

2024
Pension adequacy report

Current and future income
adequacy in old age in the EU



Vol. 1

Joint report prepared by the Social Protection Committee
(SPC) and the European Commission (DG EMPL)



Highlights of the 2024 Pension Adequacy Report

June 27th, 2024

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Chair of the SPC Working Group on Pension Adequacy

High-level conference “Navigating the future: Challenges and opportunities of longevity in Europe”

Highlights of the 2024 PAR

- **Scope**

- Main focus is on old-age and survivors' pension (systems)
 - Primarily statutory pensions, but supplementary schemes are incorporated where relevant
- Interaction with LTC services are explored
- Particular focus on reforms and developments between 1/7/2020 and 1/7/2023
- 27 Member States plus Norway

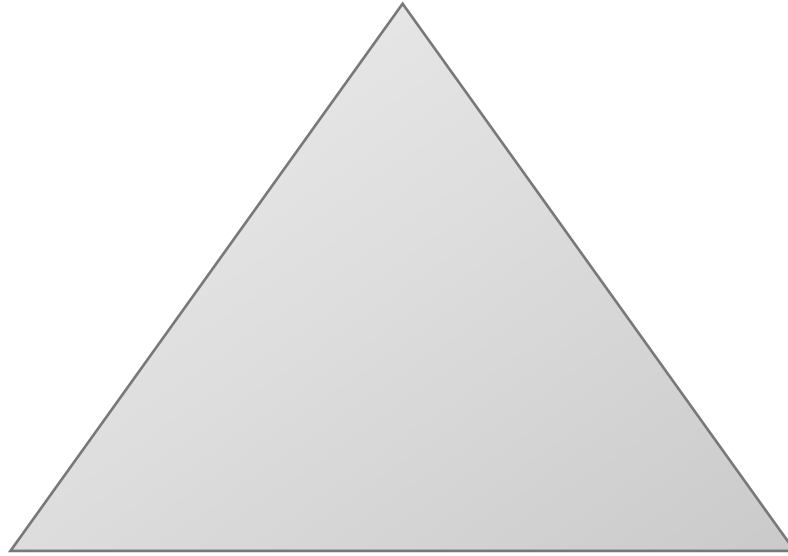
Pension adequacy?



Poverty protection



Duration



Income replacement



PAR 2024: a bird's-eye view

Volume I

- Chapter 1: current situation of older people
- Chapter 2: recent reforms and their likely impact
- Chapter 3: adequate pensions in a long-term perspective
- Chapter 4: Equality in ageing societies

Volume II country profiles

- General description of the national pension system
- Reform trends between 1 July 2020 and 1 July 2023
- Assessment of adequacy
- Key challenges and opportunities
- Background statistics

The current picture of pension adequacy remains mixed

1. Poverty and social exclusion risk for older people has continued growing since 2019, driven by the rising relative income poverty, despite decreasing material and social deprivation.
2. The income of older people in the EU remains below 90% of working-age income on average

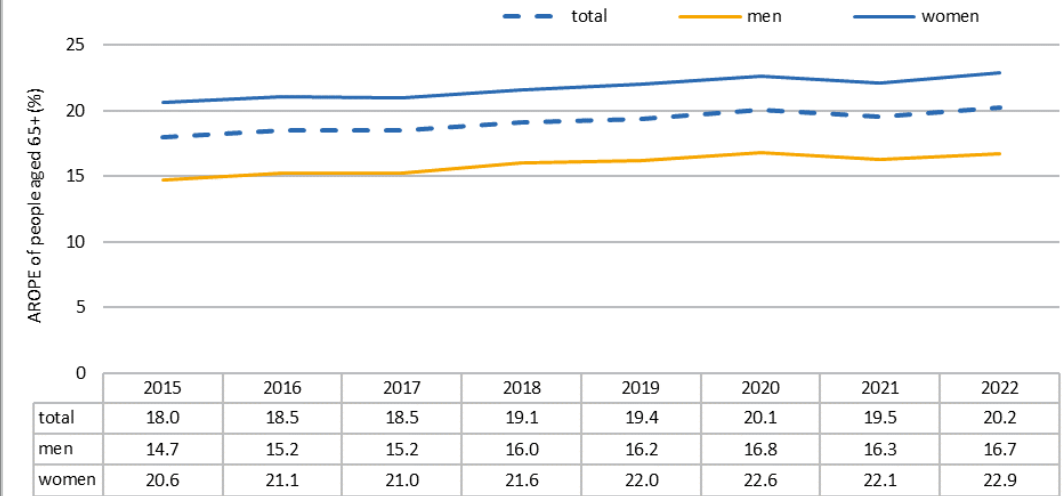


Figure 1: People aged 65+ at risk of poverty or social exclusion (AROPE), women and men, %, EU-27, 2015-2022

Figure 5: At risk of poverty rate, %, EU-27, 2012-2022

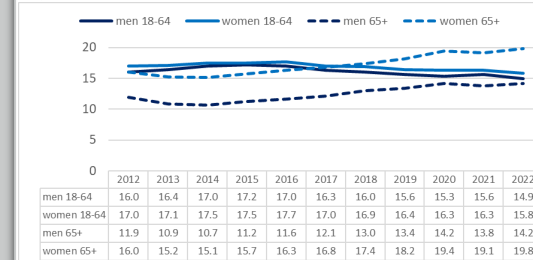


Figure 10 SMD rate, %, EU-27, 2015-2022

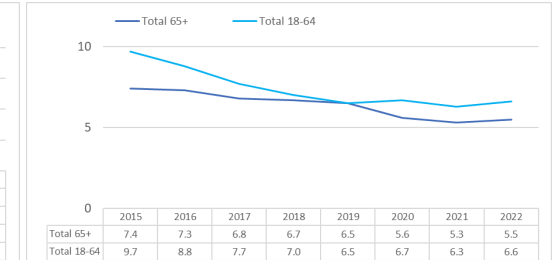
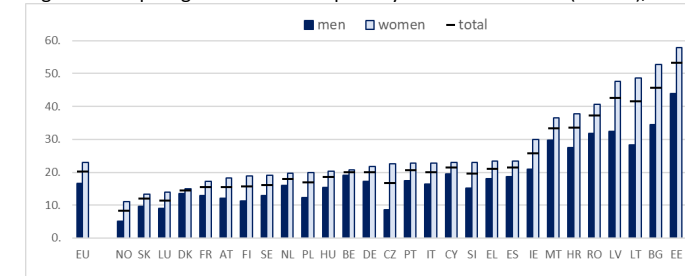


Figure 3: People aged 65+ at risk of poverty or social exclusion (AROPE), women and men, %.



The current picture of pension adequacy remains mixed

3. Gains in life expectancy have been slowing down in the EU over the last decade
4. A European on average can expect to spend 21 years of their lives in retirement and receiving a pension
5. The needs for health care and long-term care tend to increase with age and are associated with a higher poverty risk. Therefore, covering care needs in old age remains a critical social challenge

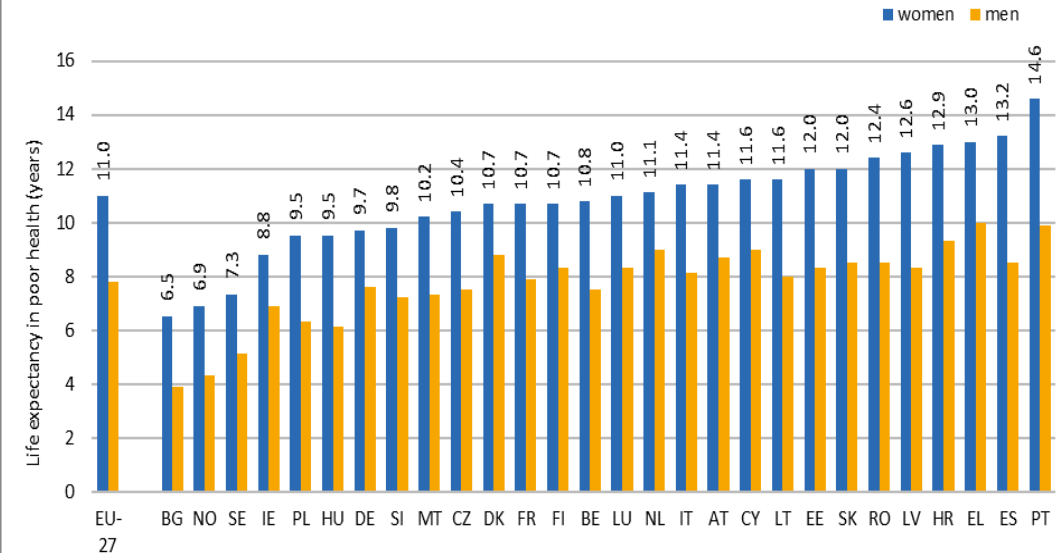


Figure 30: Life expectancy in poor health: difference between life expectancy and healthy life expectancy at age 65, women and men, 2021, EU-27 Member States and Norway

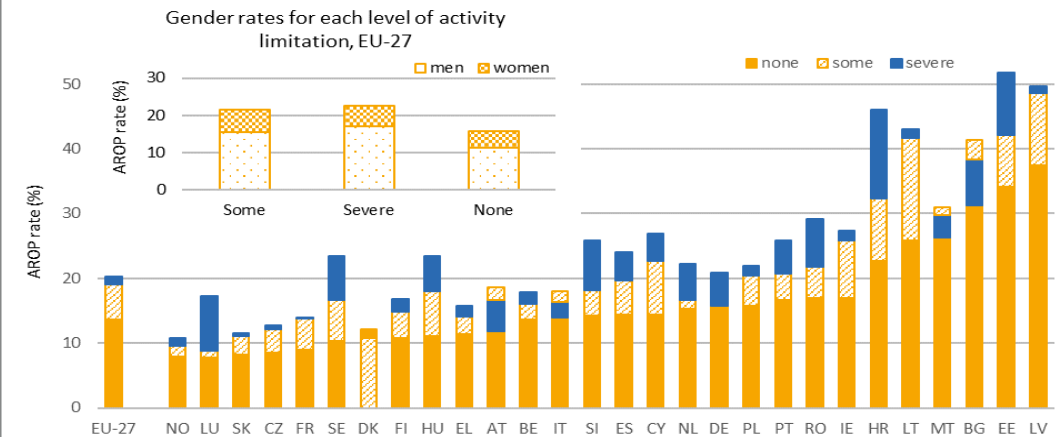


Figure 31: At-risk-of-poverty (AROP) rates in old age, women and men and by level of activity limitation, 2021, EU-27 Member States and Norway

Member States are taking further steps to safeguard adequacy, but further adequacy remains under pressure

6. the crisis context temporarily shifted the pension reform dynamics as all Members States implemented exceptional and temporary measures. At the same time, the overall trend towards permanently enhancing adequacy mechanisms continued.

Trends in pension reform

1. improving income maintenance and making pension systems more socially resilient and equitable
2. promoting longer working lives and later retirement
3. poverty reduction
4. enhancing the role of funded pension schemes and fostering individual entitlements

Member States are taking further steps to safeguard adequacy, but further adequacy remains under pressure

7. Pension replacement rates for a given career are projected to decrease over the next four decades
8. Pension systems and taxation affect the level and (re-) distribution of retirement incomes and the future development of adequacy.
9. Career breaks are not all equally protected by pension systems.

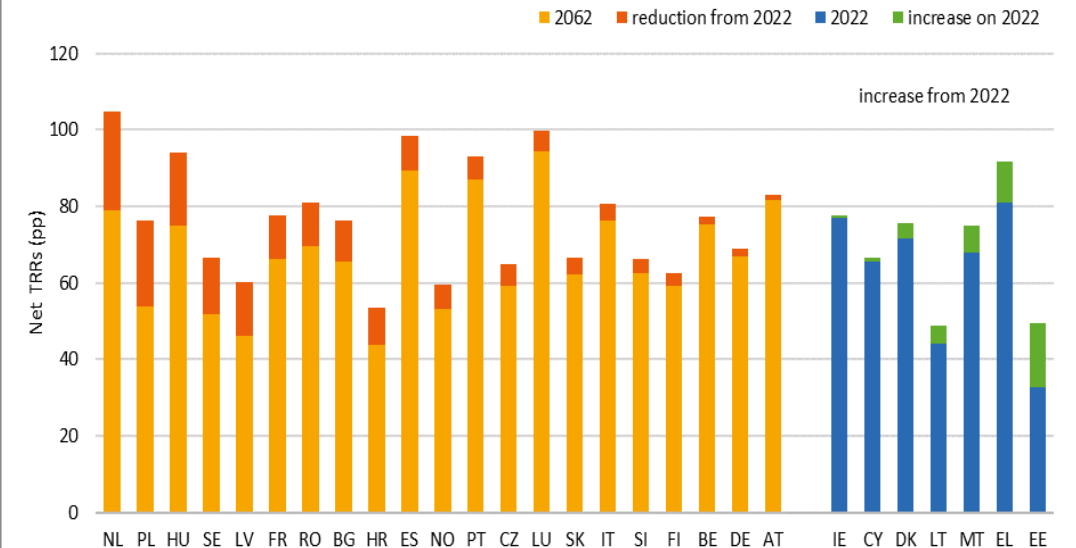


Figure 37: Net TRRs, base case (40 years to SPA), average-earner, 2022 and 2062, men, pp, EU-27 Member States and Norway

- Use dynamic MSM to assess the developments of pension adequacy given the assumptions and scenarios of the AWG
 - Conjunction of Ageing Report and Pension Adequacy Report
 - AROP, Gini, S80/S20.
 - Belgium, Slovenia, Norway, Czechia



Persistent inequalities raise challenges for pension policies

10. The majority of older people are women, making gender gaps in old age a particular social challenge.

11. Addressing inequality in life expectancy is a challenge for pension policies

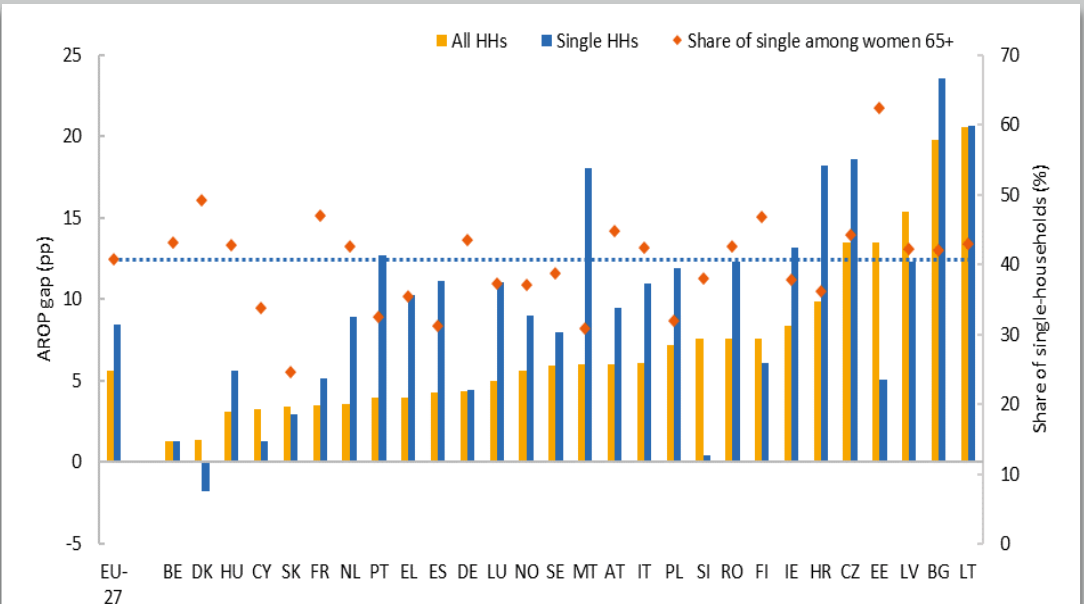


Figure 61: Difference between the at-risk-of-poverty (AROP) rate for women and for men aged 65+, 2022, EU-27 Member States and Norway

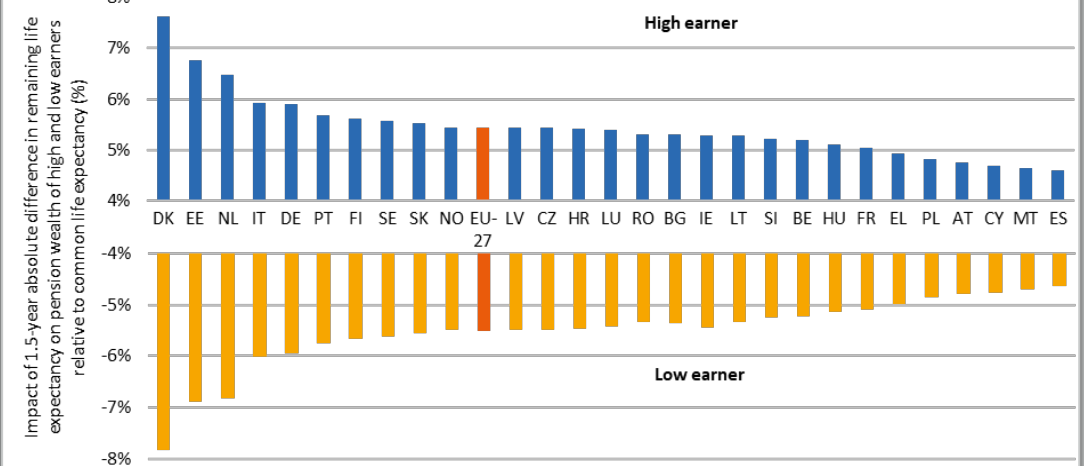


Figure 77: Impact of 1.5-year absolute difference in remaining life expectancy on pension wealth of high- and low-earners relative to common life expectancy, EU-27 Member States and Norway

Persistent inequalities raise challenges for pension policies

12. The way in which labour earnings inequality translates into pension inequality depends to a large extent on the progressivity of the pension system
13. Pensions for the self-employed are projected to be on average one-third lower compared to full-time employees for a similar career, due to different rules and different average earnings.

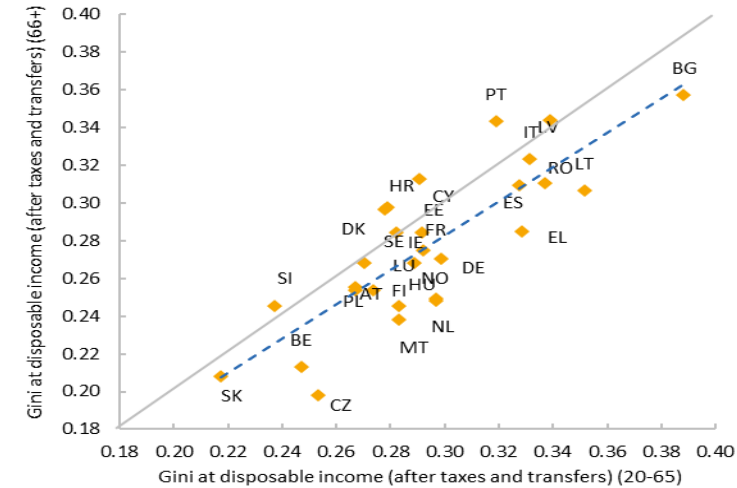


Figure 80: Gini coefficient of income inequality at older and working ages, 7 or latest available year, EU-27 Member States and Norway

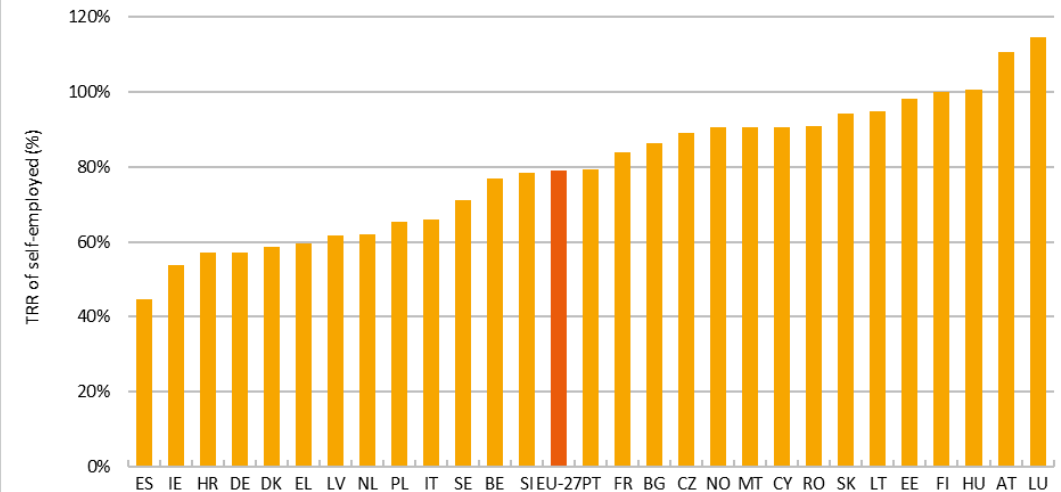
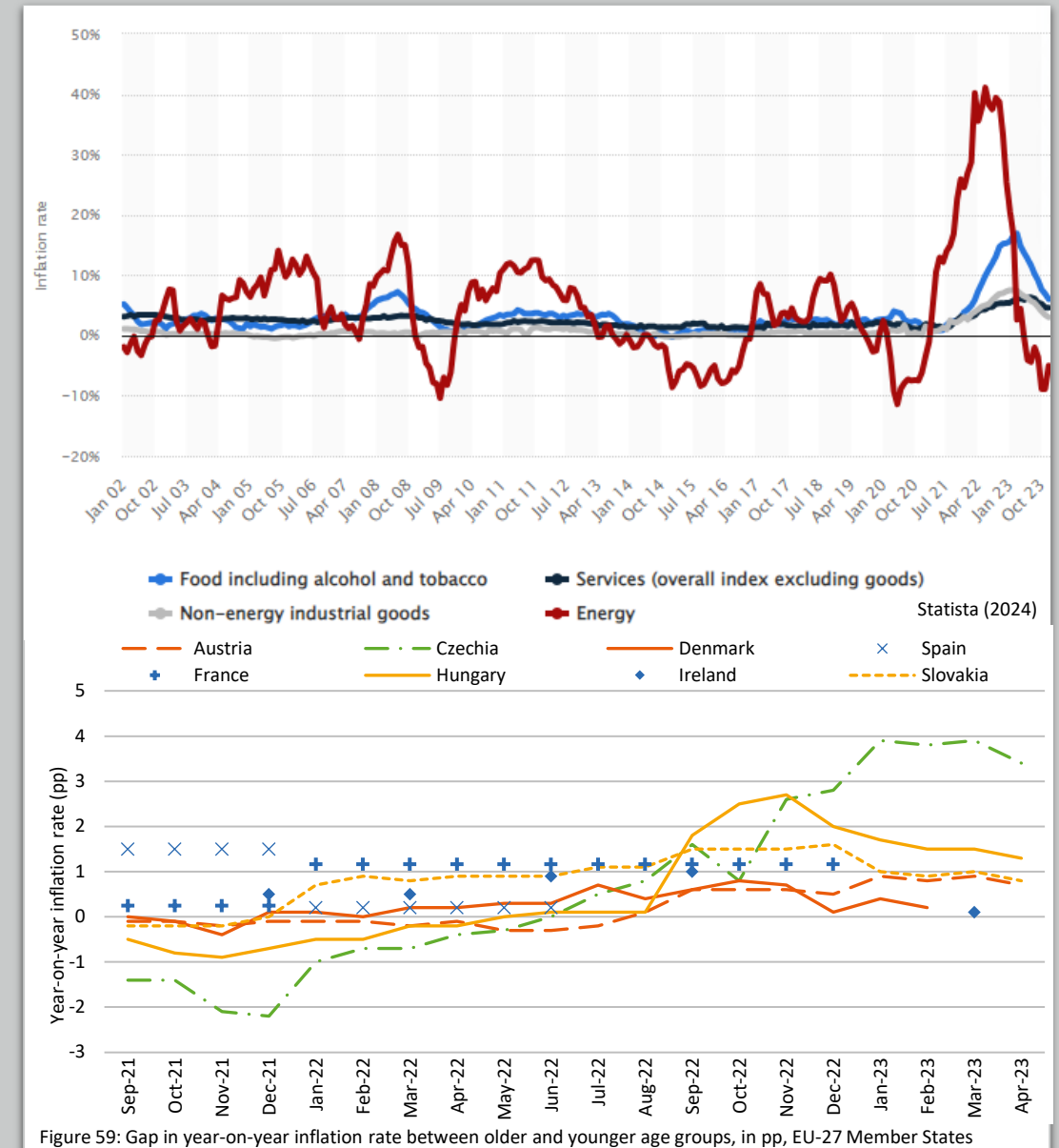


Figure 94: Theoretical future pensions of a self-employed person relative to an employee, 40-year career, contributing only the mandatory amount to pensions and retiring at normal retirement age, EU-27 Member States and Norway

European pension systems showed resilience in the face of crises

14. European pension systems and anti-crisis measures cushioned the impact of the COVID-19 crisis on current and future pensions
15. While the inflation wave observed in 22-23 reduced the real value of pensions in most MS, the purchasing power of pensioners was still well protected compared to the working-age population
16. Pension indexation is a key policy lever to protect pensioners against income erosion.



PAR2024: The SPC & EC therefore...

...consider that efforts to implement the **European Pillar of Social Rights** need to continue.

...The EU should continue to **support national policies** to ensure adequate pensions through a broad policy mix [...].

... Sustained efforts to implement the **relevant Council Recommendations**, including supporting and monitoring action in the SPC framework, are an important contribution to maintaining high living standards for older Europeans.

... will **again report on pension adequacy and long-term care** for adoption in 2027, striving to develop coherent analysis, as well as further strengthen synergies with the Ageing Report.