



AGE Platform Europe contribution to the Pension Adequacy Report 2021

AGE welcomes the publication of the 2021 Pension Adequacy Report as an important contribution on the discussion pension adequacy, fairness and fight against poverty and social exclusion in the EU. Considering the EU's ambitions demonstrated in the adoption of the European Pillar of Social Rights, the Action Plan for its implementation, the commitment to the UN Sustainable Development Goals, including its Goal 1 to 'End poverty in all its forms', it is crucial to regularly assess the adequacy of the main source of income for the fastest growing EU population group. AGE notes positively that with the [Council conclusions on human rights of older persons](#), on [minimum income schemes](#) and on [mainstreaming ageing in all policies](#), and the [Green Paper on Ageing](#), the EU starts to actively engage with the challenges and opportunities linked to ageing.

We dedicated our [2019 edition of AGE Barometer](#) to the question of income and protection from poverty, and [focussed our response on the Action Plan for implementing the European Pillar of Social Rights](#) (EPSR) specifically on the principles n° 15 on pension and old-age income and n°18 on access to long-term care. Our recommendations were reiterated in the [call for an EU Age Equality Strategy](#) which we shared in the response to the consultation on the Green Paper on Ageing.

The Pension Adequacy Report 2021 confirms the urgency to address several of the issues AGE has been pointing out in the above contributions:

- **Old-age poverty and social exclusion are rising.** The Report underlines that this is due to positive wage developments since 2015, however this does not reduce the fact that pensioners risk falling behind labour market trends in relative terms, and that many of the national pension systems fail to adequately address the specificity of old-age poverty and social exclusion. The EU's tools are still not capable to measure poverty and social exclusion of the 85+ in the context of rising longevity. Rising poverty rates in the context of demographic change means also that the absolute number of poor pensioners is rising fast. The increasing depth of old-age poverty adds to this concern and will make fighting old-age poverty even more difficult in the future.
- **The gender pension gap persists at a very high level.** It has slightly fallen to 29% in recent years, however this is still an unacceptably high figure, masking extremely high gaps in several member States. The higher poverty and social exclusion rates of women of 75 and more years are rightly pointed out. Survivor's pensions and minimum pensions, as well as pension credits for periods spent caring for family members or children are crucial and effective tools to address this.
- **COVID-19** does not have a strong impact on pension adequacy in the short term; however, **older workers who lose their jobs during the crises are failing to build up sufficient pension entitlements** as they lose out on the last contribution years, which has a determining effect on their future pension's value. In the medium term, the high levels of public debt contracted to fight the pandemic risk putting the question of pension financing upfront. Debate on alternative solutions such as a shift in tax base will be necessary to ensure pension adequacy in the future.



- **Past pension reforms have been beneficial for public spending but put risks on adequacy and fairness.** While in a number of Member States minimum pension provisions have been improved in terms of coverage and value, inequality between pensioners has increased. The raising of retirement ages poses additional challenges for workers with long careers, often with low incomes, and workers faced with lower life expectancy at the age of retirement. The reduced number of persons benefitting from a disability pension at age 55-64, in a context of low employment rates and higher statutory pension ages is worrying as well in this regard, as it points to gaps in coverage of the social protection systems.
- **Policies to favour supplementary pensions shift the risk and financing towards employees,** who are already bearing an increased burden for the financing of pensions via reductions of employer's contributions and increasing financing from other, sometimes degressive, tax revenues, such as VAT.
- **One third of older households need long-term care and cannot afford it,** despite the ambition of the EU to provide for a right to long-term care in EPSR principle 18, inclusion in principle 17 and independent living and autonomy in the EU Charter of Fundamental Rights art. 35. The question of old-age income is intrinsically linked to the affordability of social services, especially long-term care which are labour intensive and costly.

AGE regrets that the Action Plan did not address EPSR principle 15 on old-age income by announcing a tangible EU initiative on the matter, and the reduced ambition regarding principle 14 on minimum income, announcing only a Council recommendation in 2021 while the Council called for an updating of the EU framework, including legislative.

AGE puts forward the following recommendations:

- **Address old-age poverty and social exclusion** in the European Semester, in line with the EPSR Action Plan target to reduce poverty and the commitment on SDGs; fully include the development of benchmarks for minimum pensions in the upcoming Council recommendation on minimum income; and develop indicators beyond the current age groups to map poverty and social exclusion of all pensioners.
- Put an **initiative to address the gender pension gap**, by a recommendation on social protection and services for carers, such as pension credits and income support; map the effectiveness of survivor's pensions in reducing the gender pension gap and develop benchmarks on survivor's pensions.
- Continue the **reflection on financing of old-age pensions from other sources**, such as from taxes on capital returns or pollution, to support both pension adequacy for current and future pensioners and intergenerational solidarity towards the young.
- In future editions, aim **to better project the impact of pension reforms on low-income earners** over a longer period of time. Better include analyses of inter-cohort equity, as workers with lower life expectancy (and often lower pensions) have lower pension wealth over the life-cycle than those with longer life expectancy.
- **Continue efforts to provide access to social protection**, especially pensions, for all regardless of the type of employment, by fully implementing the Council recommendation on the matter, to also contribute to raise contributions.
- **Look further ahead:** The Pension Adequacy Report looks at pension evolution 10 years after retirement, an even longer-term perspective would be warranted in light of increase longevity, such as 20 years ahead.

