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EPSR-SPA SociAll – Enhancing Social Protection for all through the implementation of the European Pillar of Social Rights

AGEING IN DIGNITY

Labour Market Potentials and Dignifying Social Protection

European Pillar of Social Rights

PRINCIPLE 15 – OLD-AGE INCOME AND PENSIONS

- Workers and the self-employed in retirement have the right to a pension commensurate to their contribution and ensuring an adequate income.
- Women and men shall have equal opportunities to acquire pension rights.
- Everyone in old-age has the right to resources that ensure living in dignity.

EPSR Action Plan – 2030 employment targets

Headline target	➤ 78% Employment Rate (age group 20 to 64)	IMPACT ON PENSIONS
Sub targets	➤ Halving the Gender Employment Gap ➤ Decreasing the NEETs Rate	
Cross-cutting target	➤ Quality Job Creation "... necessary in order to build a sustainable path towards the 2030 employment target of 78 %" (p 16)	

Study 1

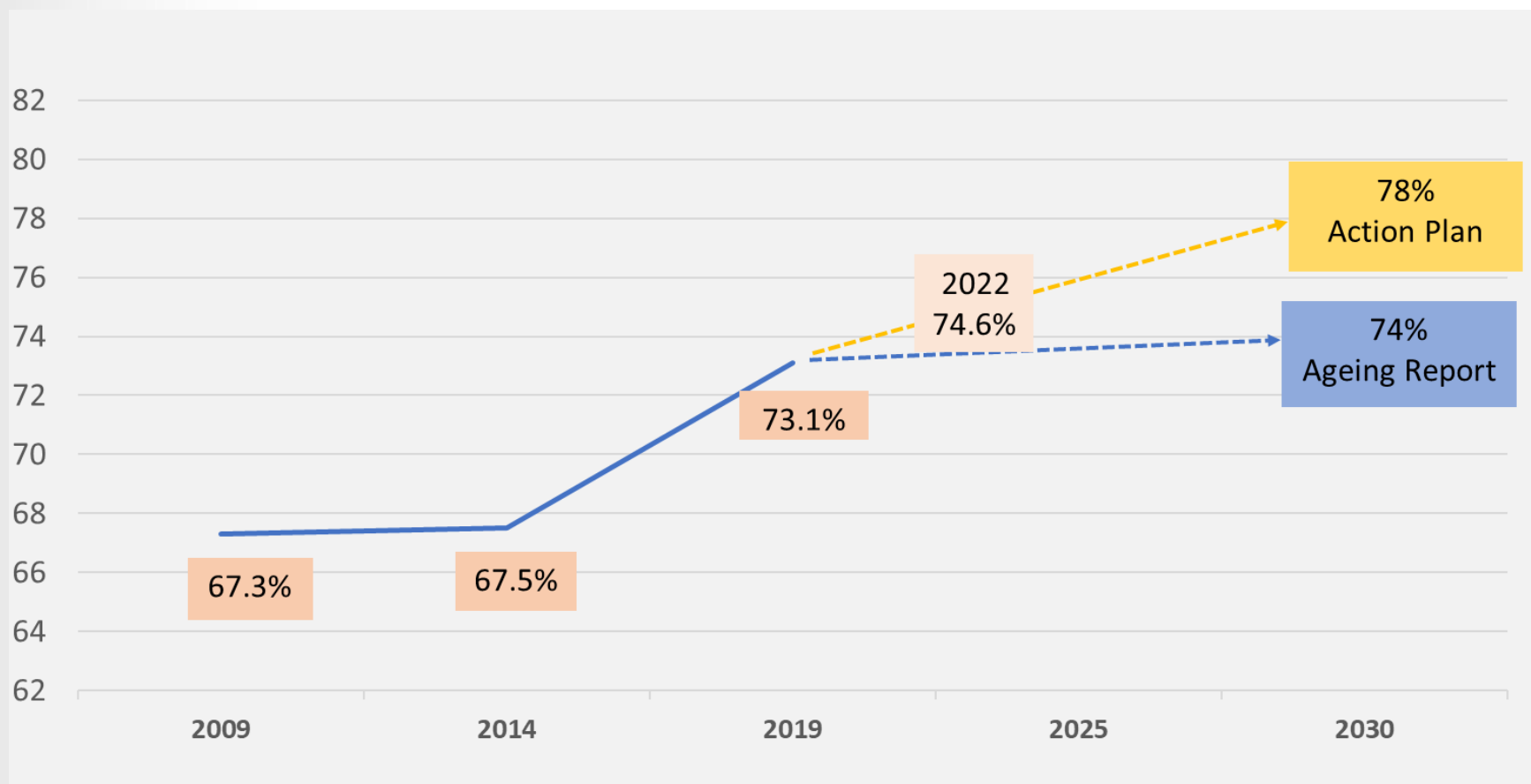
EPSR 2030 Scenario

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What would it mean for pensions if the Action Plan's 78% employment target was achieved, with quality jobs?

Employment rate

Action Plan target versus Ageing Report projection (EU 27)

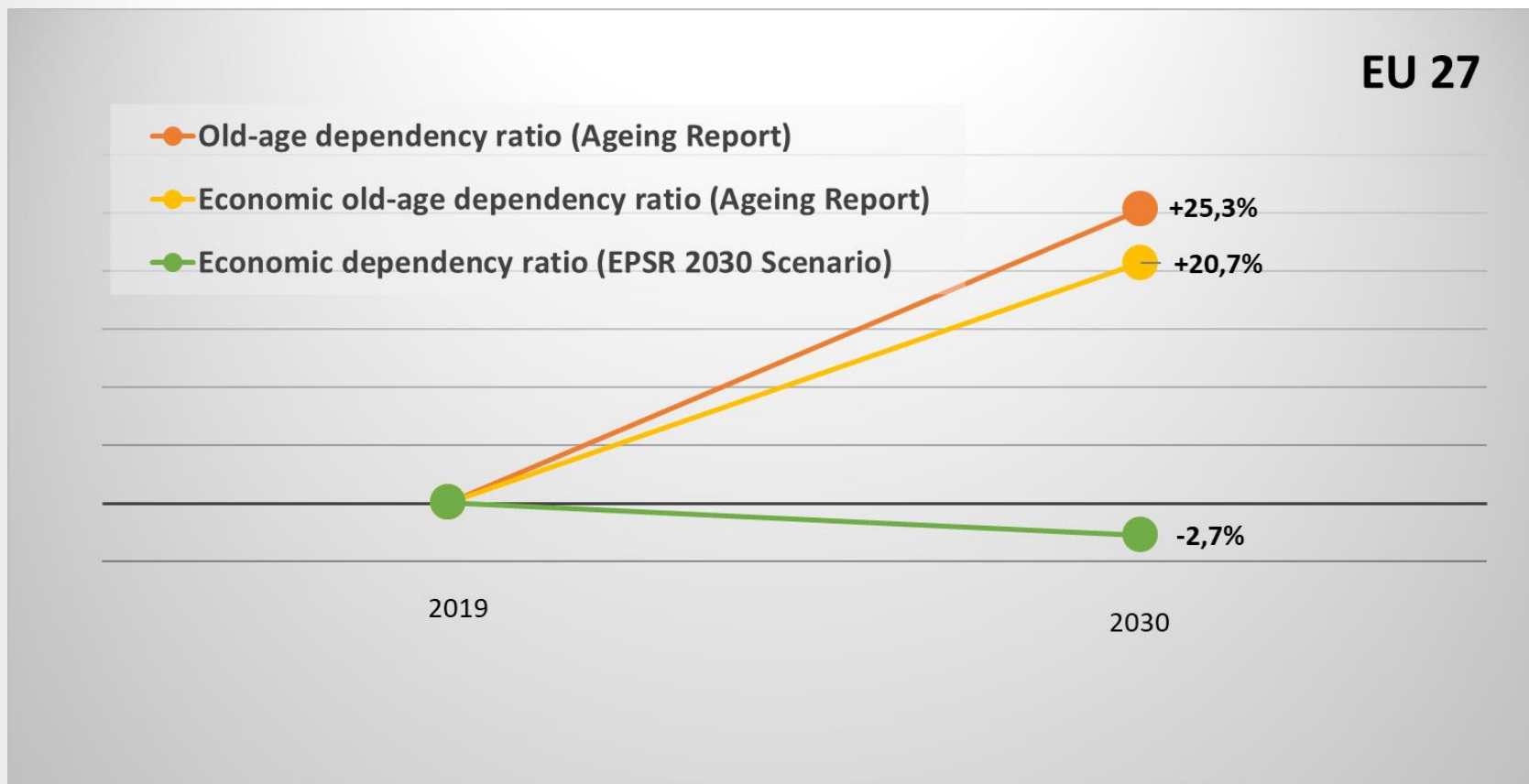


EPSR 2030 Scenario – Calculation results (EU 27)

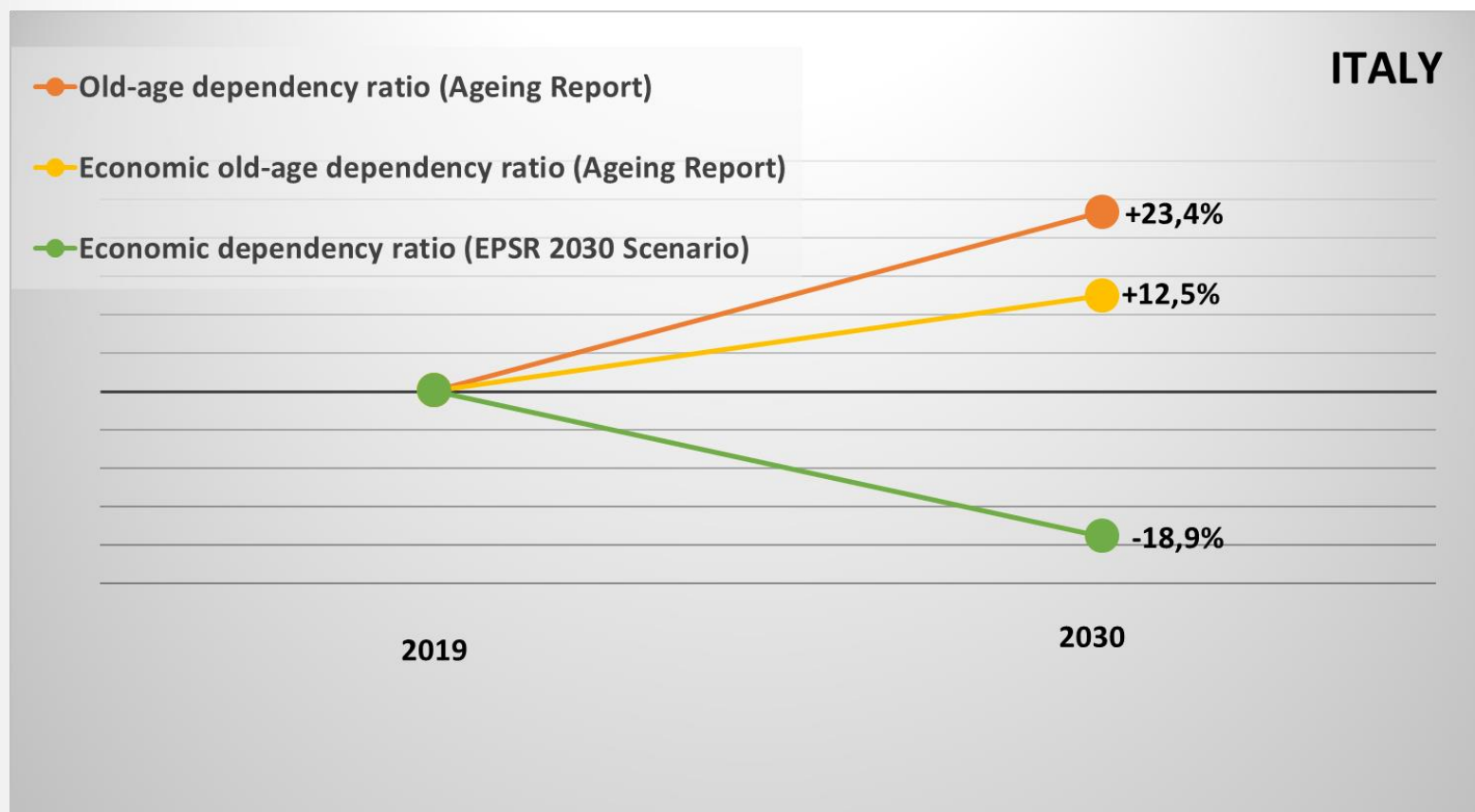
Comparison with Ageing Report projections

		2030/2019	
		Ageing Report 2021	EPSR 2030 Scenario
Demographic environment	Population aged 20-64	- 11.5 m	
	Population aged 65+	+ 18.1 m	
	Old-age to working age ratio (65+/20-64)	+ 25.3%	
Labour market	People in employment (15 hours+) 20-64	[- 5.9 m]	+ 7.2 m
	Unemployed (extended) 20-64	[+ 0.7 m]	- 5.9 m
	Pensioners aged below 65	- 3.0 m	- 6.7 m
Economic dependency ratio	Unemployed + Pensioners / People in employment	[+ 11.6%]	- 2.7%

„Dependency“ ratios (EU 27): Huge differences depending on the indicator used



„Dependency“ ratios (Italy): Huge differences depending on the indicator used



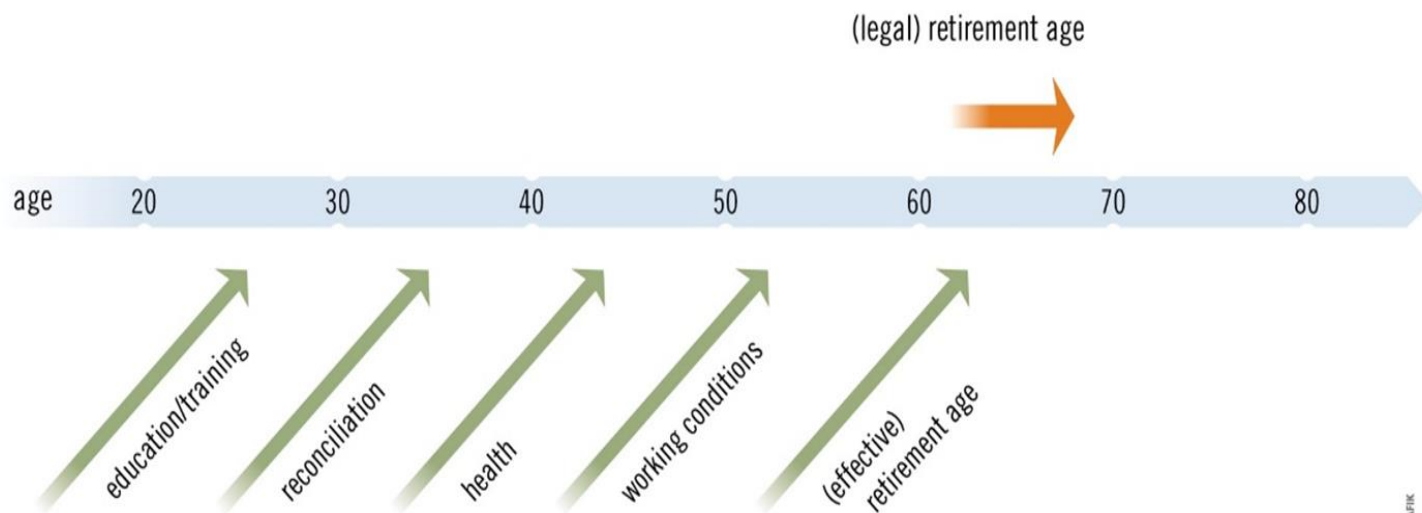
Key findings

Achieving the employment targets of the Action Plan would mean:

- Significant increase in employment, combined with a significant decline in unemployment and early retirement
- Slight decrease in the ‘economic dependency ratio’ (obscured by most dependency ratio indicators in use), despite massive population ageing
- Significant contribution to the implementation of the EPSR pension rights
- Better alternative to further raising statutory retirement age
- Strengthening financial sustainability of pension systems
- Fostering fairness and solidarity both within and between generations

How to respond to population ageing

● Strategy 1 – Focus on retirement age



● Strategy 2 – Focus on labour market integration across all ages

Studies 2 and 3

More inclusive labour markets for more adequate pensions – a key tool for achieving EPSR pension rights

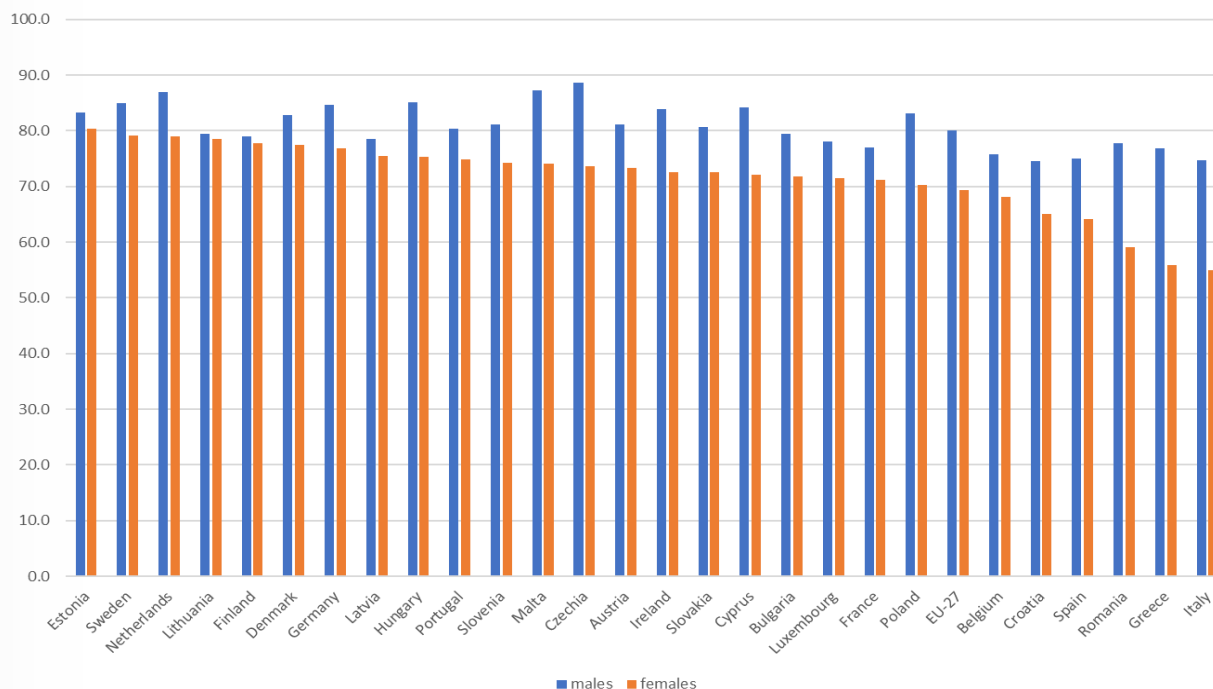
Improving women's old-age protection – the potential of closing labour market gaps

Current shortcomings in terms of labour market integration: job quality and working conditions

- Labour market shortcomings translate into inadequate pension benefits in the future
- How to measure *quality of work*? – Many different approaches to define job quality (e.g. ETUI European Job Quality Index)
- Overall employment growth, but main labour market issues persist: youth unemployment, temporary jobs, NEETs, low wage earners, involuntary part-time workers etc.
- Spread of (new) atypical forms of work, accelerated by digitalisation: telework, working from home, ‚bogus‘ self-employment, platform work, working in the gig economy, marginal part-time work etc.

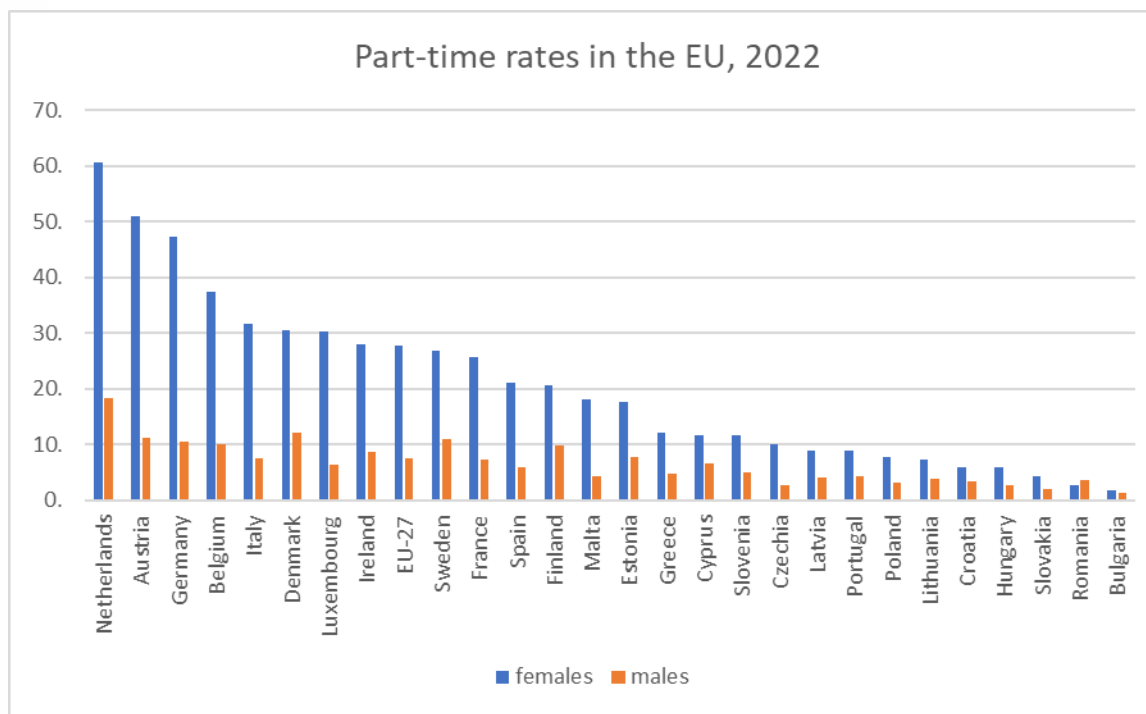
Gender focus: inequalities remain I

- Progress is evident, but still large gender inequalities remain (2023: 70.2/100 points for EU-27 on EIGE's Gender Equality Index (domain of work: 73.8))
- Gender employment gap narrowing only slowly



Gender focus: inequalities remain II

- Differences also in the volume of work: difference in FTE rates highest in NL (27.3 pp), GR (25.9 pp), D and AT (21.5 pp each); at the lower end, LT (3.7 pp), LV (3.9 pp), EE (7.9 pp), FI (7.8 pp) (OECD 2021)
- High female part-time rates



Policy measures (national and EU level) needed for improving labour market integration – general

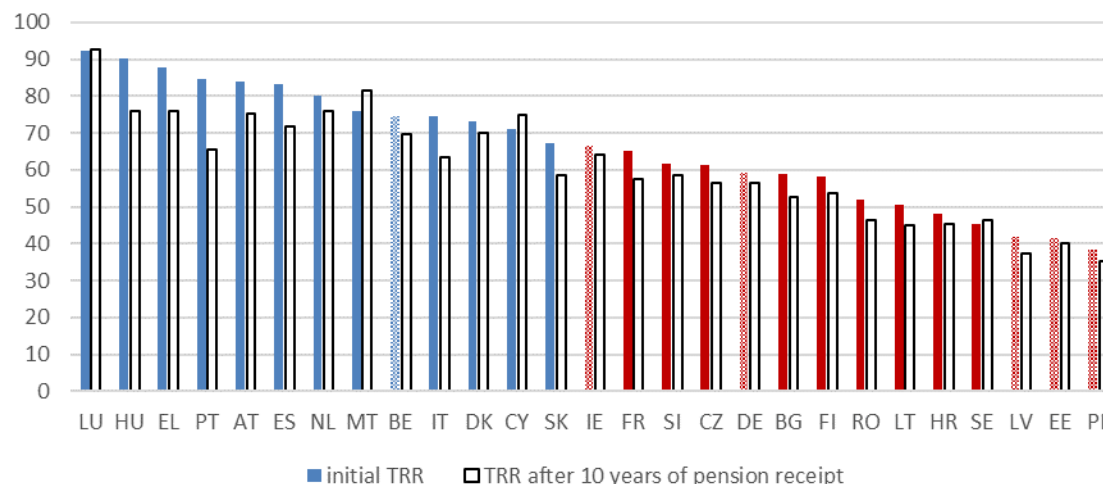
- Sustainable labour market integration requires effective inclusion in social protection systems (including pensions), also for non-standard workers!
- Active labour market policies that take into account new challenges (socio-ecological and technological transformation etc.)
- Labour shortages refer to sectoral labour market shortcomings (low pay, bad working conditions) rather than the mere need for skills
- Encompassing and effective social dialogue tends to enhance social protection
- EU level: (Possible) impact of
 - Adequate Minimum Wages Directive
 - Guidelines on collective agreements by ,solo‘ self-employed people
 - Youth Guarantee Programme; Disability Employment Package etc.

Policy measures needed for improving labour market integration of women

- fair distribution of care work and paid employment
- availability of free, high-quality childcare with adequate opening hours
- family-friendly working hours (including incentives for equal distribution of working hours between parents)
- expansion of “quality” jobs while reducing precarious work

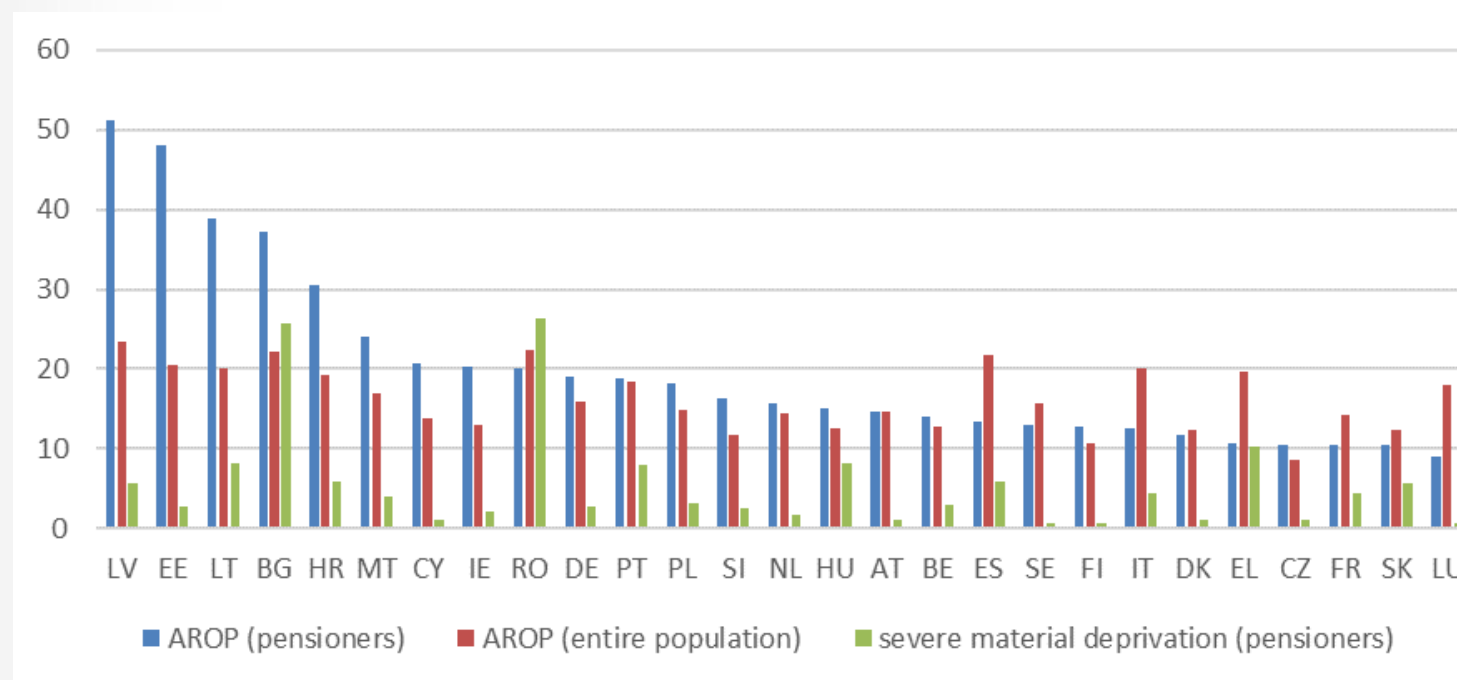
Hand in hand: good careers, strong systems

- Despite huge differences, European pension systems mirror careers: good retirement incomes require decades of well-paid and insured work
- However, “good careers” have to come together with strong systems, and many nations are and will be lacking these:



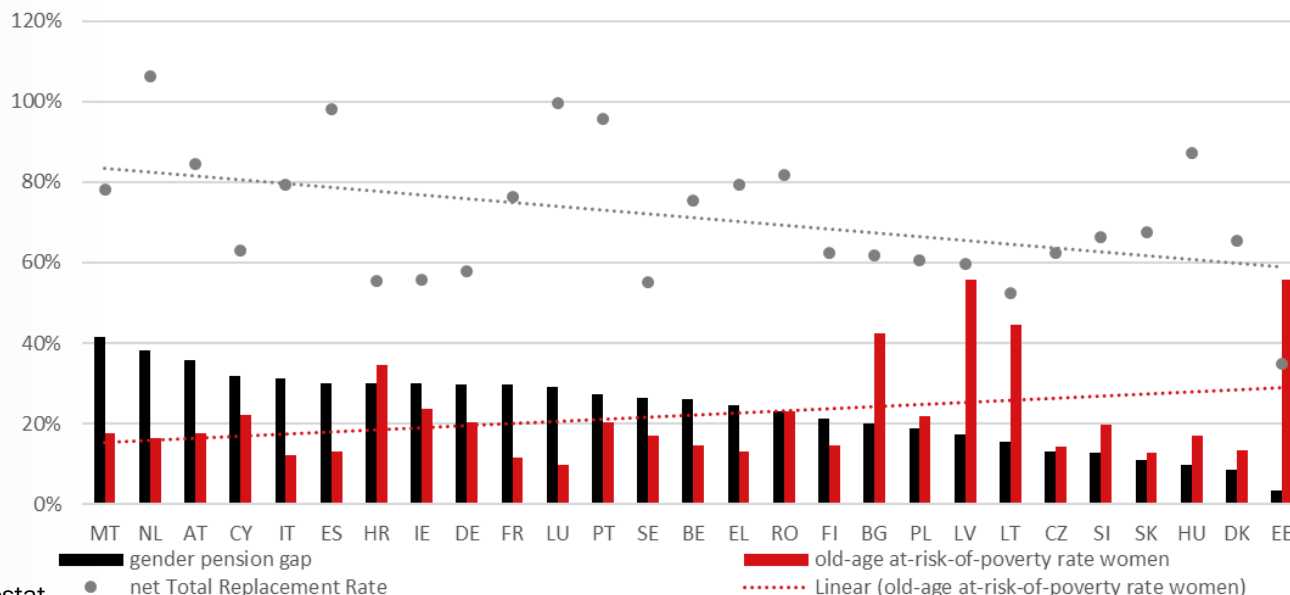
Sufficient pensions for all?

While current pensioners often enjoy adequate income levels, difficulties stemming from problems on labour markets and in pension systems are clearly visible and come at a price



Gender pension gap: Mirroring working lives

- GPGs differ widely, tell us a lot about successful (or not) labour market participation of women vs. men
- Low gaps do not preclude poverty! If systems are weak, everyone will have problems regardless of their career
- Basic pensions can alleviate poverty, but hardly the gap



Source: Eurostat

Achievable pensions for all?

Current workers face high and rising pensionable ages and difficulties to achieve full careers



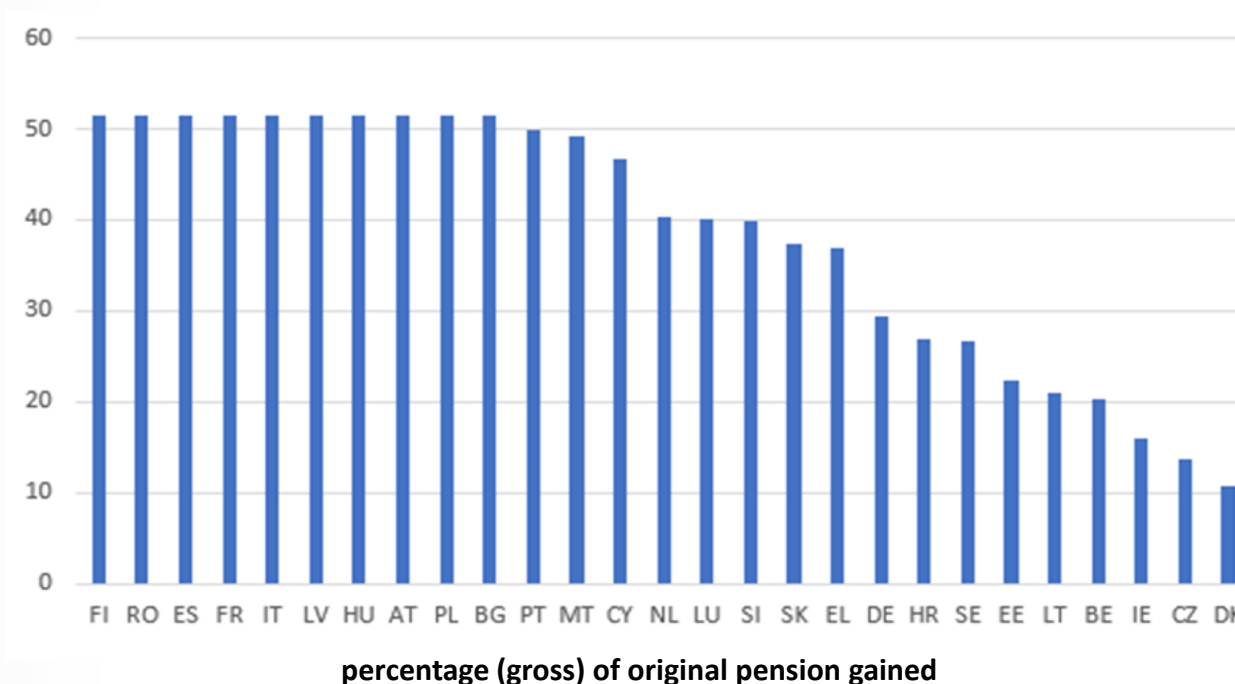
More years, better pensions

Pension systems tend to “punish” for absence and lower wages. In return, there is ample room for better entitlements by achieving more years of insured work:



More pay, better pensions

The same is true for achieving higher wages – for instance, permanently average instead of low (66%) pay:



Aside from careers, we need to improve:

Pension systems

- **include everyone** working and every hour of work (public systems work best)
- ensure sufficient, **not just poverty-avoiding benefit levels** that really allow for work to “pay off” – at least 67%, rather 80% net TRR
- improve poverty-avoiding **minimum income schemes** and provide **compensation** in cases like unemployment, low wage, caring for relatives or early incapacity – especially for those that cannot benefit much from future labour market improvements
- make pensions achievable – **pension ages** need to match lives

Pension system analysis

Adequacy Report's TRRs already help a lot, but should be closer to reality with

- **“true to life”** TRRs better reflecting wage profiles and labour market exit
- a sober perspective on **funding and coverage**

Thank you for your attention!

FORBA

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