ADEQUATE, ACCESSIBLE AND SUSTAINABLE PENSIONS – CHALLENGES AND WORKING SOLUTIONS

SETTING THE SCENE:
VÍTOR JUNQUEIRA
(DIRECTOR OF NATIONAL PENSIONS CENTRE, PORTUGAL)

DEDICATED WORKING GROUP ON IMPROVING THE PERFORMANCE
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

Adequacy and accessibility

Financial sustainability
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 Commission, 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!

vitor.junqueira@seg-social.pt