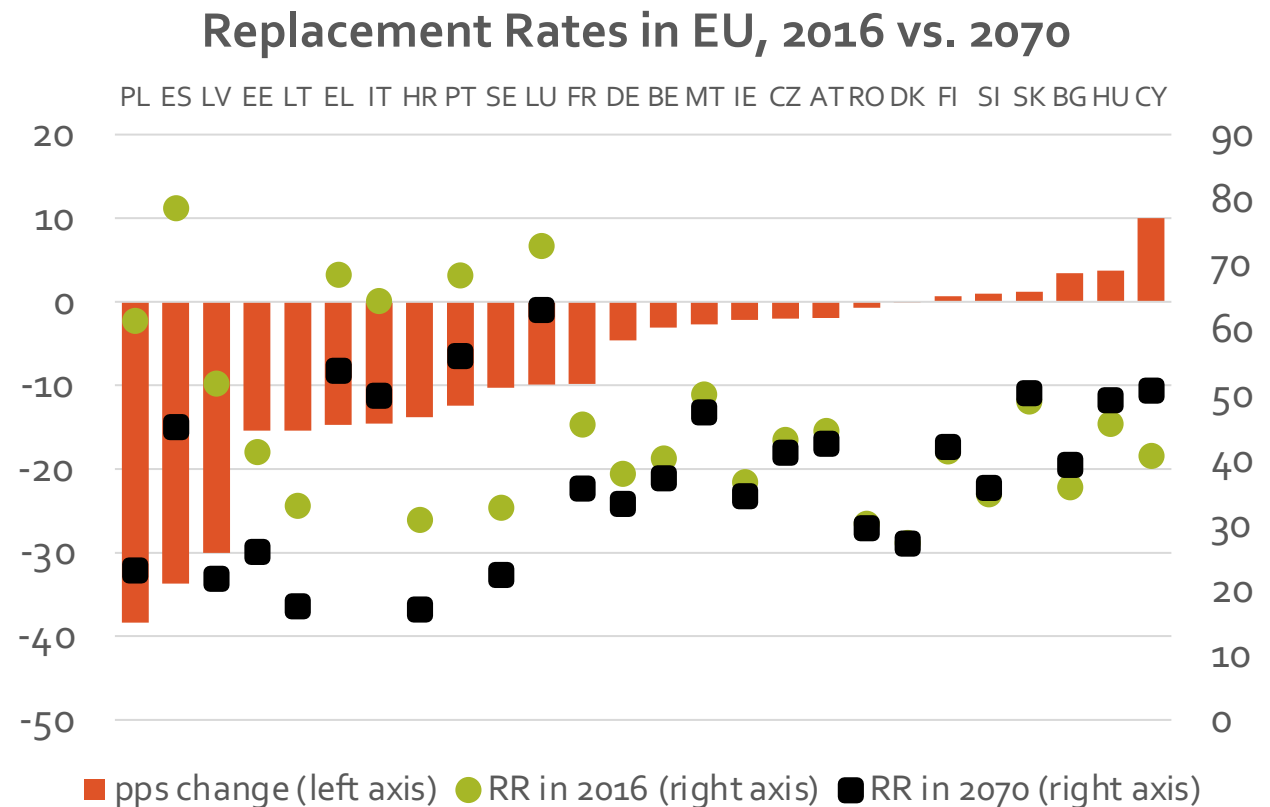
- Elderly poverty rate in PT:
  - 38% in 1994
  - 14.6% in 2012
  - 17.3% in 2018
- Drivers of the reduction:
  - System maturity
  - increase in minimum pensions
  - Design of a specific safety net benefit



Source: Eurostat, EU-SILC

# ADEQUATE PENSIONS

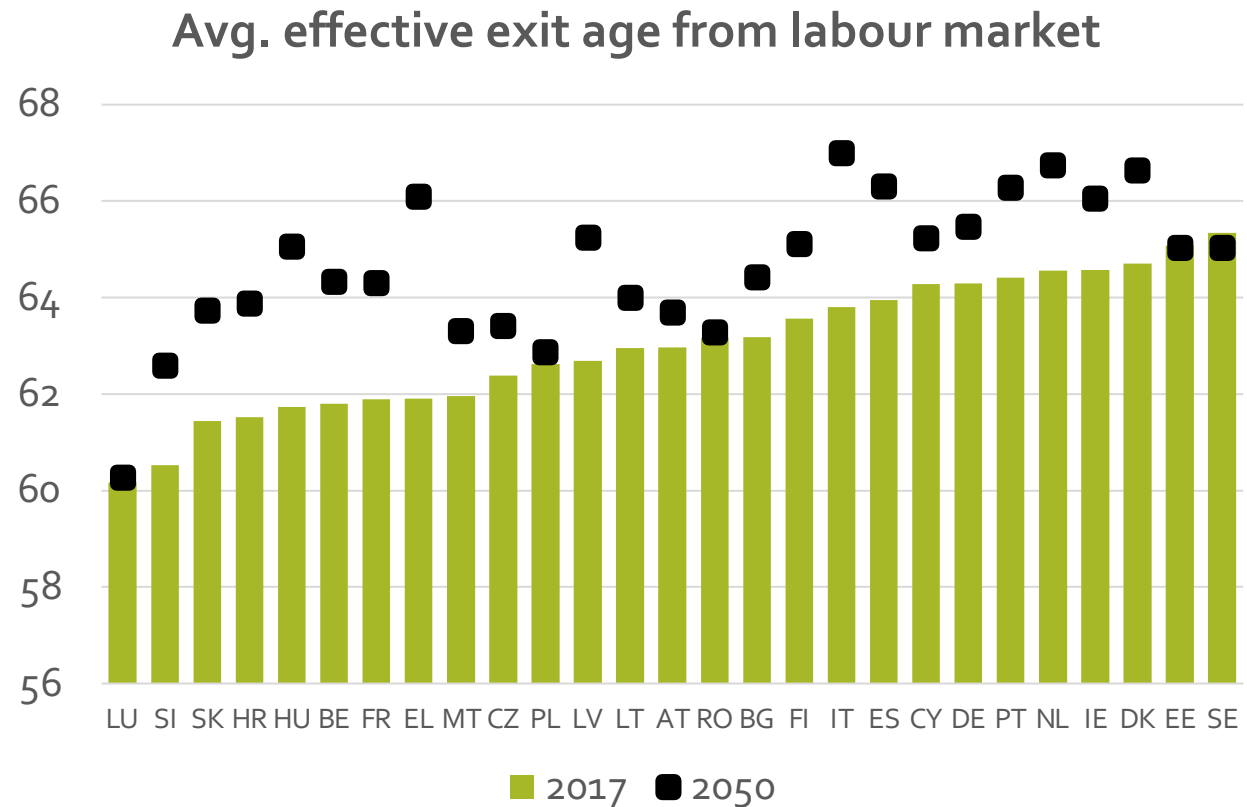
- Replacement rates compare pension amount over previous income from work.
- According to current law frameworks in most of the countries, replacement rates are expected to have big drops.



Source: EU comission, AWG Group, The 2018 Ageing Report (data not available for NL)

# ACCESSIBLE PENSIONS

- Legal retirement ages are insufficient to evaluate a pension system, due to early retirement schemes in play;
- Effective retirement ages provide better insights, but projections should be taken with caution, due to behavioral factors;
- Still, significant increases are to be expected



Source: EU comission, AWG Group, The 2018 Ageing Report

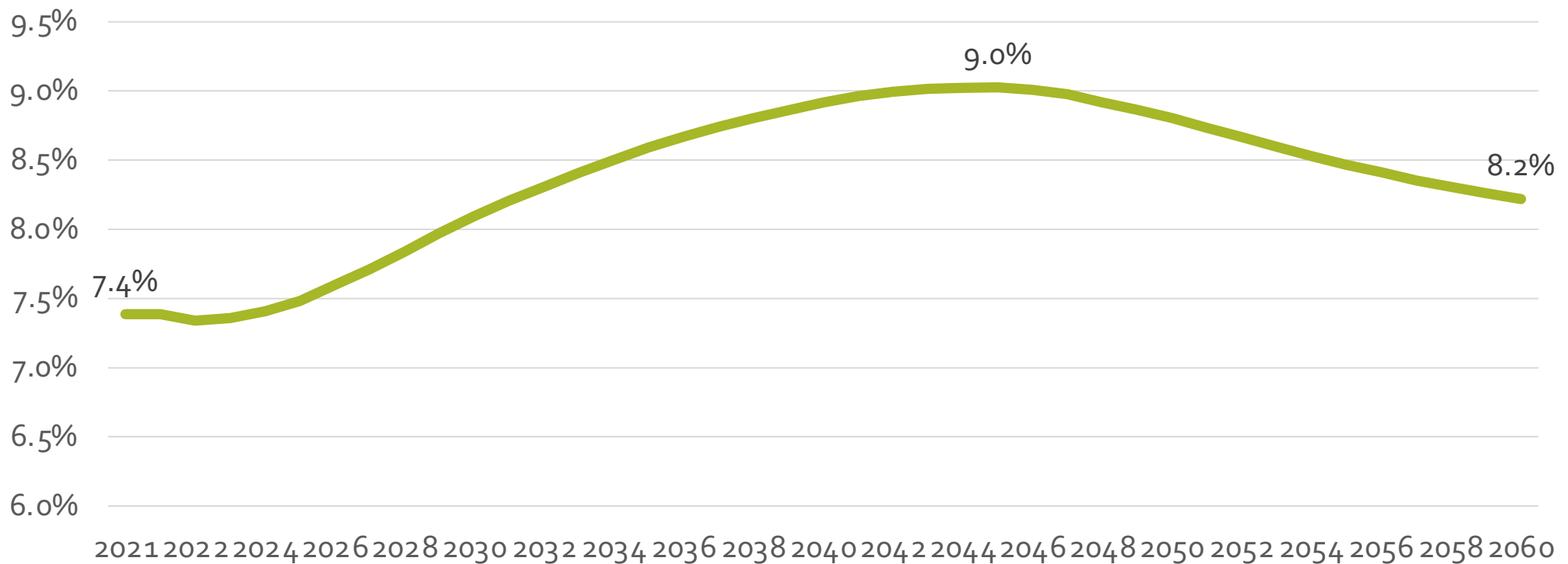


# FINANCIAL SUSTAINABILITY: Portuguese experience

- **Mid 90s:** creation of a **special commission of experts**, who worked with the society, the social partners and others;
- **1999:** creation of a **stabilization fund**;
- **2002 reform:** use of **full career** to (gradually) calculate a pension amount;
- **2007 reform:**
  - Strengthening of 2002's reform: **full career importance is increased**;
  - **Sustainability factor**;
  - **Automatic pension updates**;
- **Early 2010s:** **Financial crisis**
  - **Early retirement suspension** during the period of financial assistance;
  - **Indexation of legal retirement age** to life expectancy.
- **More recently:** **diversification of funding:**
  - **New property tax revenues**;
  - **Corporate tax revenues**.

# FINANCIAL SUSTAINABILITY: Portuguese experience

Expenditure with earning related pensions (%GDP) projection, PT



Source: Portuguese Ministry of Labour, Solidarity and Social Security, projections for the 2021 State Budget Report

**THANK YOU!**

**And stay safe!**

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