

# Europe 2020 and Pensions: Threats and Opportunities

ETUI Training Course

EU 2020 and the Social Impact  
of the Economic Governance

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Bart Vanhercke, Co-director,  
European Social Observatory

# Outline of the Talk

- Europe 2020 and Pensions: contradictory discourses
- Reforms in Member States
- EC Group on Pensions and Green Paper on adequate, sustainable and safe pensions
- Conclusion and Outlook

# 1. Europe 2020

# European involvement in pensions...

Is not a new feature:

-Internal market (free movement)

-BEPG (ECOFIN)

-Social OMC

-...

→ But: there has been a spur forward  
(backward?)

# Setting the scene: an ambiguous EU discourse

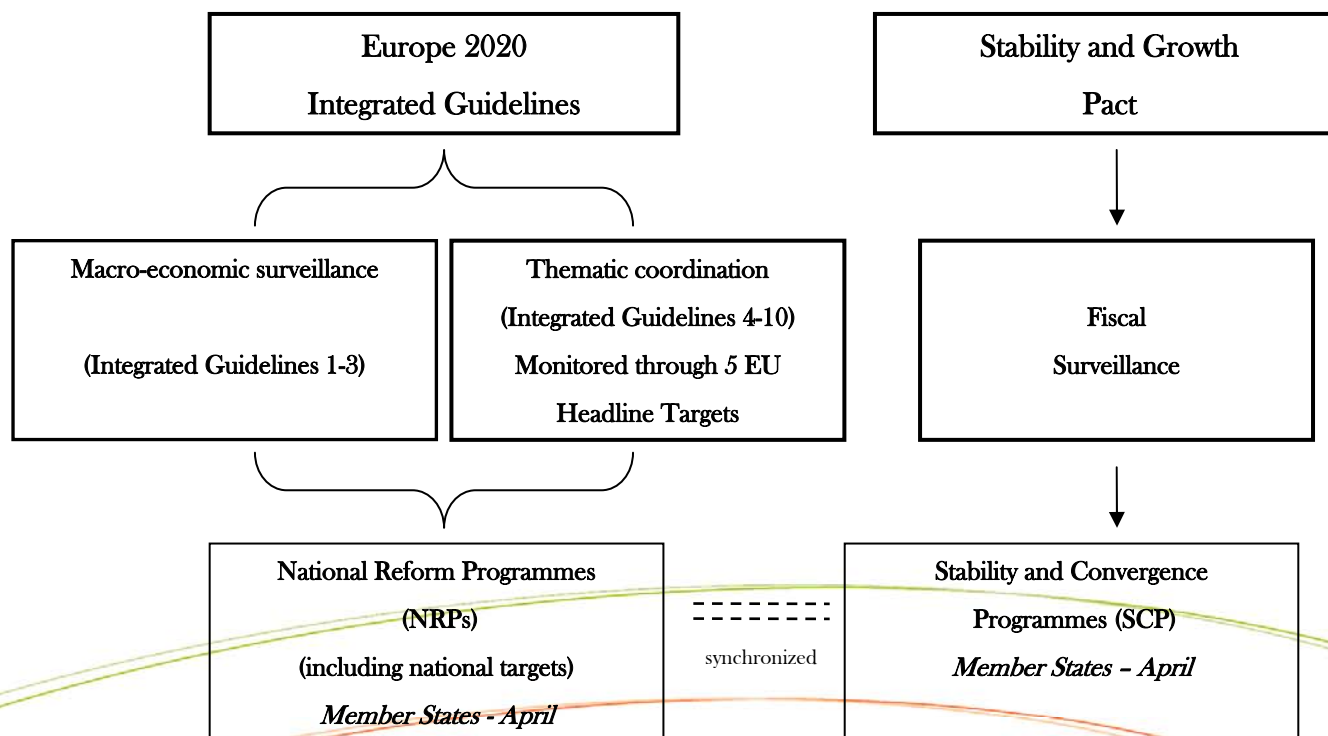
- 25 March 2011 European Council
  - In order to “enhance the sustainability of public finances” the “highest attention will be paid” to sustainability of pensions, health care and social benefits
  - Assessed on the basis of sustainability gap indicators: measure whether debt levels are sustainable based on current (pensions etc.) policies
  - Remedies: limiting early retirement, targeted incentives etc.

At the same time, Europe 2020's aims (in Eurospeak):

‘to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity *and social cohesion*’

- Europe 2020 looks at pensions from (at least) two perspectives: a ‘budgetary’ lens, and a more ‘social’ lens
- Unfortunately, the latter lense is *considerably* weaker...

- To achieve these goals: a new governance structure was created:



# Integrated Guidelines

Macro-economic surveillance	Guideline 1	Ensuring the quality and sustainability of public finances
	Guideline 2	Addressing macroeconomic imbalances
	Guideline 3	Reducing imbalances in the eurozone
Thematic coordination	Guideline 4	Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy
	Guideline 5	Improving resource efficiency and reducing greenhouse gas emissions
	Guideline 6	Improving the business and consumer environment, and modernising and developing the industrial base in order to ensure the full functioning of the internal market
	Guideline 7	Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality
	Guideline 8	Developing a skilled workforce responding to labour market needs and promoting lifelong learning
	Guideline 9	Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education
	Guideline 10	Promoting social inclusion and combating poverty



- 5 EU headline targets

... ‘which will constitute shared objectives guiding the action of Member States and the Union’:

1. to raise to 75% the employment rate for women and men aged 20-64;
2. [to raise combined public and private investment levels in research and development (R&D) to 3% of EU’s Gross Domestic Product];
3. [to reduce greenhouse gas emissions by 20% compared to 1990 levels, increase the share of renewables in final energy consumption to 20%, and move towards a 20% increase in energy efficiency (i.e. the ‘20/20/20’ climate/energy targets); and to increase emissions reductions to 30%, if the conditions are favourable];

4. [to improve education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%];
5. to promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion. The target will consist in reducing the number of people in the EU (120 million) who are at risk of poverty and/or materially deprived and/or living in jobless households by one sixth.

→ link with (minimum) pensions

However: most important ‘innovation’ that affects pension: synchronisation of policy cycles

# Europe 2020 - Integrated Guidelines

# Stability and Growth Pact

Macro-economic surveillance  
(Integrated Guidelines 1-3)

Thematic coordination (IGs 4-10)  
Monitored through 5 EU Headline  
Targets

Fiscal  
Surveillance

National Reform Programmes (NRPs)  
(including national targets)  
*Member States - April*

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synchronized

Stability and Convergence Programmes (SCP)  
*Member States - April*

Spring European Council: Debate and Orientation  
(Progress towards headline targets) - *March*

Policy Guidance (Opinions and Recommendations)  
*European Commission - June*

Debate and Orientation  
*European Parliament and  
Council of the EU - February*

Supported by:

- EU Flagship Initiatives
- Single Market Relaunch
- Trade and External Policies
- EU Financial Support

Finalisation and Adoption of Opinions and  
Recommendations  
*Council of the EU (ECOFIN and EPSCO) - June*

Annual Growth Survey: Progress and Orientation  
*European Commission - January*

Endorsment of Opinions and Recommendations  
*European Council - June*

European Semester

European Semester

Domestic Semester

Domestic Semester

- Finalisation of National Budgets
- Policy measures at national level

Where are the pensions in all this,  
more concretely?

# Pensions within Europe2020:

## Three framing elements

### I. Fiscal policy surveillance under the reinforced Stability and Growth Pact:

- should contribute to strengthening fiscal consolidation and fostering sustainable public finances
  - Insisting on the dept criterion (60% of GDP)
  - Medium-term objective: 'being close to balance or in surplus' retained with an even stronger focus on government spendings

▶ less room for public spending

## II. Macro-economic surveillance

- Integrated Guidelines 1-3:
  1. *Ensuring the quality and sustainability of public finances*
  2. *Addressing macroeconomic imbalances*
  3. *Reducing imbalances in the eurozone*
- Assessment of competitiveness and account positions against a scoreboard on common indicators
- Macro-economic imbalance procedure is to be instituted

### III. Thematic coordination (structural reforms)

- Integrated Guidelines 4-10, in particular IG 7:

7. *Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality*

- But also IG 10:

10. *Promoting social inclusion and combating poverty*

## 2. What consequences for pension reforms?



- Government deficits three times higher than in 2008 (peak at 7,25% in 2010)
- Many reforms in pensions systems undertaken (not that 'sticky')
- Coexistence of two different approaches
  - financial sustainability (cost containment): FR/GR/...
  - Address adequacy gap (!)

# Pension reforms

- Overall focus: clearly on financial sustainability
- Minor reference to adequacy through Guideline 10 and the headline target on the reduction of poverty (and EPAP)
- But Hungary...

# Hungary

- Parliament voted for the renationalisation of private pension funds in order to reduce budgetary strains and avoid retrenchment (undo 1997 reform)
  - ‘End the years of austerity in pensions’ (Orban)
  - Bulgaria: similar move (re-nationalise pre-funded pension schemes)
- Big surprise for the European Commission

# 3. The Commissioner's Group on Pensions and the Green Paper on adequate, sustainable and safe Pensions

# The Commissioner's Group on Pensions

- June 2010: Barroso invited 8 Commissioners to meet in a special group devoted to pensions
- Chair of the group: Commissioner for Employment, Social Affairs and Inclusion

Purpose of the group:

*‘to develop, outline and communicate  
an EU approach for adequate,  
sustainable and safe European  
pension systems’*

➤ First task: reach an agreement on the  
Green Paper on Pensions

- Different DGs within the Commission worked together on the green paper
  - ▶ aim: holistic approach
  - ▶ three themes:
    - better balance between periods in work and periods in retirement
    - Removing obstacles to mobility within the EU
    - Ensuring safety and transparency through enhanced information

## Initial proposals:

- Either lower benefits and higher contributions or measures to promote longer working lives inevitable
- Automatic adjustment system to increase retirement age in line with gains in life expectancy
  - strengthen sustainability of pension systems



- Focus on the performance of pension funds: more efficient regulation and better governance
  - Reduce costs and risks for the insured
    - All in all a more ‘balanced’ approach to pensions (than EU 2020)
    - But... we know the status of a (green, white, pink) Paper

# Conclusion and Outlook:

- Co-existence of two different approaches: financial sustainability and focus on adequacy gaps
  - Focus on financial sustainability more common, but...
  - ... focus on adequacy has gained some momentum
- Can still be seized by social partners

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Cécile Barbier

[www.ose.be](http://www.ose.be)

rue Paul Emile Janson 13 / 1050 Bruxelles / tel : 32 (0)2 537 19 71 / fax : 32 (0)2 539 28 08 / email : info@ose.be



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