

Social sustainability: Towards adequate pensions



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Public pension systems: changing narratives, changing realities ?

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Social sustainability: Towards adequate pensions

- In addition to financial sustainability: **social adequacy** of pensions matters!
 - **Reducing the risk of poverty** in old age: need for sufficient basic or minimum pensions
 - **Living standard maintenance**: public earnings-related / private contributory pensions matter
- **Pension reforms** have increased marketization & financialization of pensions
- Increase in **retirement age** requires advancing disability & active ageing policies
- Labour market **flexibilization**, access to (voluntary) private pensions a problem
- **Poverty** in old age where basic or minimum pensions are inadequate or missing
- **Inequalities**: gender pension gap reflects also past employment and pay gaps
- **Pay-as-you-go** systems remain main income in old age (automatic stabilizers in crises)
- **Funded** pensions have come under pressure during crises! future returns?
- **Life-course** perspective: pension policy needs to start with inclusive employment policy

State vs private responsibilities in pension systems in EU

Bismarckian social insurance system:

- **Social Insurance:** contributions reproduce employment/earnings inequalities in old age
- State pension allows **redistributive** elements (credits for care years)
- State pension (pay-as-you-go financed) faces demographic challenge but serves as an automatic **stabilizer during crisis**
- **Private (funded) pensions** are not yet mature (voluntary/mandatory)

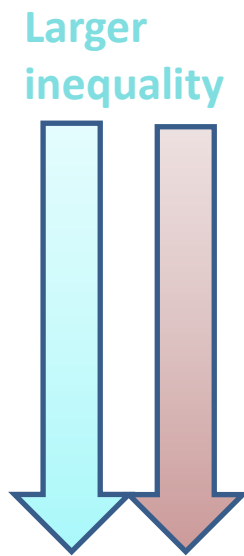
Beveridgean multipillar system:

- **Basic pension:** poverty reduction depends on **generosity** of scheme, but this lowers incentives to save
- **Multipillar system:** **private funded** pensions important part of retirement income, generates inequalities (coverage, earnings)
- **Financial/economic crisis:** problems of mature funded pensions
- State needs to **regulate** private pension funds (coverage, governance, prudent investment)

See also: Bernhard Ebbinghaus (2015) "The Privatization and Marketization of Pensions in Europe: A Double Transformation Facing the Crisis", *European Policy Analysis*, 1(1) 56-73.

Poverty & inequality of elderly people (65+) EU 2018

Income Inequality (65+)	Elderly poverty (65+)				
	Low L (-8.4)	Low-medium LM (-13.2)	Medium (-18.0)*	Medium-high MH (-27.6)	High H (27.6-)
L (-3.1)	SK (6.7, 2.4) NO (8.1, 3.0)	CZ (12.5, 2.4) DK (8.9, 3.0) NL (10.4, 3.0) FI (12.8, 3.0)	BE (16.4, 3.0)		
LM (-3.5)	IS (6.1, 3.4)	HU (9.5, 3.5)	PO (14.7, 3.4) SI (17.4, 3.4)	MT (25.2, 3.2)	
M (-3.9)*	Nordics/NL & CEE Visegrád		IE (17.5, 3.8) AT (13.4, 3.8) SE (15.2, 3.6) *Ø (18.0, 3.9)	RO (21.4, 4.4)	EE (43.8, 3.7)
MH (-4.7)	FR (8.1, 4.1)	GR (12.0, 4.0)	ES (15.2, 4.5) EU (15.5, 4.2) DE (17.6, 4.1) UK (18.1, 4.6)	CY (21.5, 4.6)	H
H (4.8-)		LU (12.0, 4.8)	IT (15.5, 4.8) PT (17.4, 5.3) M	CH (24.5, 4.8)	BG (30.6, 4.9) HR (28.4, 4.8) LV (42.8, 5.0) LI (35.6, 4.9)



- L)** Relatively low-medium poverty risk & inequality in some CEE+ (CZ, SK, HU, but M: PL, SI) countries & basic pension systems among Nordics (NO, IS, DK, NL, FI, but M: SE)
- M)** Medium poverty/higher inequality: liberal UK, IE & CH but also Bism. (BE, AT, DE), except FR, LU
- H)** High inequality & poverty in EU periphery: Southern EU, CEE lite (Baltics & BG, RO, HR)