



# Cross-country experiences

## ***Session 3***

*Reform strategies: the experience of emerging European economies and their effects on sustainability and equity*

**Per Eckefeldt**

**European Commission**

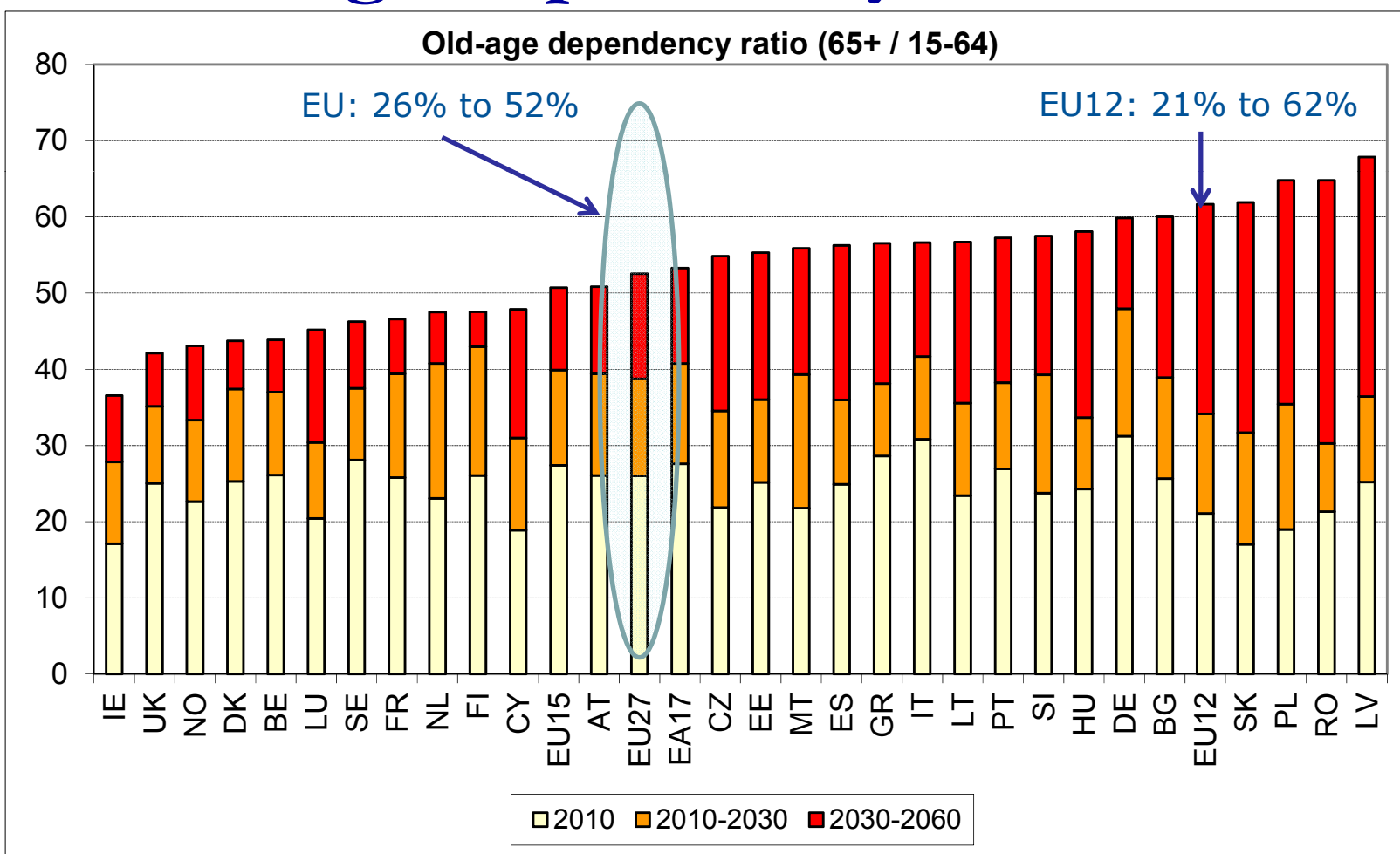
**Directorate General for Economic and Financial Affairs**

**IMF Fiscal Affairs and European Departments conference: Designing fiscally sustainable and equitable pension systems in emerging Europe in the post-crisis world**

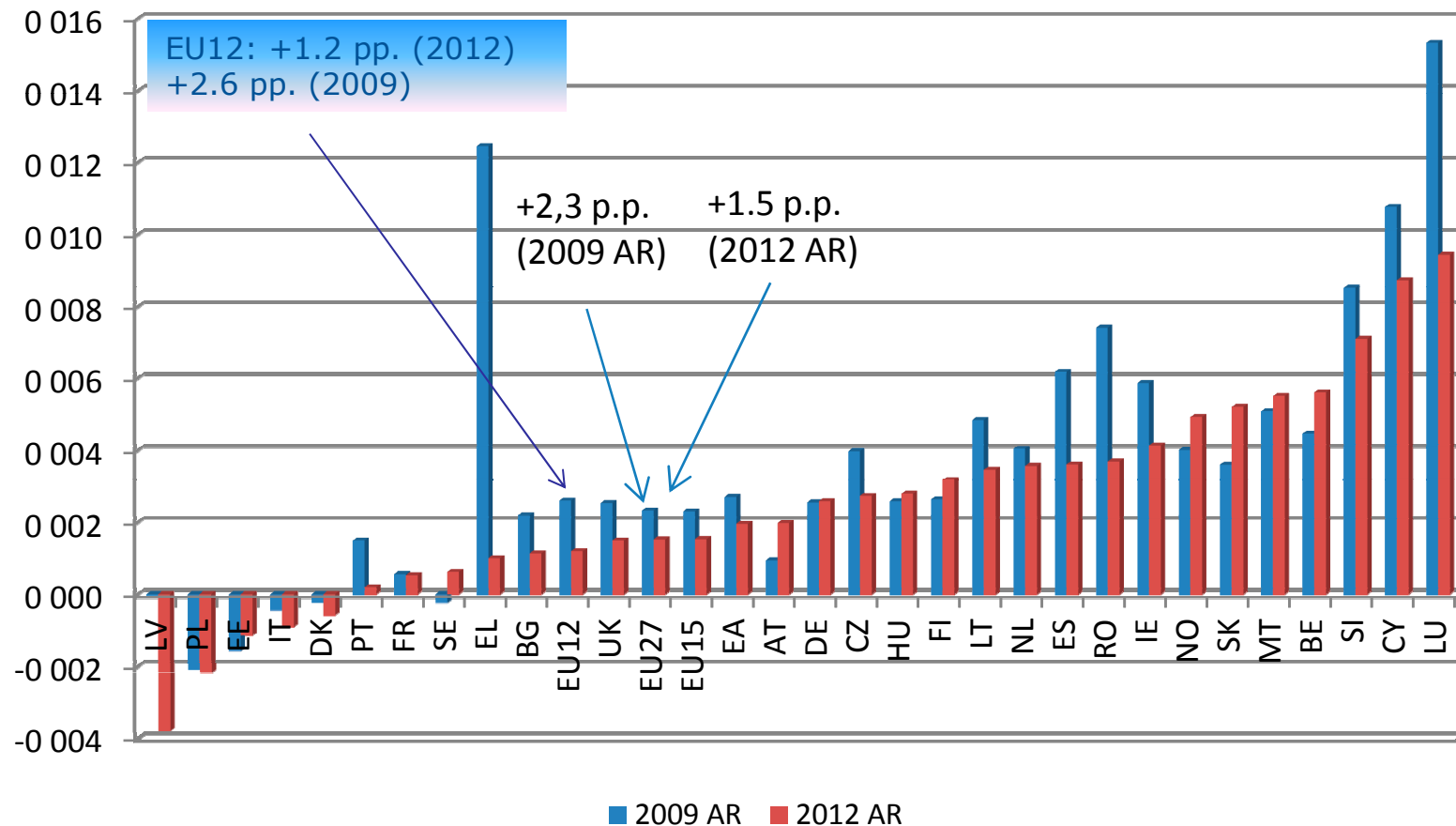
**Vienna, 18 March 2013**



# Population projections: Old-age dependency ratios



# Progress with pension reforms: public spending (change 2010-2060 in percentage points) - 2009 and 2012 AR

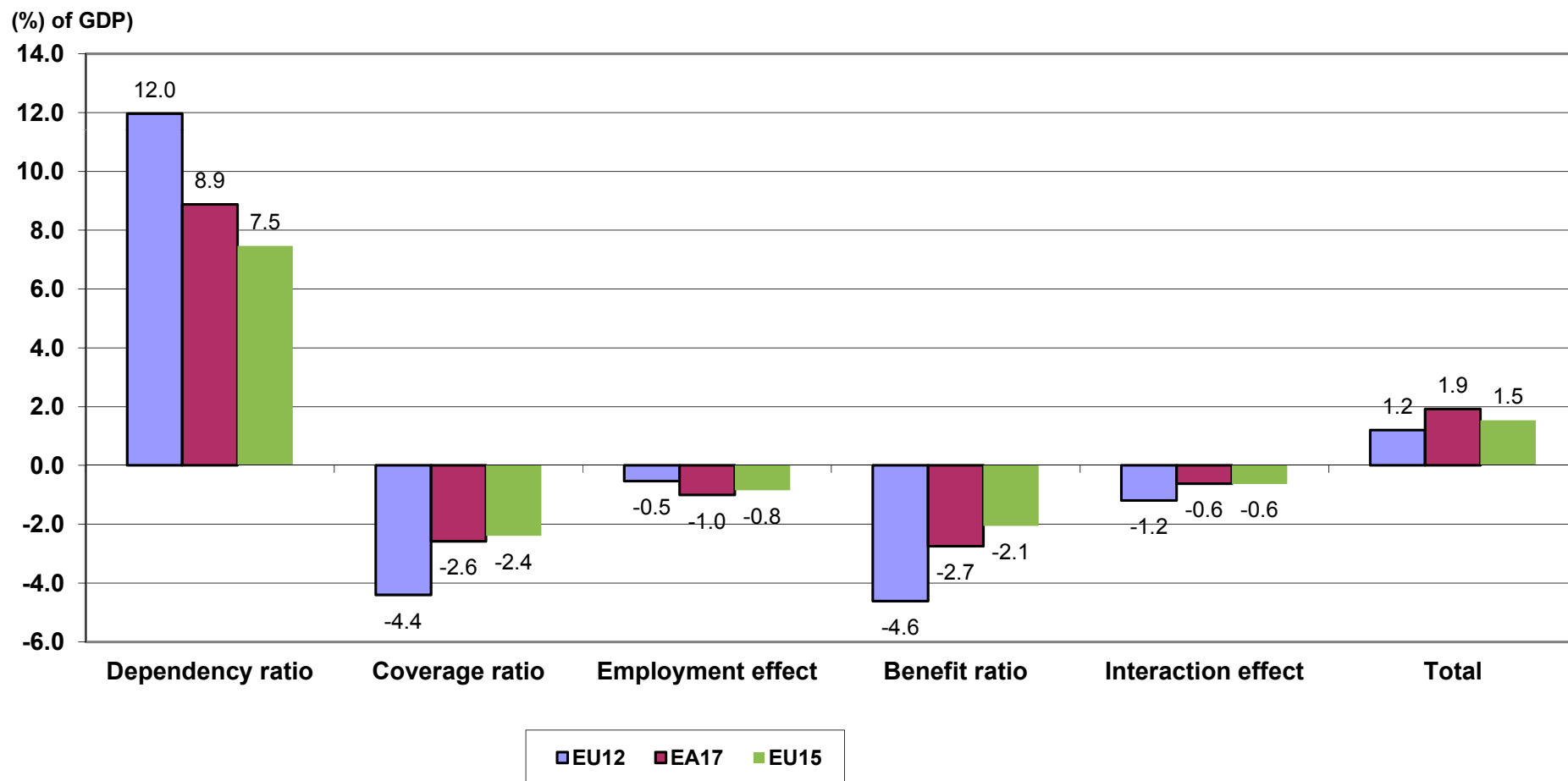


# Decomposition of public pension

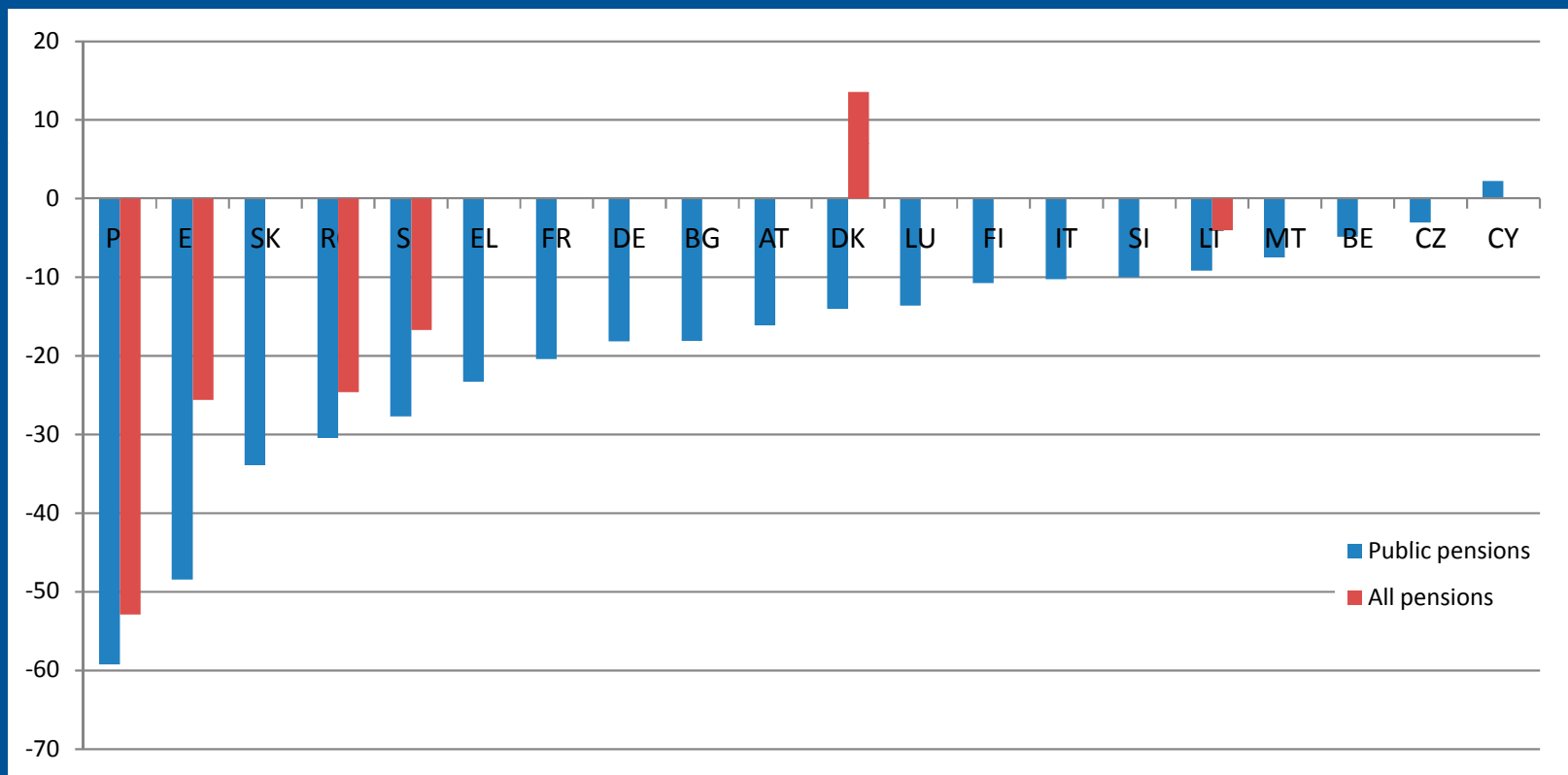
# the increase in expenditure



**Significant progress in Eastern European countries to put public pension systems on a more sustainable footing**



# Change in the benefit ratio (average pension over average wage)





## **Pension policy challenges/reform options in the EU**

**The Commission set out its line in the 2012 Annual Growth Survey on pension-related issues, confirmed in the 2013 Annual Growth Survey:**

- align the retirement age with increases in life expectancy (done already by IT, ES, EL, DK, NL and SK);
- restrict access to early retirement schemes and other early exit pathways;
- support longer working lives;
- equalise the pensionable age between men and women; and,
- support the development of complementary retirement savings to enhance retirement incomes.

**Long-term trend in pension policy towards mixed systems**

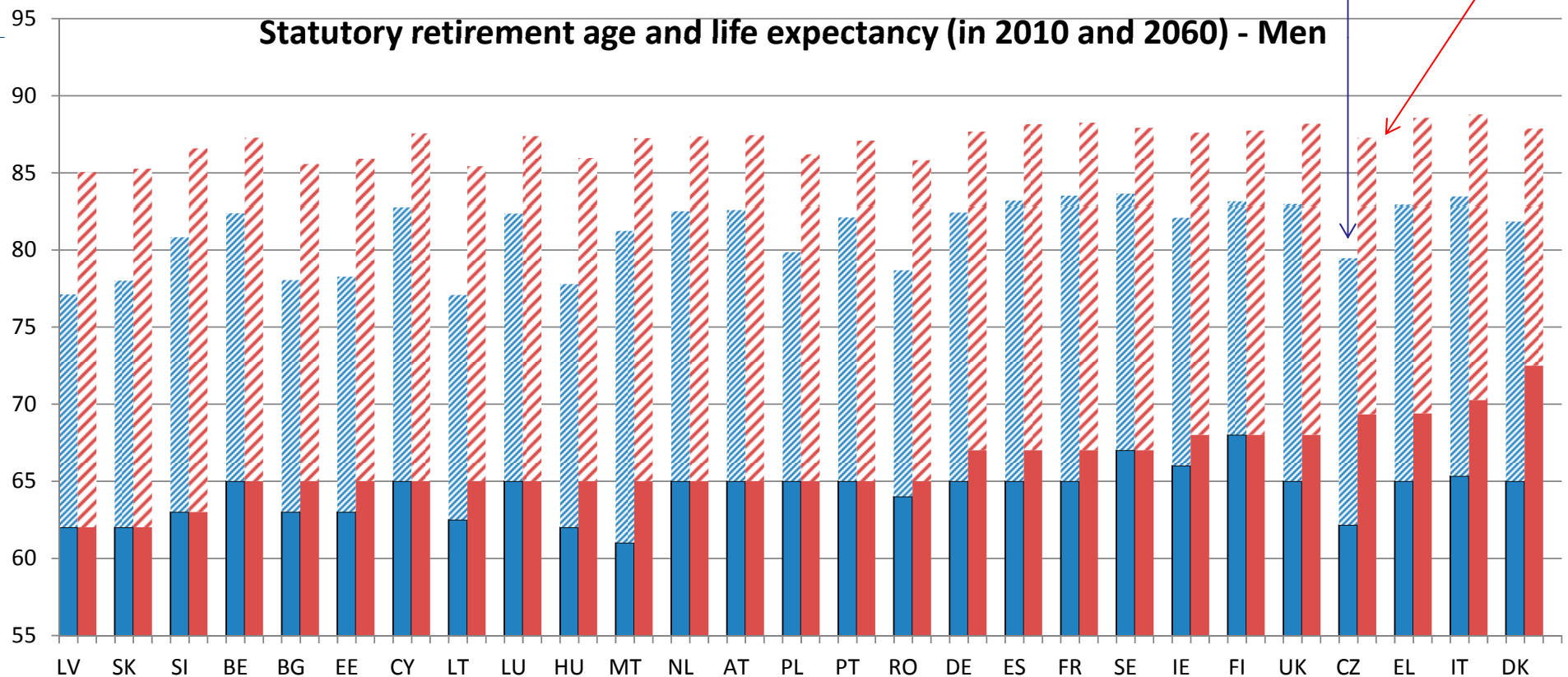
- 'Bismarck' towards 'Beveridge' and vice versa

**Eastern European countries more prone to implement systemic reforms**



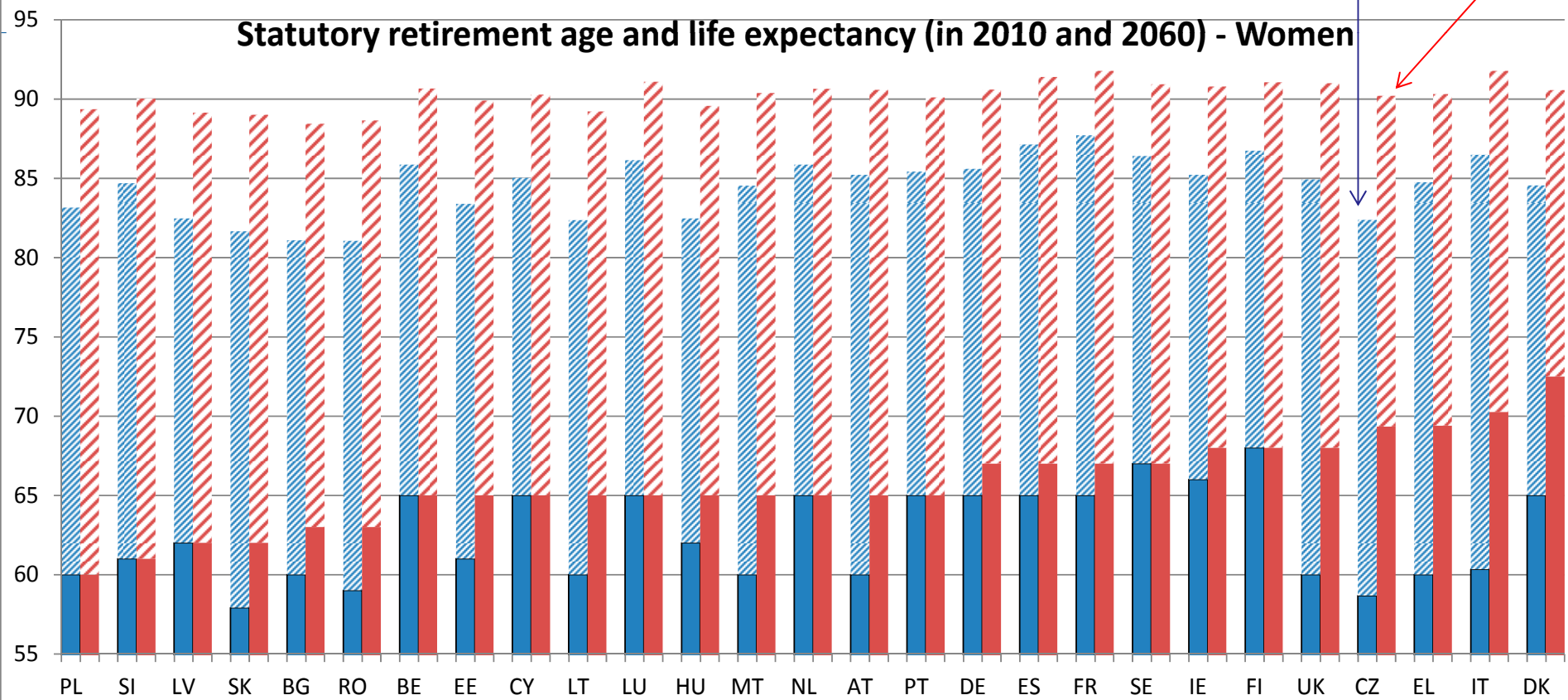
# Adapting policies (1): the retirement age and life expectancy (men)

2010 2060



# Adapting policies (2): the retirement age and life expectancy (women)

2010 2060

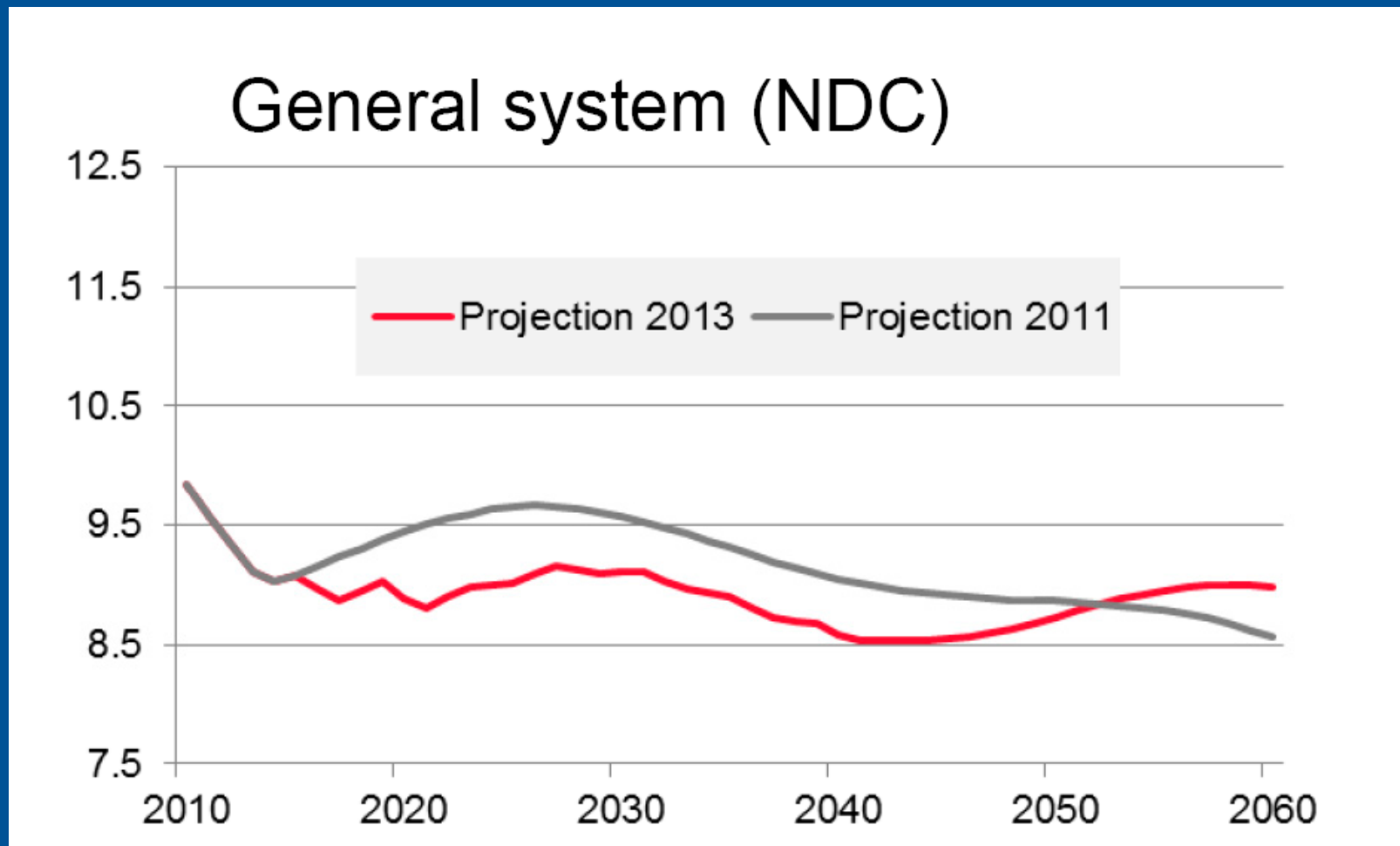




# Recent move (1): higher retirement age in Poland (2012 reform)

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## Retirement age raised: 67 for men by 2020 and for women by 2040 (as from 1 January 2013)



# Recent move (2): Slovakia adapts the retirement age and the 2<sup>nd</sup> pillar (2012 reform)

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**1<sup>st</sup> pillar: retirement age linked to life expectancy as from 2017**

**2<sup>nd</sup> pillar: Introduced in 2005 (diversion of pension contributions), but hesitant introduction...**

2<sup>nd</sup> pillar: for people entering the labour market:

- *2005-08: compulsory: no possibility to opt out after entry (100% entry rate)*
- *2008-2011: voluntary, possibility to enter up to 6 months (14% entry rate)*
- *2012: compulsory: possibility to opt out within 2 years (95% entry rate)*
- ***2013: voluntary: possibility to enter until age of 35 (13.5% entry rate (assumed))***



# Policy challenges in the EU

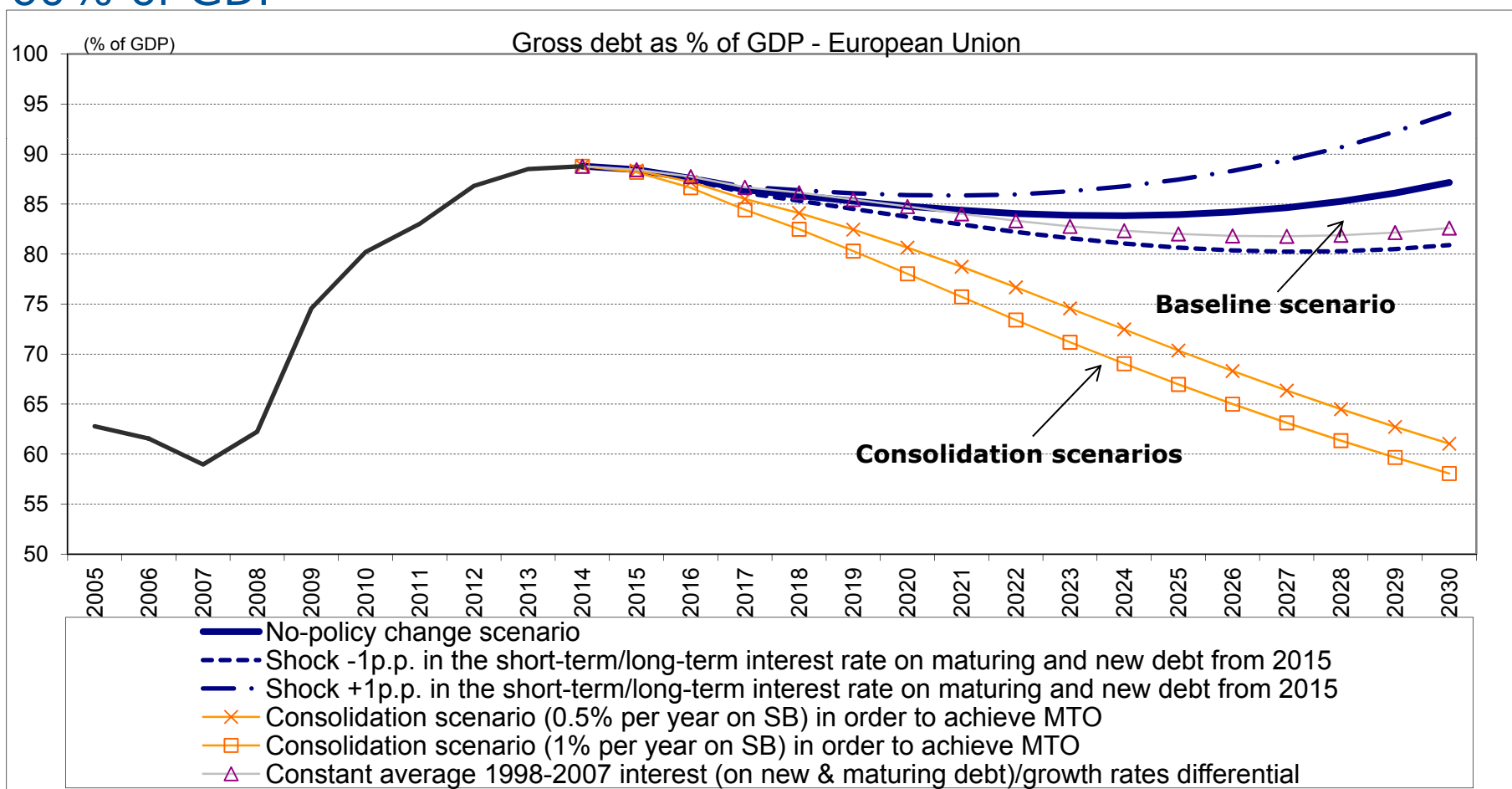
**Mario Draghi, ECB**

**"You know there was a time when Rudi Dornbusch used to say that the Europeans are so rich they can afford to pay everybody for not working.**

***That's gone."***

*WSJ, 27 February 2012*

## Government debt is very high in the EU, but attaining the budgetary targets (MTOs) would set it on a clear downward path to 60% of GDP





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***Thank you for your attention!***

