Pensions: Thinking Forward

Monica Paiella
INPS, Università Parthenope and CEPR

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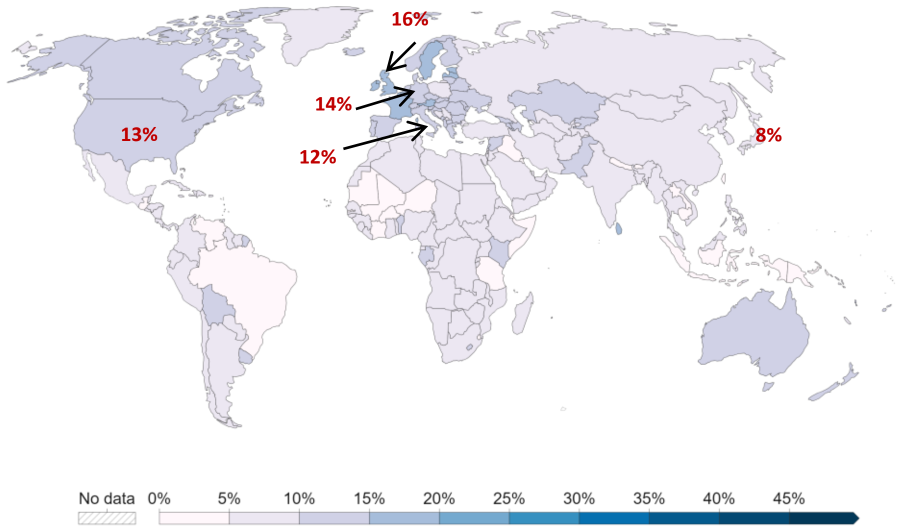
Old-age dependency ratio, 1950

Our World in Data

The ratio of the number of people older than 64 relative to the number of people in the working age population (15-64 years). Data are shown as the number of dependents per 100 working-age population.

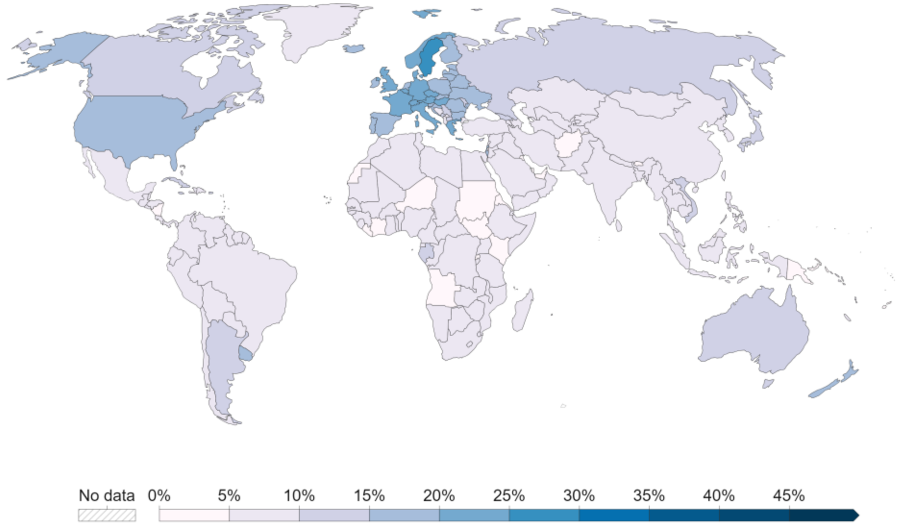


Source: United Nations, World Population Prospects (2022)

Old-age dependency ratio, 1980

Our World in Data

The ratio of the number of people older than 64 relative to the number of people in the working age population (15-64 years). Data are shown as the number of dependents per 100 working-age population.

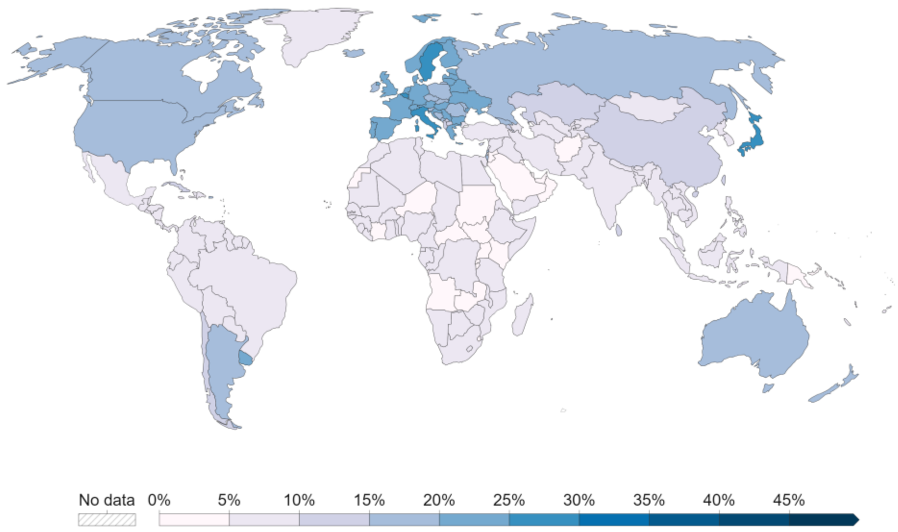


Source: United Nations, World Population Prospects (2022)

Old-age dependency ratio, 2000

Our World in Data

The ratio of the number of people older than 64 relative to the number of people in the working age population (15-64 years). Data are shown as the number of dependents per 100 working-age population.

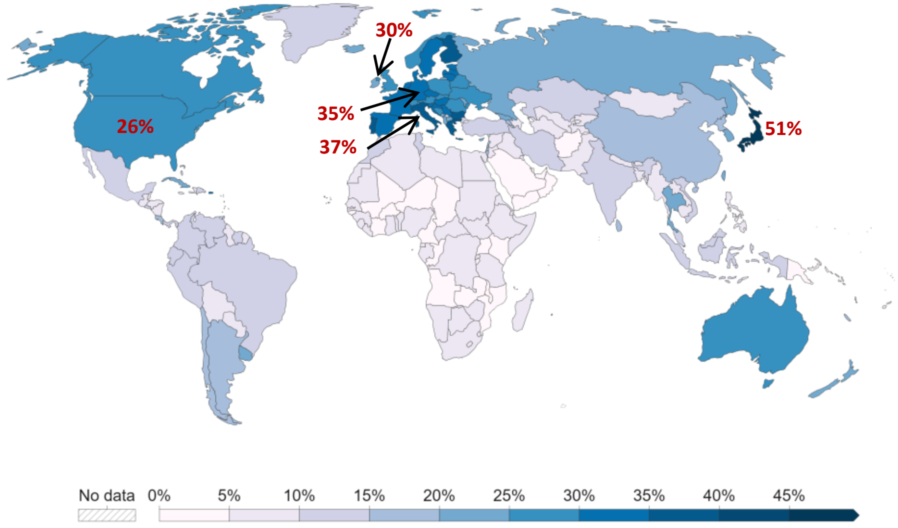


Source: United Nations, World Population Prospects (2022)

Old-age dependency ratio, 2021

Our World in Data

The ratio of the number of people older than 64 relative to the number of people in the working age population (15-64 years). Data are shown as the number of dependents per 100 working-age population.



Source: United Nations, World Population Prospects (2022)

Aging population + PAYG public pension schemes

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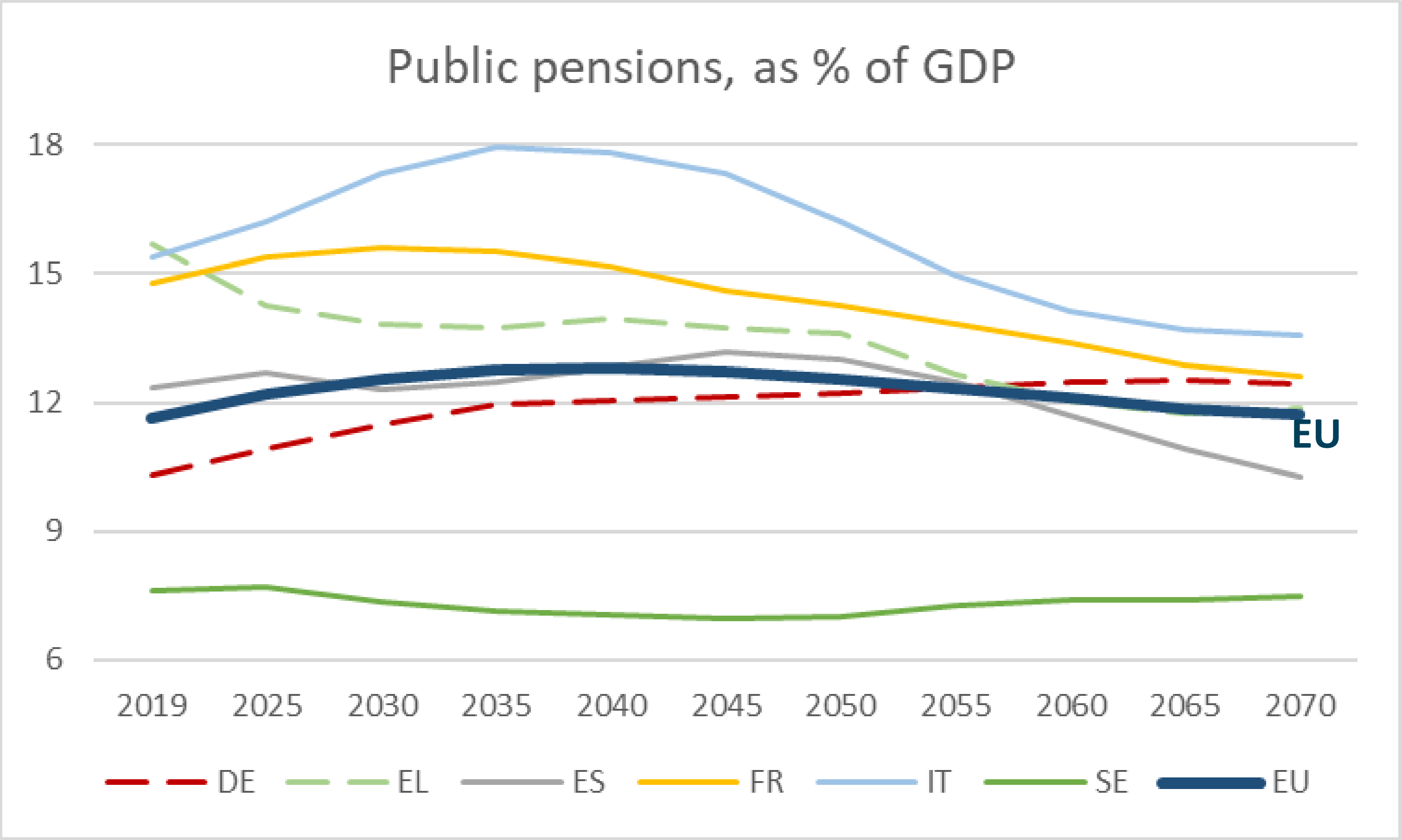
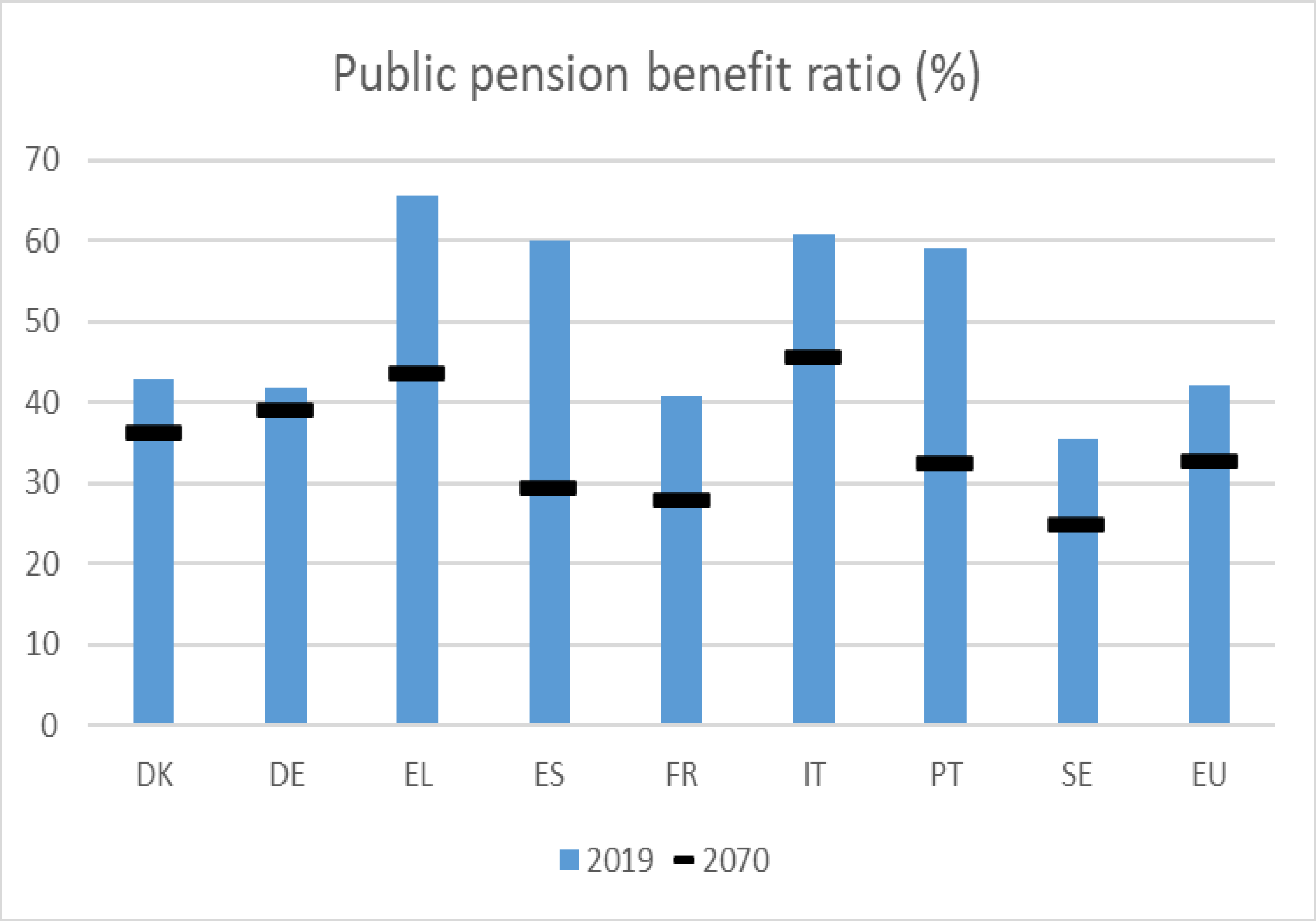
fiscal distress

To address this:

1. Parametric adjustments of structural characterstics of pension system
2. Systemic reforms, towards a DC fully funded pillar inside or outside existing public pension scheme
3. Act on the labor market by increasing labor force participation or immigration



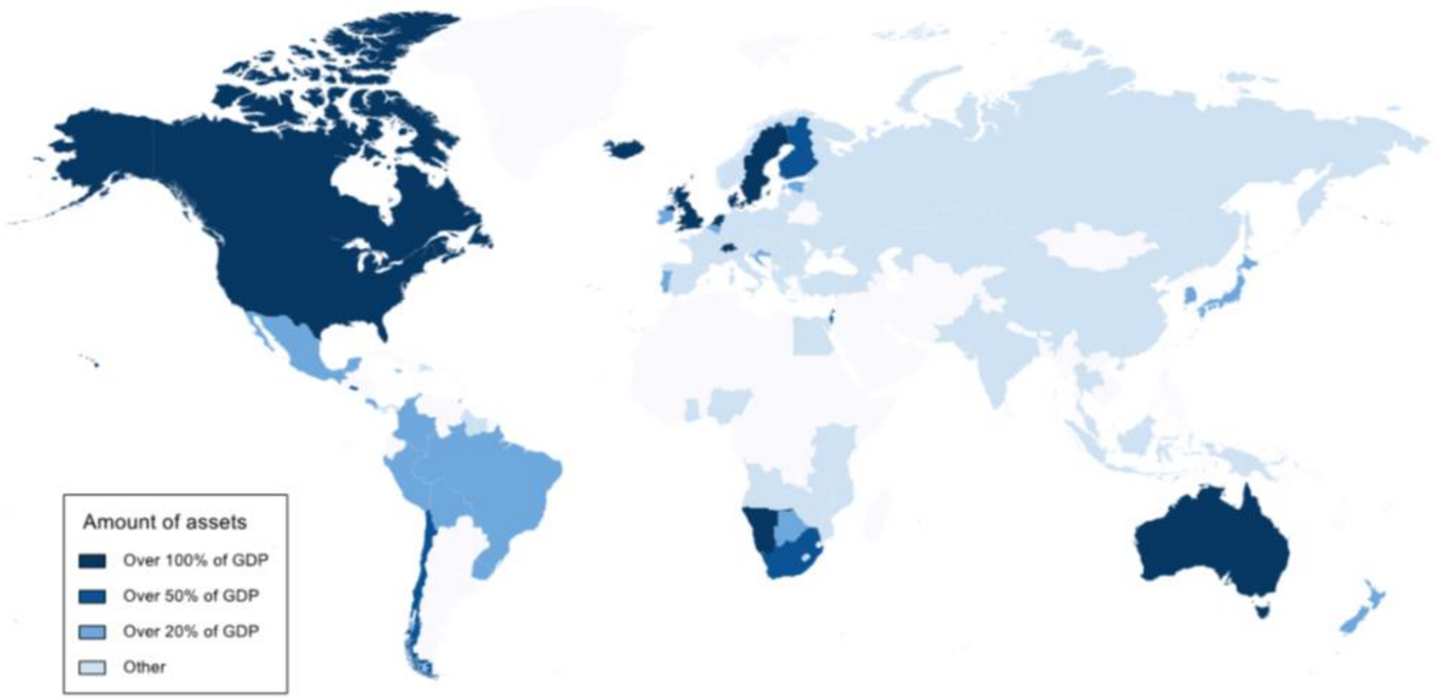
Source: European Policy Committee, May 2021



Source: European Policy Committee, May 2021

- Avg EU pension benefit ratio decline: 10 p.p. (20+ p.p. in ES, PT, EL, PO)
- Pension adequacy issue → upward risk to pension expenditure projections, except where there are private pension schemes

Pension assets in fully-funded pension funds (as a share of GDP)



Source: OECD Global Pension Statistics, 2022.

- Over USD 60 trillions worldwide (at end-2021)
- 105% GDP in OECD area
- Down ~17% in 2022

Public pension mandatory contribution rates:

DE: 18.6% (2023): 9.30% employee; 9.30% employer.

EL: 20.0%: 6.67% employee, 13.33% employer.

ES: 28.9% (2023): 4.8% employee; 24.1% employer.

FR: 17.75%: 7.3% employee; 10.45% employer.

IT: 33%: 9.19% employee; 23.81% employer.

PT: 34.75%: 11.00% employee; 23.75% employer.

SE: 17.21%: 7% employee; 10.21% employer.

Source: Missoc database, 2023-01-01

Points for discussion

- Adequacy of (future) benefits of DC schemes when earnings-related contributions are paid in times of high inflation and low/no inflation indexation of wages
- Voluntary contributions to supplementary pensions with (high) mandatory social security contributions
- Retirement benefits with non-standard forms of employment (gig economy, on-call work, free-lance types of job)
- Intergenerational relay and knowledge transfer mechanisms (to lengthen older workers careers)