

OPSG Introducing Presentation

The current pension system and the future challenges of the labour market (OCDE sources)

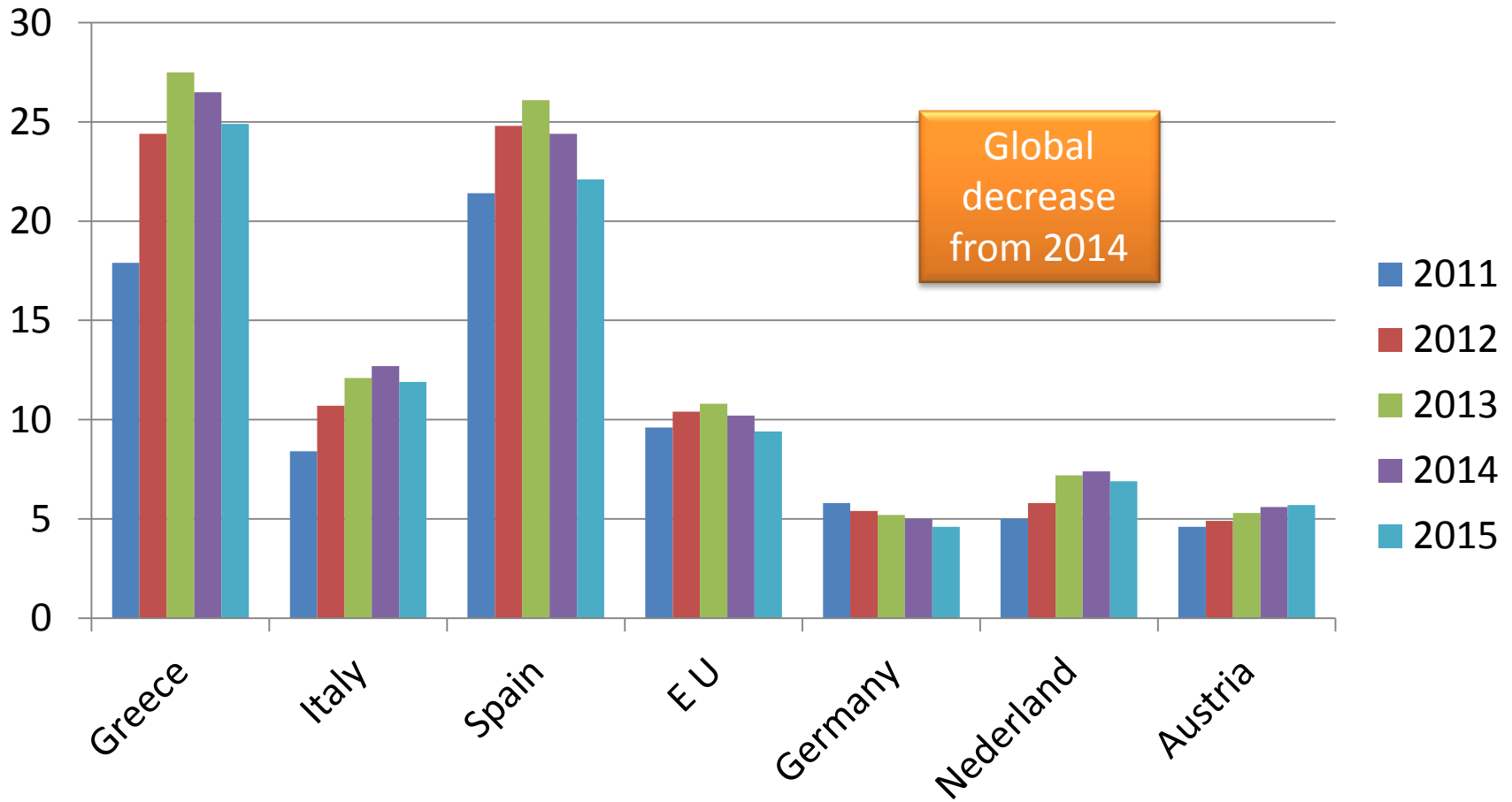
The current pensions system and the future challenges of the labour market

Frame: A study focused on the question of the suitability of the current pension system in Europe with the future challenges of the labour market.

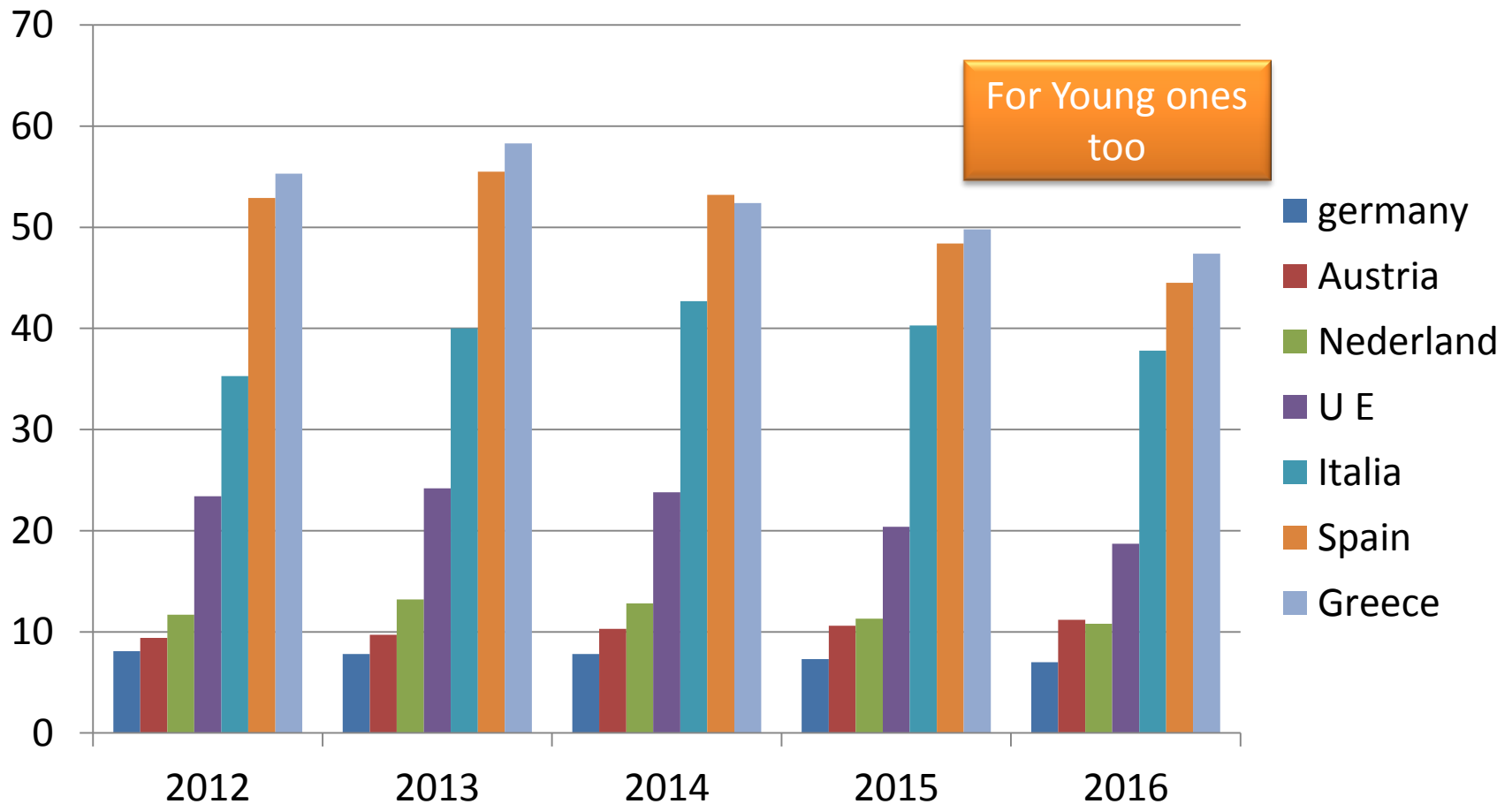
Goal: Decent pensions guaranteed for workers.

Means: The tracks for the future including the scope of the OPSG competence

Unemployment in EU

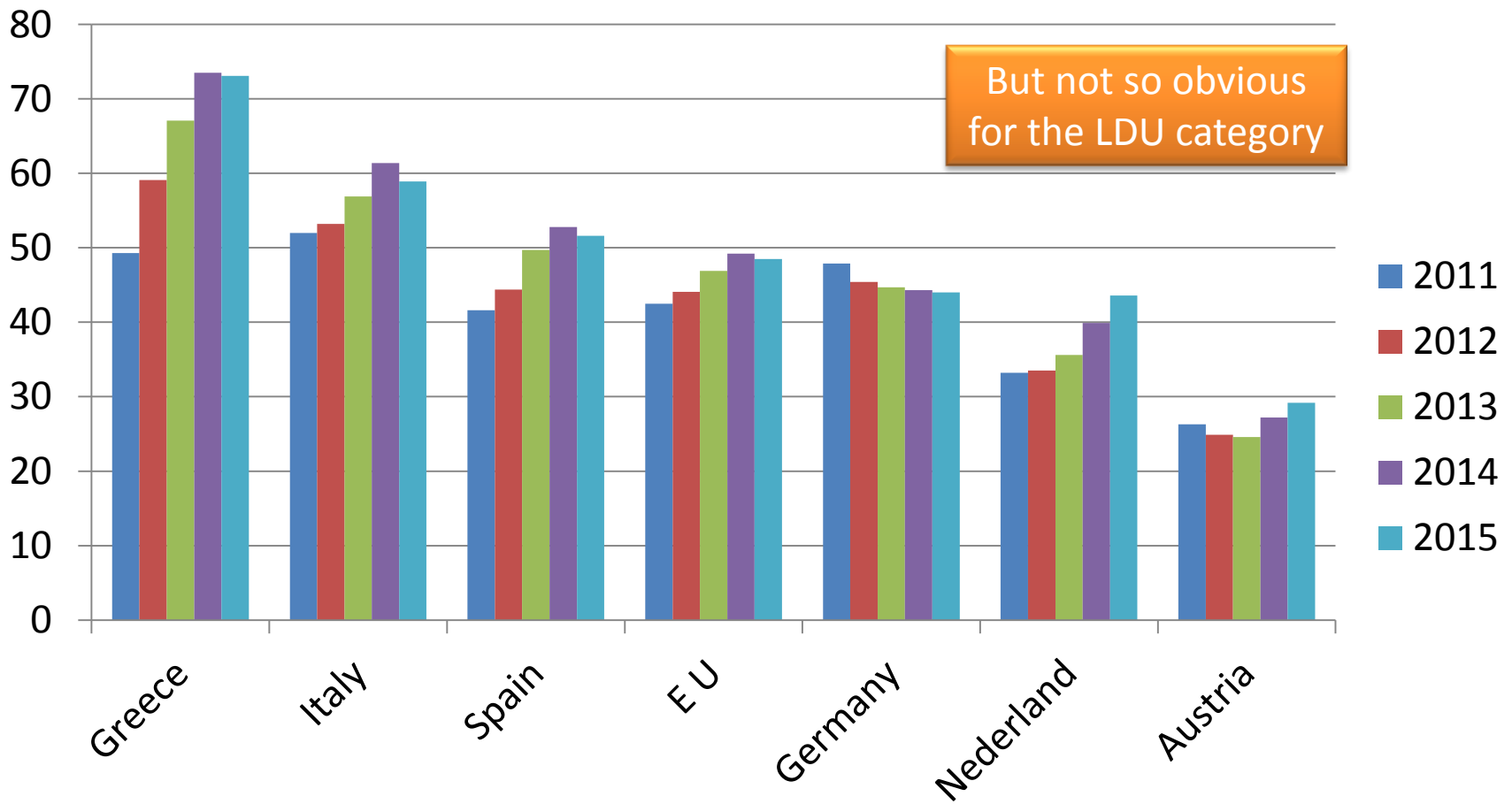


Youth unemployment in the European Union (in % of the labour force available for the 15/24)

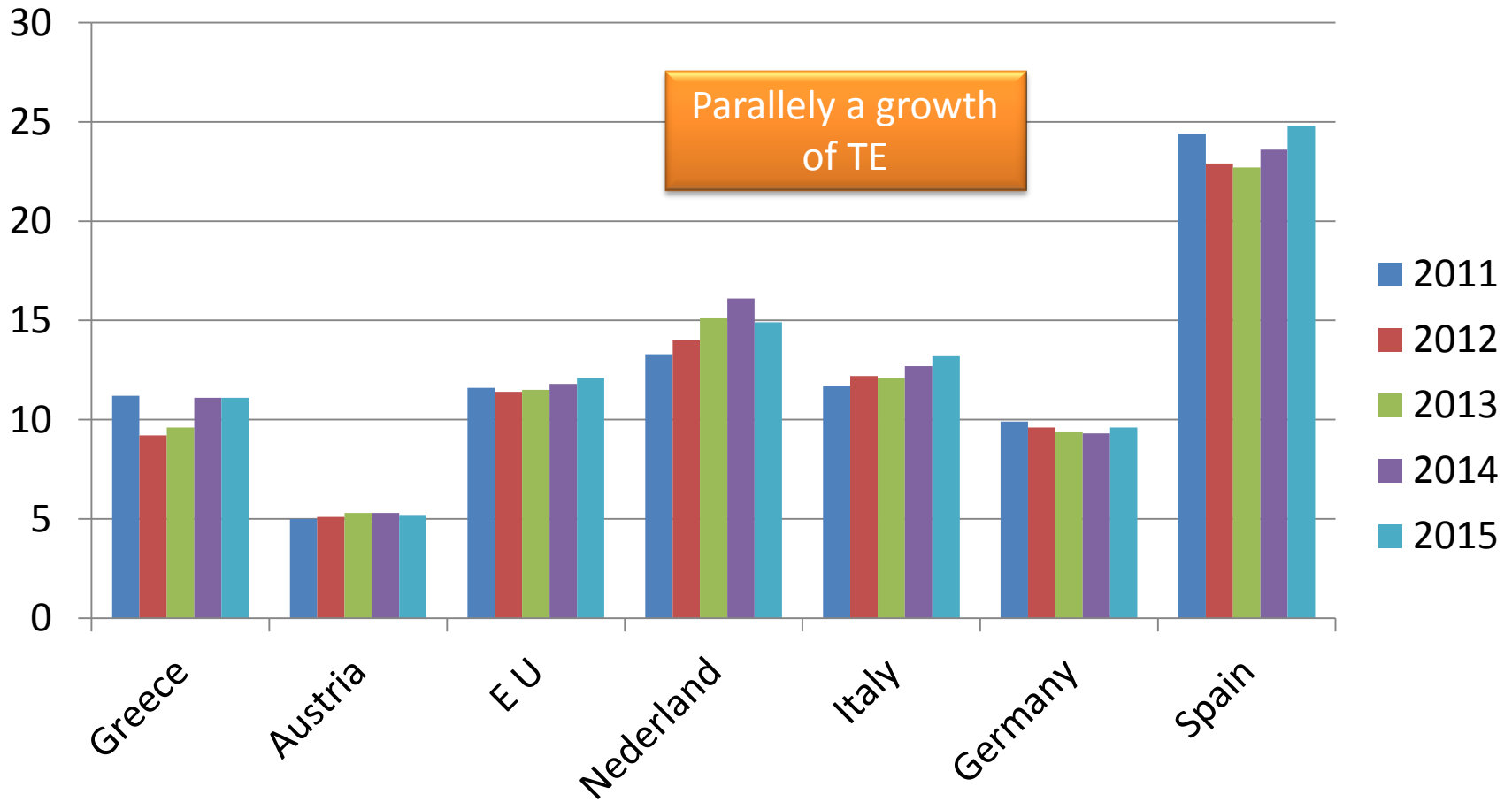


Long duration unemployment

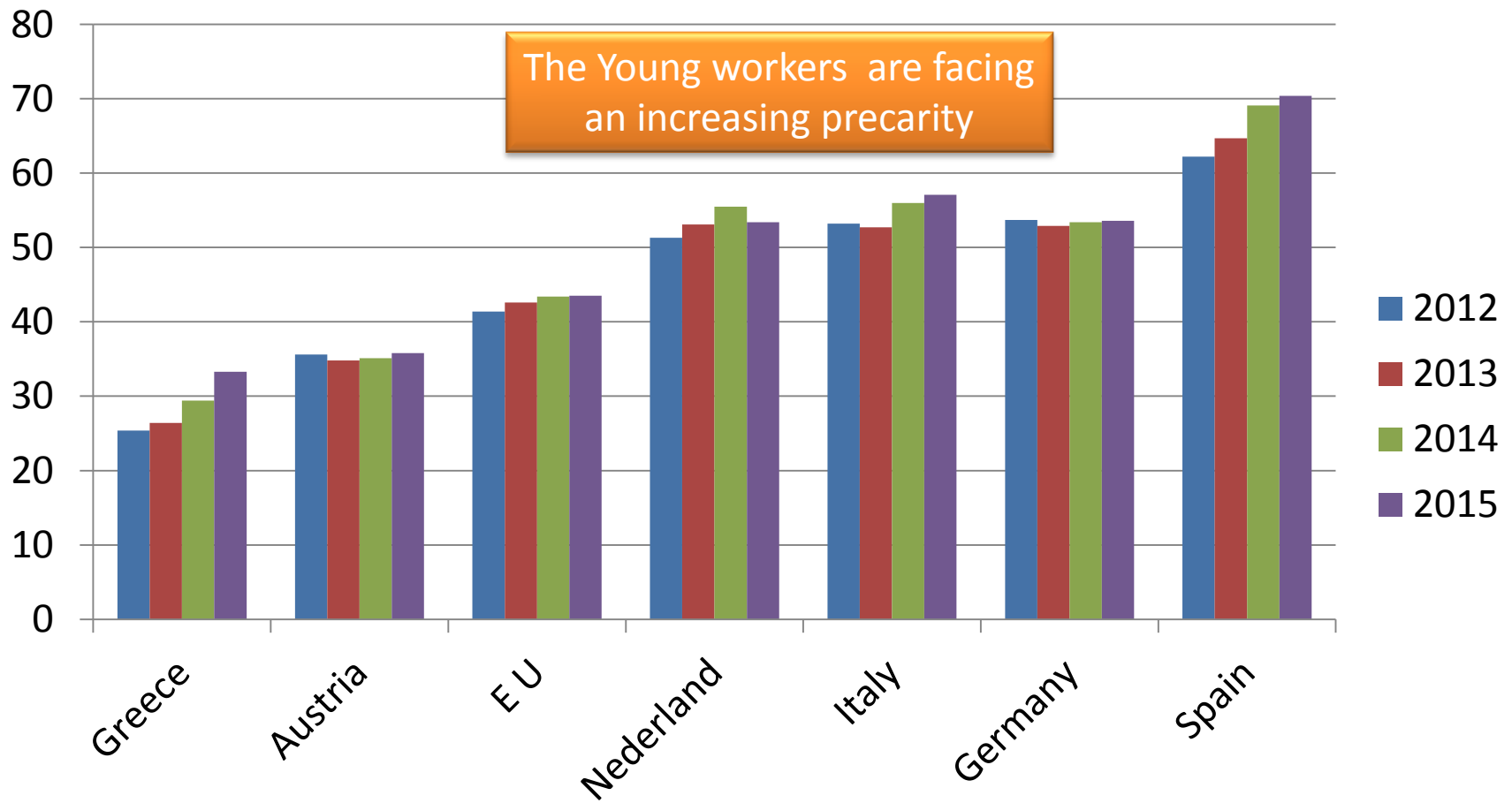
(% of over 12 months unemployed people comparing to the global datas)



Temporary employment for the 24/54



Youth (15/24) in Temporary work in % of employed people of the same age category



How the today's pension system is supposed to cope with this situation & the evolution expected

The global system of pensions is composed of 3 levels:

- The first pillar : Public systems supposed to be universal
- The second pillar : Collective regimes including occupational ones
- The third pillar : individual and voluntary

The role of the first pillar

- The device to protect the weakest aged people
- Made by 3 components:
 - Basis pension : taking into account duration of dwelling or contribution in most cases
 - Minimum pension : often an added amount taking into account the other incomes of the pensioner
 - Social help : For pensioners without enough incomes to live (dwelling, health, free basic services...)
- Of utmost importance in high level of unemployment times

Opening rights to pension conditions for the first pillar based on

- Minimum of dwelling duration in the country providing the regime
- Minimum of age
- Minimum of contribution duration

Let's focus on the minimum of contribution duration, calculation of the benefit & their consequences on poverty

Opening rights to pension conditions for the first pillar

	Age minimum	Contribution minimum	Benefit calculation	Unemployment into account	Added Social net beneficiaries
Austria	65 years	15 years	Related to wages	Yes if compensated	11% of 65 & +
Germany	67 years	5 years	Related to wages	Yes if compensated	2% of 65 & +
Greece	67 years	15 years	Related to wages	Yes if compensated	19% of 65 & +
Italy	65 -) 67 years	20 years	Related to wages	Yes if compensated	37% of 65 & +
Netherlands	65 -) 67 years	nothing	Dwelling or working duration	Yes if compensated	Not useful
Spain	65 -) 67 years	15 years	Related to wages	Yes if compensated	34% of 65 & +

The consequences of an incomplete career on pension rights

The causes usually met in Europe

- The motion between different employers or status
- The unemployment
- Taking care of children or elders
- Late arrival on the labour market because of high and long education

In a global context where pension rights become more and more related to the amounts of contribution rather than contributory plans, the occurrence of breaks increases the gap between rich and poor pensioners.

The labour market risks are transferred on the individuals

The consequences of an incomplete career on the rights for pension

The consequences :

- Measures taken to neutralize the gaps during the career remain insufficient because limited
- These measures often push later the age of retirement
- For someone delaying of 5 years the arrival on the labour market for studies the loss is of 6% of pension rights
- The equivalent for raising 2 children is a loss of 4% of pension rights

The consequences of an incomplete career on the rights for pension

But the risks of occurrence of these situations is more and more concrete due to:

- The ageing of population in a context of social budget deficits and informal care givers generalization
- Increase of education duration (+ 8 months in OCDE between 2004 & 2012) leading to delay to work access
- Incentives to mobility by public policies in Europe

What works ?

How could a system more funded pension oriented could bring solution to this challenge ?