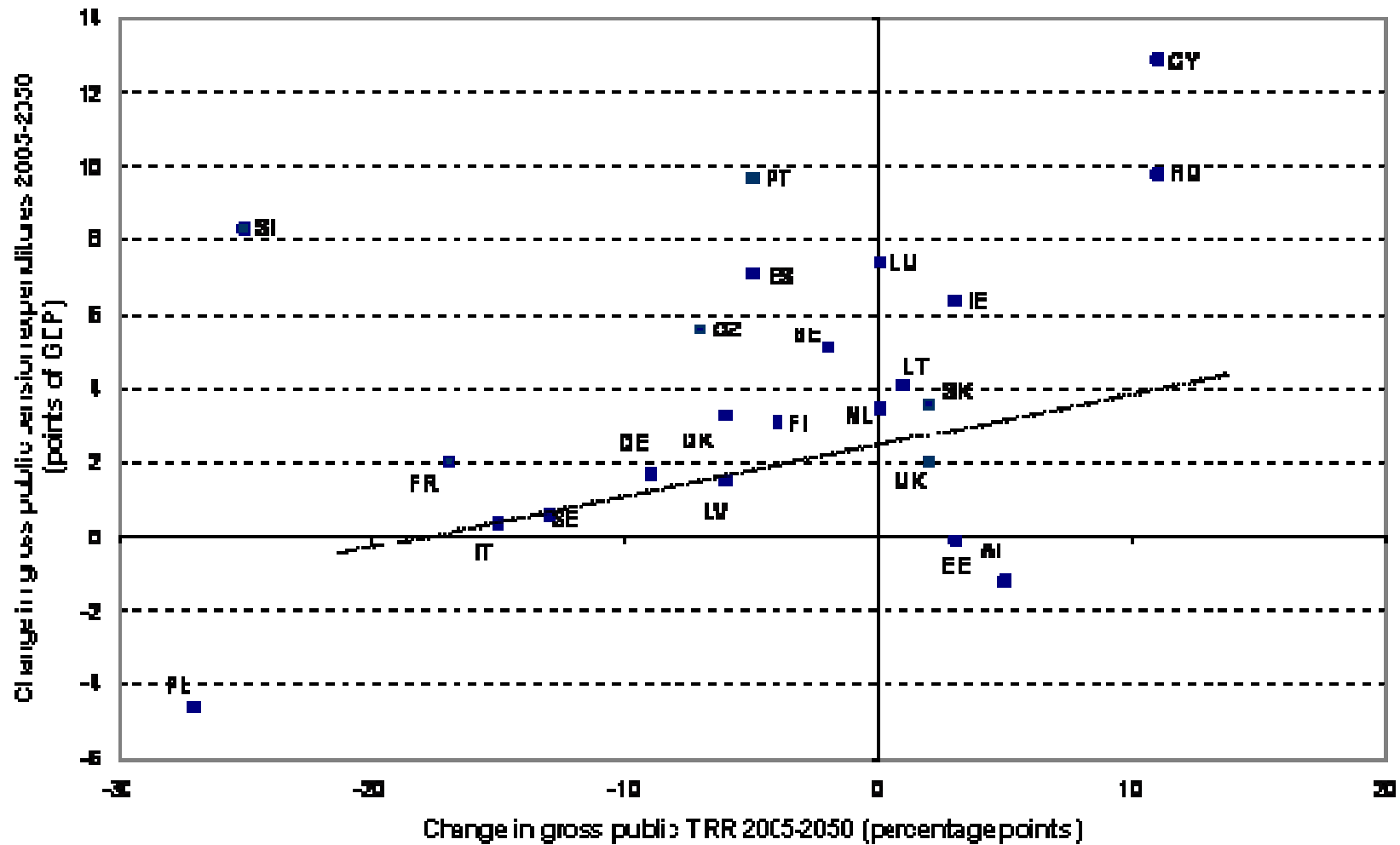


# Pension Reforms and Labour Market Reforms – Mutual Relationship

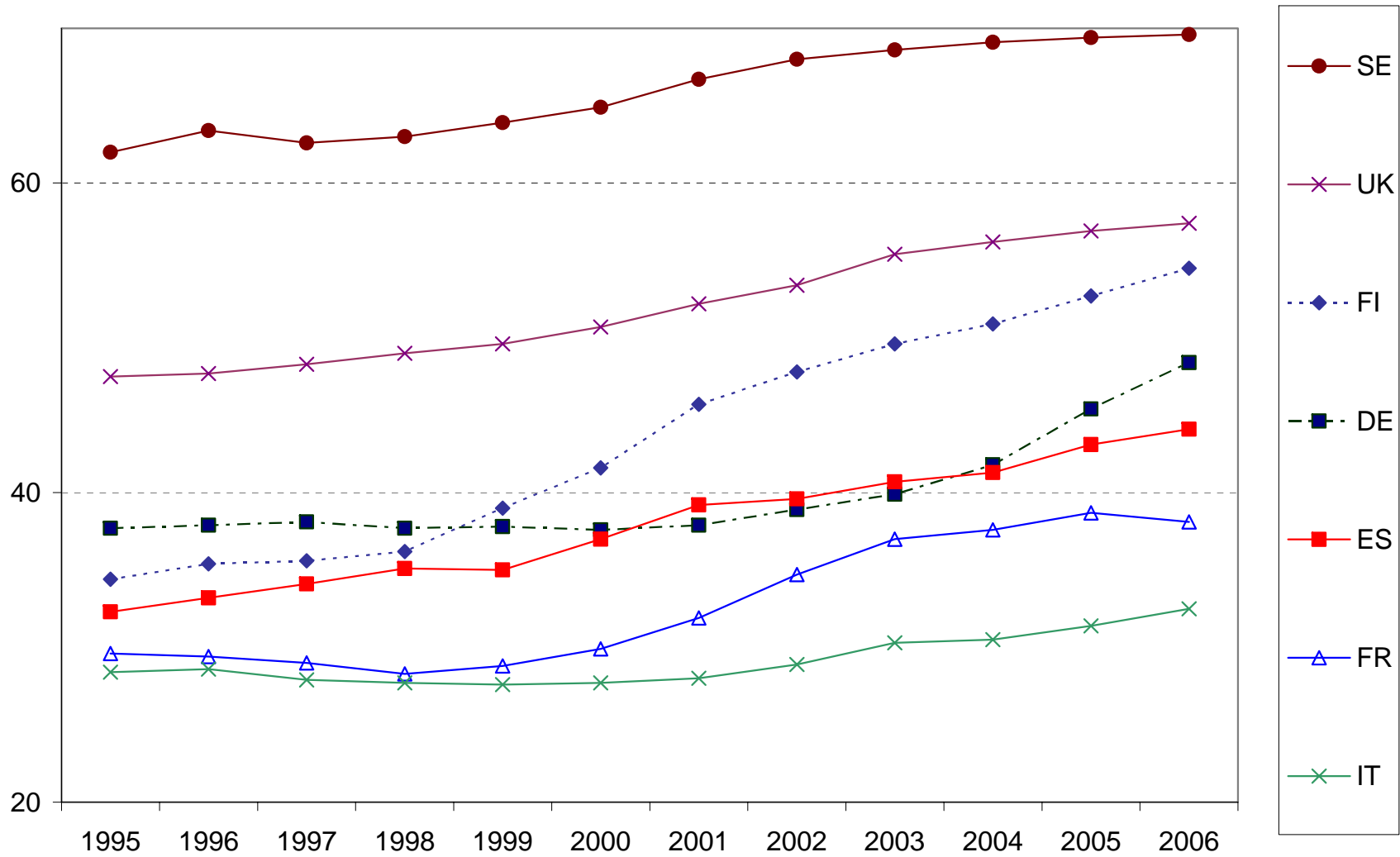
Georg Fischer  
European Commission  
DG Employment, Social Affairs  
and Equal Opportunities  
Social Protection, Social Services

# Projected evolutions : adequacy and sustainability



Source : Stylised illustration from ISG and AWG results  
(public pension schemes include the funded tier of statutory schemes)

## *Trends in employment of older workers (55-64)*



Source - LFS

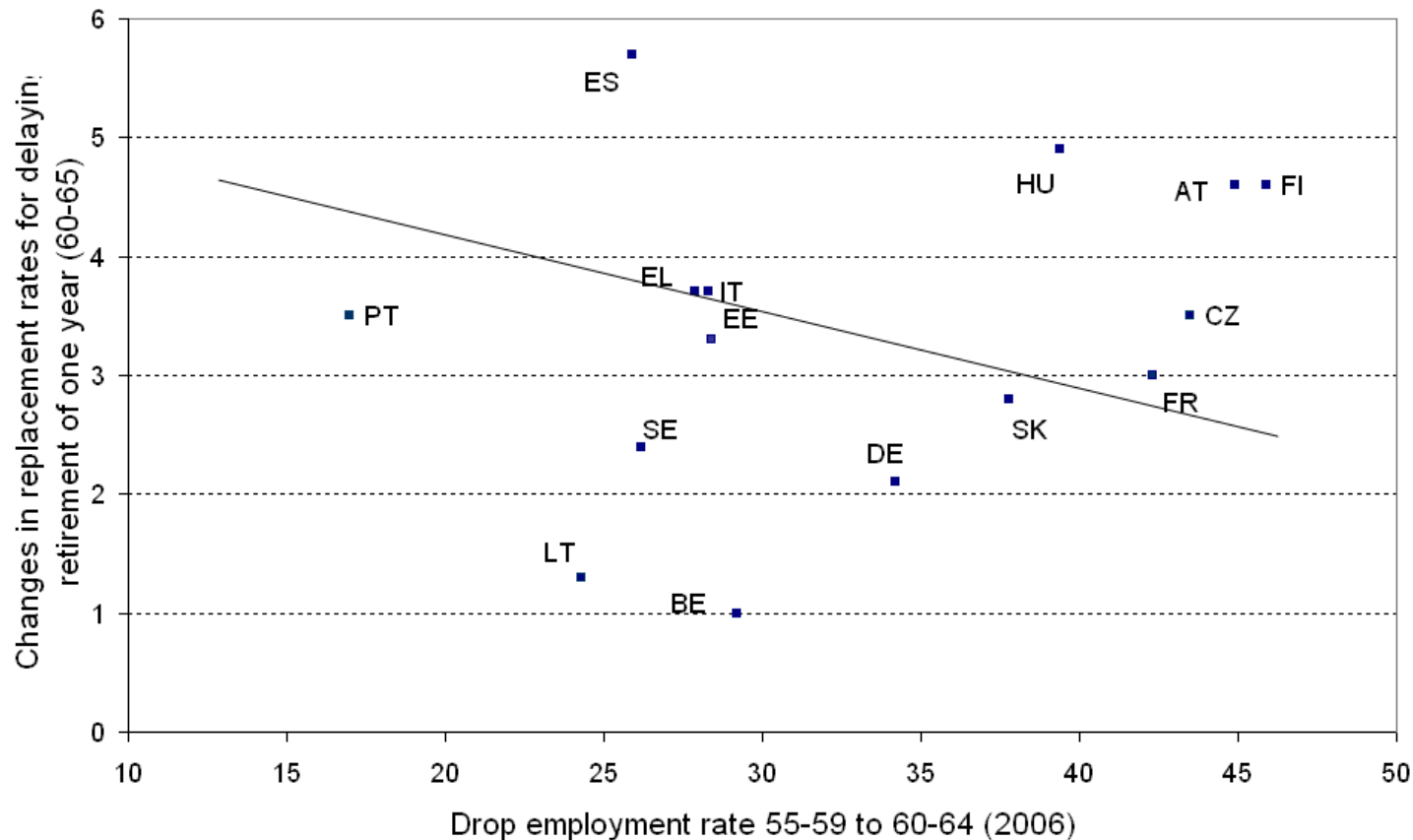
# What are pension reforms doing ?

- Reduce benefit at given career length and retirement age – emerging adequacy gap can be a serious issue,
- Premium for working longer and  
Penalty for early leaving,
- **Stronger link** contributions/benefits
- Reducing access to early retirement
- Review **non-contributory** periods
- Promote private pension savings

# Pension reforms and labour market

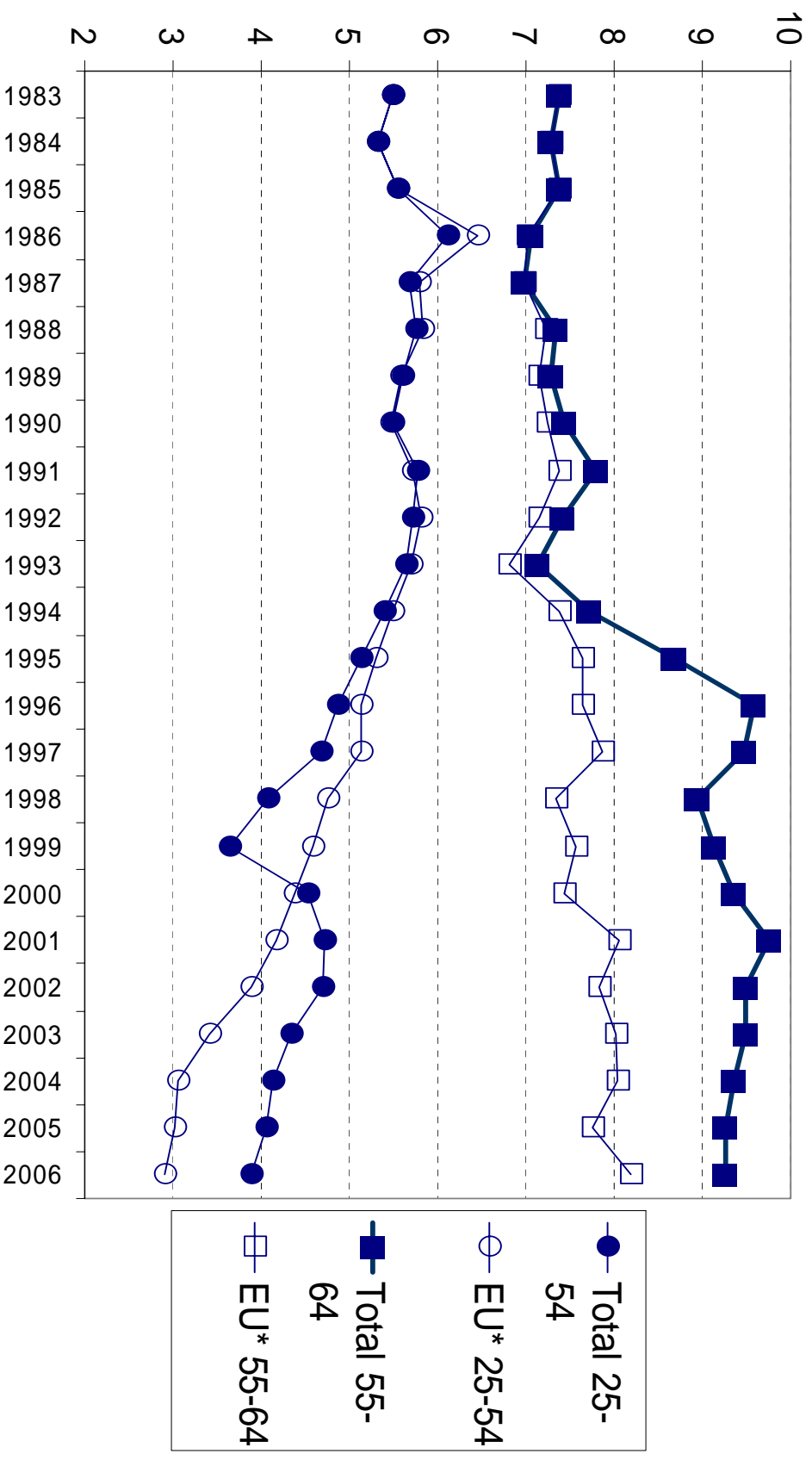
- More and longer employment can contribute to close adequacy gap;
- Strong evidence that incentives matter for longer working – more generally: reforms need to signal policy change;
- Improvements but slow in some countries;
- Gender gap in older people's employment declining but only slowly;
- Sectoral composition – points to role of social and other policies not public employment;

# Retirement: incentives and behaviour



Source : Illustration from SPC report on flexible age of retirement (forthcoming), Replacement calculations from EU Commission-OECD project 'Modelling pension entitlements'

# No convergence between Member States



# Sectoral employment

<b>Increase 2000 – 2006 in Mio.</b>		<b>Share 55-64 / 25-54 in 2006</b>
<u><b>SERVICES</b></u>	4,6	
<b>HEALTH / SOCIAL</b>	1,0	+
<b>EDUCATION</b>	0,75	+
<b>RENTING AND BUSINESS SERVICES</b>	0,75	-
<b>PUBLIC ADMINISTRATION</b>	0,5	equal
<b>RETAIL AND WHOLE SALE / TRADE</b>	0,5	-
<u><b>MANUFACTURING</b></u>	0,5	-



# Labour market reform and pension

***More people working more – a question of improving employment over the life cycle:***

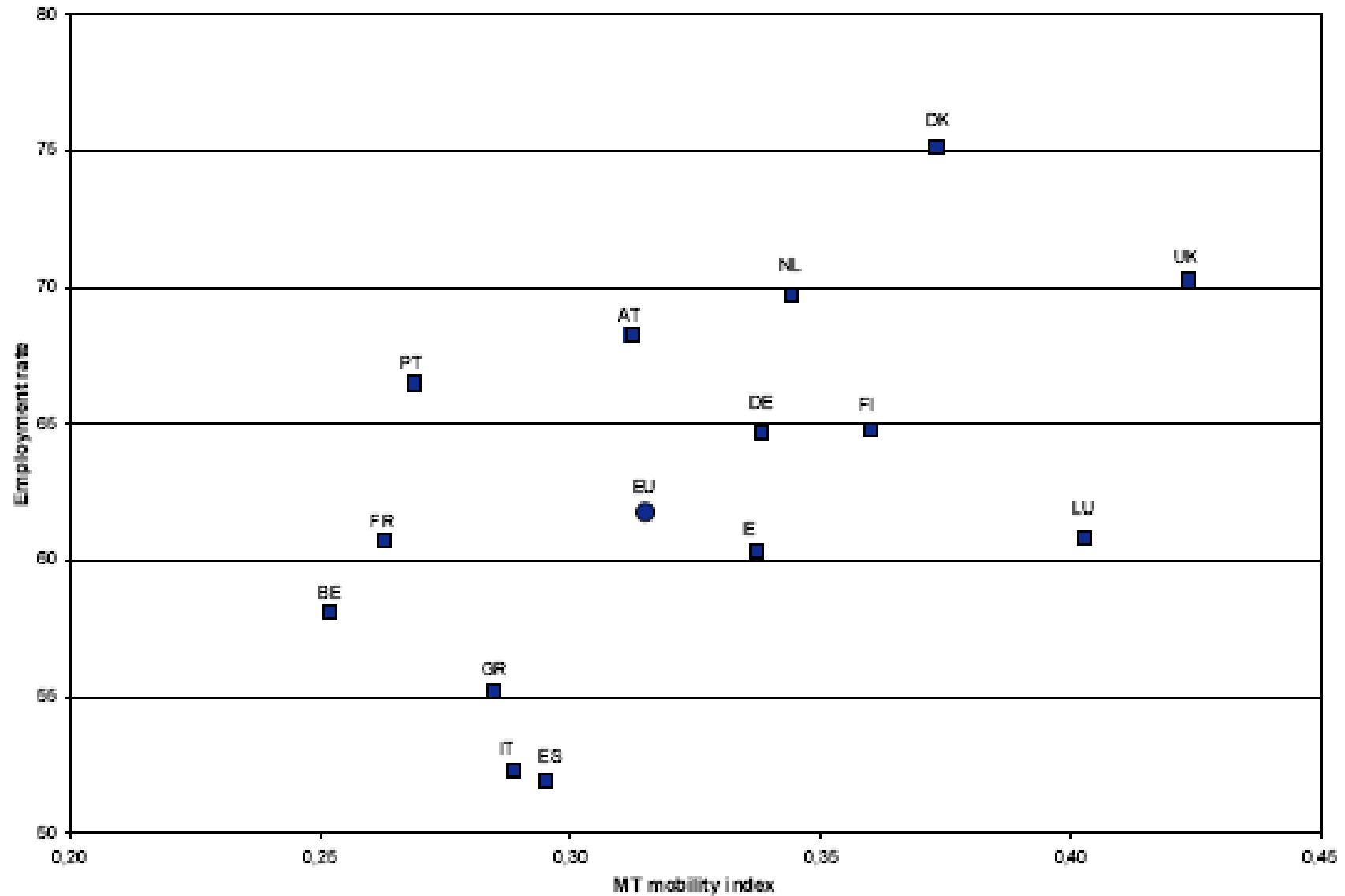
- More labour market dynamism,
- More inclusive labour markets,
- Pension systems to cover **all** forms of employment –temporary, contractual work and self employment;
- Not everybody can acquire adequate pension through access to labour market – role of minimum pension and coverage of care, disability and sickness,

# TRANSITIONS 2005 / 2006

## 55 – 64 old

Country	Employment into		Unemployment into	
	Employment	Inactive	Employment	Inactive
DK (60.7)	91,5	5,8	23,5	41,6
UK (57.4)	92,4	6,2	30,2	33,8
EE (58.5)	91,9	6,5	38,7	22,0
FR (37.6)	84,2	14,4	8,4	70,9
DE (48.4)	91,5	5,8	12,2	32,9
IT (32.5)	90,6	8,9	19,7	61,0
ES (44.1)	92,5	6,5	13,6	50,5

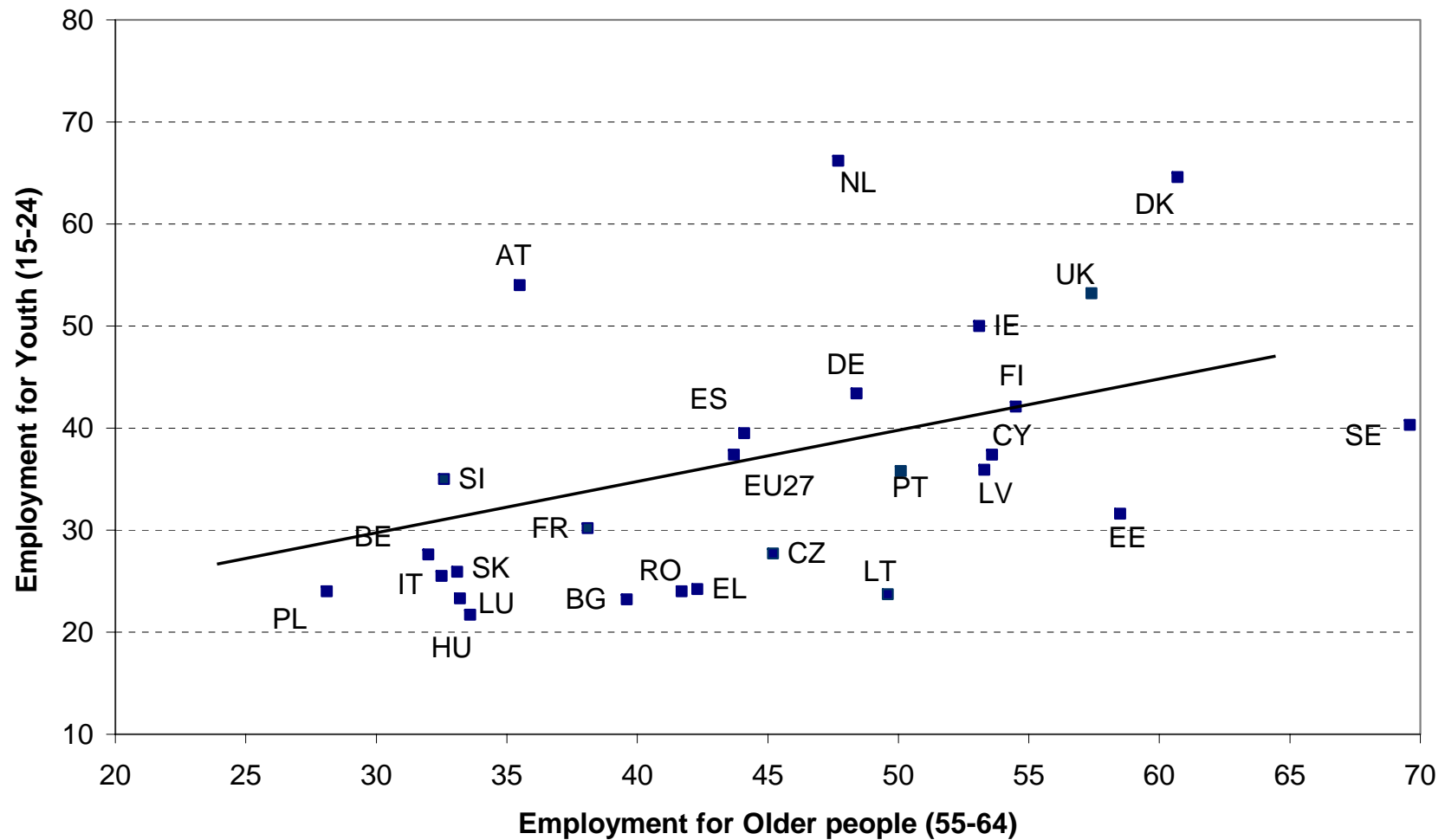
# Building up pension rights: Transitions and Employment



# Inclusive labour markets (95-99) help building up pension rights

	<b>Continuously</b>	<b>At least once</b>
<b>Male ... EU 15</b>	53	86
D	50	90
FR	49	82
DK	62	93
AT	64	87
<b>Female ... EU 15</b>	30	67
D	32	73
FR	32	68
DK	43	89
AT	42	71

# *Employment of older (55-64) and younger (15-24) workers*



Source : LFS – 2006

# Conclusions on interaction between labour market pension reforms

- Pension reforms contribute to
  - long term sustainability of systems,
  - remove disincentives and increase labour supply,
- Labour market reforms improve pension adequacy by opening employment opportunities,
- Challenges
  - divergence in prospects for older people,
  - “fuller” employment for all,
  - more inclusive labour markets,
  - ensure good coverage of all forms of employment
- Not everybody can acquire pension coverage (only) through labour market participation – minimum pensions and coverage of care or disability