

EPSR 2030 SCENARIO

WHAT WOULD IT MEAN FOR PENSIONS
IF THE ACTION PLAN'S 78% EMPLOYMENT TARGET
WERE ACHIEVED

THE ACTION PLAN'S EMPLOYMENT TARGETS

Headline

- 78% of the population aged 20 to 64 should be in employment by 2030 (baseline: 73.1% in 2019)

Key sub-goals

- Halving the gender employment gap
- Decreasing the rate of young people neither in employment, nor in education or training (NEETs)

Cross-cutting goal

- Quality job creation
“... more forward-looking support to quality job creation and employment is necessary in order to build a sustainable path towards the 2030 employment target of 78 %” (Action Plan, p 16)

EPSR 2030 SCENARIO - AGEING REPORT

	2030/2019	
	Ageing Report 2021	EPSR 2030 Scenario
Population aged 20-64	- 11.5 m	
Population aged 65+	+ 18.1 m	
Population 65+/20-64	+ 25.3%	
Employment rate 20-64	+ 0.9 p.p.	+ 4.9 p.p.
People in employment (15 hours+) 20-64	- 5.9 m*	+ 7.2 m
Unemployed (extended)** 20-64	+ 0.7 m	- 5.9 m
Pensioners under the age of 65*** (incl. disability)	- 3.0 m	- 6.7 m
Economic dependency ratio (pensioners + unemployed / people in employment****)	+ 11.6%	- 2.7%

* Constant proportion assumed ** incl jobless 'available for work but not actively seeking' and those 'seeking but not immediately available for work' ***the values given differ from the Ageing Report's numbers since there are some inconsistencies there (regarding France and Austria) **** not fewer than 15 hours/week

Data: Ageing Report 2021; own calculations

EPSR 2030 SCENARIO - ECONOMIC IMPACT

- 7% additional real growth (derived from the significantly higher volume of employment / calculation based on the productivity assumptions in the Ageing Report)
- Positive effects of a similar magnitude can be expected on public revenues
- In addition, there will be lower public expenditure due to the reduced need for transfers in the areas of benefits for the unemployed and for retirees aged below 65
- The above-mentioned effects create a much greater scope for distribution, for example to cover higher pension entitlements resulting from better labour market integration

EPSR 2030 SCENARIO

CALCULATIONS FOR ITALY, CROATIA, GERMANY

	Italy		Croatia		Germany	
	2030/2019		2030/2019		2030/2019	
	Ageing Report	EPSR 2030 Scenario	Ageing Report	EPSR 2030 Scenario	Ageing Report	EPSR 2030 Scenario
Population 20-64	- 4.5 %		- 11.1%		- 7.4%	
Population 65+	+ 18.0 %		+ 18.8%		+ 14.1%	
Population 65+/20-64	+ 23.6%		+ 28.2%		+ 28.4%	
Employment rate 20-64	+ 2.7 p.p.	+ 9.4 p.p.	+ 1.4 p.p.	+ 8.2 p.p.	- 0.6 p.p.	+ 2.4 p.p.
Employed 20-64 (15 hours+)	- 0.1 m	+ 2.4 m	- 0.14 m	no change	- 3.1 m	- 0.5 m
Economic dependency ratio	- 0.5%	-18.6%	+ 12.8%	- 8.7%	+ 21.9%	+ 7.1%

DEPENDENCY RATIOS - MOST INDICATORS IN USE OBSCURE THE POSITIVE EFFECTS OF BETTER LABOUR MARKET INTEGRATION

➤ **Reinterpretation of purely demographic data into dependency**

‘SMALL’ MISTAKE WITH FAR-REACHING CONSEQUENCES: “... the old-age dependency ratio in 2040 would remain at the same level as in 2020 if working life were extended to the age of 70” (Green Paper on Ageing)

HOWEVER: The EPSR 2030 Scenario calculations show that the stabilisation of the ‘economic dependency ratio’ is possible simply by implementing the Action Plan’s employment targets, without any further increase in the statutory retirement age.

➤ **Restriction of benefit recipients to persons above working age in so-called economic dependency ratios (such as in the Ageing Report’s ‘Economic old-age dependency ratio’)**

HOWEVER: With the exclusion of benefit recipients among those of working age, a large part of the positive effects of improved labour market integration within this age group is ignored from the outset, that is the reduction in the number of unemployed and (labour market related) early retirement pensions made possible by this.

EPSR 2030 SCENARIO - IMPACT ON PENSIONS SUMMARY

- **Best strategy to prepare for population ageing
(more and better jobs within the working-age population)**
- **Countermeasure against the predicted sharp deterioration in the relationship
between benefit recipients and contributors**
- **Better alternative, both from a social and economic point of view, to further
raising the statutory retirement age**
- **Measure to strengthen pension adequacy and sustainability**
- **Key step towards achieving the EPSR's pension objectives**
- **Today's younger people would benefit most**

Literature

ETUC/SociAll (2021), The Impact of Labour Markets on Economic Dependency Ratios and on Pension Adequacy and Sustainability

ETUI (2011), Dependency ratios and demographic change. The labour market as a key element (Policy Brief)

EU Commission (2021), The European Pillar of Social Rights Action Plan

EU Commission (2021), The 2021 Ageing Report

European Policy Center (2012), 1000 billion Euros at stake. How boosting employment can address demographic change and public deficits



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