

Pensions and the EU: Beyond the Divide between Economic and Social Europe

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Pensions and the EU

Outline

1. Research Questions;
2. EU Toolkit for Pension Policy (instruments and policy dimensions);
3. The Impact of the Crisis on National Pensions;
4. EU Pension Policy since the Crisis
5. Conclusions

1. Pensions and the EU

Research Questions

A. After the crisis, Has the EU increased its influence on national pensions?

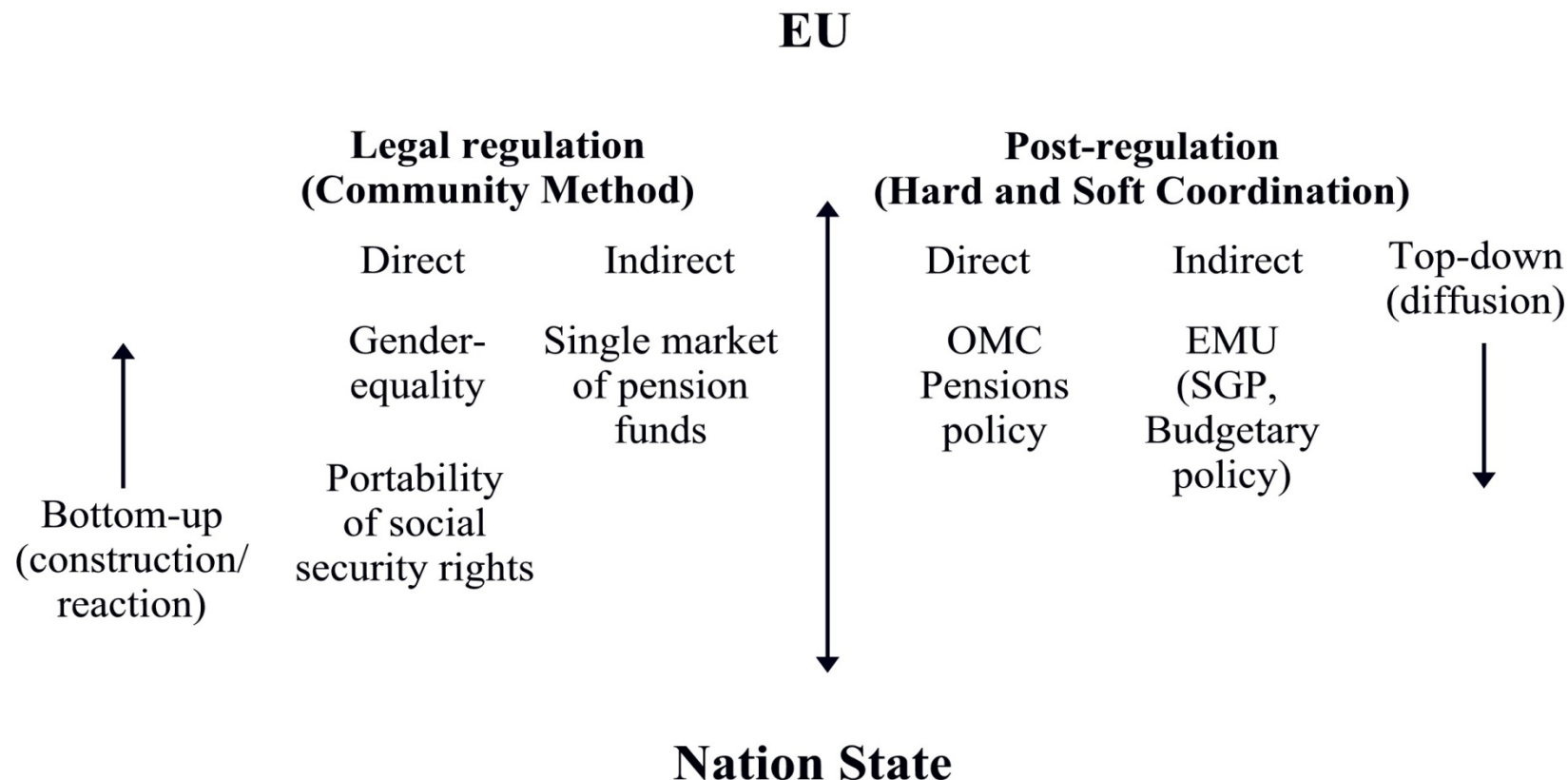
I. More room for EU interference in national policymaking?

B. Has the EU strategy changed? Has the complex set of policy tools and dimensions been altered?

II. How has the EU intervened in the field? Towards more sustainability; more adequacy; or more market integration?

2. Pensions and the EU

EU Toolkit, key instruments



2. Pensions and the EU

EU Toolkit, key policy dimensions

1. Completion of the Single Market

- equality of economic and social rights (e.g. gender equality; free movement of workers)
- integration of the EU pension market

2. Strengthening Economic and Financial Stability

- Financial viability of pensions contributes to sound budgetary policy (SGP)

3. Social Policy Coordination

- Improving adequacy of pensions against old-age risks

3. Pensions and the EU

Crisis and its impact

1. First pillar schemes

- As for first pillar (PAYG) pension schemes, short-term effects have been limited
- Mid- long-term effects more problematic (low growth, low employment, low contributions, more spending, high public deficit)
- Public buffer funds have been hit by the financial crisis

2. Second and Third pillar schemes

- Huge short-term effects (negative rates of returns, investment losses, low interest rates)
- These effects are lowered in the mid- long-term

4. Pensions and the EU:

Recent Trends in EU strategy, focus on

Policy dimensions

Completion of the Single Market

Social Policy Coordination

Economic and Financial Stability

Key documents

Green Paper, “Towards adequate, sustainable and safe European pension systems’, 2010

Europe 2020

EU Council communications

Europe 2020

Economic governance (SGP, EPP)

4. Pensions and the EU:

Recent Trends in EU strategy

1. Completion of the Single Market and Social Policy Coordination through Green Paper 2010

- Lack of effective regulation of financial services, of the monitoring of supplementary pension funds, and of effective governance of pension funds
- Limited development of pan-European IORPs
- Heterogeneity of pension schemes limits application of coordination regime of social security rights and of portability of supplementary pension rights

4. Pensions and the EU:

Recent Trends in EU strategy

2. Coordination of Social Policy

- Need for more attention to basic benefits for those most at risk of poverty in the old-age
- Full activation of the OMC and of the other instruments provided by Europe 2020 (EPAP; etc.)
- Marginalisation of the Social OMCs, and of social objectives in the new Europe 2020

4. Pensions and the EU:

Recent Trends in EU strategy

3. Economic and Financial Stability

- Need to introduce austerity measures to reduce budgetary deficit
- Renewed Economic Governance through
 - SGP, more stringent control on public deficit and debt (but special rules for the costs of pension privatization)
 - SGP, sanctions easier to be applied
 - Euro Plus Pact (EPP), more active coordination of macro- and micro-economic reforms
 - Unexpected consequences (Hungarian Reform)

Preliminary conclusions

- Pensions are increasingly at the core of the EU debate/policymaking
- This is particularly the case for the ‘economic and financial stability’ policy dimension (consistent with more stringent rules for cost-containment)
- Much more difficult the debate on the completion of the single market and the coordination of social policy
- Yet, unintended consequences
(CEE countries)