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Contemporary differences in pensions between Member States of the European Union*

Współczesne różnice między państwami członkowskimi Unii Europejskiej w zakresie emerytur

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Summary: *Pensions, considered as an instrument to provide means of living for persons who are no longer working (or in a more general sense - not on the labour market anymore) due to their reaching of a certain age, continue to prove their valor in contemporary societies, including in particular in Europe (and the European Union). Issues concerning them are therefore of obvious importance for the entire EU, and not only for its Member States, making it worthwhile to try to synthetically consider important current differences between pensions inside the Union, through outlining their financing, analysing pension benefits, and presenting their contemporary evolution (reforms). These analyses of the extent to which pension systems ensure adequate income in retirement – that is, prevent old-age poverty and maintain the income of men and women for the duration of their retirement – suggest that, at the EU level, a strengthened coordination among the reporting on i.a. adequacy of pensions and on sustainability of age-related expenditure can facilitate the necessary holistic-approach response to addressing demographic challenges, safeguarding both adequacy and sustainability of social protection and supporting intergenerational fairness.*
Key words: *European Union, EU Member States, pensions*

Streszczenie: *Emerytury, rozumiane jako instrument zapewniający środki do życia osobom, które już nie pracują (lub w szerszym rozumieniu – nie są już obecne na rynku pracy) wskutek osiągnięcia pewnego wieku (emerytalnego), nadal dowodzą swojej wartości dla współczesnych społeczeństw, w szczególności w Europie (oraz w Unii Europejskiej). Zagadnienia ich dotyczące posiadają oczywiste znaczenia dla UE jako całości, a nie tylko dla jej państw członkowskich. Warto zatem podjąć próbę syntetycznego rozważenia istotnych współczesnych różnic między emeryturami w UE przez zarysowanie sposobu ich finansowania, analizę świadczeń emerytalnych oraz przedstawienie ich obecnej ewolucji (reform). Te analizy stopnia, w jakim świadczenia emerytalne zapewniają odpowiedni dochód na emeryturze – to znaczy zapobiegają ubóstwu osób starszych oraz zapewniają dochód kobietom i mężczyznom nimi objętymi – prowadziłyby do wniosku, że w skali całej UE wzmocniona koordynacja między sprawozdawczością dotyczącą m.in. adekwatności emerytur oraz zrównoważenia wydatków związanych z wiekiem może ułatwić zastosowanie niezbędnego całościowego podejścia do stawienia czoła wyzwaniom demograficznym, zapewnienia adekwatnej i trwałej ochrony socjalnej oraz wspierania solidarności międzypokoleniowej.*
Słowa kluczowe: *Unia Europejska, państwa członkowskie UE, emerytury*

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Introduction

In 2022, older people (i.e. those aged more than 65 years) represented about 21 per cent of the population of the European Union. There has been more than 94 million of them in total, made up of 53.5 million women and 40.5 million men. Of these, 45.5 million lived in couples, with or without children, while 8.5 million older men and 21 million older women lived single. There have been 107.5 million persons drawing an old-age or survivor pension in 2020 (latest available data), up from 102.7 million in 2012 (i.e. an increase of slightly less than 5 per cent). Over the same period, the number of people aged more than 65 in the EU increased by 16 per cent, from 18 to the aforementioned 21 per cent of the population.[1]

The increase in life expectancy has been slowing down in the EU over the last decade. This longer-term trend was exacerbated by excess mortality during the Covid-19 pandemic, as the number of older people declined between 2020 and 2022 and life expectancy at age 65 fell. The share of healthy years in the remaining life expectancy in old-age has, however, remained stable in overall terms across the EU since the beginning of the century – but women live longer in ill health than men. The income of older people in the EU remains below 90 per cent of working-age income on average, with significant differences between women and men and between countries. Pension benefits amount, on average, to around three fifths of late-career work income. Income inequality among older people has receded since 2019, possibly reflecting the widespread measures to protect lower-income pensioners during the recent crises.[2]

The rights to adequate old-age income and pensions in the European Union have been proclaimed in the Principle 15 of the European Pillar of Social Rights (EPSR)[3], and are being implemented through its action plan[4]. The issues concerning pensions are therefore of obvious importance for the entire EU, and not only for its Member States. This article is an attempt at synthetically considering current important differences between pensions inside the Union. To this end, it is in turn outlining the financing of pensions in Europe, analysing pension benefits in the EU to a certain extent, and last but not least presenting contemporary evolution (reforms) of pensions in the Union's Member States. Some conclusions are then proposed.

Pension financing

If pensions are to be considered as an instrument to provide means of living for persons who are no longer working (or in a more general sense – not on the labour market anymore)[5] due to their reaching of a certain (retirement or pensionable) age,[6] then the core phases of the underlying process can be described as the following:

1) pay-in – accumulation of pension savings (before reaching retirement age),
2) pay-out – payment of old-age pensions (in retirement).[7]

From this point of view, chronologically first question to solve is of course providing a source of funding for or financing of such old-age pensions (hereinafter referred to as 'pensions'; Fig. 1).[8]

In general, pensions are financed by contributions (a percentage of a salary or a wage)

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1 European Commission and Social Protection Committee, *2024 Pension adequacy report. Current and future income adequacy in old-age in the EU* (Luxemburg: Publications Office of the European Union, 2024), Vol. 1, 19.

2 Supra, 11–12.

3 Jointly proclaimed by the European Parliament, EU Council and the European Commission on 17 November 2017; OJ C 428, 13.12.2017, pp. 10–15.

4 Supra, 15.

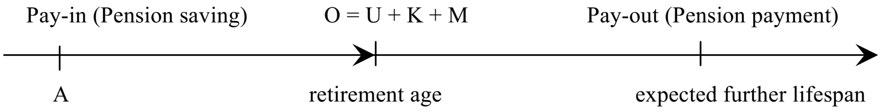
5 This is underlined e.g. in: Bernd von Maydell, Katja Burchardt, K.-D. Henke, R. Leitner, Ruud Muffels, Michael Quanta, Pirrko-Liisa Rauhala, Gert Verschraegen, Maciej Żukowski, *Enabling Social Europe* (Berlin: Springer, 2006), 201.

6 Wojciech Muszalski, 'Przemiany wieku emerytalnego', *Polityka Społeczna* 3 (2009), 7.

7 Tadeusz Szumlicz, 'Zabezpieczenie emerytalne w systemach zabezpieczenia społecznego', in: *Systemy emerytalne w krajach Unii Europejskiej*, ed. Tadeusz Szumlicz, Maciej Żukowski (Warsaw: Twigger, 2004), 10–12.

8 See e.g. Jörg Huffschmid, *Economic Policy for a Social Europe* (Basingstoke-New York: Palgrave Macmillan, 2005), 244–245.

Figure 1. ***General timeline of pensions***



A – commencing gainful activity
O – sum of pension savings
U + K + M – sum of means acquired via available forms of saving (pension rights + pension capital + other means available)

Source: Tadeusz Szumlicz, 'Zabezpieczenie emerytalne w systemach zabezpieczenia społecznego', in: *Systemy emerytalne w krajach Unii Europejskiej*, ed. Tadeusz Szumlicz, Maciej Żukowski (Warsaw: Twigger 2004), 9–12.

paid in parts by an employee and their employer, as well as contributions (or premiums) paid to a pension fund or scheme by a person enrolled in it.[9] However, in practice this is heavily supplemented by the general government (tax) revenue, with taxation estimated to account for ca 25 per cent of pension financing in the European Union.[10]

More specifically, pension financing is organised under one of two model solutions (or a combination of both):

1. Pay-as-you-go (redistribution / repartition / social insurance), where pensions are financed by contributions paid by the current employees and employers on the basis of an 'intergenerational solidarity pact' (and *de facto* also by taxes).[11] This solution is considered costly in absolute numbers, in relation to GDP, or in proportion of the pension system to the entire social security system in a given state alike,[12] but on the other hand resilient in the face of e.g. inflation-related shocks.[13]
2. Funded (compulsory saving schemes), where pensions are financed by savings acquired from contributions of persons (future pensioners) enrolled, when economically active, in such funds or schemes, which then in turn invest them in the various financial markets.[14] This is a more individualised and, in principle, transparent solution[15] than the previous one, while also being arguably more resilient to negative demographic trends and risky political decisions.[16]

These solutions have been as well summarised as constituting, respectively, a solidarity-based 'tax on wage mass', and an individualised 'tax on capital'.[17] As to their resilience, it might be pointed out that during the Covid-19 pandemic the incomes of older people rema-

[9] Cf. e.g. Paul Bridgen, Traute Meyer, 'The British pension system and social inclusion', in: *Private pensions versus social inclusion? Non-state provision for citizens at risk in Europe*, ed. Paul Bridgen, Traute Meyer, Barbara Riedmüller (Cheltenham-Northampton: Edward Elgar, 2007), 49; Barbara Riedmüller, Michaela Willert, 'The German pension system and social inclusion', in: *Private pensions versus social inclusion? Non-state provision for citizens at risk in Europe*, ed. Paul Bridgen, Traute Meyer, Barbara Riedmüller (Cheltenham-Northampton: Edward Elgar, 2007), 130 and ff.; Marek Benio, Joanna Ratajczak-Tuchołka, 'The Polish pension system and social inclusion', in: *Private pensions versus social inclusion? Non-state provision for citizens at risk in Europe*, ed. Paul Bridgen, Traute Meyer, Barbara Riedmüller (Cheltenham-Northampton: Edward Elgar, 2007), 194.

[10] *2024 Pension adequacy report*, 58–59.

[11] Ch. de Neubourg, J. Castonguay, 'Ranking Orders: Performance Indicators for Social Protection Systems', in: *International Cooperation in Social Security*, ed. B. Cantillon, I. Marx (Antwerp-Oxford-New York: Intersentia 2005), 100–105; Huffschmid, Economic Policy, 246, 252–253.

[12] See e.g.: Neubourg, Castonguay, *Ranking orders*, 100–105; Marek Góra, 'Preserving social models while regaining competitiveness: can Europe do both?', *European View* 1 (2012), 59–61.

[13] Krzysztof Ślebzak, 'Prawo do emerytury w systemie zdefiniowanej składki', in: *Konstrukcje prawa emerytalnego*, ed. Teresa Bińczycka-Majewska (Cracow: Zakamycze, 2004), 130.

[14] Cf. von Maydell et al., *Enabling*, 199; Małgorzata Olszewska, 'Prawo do emerytury w systemie zdefiniowanego świadczenia', in: *Konstrukcje prawa emerytalnego*, ed. Teresa Bińczycka-Majewska (Cracow: Zakamycze, 2004), 221.

[15] E. Overbye, ''Everyone Has the Right to Social Security' – Yeah, in Your Dreams', in: *International Cooperation in Social Security*, ed. B. Cantillon, I. Marx (Antwerp-Oxford-New York: Intersentia, 2005), 258.

[16] Ślebzak, *Prawo*, 130; Aleksandra Tragaki, 'Demographics: the vulnerable heel of the European Achilles', *European View* 2 (2014), 281–282.

[17] Ślebzak, *Prawo*, 131; see also e.g. Urszula Kalina-Prasznic, 'Ochrona ryzyka starości a odrzucone paradygmaty społecznego ubezpieczenia emerytalnego', *Polityka Społeczna* 4 (2011), 7–8.

ined protected, while the currently employed continued to build up their pension rights, but 'funded pension schemes were subject to strong volatility during this period'.[18]

Another typology of financing pensions are the 'three pillars' representing, to put it in most general terms, pensions provided (in principle alternatively) by the state, the employer and the (prospective) pensioner themselves.[19] When elaborating on this concept, it can be presented as follows:

1. 'The first pillar' is 'the statutory, basic, universal-in-principle, compulsory' system.[20]
2. 'The second pillar' is 'the occupational system, based on professional relations between an employer and all or some categories of their employees, which is to provide those employed or self-employed in the course of a given economic activity, or some professional sectors or groups of such sectors, with benefits to supplement those from the basic system, or to replace the latter, and which is organised on the basis of either compulsory or voluntary enrolment.'[21]
3. 'The third pillar' consists of 'private schemes, including life and old-age insurance, private health and pension funds'.[22]

It is worth noting, that in (continental) Europe it has been 'the first pillar' taking clear precedence over the others,[23] even though it only provides for very basic security.[24] In connection to that fact, it is being synthetically described as a 'basic pension scheme' – and in all of the Member States of the European Union it is of a redistributive character.[25] The 'second' and 'third' pillars are in turn described as 'supplementary pension schemes',[26] and these are of funded nature in principle. As a consequence, enrolment in basic pension schemes is obligatory[27] at least for employees, with their contributions being then deducted as a percentage from their wages,[28] while enrolment in supplementary pension schemes can be voluntary.

This typology is not universally accepted – for example, there are classifications that assign the basic and some of the supplementary pension schemes as described above into the 'first' and 'second' pillar of a 'public pension system', depending on whether the enrolment is compulsory, and whether entitlement to benefits is dependent on the fact and duration of having been in employment, while adding the remaining 'second pillar' schemes to the above-described 'third pillar'.[29] However, it remains uncertain if there can be a clean-cut division of pension systems into 'public' and 'private',[30] given that qualifying some of the existing systems as part of one of the 'three pillars' can

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[18] *2024 Pension adequacy report*, 7, 12–14, 108–109.

[19] Inetta Jędrasik-Jankowska, *Pojęcia i konstrukcje prawne ubezpieczenia społecznego*, 6th ed. (Warsaw: Wolters Kluwer Poland, 2014), 191–192; von Maydell et al., *Enabling*, 200–202; Stanisława Golinowska, „Ewolucja i kierunki reform bazowych systemów emerytalno-rentowych w świecie", in: *Bazowe systemy emerytalne*, ed. Stanisława Golinowska (Warsaw: Institute of Labor and Social Affairs, 1993), vol. I, 21–22.

[20] Gertruda Uścińska, 'Regulacje UE oraz orzecznictwo Trybunału Sprawiedliwości UE w zakresie równego traktowania w systemach emerytalnych', *Polityka Społeczna* 10 (2012), 12. Golinowska, *Ewolucja*, 17–21.

[21] Uścińska, *Regulacje*, 12; Golinowska, *Ewolucja*, 21–22; Fabio Ravelli, 'The ECJ and supplementary pensions discrimination in EU law', *European Journal of Social Law* 1 (2012), 53.

[22] Uścińska, *Regulacje*, 12.

[23] See von Maydell et al., *Enabling*, 200–202.

[24] Golinowska, *Ewolucja*, 21.

[25] See e.g. Supra, 17 and ff.

[26] F. Ravelli, *The ECJ*, 53–54; Golinowska, *Ewolucja*, 21 and ff.

[27] Paul Bridgen, Traute Meyer, 'Private pensions versus social inclusion? Citizens at risk and the new pensions orthodoxy', in: *Private pensions versus social inclusion? Non-state provision for citizens at risk in Europe*, ed. Paul Bridgen, Traute Meyer, Barbara Riedmüller (Cheltenham-Northampton: Edward Elgar, 2007), 16.

[28] von Maydell et al., *Enabling*, 201–202.

[29] Steven A. Nyce, Sylvester J. Schieber, *The Economic Implications of Aging Societies. The Costs of Living Happily Ever After* (Cambridge: Cambridge University Press, 2005), Polish ed. *Ekonomiczne konsekwencje starzenia się społeczeństw*, transl. by A. Kliber, P. Kliber (Warsaw: Wydawnictwo Naukowe PWN, 2011), 91–92, 94–98.

[30] Stanisława Golinowska, 'Podobieństwa i różnice uzupełniających i dodatkowych systemów emerytalnych w świecie', in: *Dodatkowe systemy emerytalne w świecie*, ed. S. Golinowska (Warsaw: Institute of Labor and Social Affairs, 1994), 23.

be disputed in any case[31] – and it in fact is, as the very classification attempts described above would show.

Chronologically second phase of the analysed process (Fig. 1), i.e. when pensions are paid out, is retirement. The duration of retirement can then be defined as the (average) expected lifespan after the exit from the labour market. This is distinct from the duration of pension payment itself, in particular since an increasing number of European Union Member States allow drawing pensions and other old-age benefits and working activity to be combined. In turn, the exit from the labour market is the moment when a person is no longer considered employed in official statistics (not having worked for at least one hour during a short reference period). Applying this method means that job-seekers are excluded from the measure of working-life duration.

In 2022, the average lifespan in retirement in the EU was expected to last 21 years. It had slightly fallen since 2019, when it was 21.3 years. The Covid-19 pandemic impact on life expectancy was a driver in this fall, even if by 2022 life expectancy had almost recuperated the 2020 losses. Duration of retirement is very diverse across the EU. The shortest retirement duration was expected in Bulgaria and Latvia (17.5 years), with a majority of countries close to the EU average.

While the average retired life in the EU is expected to last about 21 years, as mentioned above, some of its Member States (e.g. Belgium, France, Luxemburg, Latvia, Lithuania or Hungary) have comparatively short retirement durations. In countries such as the Netherlands, Sweden, Denmark and Ireland, with basic flat-rate pensions complemented by occupational pension schemes, working lives tend to be long compared to countries with more 'Bismarckian'- type repartition funding of pension systems, i.e. public and earnings-based. Inequalities in old-age life expectancy have an impact on pension wealth (estimated to be from about 4.5 to 7.5 per cent of projected replacement rate – see remarks on adequacy of pension benefits below – across EU Member States) – and, more broadly, on pensions in general.[32]

The duration of pension payment is understood as life expectancy at the average age at which people receive their first pension. In 2022, all types of old-age benefits were expected to be paid for 21 years on average, ranging from 15 to 25 years across the EU.

Between 2019 and 2022, the average duration of pension payment fell in most countries, and only increased significantly in Sweden. This fall may (mostly) be an effect of the Covid-19 pandemic and excess mortality, especially among older people. Luxemburg and France displayed the highest values for both men (23.6 years in the earlier, 22.1 in the latter case) and women (ca 25–26 years), while women (and men) started to receive their pension benefits about one year later in France than in Luxemburg.

At the other end of the scale, Bulgaria's short duration (14 years for men and 18.9 years for women) seems to be due to the low life expectancy at pension age.

In Hungary and Lithuania, the low values for men (14.3 and 14.7 years, respectively) resulted from a combination of a relatively late start of pension payments and short life expectancy at that age.

As for Denmark, it displayed the second-shortest duration for women and the shortest duration for men (16.9 years and 13.3 years, respectively), both relating to the highest average age for starting to receive an old-age pension, but with i.a. a caveat, that occupational pension schemes are not taken into account when determining the average age at first pension payment, whereas their inclusion would lower the average age (therefore increasing the retirement duration).[33]

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31 See e.g. Uścińska, *Regulacje*, 16–17.
32 *2024 Pension adequacy report*, 39–41, 146–147.
33 Supra, 43.

Pension benefits

Benefits have been described as 'the raison d'etre and the core' of any social security system.[34] These benefits can be in-kind (such as healthcare)[35] or pecuniary, with pensions being a clear example of the latter.[36]

In Member States of the European Union contemporary pension benefits include old-age[37] (as well as invalidity) pensions for the persons who have been enrolled in the system (and, to an extent, their closest relatives, if these have not been enrolled themselves), dependent not only on their age, but also on the length of their enrolment or other 'qualifying' periods equivalent to that[38] (and, in consequence, the sum of the contributions paid), thus showing characteristic features of defined benefit schemes[39] (see below). It is therefore important in this context, that in practice the retirement age in the European Union, now between 60 and 67 years,[40] will have to be raised to 70 and beyond[41] (with Nordic countries paving the way),[42] even if 'mandatory retirement age' is in the meantime abolished as a legal notion, as it happened e.g. in the United Kingdom (then an EU Member State) already in 2011, and in Poland in 2016.[43]

This is due to the need of simultaneously maintaining the adequacy of pension benefits as well as the financial sustainability of the existing pension systems described earlier,[44] as there remains a broader fact, that social security systems of EU Member States, including pensions, are subject to various pressures, such as demographic trends (longer life expectancy and lower birth rates, throwing societies off-balance in terms of old-age-dependency ratios, i.e. share of pensioners to working-age adults),[45] or the growing mobility of employees, hard to link with the 'classic' formula, where one person was a party to one labour contract subject to social security (including pension) contributions.[46]

In reference to the 'three-pillar' typology of pension system financing it has to be pointed out that – while in the 'first pillar' there is the limitation to the provision of only the aforementioned 'basic security', although rarely in such a consistent flat-rate approach as the now non-EU United Kingdom represents[47] – within the 'second pillar' of pension

34 Gertruda Uścińska, *Świadczenia z zabezpieczenia społecznego w regulacjach międzynarodowych i polskich* (Warsaw: Institute of Labour and Social Affairs, 2005), 34.

35 See e.g. Gertruda Uścińska, *Zabezpieczenie społeczne osób korzystających z prawa do przemieszczania się w Unii Europejskiej* (Warsaw: Wolters Kluwer Poland, 2013), 287 and ff.; cf. e.g. *2024 Pension adequacy report*, 155 on the importance of this type of benefits to pensioners.

36 Uścińska, *Świadczenia*, 78 and ff.

37 See e.g. Wojciech Muszalski, *Prawo socjalne*, 4th ed. (Warsaw: Wydawnictwo Naukowe PWN, 2004), 122, or M. Olszewska, *Prawo do emerytury*, 224.

38 Cf. Jędrasik-Jankowska, *Pojęcia i konstrukcje*, 123 and ff.

39 Cf. e.g. Riedmüller, Willert, *The German pension system*, 140.

40 Cf. e.g. Susanna Kochskaemper, Jochen Pimpertz, *Live Long and Prosper? Demographic Change and the Implications of Europe's Pensions Crisis* (Brussels: Wilfried Martens Center for European Studies, 2015), 44–46.

41 Cf. Muszalski, *Przemiany*, 8–10; Gertruda Uścińska, 'Problemy współczesnych systemów emerytalnych – kierunki rozwiązań w zakresie wieku emerytalnego', *Praca i Zabezpieczenie Społeczne* 4 (2011), 3–4.

42 See *2024 Pension adequacy report*, 67, 76–77, 147.

43 Cf. Wiesław Koczur, 'Przegląd systemu emerytalnego 2016. Bezpieczeństwo dzięki odpowiedzialności. Kluczowe zagadnienia i rekomendacje. Podsumowanie', *Ubezpieczenia Społeczne. Teoria i praktyka* 2 (2017), 8–9; Gertruda Uścińska, 'Kierunki ewolucji wieku emerytalnego', *Zabezpieczenie Społeczne. Teoria, Prawo, Praktyka* 1(7) (2018), 13; https://www.gov.uk/government/news/default-retirement-age-to-end-this-year, access 22.12.2024.

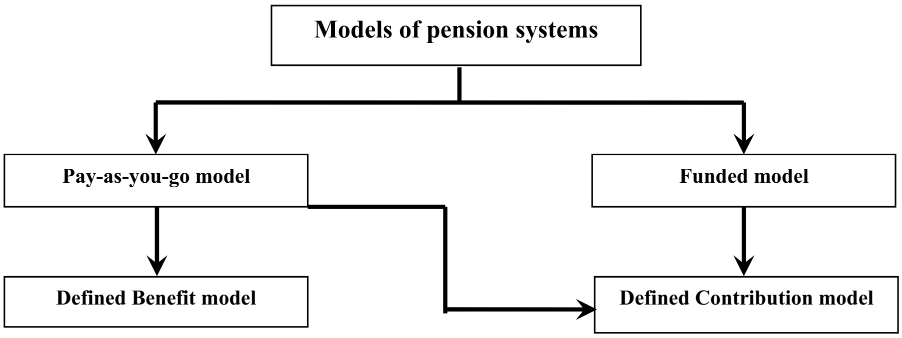
44 See e.g. Agnieszka Chłoń-Domińczak, 'Impact of retirement age changes on the old-age pension take up in Poland after 1990', *Ubezpieczenia Społeczne. Teoria i praktyka* 3 (2019), 62.

45 Juhana Vartiainen, 'The future of the European welfare states: the intriguing role of demography?', *European View* 1 (2017), 132–133; Kochskaemper, Pimpertz, *Live Long and Prosper?*, 23–29.

46 See e.g. Kyra Borg, Hans van Meerten, Andrea Minto, 'The EU's Regulatory Commitment to a European Harmonized Pension Product (PEPP): The Portability of Pension Rights vis-à-vis the Free Movement of Capital', *Journal of Financial Regulation* 2 (2019), 150–151, 153–154.

47 Cf. e.g. Bridgen, Meyer, *The British pension system*, 49.

Figure 2. ***Models of pension systems (schemes)***



Source: M. Olszewska, 'Prawo do emerytury w systemie zdefiniowanego świadczenia', in: *Konstrukcje prawa emerytalnego*, ed. Teresa Bińczycka-Majewska (Cracow: Zakamycze, 2004), 229; Krzysztof Ślebzak, 'Prawo do emerytury w systemie zdefiniowanej składki', in: *Konstrukcje prawa emerytalnego*, ed. Teresa Bińczycka-Majewska (Cracow: Zakamycze, 2004), 124.

systems of many EU Member States (such as Germany, France or Belgium, but also Poland) an evolution is occurring, from schemes being based on prescribing the benefit level by law (defined benefit – DB) to its linking with the level of contributions paid (defined contribution – DC).[48] There is then no full dychotomy between these two approaches (Fig. 2).

It might also be worthwhile to compare the current amounts of the 'flat-rate' basic pension (or minimum income benefits for persons aged 65 and more) across the European Union (Table 1):

As to the notion of adequacy of pension benefits (pensions) introduced above, the newest, 2024 Pension Adequacy Report ('PAR 2024') by the European Commission and the Social Protection Committee of the Council of the European Union, follows the concept of adequacy developed in its previous editions, distinguishing three main dimensions of adequacy:

a) poverty protection;
b) income maintenance; and
c) pension/retirement duration.

First, the adequacy of pensions is measured by their ability to prevent and mitigate the risk of poverty in old age, considering income poverty risks as well as material and social deprivation (MSD) among women and men aged 65 or more. While older people's households also have other income sources, pensions account for four fifths of household income in the 65+ age group.

Second, the adequacy of pensions is measured by their capacity to replace income earned before retirement, thus helping to maintain people's standard of living. This can be measured either by comparing the income of the same individuals before and after retirement or, as a proxy, by comparing the income of the older/retired population with that of the younger/working population.

Third, pension duration (i.e. whether people can spend a reasonable share of their life in retirement and/or receiving a pension) can be considered in the respect in question. Furthermore, PAR2024 also explores how adequacy changes during the time spent in retirement, reflecting changes in income levels, household composition, and need for care.[49]

The second of the above-mentioned dimensions of pension adequacy, the capacity of pension systems to maintain income in old-age (i.e. to replace income earned before retirement) seems to be of particular interest here. Pension replacement rates for a given career are projected to decrease over the next four decades, reaffirming the previous analysis.

[48] Cf. e.g. Golinowska, *Podobieństwa i różnice*, 32–33; Eberhard Eichenhofer, 'Fundamental social rights: New forms of regulation and governance', *European Journal of Social Law* 2 (2013), 168; Jędrasik-Jankowska, *Pojęcia i konstrukcje*, 44, 61–62, 135; Ślebzak, *Prawo do emerytury*, 121 and ff.

[49] *2024 Pension adequacy report*, 16–17.

Table 1. ***Share of recipients of minimum income benefits in the population aged 65+ by benefit (current situation and change since 2021) and benefit amount among EU Member States (per a single non--disabled person)***

EU Member State	Benefit name	Share of beneficiaries among the population aged 65 or more				Benefit amount as of 1 July 2023	
		Latest data (per cent)		Change compared to 2021 (per cent)			
		Men	Women	Men	Women	EUR per month	Notes
BE	Guaranteed minimum pension	34.9	39.5	+6.8	+8.3	1,637	For a 45-year career
	Minimum right per calendar year	-	-	-	-	2,522	Monthly wage (salary) for a full-time employee is raised to this amount.
	Guaranteed income for older people	3.8	5.8	-	-	1,460	For a person living alone. The pension is topped up to this amount.
BG	Minimum pension (full career)	8.3	38.6	+4.8	+7.4	239	Excludes statutory funded pensions.
	Minimum pension (15-year career)	6.3	6.9	+2.6	-0.4	103	85per cent of the full-career benefit. Excludes statutory funded pensions.
	Social old-age pension (means-tested)	0.5	0.2	+0.1	-0.1	127	
CZ	Allowance for living	7.26	6.96			192	Excludes housing supplement.
DK	Public old-age pension	Not applicable (universal coverage)				847	+ Means-tested supplement of EUR 927 or EUR 462 per person (for singles/couples) + Means-tested supplementary amount linked to length of residence + Minimum statutory funded pension of EUR 33
DE	Means-tested basic social assistance in old-age	3.7	3.8	+0.6	+0.5	502	Excludes housing, heating and allowance for additional and one-off requirements.
EE	National pension	1	0.3	+0.69	-0.07	295.34	Excludes statutory funded pensions, housing and other allowances.
	Pension supplement for pensioners living alone	14.3	20.1			16.67	Supplement of EUR 200 (16.67 per month) per year for pensioners living alone.
IE	State pension (contributory)	78.1	48	-3.2	+3.2	1,149.63	Maximum amount. Paid weekly. Benefit varies from EUR 106 to EUR 265.30 per week, depending on contribution record. Excludes the qualified adult / child allowance.
	State pension (non-contributory)	10.6	13.9	-	-	1,100.66	Maximum rate of EUR 254 per week as of 2023. Means-tested payment.
EL	National pension	1.12	1.77	-	-	413.76	Maximum amount. It is paid in full once at least 20 years of insurance have been completed. The amount of the national pension is reduced by 2 per cent for each year of insurance that falls short of 20 years, as long as at least 15 years of insurance have been completed.
	Social solidarity allowance for uninsured people	-	-			387.9	Also rent allowance of up to EUR 362.
ES	Minimum contributory pension	13.24	22.54	-2.85	-2.38	913.60	Paid in 14 monthly instalments; means-tested.
	Non-contributory old-age pension	1.82	3.54	+0.12	-0.13	565.4	Paid in 14 monthly instalments of EUR 392 Also housing, maximum EUR 525 per year.

Continuation of Table 1.

EU Member State	Benefit name	Share of beneficiaries among the population aged 65 or more				Benefit amount as of 1 July 2023	
		Latest data (per cent)		Change compared to 2021 (per cent)			
		Men	Women	Men	Women	EUR per month	Notes
FR	Minimum contributory pension	22	44	-5.4	-5.7	684	Complex calculation
	Solidarity allowance for older people	3.8	3.5	-0.1	-0.3	961	
HR	Minimum pension	31.6	34.4	+13.8	+15	317	Average benefit in payment is reported. The individual minimum pension amount depends on the individual contributory period and the moment of retirement (penalty/bonus is applied).
	National benefit for older people	0.7	0.9	-	-	120.71	
IT	Minimum pension supplement	-	-	-	-	619.9	Paid in 13 monthly instalments of EUR 572.20 each.
	Social increase	-	-	-	-	709.4	Paid in 13 monthly instalments of EUR 82.64 in addition to the minimum pension supplement – refers to a beneficiary aged 65-69 – higher if aged 70 or more.
	Social allowance	4.91	6.43	+4.6	+6.15	545.2	Paid in 13 monthly instalments of EUR 503.27.
CY	Minimum pension	-	-	-	-	395.8	Paid in 13 monthly instalments.
	Social pension	-	-	-	-	377.18	Paid in 13 monthly instalments.
LV	Minimum old-age pension	-	-	-	-	149.60 (with 15 years of insurance record)	Depending on career length (from 15+ years) EUR 172.70 from 1 July 2023 for a pensioner with 15 years of insurance record, upon reaching standard retirement age.
	State social security benefit	-	-	-	-	109	EUR 125 from 1 July 2023.
LT	Pension supplement	0.12	1	-7.74	-11.59	24.95	Depending on career length (from 15 to 33 or more years); maximum amount of pension the person gets together with pension supplement set at 100 per cent of minimum consumption needs.
	Social assistance pension	0.51	1.19	-0.56	-0.18	184	Possibly also housing costs.
LU	Minimum pension	4.59	23.25	-0.4	-0.92	2,061.25	Requires 40 years of insurance career (including credited noncontributory periods), otherwise reduced proportionally.
	Guaranteed minimum income	2.06	2.41	+0.21	+0.09	1,675.1	
HU	Minimum old-age pension	0	0	-0.5	-0.7	71	Maximum, conditional on 20 years of contributions. Paid in 13 instalments per year.
	Old-age allowance	0.2	0.2	0		94-126	Higher if aged 75 or more.

Continuation of Table 1.

EU Member State	Benefit name	Share of beneficiaries among the population aged 65 or more				Benefit amount as of 1 July 2023	
		Latest data (per cent)		Change compared to 2021 (per cent)			
		Men	Women	Men	Women	EUR per month	Notes
MT	National minimum pension	5.98	10.9	-8.62	-7.1	712	Maximum amount, conditional on 50 contribution weeks per year. Reduced for less intensive contributions.
	Non-contributory old-age pension	2.03	5.81	-	-	683.32	Includes means-tested maximum energy allowance, supplements and bonuses.
NL	General old-age pension	92	93	-		1,215.81	Full pension payable after 50 years of insurance; proportional deduction for shorter insurance period.
	Income and other supplements for older people	-	-			Variable	Means-tested and related to actual cost of rent and health insurance.
AT	Equalisation supplement to pension	4.9	8.95	-0.1	+3.35	1.110,26	Conditional on 15 years of insurance; higher amounts for more than 30 and 40 years.
PL	Minimum old-age pension	6.3	6.3	+5.1	+0.5	356	Requires 25/20 qualifying years (for men/women), including noncontributory.
	Additional annual benefit for pensioners – ‘13th pension’	-	-			356	Paid once a year (in April) to all pensioners, regardless of the amount of the basic pension benefit. The additional annual benefit is entitlement to the amount of the lowest old-age pension in force from 1 March of a given year.
	Extra additional annual benefit for pensioners – ‘14th pension’	-	-			594	Paid once a year. The full amount is paid to people with a pension or disability pension not exceeding PLN 2,900. Above this amount, this additional benefit is reduced. The amount and date of payment of this extra additional benefit is determined by the Council of Ministers.
PT	Minimum pension (contributory)	31.13	-4.47			340-492	Paid in 14 monthly instalments. Depends on at least 30 contribution years.
	Social old-age pension (non-contributory)	1.48	3.95	+1.19		262	Paid in 14 monthly instalments of EUR 224, plus EUR 10-39 if aged 70 or over.
	Solidarity supplement for older people	3.83	7.28	-1.77	-1.92	488	Paid in 12 monthly instalments. Maximum amount depending on means test. Average amount paid is EUR 143 monthly.
RO	Social indemnity for pensioners	3.19	15.79	-2.71	-5.28	227	Maximum, paid in addition to the individual pension.
SI	Guaranteed pension	-	-	0.7	0.6	687.75	Conditional on 40 years of pension -qualifying period and 60 years of age or less due to the lowering of the age limit. New rule from May 2021: it is indexed as other pensions, e.g. EUR 653.75 in April 2022. Including the annual allowance, the monthly amount is EUR 714.
	Minimum pension	-	-	-	-	310.11	Conditional on 15-year insurance period and 60 years of age.
	Minimum invalidity pension	-	-	-	-	413	
	Supplementary allowance	3	3.4	-	-	214.71 (maximum)	Including the annual allowance, the monthly amount is EUR 450.92.

Completion of Table 1.

EU Member State	Benefit name	Share of beneficiaries among the population aged 65 or more				Benefit amount as of 1 July 2023	
		Latest data (per cent)		Change compared to 2021 (per cent)			
		Men	Women	Men	Women	EUR per month	Notes
	General social assistance	-	-	-	-	465.34 (maximum)	The amount of supplementary allowance depends on the census for this right and the individual's own income.
SK	Minimum pension	2.3	7.8	-6.31	-6.7	334.30	Increases after 30 years of pension contributions.
	Assistance in material need	-	-	-	-	74	Plus EUR 83 housing allowance and EUR 75.70 protection allowance
FI	National pension	24.8	40.8	-1.5	-3.6	654.13	Amount depends on marital status. Reduced for shorter residence periods. 50 per cent of the total amount of pension income that exceeds the income limit (EUR 743 per year in 2023) is deducted from the full amount of the national pension. If the old-age pension starts before or after 65, an early reduction/or deferred increase is calculated.
	Guarantee pension	2.7	4.8	+0.6	+0.4	922.42	Other pension income deducted from the full amount. Guarantee pension is paid only in Finland.
	Housing allowance for pensioners	7.5	12.9	+0.3	-0.1	-	
SE	Guarantee pension	27	65	+11.2	+17.5	953	Maximum amount. Reduced with other pension income.
	Maintenance support for older people	1	1	-0.1	-0.3	602	Maximum amount. Reduced with other income. Excludes housing costs up to a ceiling.
	Housing supplement	8	18	0	-1.3	653	Maximum amount. Depends on housing costs and is reduced with income.

'-' – no data.

Source: Commission and Social Protection Committee, *2024 Pension adequacy report. Current and future income adequacy in old-age in the EU* (Luxemburg: Publications Office of the European Union, 2024), 158-162.

Even accounting for projected career length gains and legislated increases in the pensionable age, replacement rates are set to fall for both women and men in most countries, even if the projected size of the fall varies greatly. This is consistent with simulations showing that per capita pension income is projected to decline. The age of retirement remains a key factor explaining current and future pension benefits. While retiring two years before pensionable age mostly results in temporary or mild pension reductions, working beyond pensionable age generally brings substantial replacement rate gains. In short, income inequality in old-age is projected to remain stable in the decades to come.[50]

As one of the aims of PAR 2024 would be to assess the 'income transition' around retirement age, a measure of this could be to compare the median pension income of people aged 65 to 74, who are assumed to have retired more recently, with the median work income of people aged 50 to 59 (i.e. late in their career). This measure is called the aggregate replacement ratio (ARR). It compares the pension income in the first years of retirement (ages 65 to 74) with the work earnings in late working years (for those aged 50 to 59). The incomes of both age groups are measured in the same year, and thus they refer to two separate 10-year cohorts. Pension benefits for people aged 65 to 74 amount on average to around three fifths of the work income of those aged 50 to 59. Over the ten-year period between 2012 and 2022, the ARR in the EU slightly increased, from 0.54 in 2012 to 0.58 in 2022, with a maximum of 0.59 in 2017. The ratio was increasing until 2017, then fell slightly until 2020 before increasing again in 2021. The difference between men and women also slightly increased (to 6 percentage points) up until 2017, then narrowed to 4 percentage points in 2020 as the ratio for women was falling slightly less rapidly than for men.

Looking beyond the EU level to individual countries, however, reveals a wide range of situations, both in the change over time of the indicator, and in the difference between women and men.

Indeed, over the 2012–2022 period, the ARR increased in more than half of EU Member States, while it fell by 10 per cent or more in eight Member States, and with very diverse paths. The level of the ratio in 2022 ranged from less than 0.4 in Lithuania, Ireland, Bulgaria and Croatia to 0.75 and more in Greece, Italy, Spain and Luxemburg. In nearly two thirds of the Member States, the ARR for men was higher than that for women.[51]

A key duration aspect of pension adequacy is how this adequacy evolves as people grow older, and an important point to be highlighted when discussing pensions as pecuniary benefits is adjusting their value to the evolving income situation of society. The problem here is the diminishing purchase power of pensioners, caused by the more general increase in price levels – inflation,[52] such as experienced e.g. in the years 2022–2023[53] – as well as differences in value between median wages and social security benefits in general.[54]

Thus caused difficulties are attempted to be overcome by valorisation of benefits, i.e. re-adjustment of their value either in reference to prices of basic consumer goods (e.g. in France, Spain and Italy – or in the United Kingdom), or to wages (e.g. in Germany and the Netherlands), or a mix of solutions (e.g. in Poland and Belgium), through indexation (adjustment of nominal value) of the bene-

50 Supra, 12.

51 Supra, 30, 35–37. Et al.

52 *2024 Pension adequacy report*, 44; Elżbieta Jantoń-Drozdowska, 'Niestabilność ekonomiczna', in: *Kompendium wiedzy o gospodarce*, ed. Edwarda Cyrson, 3rd ed. pod red. Edwarda Cyrsona [aut. Edward Cyrson, Mieczysław Gulcz, Elżbieta Jantoń-Drozdowska, Jerzy Małecki, Marek Tarka, Kazimierz Zimniewicz, Mirosław Hamrol, Henryk Paszke, Andrzej Wąsiewicz, Jacek Sójka] (Warsaw-Poznan: Wydawnictwo Naukowe PWN, 2000), 89; Julitta Koćwin, 'Inflacja', in: *Leksykon polityki gospodarczej*, ed. Urszula Kalina-Prasznic, 2nd ed. (Cracow: Oficyna Ekonomiczna, 2005), 87 and ff.

53 *2024 Pension adequacy report*, 14, 113–114.

54 See e.g. Golinowska, *Ewolucja*, 22.

fits,[55] or – as it is described in Germany – their 'dynamisation', mostly on the basis of more- or less-detailed legislation.[56]

These mechanisms remain 'a key policy lever to protect pensioners against the erosion of their income during retirement and maintain adequate pensions.'[57] While price indexation is meant to stabilise the purchasing power of retirees, in normal times wage indexation is more beneficial to pensioners in the medium term, as productivity gains typically translate into positive real wage growth.

However, in the face of a sudden increase in prices and falling real wages, the purchasing power of pensioners is not protected by wage indexation, reversing the standard way of thinking about pension indexation. More frequent adjustments in price indexation mechanisms minimise the temporary loss of purchasing power when inflation surges. Indexation can be carried out according to a fixed frequency and/or when an index exceeds a fixed threshold.

Almost all EU Member States apply fixed-frequency indexation, typically indexing once per year in a specific month, most often January. Croatia, Hungary and the Netherlands index twice per year, and Cyprus has a second indexation moment if the consumer price index (CPI) increases by more than 1 per cent in the first half of the year.

Fixed-threshold indexation, triggered when an index exceeds a certain level, can be applied instead of regular indexation or as a secondary indexation mechanism to protect pensioners at a time of high inflation. In Belgium, pensions are increased by 2 per cent whenever the CPI exceeds the level it had at the time of the previous indexation by 2 per cent. Luxemburg has the same rule in steps of 2.5 per cent and combines it with fixed-frequency indexation for adjustments to real wage growth. Czechia and Slovakia (as of 2024) also use fixed-threshold indexation as a secondary mechanism. Pensions are typically indexed to the average growth of the chosen indicator over a defined period ('smoothing'), to avoid indexation being too much affected by monthly fluctuations.

Most countries use a twelve-month smoothing period, either comparing the last year with the previous one or averaging monthly year-on-year inflation rates, while some others use periods of three to nine months. Lithuania uses a very long smoothing period, indexing pensions to the average growth of the national wage bill over a seven-year period. Some countries index pensions based on projections of how inflation and/or wages will develop and implement corrections afterwards to adjust for the difference between projected and observed changes. This is the case, for instance, in Greece, Italy, Hungary, Norway and Sweden.[58]

Lower salaries, as well as greater number of women than men employed part-time and experiencing career breaks (see below) are still decisively contributing to the differentiation of pensions by gender ('gender pension gap'; GPG).[59] The PAR2024 gives particular emphasis to the gender dimension of pensions, analysing the inequalities between men and women, including the gender pension gap as well as the gender gap in pension coverage, which result from multiple gaps during working lives and which persist despite the higher educational attainment of women.[60] The majority of older people are women, making gender gaps in old-age a particular social challenge. Being single in old age further increases the poverty risk for women compared with men.

55 Julitta Koćwin, 'Indeksacja', in: *Leksykon polityki gospodarczej*, ed. Urszula Kalina-Prasznic, 2nd ed. (Cracow: Oficyna Ekonomiczna, 2005), 86; *2024 Pension adequacy report*, 48; cf. Jędrasik-Jankowska, *Pojęcia i konstrukcje*, 154–159.

56 Golinowska, *Ewolucja*, 22–25, 33–34.

57 *2024 Pension adequacy report*, 14, 48.

58 Supra, 49, 115–116.

59 See e.g. P. Kaleta, 'Przeciwdziałanie nierównościom w dochodach i „luce emerytalnej" między płciami na poziomie Unii Europejskiej, ze szczególnym uwzględnieniem wpływu pandemii COVID-19, w świetle aktualnych danych statystycznych i dokumentów programowych UE', *Zabezpieczenie Społeczne. Teoria, Prawo, Praktyka* 1(14) (2021), 20; *2024 Pension adequacy report*, 128–129.

60 *2024 Pension adequacy report*, 19; Kaleta, *Przeciwdziałanie*, 20.

Although the difference between the average pensions of men and women continues to narrow, and different retirement rules for men and women, which were widespread in the past and promoted earlier labour market exit by women, have disappeared today in almost all EU Member States,[61] the remaining gender gaps in old-age poverty, pension amount and pension coverage testify to persistent inequalities.

The gender pension gap, which in 2022 was still at 26 per cent on the EU level (although down from 30 per cent in 2019), has its roots in accumulated differences along the professional career: lower pay for women, shorter and/or interrupted careers, including due to care obligations; and more part-time work. Lower financial literacy can hamper women's retirement planning, calling for financial education and pension transparency measures.[62]

The gender pension gap encompasses older people who receive a pension. This is only part of the picture however, as fewer women have been qualifying for a pension than men, creating a gap in pension coverage. In some countries, it concerns mostly women married to men who do receive a pension, implying that the man's pension should cater for both, and may be increased for that reason. It may be an increase for a dependent spouse, as in Ireland or Spain, or a bonus awarded if the person with the lower pension waives their pension rights, as in Belgium. Hence, this gap does not necessarily reflect women's real access to pension income.

However, this household-level view ignores possible gender inequality within households and may not capture the real economic (in)dependence of older women. And in all other cases, even if old-age minimum income provision tends to fill the gap, this leaves too many women with insufficient income for a dignified life in old-age. The gender coverage rate in pensions (GCRP) measures this gap, also for the 65–79 age group. The 2022 GCRP was negative or below 1 percentage point in 15 EU Member States, while it was largest in Spain, Greece and Italy, followed by Ireland, Luxemburg and Belgium. Greece and Spain displayed a GPG around the EU average, while in Ireland, Italy and Luxemburg the GPG was well above the EU average. With the Netherlands as the most notable exception, countries with a negative GCRP (i.e. more older men than women do not receive a pension) also displayed a GPG lower than the EU average.

However, a reduced coverage gap does not imply a reduced pension (income) gap. Indeed, the latter indicator may be mechanically widened if broadening coverage gives rise to numerous (very) low pension benefits, which still tend to concern women much more than men.[63]

The majority of older people, as noted in the beginning of this text, are women. This makes gender gaps in old age a particular social challenge. While the income replacement rate has slightly increased in the EU over the ten year period for both sexes, convergence between women and men also in this respect has been slow and incomplete.[64] If the hitherto trends were to continue, women could be threatened by further lowering of their future pensions, in turn further exacerbating the resulting inequalities in the next decades.[65]

Additional reason for this are career-development differences, including especially 'career breaks',[66] as well as the death of a spouse, which can significantly affect the income situation of the surviving partner, particularly in retirement when it may no longer be possible to compensate for household income loss through professional activity, with a significant gender dimension present also in this case, since situation of a widow is much more common than that of a widower, due to gender

[61] *2024 Pension adequacy report*, 170.
[62] *2024 Pension adequacy report*, 13; Kaleta, *Przeciwdziałanie*, 20.
[63] *2024 Pension adequacy report*, 121–122.
[64] Supra, 117–119.
[65] *2024 Pension adequacy report*, 119–120; European Commission, *2024 report on gender equality in the EU* (Luxemburg: Publications Office of the European Union, 2024), 32.
[66] *2024 Pension adequacy report*…, 12–13, 119–120.

differences in life expectancy and age differences within couples. The widow is entitled to part of the acquired benefits of the deceased spouse in most countries, which can sometimes be cumulated with her own pension.

All EU Member States provide survivor benefits for spouses, and these can have a considerable impact on income redistribution in old age, especially for women, who make up the majority of recipients. Survivor benefits tend to play a key role in reducing gender gaps in pension entitlement, and can thus be considered an essential solidarity mechanism.

In most of the EU Member States, these are compulsory social insurance schemes financed by contributions, with the level of pensions depending on (and being calculated as a percentage of) the pension rights of the deceased person. In the vast majority of countries, these schemes cover both workers and the self-employed (though with different modalities in some cases) in a compulsory manner. The level of the survivor's pensions most often varies between 50% to 80% of the actual or hypothetical retirement pension of the deceased spouse, depending on the underlying calculations and conditions, including family composition. While minimum contributory requirements generally apply to the deceased spouse, in a few Member States with residence-based flat public pensions all residents are protected by these schemes. Lithuania, Cyprus, Spain and Portugal stand out as granting the highest survivor benefits.

Comparing the benefits of the surviving spouse with the woman's own entitlements, six countries (Denmark, Ireland, Croatia, Poland, Slovenia, Sweden) granted no additional pension to the surviving woman's own in 2022, among those for which values are available, while Cyprus, Portugal, Greece and Spain in 2022 also granted a large top-up from the deceased husband's pension. At the other end of the scale, two countries (Denmark and Sweden) did not grant any supplement to the widow in 2022.[67]

As to the career breaks, while non-worked periods often lead to non-accrual of pension rights, some of these periods are considered justified for social reasons and therefore valorised by pension systems. People can find themselves unemployed or in a situation where they must stop working, or reduce their working time, because of family obligations, such as caring for children (including part time) or other family care; they can also become disabled and unable to work. Salaried workers often receive pension credits (or equivalent benefits) in such circumstances. Such credits can dampen the impact of a (limited) absence from work and, in some countries, can even raise the pension benefit to a level above that of an uninterrupted career.

Childcare is a frequent reason for discontinuing work. In most countries, the impact on the replacement rate of a three-year break for childcare is limited to a few per cent, with notable exceptions for Greece and Romania, where these could range from ca 6 to ca 18 per cent. A childcare break followed by working part time leads to a benefit loss in all countries, but credits limit the impact. In most EU Member States, the benefit loss is less than 9 per cent (for a threeyear complete break followed by a 10-year period of part-time work at 66 per cent of the average salary, and a childcare period that is equivalent to 16 per cent of the working career duration).

Most countries combine some benefit reduction (or at least, no bonus) from the childcare break with a further reduction due to part -time working. Large benefit reductions due to a part-time working period are shown in Malta (for a total loss of 11.1 percentage points, or 14.8 per cent), Croatia, Hungary, Belgium and Italy. In Germany and France, the reduction for 10 years of part-time work is offset by the child bonus, resulting in a benefit (slightly) higher than the uninterrupted career base case. In Sweden, Luxemburg, Austria and Spain, the benefit reduction related to part-time work outweighs the child bonus.

Unemployment gives rise to slightly larger pension reductions than childcare. In order to protect women's pensions rights the European Commission could however, together with EU

[67] Supra, 100–102, 163–164.

Member States and other concerned parties, follow the recommendations of its high-level group of experts on pensions by proposing to equate certain types of career breaks (those devoted to care duties) to employment periods in terms of pension contributions to occupational pension schemes[68]).

Improvements in financial literacy would also be welcome, as it remains key to understanding statutory pension systems, and plays a particularly important role in supplementary pension saving, since available evidence suggests that the gender gap may be wider where supplementary (voluntary) pension schemes play a greater role.

Last but not least, disability can also cause people to leave the labour market.[69]

Pension evolution

Evolution of pensions is another important element, and it could be understood as reforms of pensions over a period of time.[70] These reforms are usually made necessary by the need to keep up with relevant demographic, economic and social changes in contemporary societies,[71] which at present result in an increased number of pensioners and a diminished pension financing base (i.e. a smaller number of contribution- and taxpayers),[72] taking place against a broader and more long-term background of chronic financial deficits.[73]

Old-age pension systems, by their very definition, operate in a long-term horizon that requires anticipating future demographic and labour market developments and projecting outcomes for future retirees decades ahead.[74]

The reforms in question, depending on their scope and pace, are usually classified either as more 'parametric' (partial, slower) or more 'paradigmatic' (holistic) ones.[75] This classification is rather fluid, however, and especially in the European Union it is also made additionally complex by the approaches of particular Member States to pension reforms, rather widely ranging from frequent adjustments following changes in needs, possibilities and limitations in some cases, to somewhat more rare and 'less invasive' changes elsewhere.[76]

When discussing contemporary evolution of pensions, it is somewhat hard to sketch out its general direction. It can be claimed, that in developed countries pensions move towards being less and less provided for by the state.[77] However, it might be more appropriate to say, the e.g. various Member States of the EU try each to chart their own course of these reforms in the 'new world of work', where the demographic changes mentioned above are combined with work's increasing precarisation (including a significant share of employment being constituted by part-time or temporary contract employment as well as self-employment) and automation.[78]

More specifically, income inequality, disparities in standards of living, the emergence of non-standard forms of employment mentio-

68 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *A Union of Equality: Gender Equality Strategy 2020-2025*, COM 2020/152/final, 11.

69 Supra, 92–99, 129–133.

70 Cf. Patrik Marier, *Pension Politics. Consensus and social conflict in ageing societies* (London-Florence: Routledge/European University Institute, 2008), 16–19.

71 von Maydell et al., *Enabling*, 80–81.

72 Golinowska, *Ewolucja*, 21; Góra, *Preserving*, 55 and ff.; Renata Gabryszak, 'Wyzwania demograficzne dla europejskiej polityki społecznej', in: *Europejska polityka społeczna*, ed. Renata Gabryszak, Dariusz Magierek (Warsaw: Difin, 2011), 54 and ff.; Łukasz Jurek, 'Zmienność systemów zabezpieczenia emerytalnego: porównanie międzynarodowe', *Ubezpieczenia Społeczne. Teoria i praktyka* 1 (2021), 4 (3 and ff.).

73 See e.g. Golinowska, *Ewolucja*, 20.

74 *2024 Pension adequacy report*, 17.

75 Cf. von Maydell et al., *Enabling*, 160–161, 217–220; Kalina-Prasznic, *Ochrona ryzyka starości*, 7–8; Marier, *Pension*, 18–19; Roland Poirier Martinsson, "The demise of the driving forces behind the liberal and social democratic welfare state", *European View* 1 (2012), 52 (47 and ff.)

76 Jurek, *Zmienność systemów*, 4–5.

77 Bridgen, Meyer, *Private pensions*, 3–7.

78 *2024 Pension adequacy report*, 170–171; Jurek, *Zmienność systemów*, 4.

ned above, and the increase in precarious employment raise questions over how to provide adequate social protection in old-age.

Long-term demographic changes, as well as recent economic and social shocks such as the Covid-19 pandemic and the energy crisis and inflation period, triggered and exacerbated by Russia's war of aggression against Ukraine, have an asymmetrical impact on different population groups.[79]

Pension reforms are therefore taking place against the background of these significant events. Though there was a continuation, and even reinforcement, of certain reform trends (see below), the new crisis-related context temporarily shifted the reform dynamics as all EU Member States implemented exceptional temporary measures. In the field of pensions, several Member States introduced exceptional increases and indexations of old-age benefits to maintain pension income and mitigate the risk of poverty.

Although the temporary measures might be more visible, there has been an overall trend towards permanently enhancing adequacy mechanisms, such as improvements to indexation, higher minimum pension levels, and protection for (potentially) vulnerable people.

Furthermore, although previous broad policy goals such as longer working lives and individualisation of pension entitlements endured, Member States shifted the emphasis from raising pensionable ages and tightening early retirement rules towards providing incentives to stay in work longer and to combine work with retirement.

Examining pension reforms in more detail, four main trends can be identified.

The first trend involves measures aimed at improving income maintenance and making pension systems more socially resilient and equitable through enhancing access and accruing entitlements. This includes revising accrual rates, adapting calculation and indexation mechanisms, increasing tax exemptions, promoting savings in supplementary occupational or personal schemes, and improving access to pension schemes for specific categories of workers. Increased attention has been paid to improving the current or future pension accruals of the self-employed, carers and women. The gender dimension of pension reforms, already notable during the previous years, has become even more pronounced.

The second trend focuses on promoting longer working lives and later retirement through positive incentives and greater flexibility in retirement pathways. Over the past decade, significant increases in the pensionable age have been legislated for the coming two or three decades. Looking specifically at the last three years, Member States have continued to take steps to increase the period spent in work, but this time mainly by making it easier to combine a pension and employment, incentivising work beyond the pensionable age and extending the qualifying period for the pension entitlement.

Thirdly, poverty reduction remains firmly on Member States' reform agendas, with a focus on promoting access to basic old-age benefits and increasing the level of minimum pensions. In order to address the social and financial distress created by the Covid-19 pandemic, energy crisis and high inflation, national policy-makers assessed and adapted the adequacy of the national social benefits, including minimum income schemes and pension levels.

Fourth and final trend is towards enhancing the role of funded pension schemes and fostering individual entitlements has become more prominent – either through enhancing the role of collective occupational plans or by strengthening the role of statutory funded schemes. However, the latter have been subject to various (and sometimes even contradictory) changes over the past decade, indicating that these policies are still in a process of maturing.[80]

In several countries, there are ongoing and planned reforms confirming these trends. Some Member States are planning to improve the level of benefits (e.g. Romania), to make it easier for the self-employed to combine work with employment (e.g. Luxemburg) or to improve occupational pension entitlements (e.g. Cyprus).

[79] *2024 Pension adequacy report*, 7, 11.
[80] Supra, 60–61.

Germany is currently preparing a reform to introduce mandatory old-age provision for self-employed people, which is currently the case only for certain categories of them. New self--employed people will be insured in the statutory pension system unless they choose an equivalent private pension product ('opt-out'). Positive incentives (e.g. bonuses, and more flexible rules on combining work and retirement) to encourage longer working lives remain firmly on the pension reform agenda (e.g. in Belgium or Luxemburg).

Finally, improving pension system awareness and enhancing knowledge about entitlements through digital tools is also on the agenda of some Member States (e.g. Germany, Poland).[81]

Recent reforms in the financing modes of old-age pensions, conversely, show no clear common trend. A general long-term shift towards more tax-based pension financing was expected to be seen in the reforms, but in the last three years, there has rather been a trend towards increasing social security contributions and the phasing-out of special pensions, without major overhauls of the way pensions are financed. Pension financing reforms related mostly to changes in the contribution rates (e.g. Spain, Croatia, Hungary, Portugal, Slovakia), and contributory periods were extended in very few cases (e.g. in France).

Notably, several Member States have increased the share of social security contributions in the pension financing mix by increasing contribution rates or establishing minimum contribution bases (e.g. Spain, Finland, Croatia, Latvia, Slovakia [statutory funded scheme]). In some countries, diversification of the pension financing mix has been achieved through levying new taxes (e.g. Hungary, Portugal).

On the other hand, some reductions in contributions have been granted to people in specific groups or with specific work statuses, such as low-income earners (e.g. in Germany) and certain self-employed categories (Poland) or parents (Slovakia).

Conclusions

Pensions continue to prove their valor in contemporary societies, including in particular in Europe (and the European Union), i.a. due to the improving length and quality of life, which is transforming the old age into the so-called 'third age' of human lifespan,[82] with an increasing number of references also to the 'fourth age', concerning the 80+ persons[83] and separate from earlier 'active' retirement.

On the EU level, pensions are an integral part of EPSR implementation, which has been recently reiterated as a process by the Terhulpen Declaration of EU Member States of 16th April 2024,[84] and which the authors of PAR2024 also consider as needing to continue. Inclusive and robust labour markets are key to maintaining adequate pensions in an ageing society.

The EU should therefore continue to support national efforts to ensure adequate pensions through a broad policy mix, including by tackling gender inequalities during working life, mitigating the impact of care tasks, and ensuring social protection in respect of care needs, including supporting and monitoring action within the Social Protection Committee framework, thus making an important contribution to maintaining high living standards for older Europeans.

EU and national policies should help ensure that people in Europe can fulfill their aspirations, including by empowering older generations and sustaining their welfare.[85] In the European Union, pension systems on average offset one quarter of the earnings inequality cumulated over working lives. However,

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81 Supra, 72.

82 Cf. Jędrasik-Jankowska, *Pojęcia i konstrukcje*, 217–219; Janusz Żarnowski, *Społeczeństwa XX wieku* (Wroclaw: Ossolineum, 1999), 5–7, 91–92.

83 See e.g. Janusz Czapiński, Piotr Błędowski, *Aktywność społeczna osób starszych w kontekście percepcji Polaków* (Warsaw: Ministry of Labour and Social Policy, Centre for Human Resource Development, 2014), 10.

84 Access: 30.12.2024, https://europeanunion.diplomatie.belgium.be/en/la-hulpe-declaration-shaping-future-social-europe.

85 *2024 Pension adequacy report*, 15.

pensions for the self-employed are projected to be on average a third lower than those of full-time employees with a similar career, due to differences in rules and in average earnings.

In addition, workers in non-standard forms of employment may in some countries struggle to access pensions due to minimum earnings or working time requirements or limited options to accumulate entitlements.[86]

The analyses, including the PAR2024, of the extent to which pension systems ensure adequate income in retirement – that is, prevent old-age poverty and maintain the income of men and women for the duration of their retirement, both currently and in the future – suggest that, at the EU level, a strengthened coordination among the reporting on i.a. adequacy of pensions and on sustainability of age-related expenditure can facilitate the necessary holistic-approach response to addressing demographic challenges, safeguarding both adequacy and sustainability of social protection and supporting intergenerational fairness.[87]

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[86] Supra, 13.
[87] Supra, 7, 11.

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