

# UBEZPIECZENIA SPOŁECZNE

## Teoria i praktyka

NR 3/2023 (158)

ISSN 1731-0725

### Transformations in social security in a comparative perspective

- The life cycle perspective as a basis for indicating appropriate directions for modernizing social care
- Adaptation of standards according to the ILO
- The evolution of individual funded retirement accounts
- Pension and care policy in Scandinavian countries
- The gender gap phenomenon in Italian pension security



ZAKŁAD  
UBEZPIECZEŃ  
SPOŁECZNYCH

---

## PROGRAMME COUNCIL:

---

Chairman of the council – Professor Maciej Żukowski  
(Rector of the Poznań University of Economics and Business)

Ewa Bednarczyk  
(Coordinator in the ZUS Headquarters Department of Pension Benefits)

Elżbieta Bojanowska, Ph.D.  
(Cardinal Wyszyński University in Warsaw)

Zofia Czepulis-Rutkowska, Ph.D.  
(Director of the ZUS Headquarters Department of International Cooperation, Institute of Labour and Social Studies)

Elżbieta Czyżowska, Ph.D.  
(Director of the ZUS President's Office)

Kazimierz Frieske, Ph.D.  
(Professor The Maria Grzegorzewska University)

Agnieszka Góra-Błaszczkowska, Associate Professor  
(O.P. Jindal Global University Sonipat, India; War Studies University)

Krzysztof Hagemeyer, Ph.D.  
(Professor Hochschule Bonn-Rhein-Sigg, Collegium Civitas, chairman of the "International Social Security Review")

Tomasz Ingot, Ph.D.  
(Professor Minnesota State University)

Paweł Jaroszek  
(Member of the ZUS Management Board – Finance and Income Enforcement Division)

Paweł Nowik, Ph.D.  
(Professor the John Paul II Catholic University of Lublin)

Małgorzata Olszewska, Ph.D.  
(The University of the Social Sciences in Łódź)

Marek Pogonowski, Associate Professor  
(Director of the ZUS Branch in Koszalin, Koszalin University of Technology)

Michał Rutkowski, Ph.D.  
(The World Bank)

Beata Samoraj-Charitonow, Ph.D.  
(University of Warsaw)

Jolanta Sierszak  
(Deputy Director of the ZUS Headquarters Department of Income Enforcement)

Dariusz Stańko, Ph.D.  
(Organisation for Economic Co-operation and Development – OECD)

Professor Tadeusz Szumlicz  
(University of Economics and Human Sciences in Warsaw, SGH Warsaw School of Economics in Warsaw)

Andrzej Szybkie, Ph.D.  
(Director of the ZUS Headquarters Department of International Benefits and Family Support)

Professor Gertruda Uścińska  
(University of Warsaw, Institute of Labour and Social Studies)

Paweł Wojciechowski, Ph.D.  
(Whiteshield Partners, Professor Wszechnica Polska University in Warsaw)

Hanna Zalewska  
(Director of the ZUS Headquarters Department of Statistic and Actuarial Forecasts)

---

## EDITORIAL TEAM:

---

Editor-in-Chief:  
Marcin Kawiński, Associate Professor  
Scientific editors:  
Zofia Czepulis-Rutkowska, Ph.D.  
Jens Schremmer  
Paulina Jarmuż-Zawadzka

Translation:  
Grażyna Budziszewska  
Guy Torr

Editorial secretary:  
Robert Marczak, Ph.D.  
Language editor:  
Joanna Łapińska

---

Publisher:  
The Polish Social Insurance Institution (ZUS)  
3, 5 Szamocka street  
01-748 Warsaw

Editorial office:  
3, 5 Szamocka street  
01-748 Warsaw  
room: C331  
e-mail: redakcja.us@zus.pl  
ustip-journal.com.pl

 ZAKŁAD  
UBEZPIECZEŃ  
SPOŁECZNYCH

## Introduction

Social security represents a constant subject of discussion and change. In the course of institutional evolution, the issues of its personal and material scope have been addressed depending on then existing social needs, financial possibilities as well as political considerations. Present-day institutions are very different from those that were formed back in the late 19th century.

This new issue of “Ubezpieczenia Społeczne. Teoria i praktyka” is devoted to selected aspects of this evolution and the challenges facing social security today, but with specific reference to the challenges experienced in recent decades.

We have sought to identify, if only briefly, the most important issues relating to this issue, with a particular focus on social security for the elderly.

We believe that the topicality of social security is becoming increasingly important both because of the realised need for social protection no longer exclusively within middle and higher income countries, but also, if not even more so, in lower-income countries, and a well as a result of dynamically changing external challenges. These include, first and foremost, an ageing population, changes in the economy – a reduction in the importance of industry in favour of services, ongoing changes in the labour market, as well as in the structure and functions of family itself.

New situations arise all the time, they are often emergencies that require a rapid response. For example, there have been two major crises in the last few years: the COVID-19 pandemic and the war in Ukraine, which have imposed additional demands on the functioning of social security institutions.

We therefore acknowledge the need for the continuation of such studies, as new challenges to social security and the need for new solutions are constantly emerging.

The publication consists of several articles of a general, cross-sectoral nature as well as some more specific articles. The latter relate to selected issues primarily connected to security for the elderly.

The publication opens with a cross-sectoral text by Jens Schremmer – co-editor of the issue. In his article *Adequate and sustainable social security for all*, the author points out that changing socio-economic conditions, in particular in the context of an ageing population, require new solutions to ensure that the title’s demand is met. J. Schremmer writes about old and new challenges. The ageing of the population as a trigger for needed change has been present in the debate in Western countries for a long time. In recent decades, however, population ageing has affected countries with very large populations, such as China and India, and – as the author argues – is therefore becoming a global issue.

The following factors are hindering the provision of adequate social security: unequal personal coverage and limited access to schemes, changes in the labour market, life-cycle changes. The inequality of access concerns mainly Africa and parts of Asia – in the geographical perspective, and in the gender divide – women.

J. Schremmer refers to changes in the labour market that have been taking place for decades, but were undoubtedly reinforced by technological developments and the globalisation process. The impact of artificial intelligence on the labour market has been of particular interest recently; according to research, it appears that its use will not result in a reduction in employment, but in the need to re-skill the employed.

The author observes that life-cycle changes create the need for social security systems to be designed in such a way that they respond flexibly to requirements in a situation of dynamic changes in employment and in the family. For instance, there may be a need for retraining and an interruption in employment for this period, and securing income and services may be particularly important at that time. Moreover, the organisation of social security systems should take into account additional issues, which have been recognised relatively recently, such as climate change, as well as unexpected ones such as a pandemic or war in Europe.

The author, who is an employee of the International Social Security Association (ISSA), has extensive knowledge of global trends in social security development. These are discussed in the second part of his article, presenting the problems, as well as the reforms carried out and planned, by different regions of the world: Africa, Asia, the Americas and Europe.

The next text is a discussion of the High Level Expert Group report, which has been prepared for the European Commission on the challenges and future of social policy in European Union countries. It should be emphasised that, although social policy is the responsibility of particular states, the European Commission has been taking initiatives to develop it for years. In the first decades of the 21st century, the Open Method of Coordination was such an initiative, which – referred to as “soft” law – indicated directions for desirable action in the fight against poverty and exclusion, ensuring pension security, health care, as well as long-term care.

In the first decade of the 20th century, a report was also drawn up, commissioned from a group of experts, on new social risks and the need to adapt social security systems to them.

And in 2017, the European Pillar of Social Rights (EPSR) was approved to make the European Social Union a reality as the next stage in the creation of the European welfare state.

It is, of course, understandable that the European Union is acting in the field of social policy. For it is difficult to integrate part of economic policy – which is the EU’s objective – while leaving behind uncoordinated social policies, which are after all strongly linked to the economy.

Agnieszka Rusiecka presents the contents of the report by the High Level Expert Group on the future of social protection and of the welfare state in the European Union, which was intended to be the next step in the implementation of the European Pillar of Social Rights. The Group was headed by the Commissioner for Employment, Social Affairs and Equal Opportunities – Anna Diamandopoulou. The group has identified several major trends that will significantly influence the evolution of the welfare state

in the near future: demographic change, resulting in a further ageing of the population and a reduction in the number of people of working age, changes in the labour market, including an increase in non-standard work, digitalisation and technological change, climate change and the green transition. The task of the Group was to create a proposal for strengthening social protection, taking into account, in addition to the identified trends, risks such as pandemic or war. The recommendations of the discussed report indicate that a life-cycle perspective should be adopted as the basis for identifying appropriate directions for modernising the welfare state.

The following recommendations were identified:

1. Starting strong: nurturing child development for all. This is primarily about providing care for a child under the age of three, due to their developmental needs, and also about creating job opportunities especially for women. In addition, it is necessary to ensure that children are not at risk of poverty.
2. Creating a springboard for the young generation means allowing people to obtain a proper education and find a good job.
3. Ensuring inclusive social protection and lifelong learning.
4. Enabling late retirement to guarantee adequate levels of retirement income as well as employment in the economy.
5. Ensuring sustainable financing for a resilient welfare state.
6. Stepping up EU capacity to secure social protection in the future.

In his article *Adapting to a Changing World while Sticking to the Rules. The responses of the International Labour Organisation to the challenges facing social security systems in the 21st century*, Krzysztof Hagemeyer set as his objective

providing a comprehensive analysis of the historical trajectory of ILO social security standards, exploring the evolution of principles, conventions and global dynamics that have shaped the ILO's approach to social protection over time.

He shows the way in which not the policies themselves, but the existing standards of a highly significant international institution – the ILO – are being adapted in practice to changing socio-economic and political conditions. The conclusions of the analysis include the increased decision-making capacity of countries in the Global South, the shifting of social policy priority towards poverty reduction, the introduction of new projects in the Global South that deviate from traditional ILO standards. In the evolution of ILO standards, a significant role is played by Recommendation 202, which precisely points to the need to provide – alongside employment-related social insurance systems – universal aid systems to support the fight against poverty. The author of the article considers this change to be fundamental. He says that the ILO's assistance currently focuses mainly on building non-contribution-based systems.

It was mentioned earlier that an important challenge for social policy is to provide social protection for the elderly. Pension schemes are here the main provider of income. For decades, experts have been exploring the possibilities of building or reforming pension systems in such a way as to ensure that they are financially solvent on the one

hand, and that they provide benefits at an appropriate level on the other. The World Bank is a very influential international organisation that has been involved in these activities for years.

Nicholas Barr, outlines in his text *Individual funded pension accounts and the World Bank: an evolving perspective*, the Bank's position on pensions over several decades. The position has been changing, which has mainly consisted in an allowance for various solutions.

The author has analysed the evolution of individual funded pension accounts, a model used in Chile in the early 1980s and widely disseminated, with the support of the Bank.

The text is intended to promote solutions more balanced than the Chilean reform. This is because it turned out that, although the model was presented as a response to all challenges in the operation of pension systems, it did not meet expectations. The author identifies the following problems of the Chilean system, as disseminated by the World Bank: incomplete insurance, inadequate benefit levels, high administrative costs and gender inequality. Very interesting is the shift in the Bank's assumptions and strategy towards attributing greater importance to anti-poverty policies and broader social welfare objectives.

It is worth noting that these findings correspond well with the findings on developments in the ILO's work (in K. Hagemeyer's text) and the analysis of global social security (in J. Schremmer's text). It is noticeable that there has been an evolution in the proposals for pension solutions from purely employment-related insurance to universal or welfare-based solutions.

Securing the elderly is, of course, connected with retirement income, but also increasingly, with the ageing of the population, with long-term care. Niko Väänänen's article undertakes an analysis of both institutions in two Nordic countries: Finland and Sweden in comparative terms. In his text entitled *Are ageing Nordic welfare states sustainable? An analysis of pension and care policies in Finland and Sweden*, the author presents the problem of ageing populations in countries where the median age is steadily increasing. The increase in the old-age dependency ratio has a negative impact on the sustainability of the welfare state due to the increasing cost of living.

The Swedish pension system, modelled to some extent on the individual account system promoted by the World Bank in the 1980s, is considered financially solvent. At the same time, a low level of benefits is mentioned – this corresponds to the assessment of the model used in the text by N. Barr, who pointed out precisely the overly low level of benefits as one of the objections. On the other hand, future financial solvency in Finland is a matter of concern. The author also highlights that the provision of funding for long-term care is a problem in both countries. In summary: the author shows that, in view of the significant ageing of the population, it is difficult to sustain an adequate level of pension or eldercare benefits in these Scandinavian countries, in ones which had previously been known for their generous social security.

The gender pension gap, i.e., the phenomenon of significant differences between women's and men's benefit levels, is a topic frequently raised in debates on pension

security. This subject is taken up by Monica Paiella in the text *The Italian Gender gap in pensions: A cohort of birth approach*.

The pension reforms underway in Italy were aimed at extending the duration of stay in the labour market as a method of alleviating foreseeable difficulties in financial solvency. Based on the Italian experience, the author analyses the evolution of the gender pension gap between generations. Analysing factors such as late entry into the labour market, wage gaps and caring responsibilities, the author focuses on understanding the impact of social security reforms on gender inequality. This analysis shows that the relative pension gap between men and women has narrowed significantly. The gender pension gap is also alleviated because survivor pensions are collected mainly by women.

The set of articles herein presented does not exhaust the issue of the challenges facing social security. However, it can be argued that significant international organisations: the European Union, the International Labour Organisation, the International Social Security Association or the World Bank perceive the same or similar trends of change within the socio-economic environment. There is also a similarity in terms of solutions proposed, in the sense that the difficulty of providing adequate social security in respect of employment is recognised while the need for aid solutions to prevent poverty is clearly indicated.

*Zofia Czepulis-Rutkowska  
Jens Schremmer  
Paulina Jarmuż-Zawadzka*





# Adequate and sustainable social security for all: responses in a new context

**Authors contribution:**

A – Research project  
B – Data collection  
C – Statistical analysis  
D – Data interpretation  
E – Manuscript preparation  
F – Literature analysis  
G – Fundraising

<sup>B,E</sup> Jens Schremmer  
Office of the Secretary General  
International Social Security Association

**Introduction:** Social security in old age is one of the fundamental human rights. The current global tendency in population aging forces one to search for new, innovative solutions that will ensure that future pension schemes will be tailored to the generational needs and will fulfill the conditions to ensure a decent life for the elderly.

**Objective:** The aim of this paper is to analyze the context of current efforts to ensure adequate pension scheme levels and to summarize possible solutions of this problem.

**Materials and methods:** The author describes the demographic situation and social security in different areas of the world, focusing on a case study and analyzing existing data from international opinions.

**Results:** Social security reforms must take full account of how social security schemes can support people particularly at risk in poverty in their working lives. It's essential for social security to be flexible and adaptable to current life cycle patterns and individual needs.

**Key words:** global social security, pension schemes, retirement, well-being of the elderly

## Adekwatne i trwałe zabezpieczenie społeczne dla wszystkich: odpowiedzi w nowym kontekście

**Wstęp:** Zabezpieczenie na starość stanowi jedno z fundamentalnych praw człowieka. Obecna globalna tendencja starzenia się społeczeństw wymusza szukanie innowacyjnych rozwiązań, które sprawią, że przyszłe świadczenia emerytalne będą dopasowane do panujących potrzeb, tym samym spełnią warunki, aby zapewnić godne życie osobom starszym.

**Cel:** Celami artykułu są analiza kontekstu bieżących wysiłków na rzecz zapewnienia odpowiedniego poziomu zabezpieczenia emerytalnego oraz podsumowanie możliwych rozwiązań tego problemu.

**Materiały i metody:** Autor opisuje sytuację demograficzną i zabezpieczenie społeczne w różnych obszarach świata, koncentruje się na studium przypadku i dokonuje analizy informacji na podstawie danych zastanych, zawartych w międzynarodowych ocenach.

**Wnioski:** Reformy zabezpieczenia społecznego muszą całościowo uwzględniać to, w jaki sposób systemy zabezpieczenia społecznego mogą wspierać w życiu zawodowym osoby szczególnie zagrożone ubóstwem. Konieczne jest, by były one nastawione na elastyczność i dostosowywały się do obecnych wzorów cyklu życia oraz indywidualnych potrzeb.

**Słowa kluczowe:** globalne zabezpieczenie społeczne, systemy emerytalne, emerytura, zdrowie osób starszych

Submitted: 25.8.2023

Accepted: 27.11.2023

DOI: 10.5604/01.3001.0054.0862

---

## Introduction

Access to social security as a vehicle for income security and decent living standards in old-age is a human right included in major international human rights instruments including the Universal Declaration of Human Rights, 1948. The International Labour Organization's (ILO) Convention No. 102, Convention No. 128 and its accompanying Recommendation No. 131 and Recommendation No. 202 together guide governments and pension stakeholders in ensuring adequate and sustainable pension coverage for all workers.

The impact of population ageing on social security systems, and in particular pension systems, has been analysed in-depth during the last 30 years. Experience across different regions has also permitted policymakers to debunk a range of myths and assumptions of how different systems are affected in practice. A high level of knowledge on policy options and their impact on financing, adequacy, access and other parameters has been obtained.

However, and maybe somewhat surprisingly, ensuring adequate and sustainable social security pension systems for all workers is still a distant objective. No doubt this is partly due to the fact that some pension reform options proposed during previous debates have proved ineffective in practice, that coverage rates remain low in some regions and that the ageing challenge has now become a global phenomenon.

In addition, the challenge to ensure income security and services responding to the needs of older populations has evolved significantly. This requires a fresh analysis of how important changes impact on the environment in which pension systems operate. Innovative policy responses are required, including a more holistic approach to securing sustainable and adequate income security in old age. These responses must also take into account the growing needs for services, in particular regarding long-term care, by an ageing population.

This article aims at analysing the current context for efforts to ensure adequate and sustainable pension systems and summarize innovative responses. It takes a global perspective on the key challenges for pension and the broader social security systems and will then outline major current reform trends in different regions, with a specific focus on the European situation.

---

## Old and new challenges

Ageing societies and coverage gaps remain the contextual factors first mentioned in social security reform debates. However, economic, labour market, societal and other variables have evolved considerably in recent years and frame the need for a new look at building adequate and sustainable pension systems.

## A globalizing ageing challenge

Population ageing is now a global phenomenon.<sup>1</sup> Between 2015 and 2050, the proportion of the world's population over 60 years will nearly double from 12% to 22%.<sup>2</sup> What is more, the number of persons aged 80 years or older is expected to triple between 2020 and 2050 to reach 426 million.<sup>3</sup>

Every region of the world is affected by ageing. Populous countries including China and India are ageing rapidly through the combined impact of reductions in fertility rates and increases in life expectancy. While countries first confronted with the challenge of adapting social security systems to ageing societies had already reached high coverage levels, the globalization of ageing is creating a double challenge for many countries to simultaneously extend coverage and adapt systems to respond to the impact of ageing.

## Unequal coverage and access

Only 49.6% of the global working-age population are legally covered by mandatory or voluntary contributory pension schemes and are therefore potentially able to access a contributory pension after the pensionable age.<sup>4</sup> When looking at effective access to these schemes, however, an even more alarming picture emerges as only 32.5% of the global working-age population actually contribute to a pension scheme.<sup>5</sup>

In terms of the global labour force, 53.7% actually contribute to a pension schemes. These global figures mask considerable regional variations, with the effective coverage rates being at 17.4% in Africa, 29.2% in Arab states, 54.7% in Asia and the Pacific, 64.9% in the Americas and 84.3% in Europe and Central Asia.<sup>6</sup>

These global figures also conceal considerable inequalities in the access to contributory pension schemes. These may first pertain to exclusion from legal coverage for certain groups, such as self-employed workers, workers in the informal economy or migrant workers. In addition, they may also stem from difficulties to ensure the effective coverage of certain legally covered groups of the population. Differences in access can include a series of administrative and technical complexities that make it difficult for individuals to ensure registration or the continued payment of contributions.

Inequalities in coverage and access also exist for women. The gender gap in effective coverage is significant, as at the global level 37.3% of working-age men are covered by

1 United Nations, *World Population Ageing 2020 Highlights*, New York 2020.

2 International Social Security Association, *Priorities for social security – Global 2022: Trends, challenges and solutions*, Geneva 2022.

3 Ibid.

4 International Labour Organization, *World Social Protection Report 2020–22*, Geneva 2021.

5 Ibid.

6 Ibid.

a pension scheme while the percentage for women is only 26.3%.<sup>7</sup> Women on average have lower earnings than men and more labour market breaks due to care responsibilities for children or elderly persons. Both factors result not only in a pension coverage gap but also to inequalities in pension income in old age.

## Changing world of work

Labour markets are evolving due to technological advancements, globalization, and changes in employment patterns. This impacts on key parameters for social security pension schemes, including coverage, financing, adequacy and service delivery.

The rise in non-standard employment including part-time, temporary, and gig economy jobs has created significant coverage challenges. The much-discussed case of social security coverage for platform workers has led to many policy and institutional initiatives at the national and international level.<sup>8</sup> Non-standard employment has also resulted in reduced or irregular contributions to pension systems, which is not only a financing issue but also triggers challenges for benefit adequacy in old age.

Population ageing is, *ceteris paribus*, naturally accompanied by an ageing and declining workforce, which puts the spotlight on the question of incentives for longer working lives, more flexible retirement patterns to take into account different situations, efforts to invest in activity and employability including a significant focus on skilling and reskilling throughout one's working life.

Another more recent factor impacting on the future of work is the rapid rise in artificial intelligence (AI) applications. At this stage the increasing use of AI at the workplace seems to have similar impacts as previous technological transformations, including steady employment levels but changing skill needs and reorganization of jobs with tasks shifting to those for which humans have a specific advantage over technology.<sup>9</sup>

## Changing life-courses

Changing life-course patterns raise questions of how sustainable and adequate benefits and services can be provided in the context of transformations in work careers and family structures, and require social security systems to adapt and meet evolving and new needs.

This includes supporting people throughout an increasingly flexible and atypical work career, responding to the diversification of family models, meeting new needs of both younger and older persons and at the same time adapting to demographic ageing. The changing life-course also includes a significantly higher number of both work and family transitions, which trigger more frequent risks in terms of employment and income

---

<sup>7</sup> Ibid.

<sup>8</sup> International Social Security Association, *Platform workers and social protection: international developments*, Geneva 2023, and *idem*, *Platform workers and social security: Recent developments in the Americas*, Geneva 2023.

<sup>9</sup> Organization for Economic Co-operation and Development, *The impact of AI on the workplace: evidence from OECD case studies of AI implementation*, OECD Social, Employment and Migration Working Papers No. 289, Paris 2023.

security. These risks also result in a reduced capacity to accumulate pension rights during the work career, leading to potentially inadequate benefits. At the same time, increased longevity engenders a heightened risk for the need of long-term care benefits and services, which in the absence of adequate pre-payment systems for long-term care exacerbates the adequacy challenge for social security pensions.

Forward-looking approaches, people-centred and tailored solutions, the coordination between different social security branches and between social security and employment services and the pro-active delivery of social security services around life events are changes that can help support activity, skills and health throughout the life course and support healthy and active ageing.

### **Economic volatility, climate change and shocks**

Traditionally, social security benefits play the role of providing or replacing income in the case of defined risks related to socioeconomic vulnerability. In the context of increasing economic volatility, a rising number of extreme events related to climate change and more frequent shocks to economies, societies and individual livelihoods, social security systems are more than ever required to broaden their role to optimize their support to the resilience of individuals, societies and economies.

Shocks can occur in the form of economic recessions, climate change related extreme weather events, natural disasters, pandemics, armed conflicts or political upheavals. Their impact can be local such in the case of severe drought, regional in the case of economic recessions or even global such as was the case for the COVID-19 pandemic. Where resilience is not ensured, such shocks can lead to broad unemployment, poverty and longer-term loss of activity and skills, all of which will have a negative impact on the capacity to accumulate long-term benefits including specifically pensions.

The financing of social security and pension systems, benefit design and the comprehensiveness of coverage are all factors impacting on their capacity to respond to societal and government expectations in the case of extreme events. In addition, social security institutions need to be resilient and agile and have the necessary institutional capacity and risk management approaches to ensure business continuity, to rapidly upscale their services and deliver crisis benefits to people in need.<sup>10</sup>

### **Persistent inequalities**

Social security systems are one of the most powerful policy tools to combat income and other inequalities. However, the design of social security systems may also risk exacerbating certain inequalities where benefits are a direct result of existing labour market or other inequalities.

Income inequalities are expressed by the Gini Index that remains highest in the Americas, followed by Africa, Asia and the Pacific and Europe.<sup>11</sup> Women and youth

<sup>10</sup> International Social Security Association, *ISSA Guidelines: Continuity and Resilience of Social Security Services and Systems*, Geneva 2022.

<sup>11</sup> *World Inequality Report 2022*, eds. L. Chancel, T. Piketty et al., World Inequality Lab, 2022.

remain specifically vulnerable groups in society and are more than other groups affected by shocks and extreme events. There are an estimated 169 million internal migrant workers globally, many of which are excluded from social security arrangements and formal sector labour protection.<sup>12</sup>

These inequalities during the working career are often transposed to old age. To avoid ageing unequally and preventing parts of the population from accumulating sufficient pension rights, social security systems need to be part of broader cross-sectoral efforts to support vulnerable groups during the life-cycle.

### **Adapting social security administration to an evolving environment**

In a rapidly evolving context of technological development, labour market and societal changes, and increasing public expectations, social security institutions need to be agile and optimize the complementary roles of human resources, digital technologies, good governance and leadership.

Responding to social security policy developments and client demands for high-quality service delivery requires many social security institutions to go beyond marginal improvements and develop transformative and innovative strategies.

Institutional digital transformations are an important and well-known component of such strategies, enabling accessible, data-driven, pro-active and high-quality delivery of people-centred social security benefits and services.<sup>13</sup>

---

## **Securing sustainable and adequate pensions and services in old age for all: regional responses and current trends**

### **Africa**

No doubt the challenge of extending pension coverage remains the most important issue on the agenda for the social security community in Africa. With a median age of 19, which is less than half that of Europe or the United States of America and Canada, and relatively lower life expectancy, political attention to the issue of ageing has been comparatively low.<sup>14</sup>

This should not mask the need to upscale the role of demographic ageing on the social security policy agenda, however, with some diversity. Northern Africa will be most rapidly affected, as will be rural areas as cities attract younger population groups. At the

---

<sup>12</sup> International Labour Organization, *ILO Global Estimates on International Migrant Workers – Results and Methodology – Third edition*, Geneva 2021.

<sup>13</sup> International Social Security Association, *Towards customer-centric design and agile methodologies in social security institutions*, Geneva 2023.

<sup>14</sup> International Social Security Association, *Priorities for social security – Africa 2021: Trends, challenges and solutions*, Geneva 2021.

same time, Africa is also undergoing a shift in the traditional model of family-provided care in view of rapid urbanization and social change.

A precondition for talking about the adequacy and sustainability of pensions and for analysing the impact of ageing on social security systems is that workers are in fact covered. With an effective coverage rate of 17.4% for pensions, most efforts are therefore directed to extending the coverage of pension schemes to difficult-to-cover groups of the population.<sup>15</sup> Over the past years, several African countries have reformed their social security systems to extend the coverage of old-age pensions.<sup>16</sup>

In view of large informal sectors, an important trend has consisted of attempts to include self-employed and informal-sector workers within social security legal frameworks. This can be attained through extending mandatory coverage combined with communication and other efforts to ensure effective access. Varying levels of flexibility in the financing and coverage models are aimed at responding to the specific situations of different groups of the self-employed and their fluctuating earnings.

Voluntary schemes can be an instrument to slowly transition workers to mandatory and more comprehensive social security arrangements and they have been promising when tailored to the specific needs of informal sector and self-employed workers. This tailoring can be done through simplifying contribution arrangements or through ensuring that the benefits respond to the specific needs of different groups, including by additional benefits not provided to formal sector workers.

To be effective, all such measures must be accompanied by strategies to promote schemes among the target population and to ensure that joining and contributing is as easy as possible. Digital solutions and mobile technologies have been instrumental in this regard.<sup>17</sup>

## Asia and the Pacific

The region of Asia and the Pacific is highly diverse. While some countries have near universal coverage and some of the oldest populations in the world, countries at the other spectrum have low coverage and relatively young populations.<sup>18</sup> In order to ensure income security in old age for all, however, most countries in the region face a double challenge of extending pension coverage and reforming systems in view of population ageing.

Asia and the Pacific is ageing rapidly, with a doubling of the number of people aged 60 or older between 2022 and 2050 from 670 million to 1,3 billion.<sup>19</sup> The rapid ageing

<sup>15</sup> Ibid.

<sup>16</sup> International Social Security Association, *Reforms in Africa to extend contributory old-age pensions to difficult-to-cover groups*, Geneva 2023.

<sup>17</sup> Ibid.

<sup>18</sup> International Social Security Association, *Priorities for social security – Asia and the Pacific 2022: Trends, challenges and solutions*, Geneva 2022.

<sup>19</sup> Economic and Social Commission for Asia and the Pacific, *Asia-Pacific Report on Population Ageing 2022*, Bangkok 2022.

process compared to other regions is due to drastic declines in fertility and mortality as well as increases in life expectancy over a comparatively short period.

Extension of coverage to informal economy workers and workers in new forms of work is a major concern. Social security systems therefore also play an important role as part of labour market formalization strategies in the region. Significant efforts have been made to cover workers in the rapidly developing platform economy in South-East and South Asia where this sector holds significant potential for youth employment. These efforts have included innovate mechanisms for registration, contribution collection and data transfer between social security institutions and platform companies.<sup>20</sup>

For existing pension systems, a number of reform trends can be observed.<sup>21</sup> Efforts to strengthen contribution collection and investment approaches are implemented to strengthen the short- and long-term financing of systems. Where defined contribution schemes are prevalent, identified issues with the adequacy of benefits are being tackled through the introduction of life-long pension payments and options for complementary benefits.

At the same time, non-contributory benefits are being strengthened for those workers and older persons who are not yet covered by a contributory benefit scheme.<sup>22</sup> These schemes play a particularly important role in countries where contributory coverage is low, however, the gradual transition out of non-contributory into contributory benefits is imperative for the long-term sustainability of schemes.

The rapid population ageing in Asia is also accompanied by two trends that have heightened the focus on unmet long-term care needs. The first is urbanization and the breakdown of traditional support networks for older persons. The second consists of the increasing prevalence of chronic diseases among the population, including cardiovascular disease and diabetes. These developments have triggered the need to reform health systems and create long-term care benefits and services. Broad efforts to promote healthy ageing to prevent the need for health and long-term care to the extent possible are being implemented.<sup>23</sup>

## Americas

Similarly to the region of Asia and the Pacific, the Americas have a high level of diversity as regards national social protection arrangements and demographic structures. While the countries of the north of the region, as well as some in the far south, are already well advanced in the demographic transition, other parts of the region still have a very young population profile. The latter countries are nevertheless ageing rapidly, which has consequences for pension and health-care systems and generates an increasing demand for long-term care benefits and services.<sup>24</sup>

---

<sup>20</sup> International Social Security Association, *Priorities for social security – Asia and...*, op. cit.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> International Social Security Association, *Priorities for social security – Americas 2021: Trends, challenges and solutions*, Geneva 2021.



Facing the double challenge of extension of coverage and ageing, many countries have been making efforts to extend contributory pension schemes to difficult-to-cover groups.<sup>25</sup> Recent trends include a specific focus on platform workers, domestic workers, and different groups of independent workers. Expanding the legal coverage to domestic workers not only broadens population coverage but also reduces the gender gap in protection, as women are overrepresented in this sector.

The removal of legal barriers to coverage has only been one step towards ensuring income security in old age in the Americas. Attention has also been paid to contribution collection and compliance by all involved stakeholders. This is not only essential for ensuring benefit adequacy but also for the financial sustainability of schemes. In addition, recent experiences have shown the importance of overcoming barriers related to the lack of awareness of rights, entitlements, and obligations regarding social protection among informal sector workers and vulnerable groups. Tailored communication channels and the implementation of awareness-raising activities to reach out to current and future contributors are becoming integral measures accompanying coverage extension initiatives.

At the same time, non-contributory pensions are an important means to extend protection to vulnerable older persons and the number of non-contributory pension programmes has expanded significantly in Latin America over the past 25 years.<sup>26</sup> While these programmes provide only basic income security, they are important in protecting people without any other pension income and support gender equality as women are more likely to draw a non-contributory pension reflecting their lower coverage by contributory arrangements. Adequacy and financial sustainability considerations nevertheless require strategies to ensure the transition from non-contributory to contributory schemes.

Finally, the need to cover the missing middle of those who are neither covered by a formal contributory arrangement nor are sufficiently poor to benefit from non-contributory schemes has emerged.<sup>27</sup> Subject to national legal frameworks, the missing middle may include the self-employed, rural workers, migrant workers, domestic workers, micro- or small enterprise workers, as well as people engaged in new forms of work. The extension of contributory pension schemes to cover the missing middle is crucial if the region is to achieve sustainable and adequate pension coverage for all.

With regard to health and long-term care, the region of the Americas is facing similar challenges as Asia and the Pacific. Changing disease profiles towards an increasing prevalence of chronic conditions and rising long-term care needs require innovative solutions to secure the financing and availability of benefits and services. Investment in healthy ageing and the promotion of health lifestyles are hoped to reduce or delay the onset of needs and long-term strategies are also being developed. No doubt, however, long-term care needs will influence the perception of the adequacy of old-age cash benefits.

---

<sup>25</sup> Ibid.

<sup>26</sup> International Social Security Association, *Recent developments in social pensions in Latin America*, Geneva 2021; Economic Commission for Latin America and the Caribbean, *Universal Social Protection in Latin America and the Caribbean: Selected texts 2006–2019*, 2020.

<sup>27</sup> International Social Security Association, *Recent developments...*, op. cit.

## Europe

### Ensuring coverage for a changing labour market

In Europe, 83.9% of the population is covered by at least one cash social security benefit.<sup>28</sup> This is almost double the world average and reflects the long-standing commitment to building comprehensive social security coverage across the continent. Coverage being the first and foremost condition for income security in old-age, Europe is uniquely placed in this regard.

Despite comprehensive legal coverage and advanced institutional capacities, however, challenges remain to ensure the universal right to old-age pensions for all types of workers. This is in particular the case for workers in new forms of work such as platform and gig economy workers. Studies show that platform workers, whether they work *in situ* (locally, for example taxi hailing services) or online (irrespective of geographical location, for example crowdwork platforms) have significantly lower social security coverage than traditional types of workers.<sup>29</sup> According to ILO statistics, the proportion of platform workers covered by social protection benefits in developed economies, including Europe, is 43% for health insurance, 35% for old-age pension benefits, 17% for employment injury and 17% for unemployment insurance only.<sup>30</sup> Coverage is generally higher for *in situ* than for online workers.

Regulatory and institutional initiatives to remove barriers to social security coverage for platform and gig workers have abounded in recent years and can be classified into two main categories.<sup>31</sup>

The first category relates to preventing misclassification of workers and curbing disguised employment, as in most legal systems social security coverage and labour protection are linked to the status as employee or self-employed. In an increasing number of countries, legislative changes have been introduced to clarify the criteria to be used for determining the existence of an employment relationship in the context of the platform economy.

In addition, rather than putting the burden of proof of an employment relationship on the worker, some European countries have introduced a rebuttable presumption of an employment relationship whenever a number of criteria are fulfilled. This is also the case of a directive on improving working conditions in the platform economy proposed by the European Commission in 2021.<sup>32</sup> This proposal would create a rebuttable presumption

28 International Labour Organization, *World Social Protection Report 2020–22*, Geneva 2021.

29 Organization for Economic Co-operation and Development, *The Future of Social Protection: What Works for Non-Standard Workers?*, Paris 2018; International Social Security Association, *Social Security for the Digital Age: Addressing the New Challenges and Opportunities for Social Security Systems*, Geneva 2019; International Labour Organization, *World Employment and Social Outlook. The Role of Digital Labour Platforms in Transforming the World of Work*, Geneva 2021.

30 International Labour Organization, *World Employment...*, op. cit.

31 International Social Security Association, *Platform workers and social protection: international developments*, Geneva 2023.

32 European Commission, *Proposal for a Directive of the European Parliament and of the Council on improving working conditions in platform work*, Brussels 2021.

of an employment relationship if two out of five criteria for control of work performance are fulfilled. These five criteria relate to the setting of remuneration, whether there are binding rules with regard to conduct, the supervision of work, the freedom of work organization and working time and restrictions regarding the choice of clients.

The second category of measures relates to the extension of social security coverage to all workers, including platform workers, irrespective of their employment status, and the ensuring of effective access.<sup>33</sup> This includes the adaptation of national social security policy and legal frameworks and comprises ensuring comprehensive social security coverage for self-employed workers. Some European countries have thus extended unemployment and work accident insurance to this group of workers. The promotion of effective access has included measures facilitating registration and contributions payment, improved data sharing between platforms, workers and authorities, measures to ensure awareness and facilitate information among workers about social security and the facilitation of the portability of rights among schemes, employers and cross-border.

Beyond workers in new forms of work, a number of other vulnerable groups require enhanced attention to ensure universal pension coverage. This includes domestic workers, caregivers, migrant workers, refugees and long-term unemployed persons. In this regard it is also essential not to ignore significant levels of non-take-up for certain benefits in the region.<sup>34</sup> Non-take up is a particular challenge in the case of minimum income benefits – for persons including older ones who need social security the most – and can range between 29 and 57% in Europe.<sup>35</sup> The UN Special Rapporteur on extreme poverty and human rights reports that the biggest barriers to benefit take-up in Europe include complex application procedures and the absence of awareness and understanding of rights.<sup>36</sup> More recently, administrative innovations to automate processes and benefit payments, implement customer-centric solutions, promote digital inclusion and ensure communication and outreach have contributed to reductions in non-take up rates.

### Meeting the needs of ageing societies

The European region can look back to decades of pension reform dominated by concerns about the long-term financial sustainability of schemes. Reductions in the generosity of benefits, various measures to extend working lives and the partial shifting of responsibility to workers for their retirement income had been implemented through parametric changes or structural reforms.

More recently, the domination of financial sustainability has gradually been complemented by concerns about the adequacy of benefits, and this in particular for certain

33 International Social Security Association, *Platform workers and social protection:...*, op. cit.

34 International Social Security Association, *Social security and human rights – Ensuring access and combatting the non-take up of social benefits*, Geneva 2023.

35 Ibid.

36 United Nations, *Non-take up of rights in the context of social protection*, Human Rights Council Document A/HRC/50/38, New York 2022.

groups of the population.<sup>37</sup> This renewed focus on the adequacy of benefits has been motivated by the realization of considerable poverty risks in particular for older women, for persons with lower income during their working career, persons in single-parent families, workers with interrupted career patterns, and older persons requiring long-term care services. Changes in demography, labour markets and life-courses have significantly increased the number of persons in these vulnerable groups. Minimum old-age benefits have been an important instrument to support the adequacy of benefits for these groups of older persons and reduce inequalities in old-age when take-up can be assured.

The income security of women and gender inequalities in old age have attracted increasing attention and policy responses. Interrupted employment careers, frequent part-time work and care responsibilities often lead to the accumulation of lower pension rights for women. The design of survivor pensions frequently reflects an outdated family model, does not necessarily take into account high divorce rates and suffer from general reductions in the adequacy of benefits, all of which has led to survivor pensions being inadequate in many cases.<sup>38</sup>

Where policy responses have aimed at strengthening income security for women in old age, measures have included the extension of pension credits for care of children or older persons during the working career, the introduction of minimum benefits, the splitting of pension rights and also the increase in the generosity of survivor benefit payments.

In order to strengthen the financing of old-age pensions and in view of an ageing and shrinking workforce, further measures to extend working lives and make retirement transitions more flexible are being undertaken. These consist of interventions throughout the life-course to promote activity, reskilling, health and employability. Financing systems for pension schemes continue to evolve, with a growing part of general revenue financing and a reducing part of contribution-based financing. In addition, new methods of financing social security benefits are being considered, including through value-added taxes or environmental taxes.

More than ever pension systems must be part of a more holistic view of social changes and social security benefits. The adequacy and sustainability of pension systems in fact often depend on measures outside the pension system, including the promotion of health, skills development throughout the working career, the affordability of health and long-term care and a range of other policy interventions.

In view of ageing populations, the affordability and availability of long-term care is a more recent but rapidly growing concern for social security systems in Europe. Long-term care is the fastest rising social expenditure in the European Union, projected to increase from 1.7% to 2.5% of GDP between 2019 and 2050.<sup>39</sup> Unmet long-term care needs, inadequate financial protection, insufficient and unequal quality of care and

---

37 European Commission, *The 2021 Pension Adequacy Report: current and future income adequacy in old-age in the EU – Volume 1*, Brussels 2021.

38 C. Freudenberg, K. Kapuy, V. Zwinger, *How to design survivor benefits in the 21st century?*, Geneva 2022.

39 European Commission, *The 2021 Ageing Report: Economic & Budgetary Projections for the EU Member States (2019–2070)*, Institutional Paper 148, Brussels 2021.

difficulties in attracting and retaining long-term care workers are common challenges. Much of care work is provided within families and informal care workers face a number of disadvantages, including interruptions to their working careers and reductions in labour market prospects. Women still bear most of the care responsibilities, with 90% of the formal care workforce made up of women, and 7.7 million women out of employment because of care responsibilities.<sup>40</sup>

Responding to these challenges, social security long-term care systems and broader measures to support the autonomy of older persons have been considered as a new and additional branch of social security. While efforts to prevent and delay the onset of care needs through healthy ageing strategies have been a key focus, increased longevity will inevitably lead to an increase in long-term care demand.<sup>41</sup>

Ensuring the right to affordable and available long-term care requires a multi-sectoral effort including the health sector, care providers, social security and care workers as well as appropriate incentives and protection mechanisms for unpaid and paid care work. The availability and protection of care workers and ageing-in-place strategies remain specific challenges. The European Council Recommendation on access to affordable high-quality long-term care was adopted on 8 December 2022 and calls for addressing the adequacy of social protection for long-term care, the availability and quality of long-term care services, the challenges faced by formal and informal carers as well as long-term care governance.<sup>42</sup> In an environment of ongoing policy reform, it remains to be seen how different initiatives at the national and international level will support progress.

## Conclusion: Towards pro-active and agile social security

This article analysed the evolving context for efforts to ensure adequate and sustainable pension systems and summarized current reform trends in different regions. Clearly, ensuring income security in old age for all is both an objective and a challenge globally. The essential condition of covering larger parts of the population by a pension scheme remains a priority for the majority of countries, many of which are at the same time facing the challenge to adapt existing systems to ageing societies and new perceptions of adequacy in terms of long-term care needs.

In Europe and other countries with high coverage and mature pension systems, new forms of work, growing volatility and shocks, rapidly increasing long-term care needs and changing life-cycle patterns have significantly altered the context and necessary policy

<sup>40</sup> European Commission, *Communication from the European Commission to the European Parliament, The Council, the European Economic and Social Committee and the Committee of the Regions on the European care strategy*, Brussels 2022.

<sup>41</sup> World Health Organization, *Decade of healthy ageing: baseline report*, Geneva 2020.

<sup>42</sup> European Commission, *Communication from the European...*, op. cit.

strategies for adapting pension systems to ageing societies. The major risk for old-age poverty does not lie within the pension system but in an increasingly flexible, disrupted and interrupted phase of pension right accumulation.

As a consequence, social security reform efforts need to take an increasingly holistic view on how social security systems as a whole can support activity and reduce the impact of transitions and shocks during the working life, and this with a specific focus on vulnerable groups. Pro-active and people-centred social security systems that connect different branches, ensure a coordination between contributory and non-contributory schemes and adapt flexibly to evolving life-cycle patterns and individual situations will lead the way in moving forward towards adequate and sustainable pensions.

*Jens Schremmer*  
*Office of the Secretary General*  
*International Social Security Association*

## REFERENCES

- Economic and Social Commission for Asia and the Pacific, *Asia-Pacific Report on Population Ageing 2022*, Bangkok 2022.
- European Commission, *Communication from the European Commission to the European Parliament, The Council, the European Economic and Social Committee and the Committee of the Regions on the European care strategy*, Brussels 2022.
- European Commission, *Proposal for a Directive of the European Parliament and of the Council on improving working conditions in platform work*, Brussels 2021.
- European Commission, *The 2021 Ageing Report: Economic & Budgetary Projections for the EU Member States (2019–2070)*, Institutional Paper 148, Brussels 2021.
- Economic Commission for Latin America and the Caribbean, *Universal Social Protection in Latin America and the Caribbean: Selected texts 2006–2019*, 2020.
- European Commission, *The 2021 Pension Adequacy Report: current and future income adequacy in old-age in the EU – Volume 1*, Brussels 2021.
- Freudenberg C., Kapuy K., Zwinger V., *How to design survivor benefits in the 21st century?*, Geneva 2022.
- International Labour Organization, *ILO Global Estimates on International Migrant Workers – Results and Methodology – Third edition*, Geneva 2021.
- International Labour Organization, *World Employment and Social Outlook. The Role of Digital Labour Platforms in Transforming the World of Work*, Geneva 2021.
- International Labour Organization, *World Social Protection Report 2020–22*, Geneva 2021.
- International Social Security Association, *ISSA Guidelines: Continuity and Resilience of Social Security Services and Systems*, Geneva 2022.
- International Social Security Association, *Platform workers and social protection: international developments*, Geneva 2023.

- International Social Security Association, *Platform workers and social security: Recent developments in the Americas*, Geneva 2023.
- International Social Security Association, *Priorities for social security – Africa 2021: Trends, challenges and solutions*, Geneva 2021.
- International Social Security Association, *Priorities for social security – Americas 2021: Trends, challenges and solutions*, Geneva 2021.
- International Social Security Association, *Priorities for social security – Asia and the Pacific 2022: Trends, challenges and solutions*, Geneva 2022.
- International Social Security Association, *Priorities for social security – Global 2022: Trends, challenges and solutions*, Geneva 2022.
- International Social Security Association, *Recent developments in social pensions in Latin America*, Geneva 2021.
- International Social Security Association, *Reforms in Africa to extend contributory old-age pensions to difficult-to-cover groups*, Geneva 2023.
- International Social Security Association, *Social security and human rights – Ensuring access and combatting the non-take up of social benefits*, Geneva 2023.
- International Social Security Association, *Social Security for the Digital Age: Addressing the New Challenges and Opportunities for Social Security Systems*, Geneva 2019.
- International Social Security Association, *Towards customer-centric design and agile methodologies in social security institutions*, Geneva 2023.
- Organization for Economic Co-operation and Development, *The Future of Social Protection: What Works for Non-Standard Workers?*, Paris 2018.
- Organization for Economic Co-operation and Development, *The impact of AI on the workplace: evidence from OECD case studies of AI implementation*, OECD Social, Employment and Migration Working Papers No. 289, Paris 2023.
- United Nations, *Non-take up of rights in the context of social protection*, Human Rights Council Document A/HRC/50/38, New York 2022.
- United Nations, *World Population Ageing 2020 Highlights*, New York 2020.
- World Health Organization, *Decade of healthy ageing: baseline report*, Geneva 2020.
- *World Inequality Report 2022*, eds. L. Chancel, T. Piketty, E. Saez, G. Zucman, World Inequality Lab, 2022.





# Report on the future of social protection and the welfare state in the European Union.<sup>1</sup>

## Overview of the report's main conclusions

### Authors contribution:

- A – Research project
- B – Data collection
- C – Statistical analysis
- D – Data interpretation
- E – Manuscript preparation
- F – Literature analysis
- G – Fundraising

<sup>E,F</sup> Agnieszka Rusiecka

Department of International Cooperation  
The Polish Social Insurance Institution

**Introduction:** In 2021, the European Commission presented an action plan to implement the European Pillar of Social Rights as a central strategy for change in Europe. The High Level Group was tasked with developing and presenting a concrete policy report on the future of the welfare state and its financing in the 21st century. During the preparations, discussions were held between group members of various backgrounds, schools of thought and academic profiles.

**Purpose and materials used:** The article is a presentation of the main conclusions from the above-mentioned report entitled *The future of social protection and the welfare state in the European Union*.

**Results:** There is no single solution to the challenges connected with megatrends, especially demographic changes, reduced employment and the need for modern workplaces. Action must be taken to create and maintain high-quality jobs and combat discrimination against women. It is also important to include immigrants and people from disadvantaged groups in the labour market. Despite the increase in costs related to climate change, economic forecasts suggest that GDP growth may help finance the welfare state, but the authors of the report recommend diversification of financing sources and greater taxation progressivity.

**Key words:** European Pillar of Social Rights, European Union, High-Level Group, social protection, welfare state

## Raport o przyszłości ochrony socjalnej i państwa opiekuńczego w Unii Europejskiej. Przegląd głównych wniosków z raportu

**Wprowadzenie:** W 2021 r. Komisja Europejska przedstawiła plan działania dotyczący wdrożenia Europejskiego Filaru Praw Socjalnych jako centralnej strategii zmian w Europie. Grupa Wysokiego Szczebla miała za zadanie opracować i przedstawić czytelny raport polityki o przyszłości państwa opiekuńczego i jego finansowania w realiach XXI w. Podczas przygotowań prowadzono dyskusje między członkami Grupy z różnych środowisk, szkół myślenia i profili naukowych.

**Cel i wykorzystane materiały:** Artykuł prezentuje główne wnioski z ww. raportu, pt. *Przyszłość ochrony socjalnej i państwa opiekuńczego w Unii Europejskiej*.

**Wyniki:** Nie istnieje jedno rozwiązanie dla wyzwań stawianych przez megatrendy, szczególnie dla zmian demograficznych, ograniczeń zatrudnienia i potrzeby nowoczesnych miejsc pracy. Należy podejmować działania na rzecz tworzenia i utrzymania miejsc pracy o wysokiej jakości oraz walki z dyskryminacją kobiet. Istotne jest również włączanie w rynek pracy imigrantów i osób z grup defaworyzowanych. Pomimo wzrostu kosztów związanych ze zmianami klimatycznymi prognozy ekonomiczne sugerują, że wzrost PKB może wspomóc finansowanie państwa opiekuńczego, jednak autorzy raportu zalecają dywersyfikację źródeł finansowania i większą progresywność podatków.

**Słowa kluczowe:** Europejski Filar Praw Socjalnych, Unia Europejska, Grupa Wysokiego Szczebla, ochrona socjalna, państwo socjalne

Submitted: 15.9.2023

Accepted: 8.12.2023

<sup>1</sup> European Union, *The future of social protection and of the welfare state in the EU*, Luxembourg 2023, <https://op.europa.eu/en/publication-detail/-/publication/842d8006-c3b3-11ed-a05c-01aa75ed71a1/language-en/format-PDF/source-283143938> (15.9.2023).

## Introduction

The European Union (EU) is an association of welfare states with different traditions and institutions responsible for organizing and financing social protection systems. However, the social challenges they face are very similar and often cause the so-called spill-over effect. Adopted in November 2017 at the EU Social Summit for Fair Jobs and Growth in Gothenburg, the European Pillar of Social Rights represents an important step towards realizing the European Social Union, the next major step in the evolution of a European welfare state.

Until recently, the essence of a European welfare state was financial support for people in difficult situations. The scope of this type of assistance depended on the beneficiary's income level. Unfortunately, this solution is no longer sufficient. It is extremely urgent at this time to give special priority to social investments. State aid interventions and special sets of support tools constituting part of comprehensive aid systems and, more broadly, state social policy are necessary both at the beginning of the human life cycle and at its end. The first group requiring support are children, who, due to the huge differences in the salaries received by their parents at the beginning of their professional career, should be guaranteed equal opportunities.

Social protection systems and the welfare state have proven to be crucial in mitigating the negative effects of the coronavirus pandemic and the lockdowns introduced in connection with it. The welfare state has also proven its ability to respond quickly to serious economic crises, including: extraordinary support tools that allowed the economies of individual countries to overcome shocks quite quickly and their societies to survive more difficult times. In the 20th century, we managed to ensure economic security for older people, and in the 21st century, states must find a way to guarantee young people employment opportunities throughout their working age.

In 2021, the European Commission presented a proposal for an action plan to implement the demands of the European Pillar of Social Rights. The next step was for the Commission to express support for the creation of a High-Level Group on the Future of Social Protection and of the Welfare State in the EU. The former Commissioner for Employment, Social Affairs and Equal Opportunities, Anna Diamandopoulou, became the Group's chairman. One of the challenges facing the Group was to analyse possible scenarios for the evolution of the welfare state, methods of financing it and its connections with the changing world of work, as well as preparing a report on its future.

After consultations with international organizations, social partners and representatives of civil society, as well as on the basis of detailed data and the results of numerous analyses, the Group has identified four megatrends that will significantly influence the directions of evolution for social policy and the welfare state in the coming years:

- demographic changes, the consequence of which will be the further aging of societies and a decrease in the number of people of working age;
- changes in the labour market, including an increase in the number of people working under non-standard conditions;

- digitalization and technological changes;
- climate change and social implications of the green transition.

The impact of the above-mentioned megatrends on social protection systems and the welfare state was significantly strengthened by the Great Recession of 2008–2009, the refugee crisis of 2015–2016 and the COVID-19 pandemic. An additional challenge is the effects of Russian aggression against Ukraine, including the current energy crisis.

The members of the Group undertook the task of developing proposals to strengthen social protection systems and the welfare state, taking into account the changes that are taking place now and the transformations that the future will bring. A time perspective until 2030 was adopted. One of the objectives of the project was to join the debate on the welfare state taking place both at the EU and Member State levels, and to provide political decision-makers with inspiration for activities in the area of the reform of social systems. While during the Great Recession the prevailing opinion was that in the face of growing international competitiveness, countries could not afford to finance an inclusive welfare state, today most politicians and decision-makers admit that countries cannot afford its non-existence.

In European Union countries, we can currently observe a gradual departure from market-based methods of managing the welfare state, which were intended to facilitate the discipline of the authorities towards limiting spending for social purposes. Rather, attempts are made to create appropriate conditions for the functioning of the welfare state, including ensuring financing for social investments. The provisions of the European Pillar of Social Rights provide guidance on how to maintain a balance between helping those in need and encouraging them to take up activities. This balance is crucial for the proper functioning of both the labour market and social security systems. After the outbreak of the pandemic, the message of these guidelines was further strengthened by new support instruments: SURE (Support to Mitigate Unemployment Risks in an Emergency) and RRF (Recovery and Resilience Facility), as well as many other initiatives.

There is no doubt that high-quality education, state support in raising children, inclusive social security and health care are essential to ensure Europe's economic, social and political development and stability. Social Europe should support a political union of national welfare states that face the difficult task of providing assistance and social protection to all under transparent rules.

In the context of new global megatrends, there is a need to develop a new concept of social justice – one that will be more than just adequate compensation for losses. Societies currently have to face the following challenges: transition to post-industrial knowledge-based economies in which more and more people work on non-standard terms, more diversified and often less stable employment conditions, more and more jobs in services, technological innovations requiring very specific skills, an increasing number of families in which both spouses work, a growing number of people living alone, an increasing number of single parents, increasing migration and an increasingly rapid aging of societies. Differing patterns of professional and family life require an interpretation of the concept of social justice that will take into account the personal situation and actual

living conditions of a given person to a greater extent than before. As more and more women work professionally, it is crucial to organize support for families and people caring for children, as well as to enable workers to maintain a balance between professional and family life. Climate change and the green transition bring additional challenges. The above-mentioned phenomena make adapting social protection and the welfare state to the changed operating conditions a difficult task. However, social support should not be assessed solely on the basis of its impact on the beneficiary's financial situation, but also – if not primarily – in the context of its impact on the ability to use one's potential.

There is growing recognition in EU countries that in a knowledge-based economy and in aging societies, a well-constructed and active welfare state that takes redistribution seriously is an economically efficient resource. To provide support for everyone, at every stage of life, it is extremely important to adopt a life cycle perspective. The individual stages of every person's life are interconnected and mutually conditioned: a healthy retirement is always a function of a happy childhood and a smooth transition from the world of education to the world of work. In every person's life cycle, there are crisis and breakthrough moments which, if the person does not receive help in time, may lead to the accumulation of various types of deficiencies and threats. Social solidarity requires providing such a person with adequate support, which will not only make it easier for them to face current difficulties, but will also constitute a kind of springboard for further development. From the state's point of view, modern social benefits are extremely important for the functioning of the economy, because they positively correlate with the level of production and contribute to mitigating economic shocks. Everyone needs support, no group should be left out, but those in the most difficult situations should receive it to a greater extent than others. The modern welfare state is more than just a tool for redistributing resources and alleviating poverty: it is able to absorb asymmetric economic shocks, protect against new social risks and guarantee high-quality social services for all.

The financial stability of the welfare state directly depends on the number of employees and the efficiency of their work, as well as on financial resources obtained in a transparent manner using all available sources. The converse is also true: actions taken by the welfare state can help increase both employment levels and labour productivity. To the extent that the welfare state contributes to growth in these areas, it supports the public finance system and accelerates social integration in aging societies.

---

## **Report *The future of social protection and of the welfare state in the EU***

The High Level Group on the Future of Social Protection and the Welfare State in the EU began work on the Report at a time when EU countries were experiencing temporary economic growth after the end of the coronavirus pandemic. The situation has significantly worsened after Russia's attack on Ukraine in February 2022. Doubts have arisen as to

whether European welfare states will be able to cope with the effects of this war, including, among others, with rising electricity prices and galloping inflation. In retrospect, it can be said that these countries became the real – although unsung – heroes of the Great Recession of 2008–2009. In turn, in the initial phase of the COVID-19 pandemic, they played a key role in supporting employees, relatively quickly introducing furlough schemes and ensuring that employees could work remotely. In this way, it was possible to “buy” the invaluable time necessary to develop vaccines. In the summer of 2021, EU economies managed to overcome the effects of the pandemic, largely thanks to the EU temporarily suspending the application of existing fiscal rules, a move that would have been impossible a decade earlier.

The first part of the Report contains an analysis of the challenges and opportunities arising from four megatrends that affect the current and will affect the future functioning of the welfare state in individual European countries and which arose in a different demographic situation, on a different labour market and in a different global situation than the current one. The problems the world is currently facing, combined with the effects of the coronavirus pandemic and the war in Ukraine, must be taken into account when formulating proposals for actions in response to the current situation.

The second part of the Report contains proposals for actions that, according to the authors, are worth taking at the level of central authorities in order to adapt the principles of the functioning of the welfare state to the current challenges. The starting point for these proposals are the assumptions of the so-called life cycle perspective, according to which every person’s life consists of three basic stages: childhood and youth, professional work, retirement and old age. At each of these stages, there is a need for adequate support for citizens by the welfare state. The actions taken should include the long-term effects of megatrends – e.g., facilitating early retirement due to job loss should go hand in hand with ensuring the long-term stability of pension systems.

The condition for the functioning of a stable welfare state is to ensure its financing – these issues are discussed in the third chapter of the Report. This chapter also draws attention to the benefits brought by social investments, as well as the need to provide additional sources of financing for social protection. Limitations on financing from public sources and ways to increase its transparency were also discussed.

The last, fourth part of the Report contains a set of 21 recommendations divided into nine thematic groups (marked with the letters A to I). They reflect the Group’s position on individual issues related to the functioning of the welfare state. These recommendations do not cover all the issues subject to decisions by the central authorities; they are also not addressed to all possible target groups. It is also recommended to take into account only the issues mentioned in the Report, but not yet subjected to a more detailed analysis.

The recommendations are addressed to the most important stakeholders representing both the EU level and the level of the Member States. The authors’ intention is that the recommendations should serve as a starting point for discussions and for political decisions that will make it possible to create – in consultation with social partners – a kind of social union at the EU level.

The report has its limitations: its starting point was data and studies available before the crisis caused by Russian aggression against Ukraine. It should also be taken into account that the concept of the welfare state is very broad and it was impossible to refer to all its aspects with equal precision in the Report.

Guaranteeing the stable functioning of the welfare state in the future requires a consensus on policy priorities, priorities that will enable people of all ages to benefit from European social achievements. The authors of the Report hope that the effects of the actions they have taken in the form of recommendations formulated in this document will help such an agreement to be concluded.

---

## Recommendations

The life cycle perspective is an appropriate framework for developing recommendations regarding the desired directions of modernizing and reforming the welfare state. This perspective allows us to distinguish individual age groups: children, young adults, working people, retirees and people requiring care. At the same time, it allows us to determine what combination of social services, income support, legal provisions and management methods will be the most appropriate to create a model of effective social protection and well-being in a lifelong perspective. The implementation of the recommendations should take place in parallel with the introduction of other initiatives in the area of social policy and labour market policy undertaken under the European Pillar of Social Rights, based on the 20 principles contained therein. It is important that the EU budget outlays, including the recently approved Social Climate Fund, reflect the system of priorities contained in the Report.

The recommendations should not be treated as proposals for solutions to all existing problems. While some Member States still have much to do to reduce poverty, all Member States will need to invest both in the tools that enable people to realize their potential in life and in insuring themselves against risks. It is also extremely important to prevent the “inheritance” of problems, i.e., situations where life difficulties are passed on from generation to generation. The implementation of the recommendations contained in the Report will require a detailed analysis of the differences between socially difficult situations typical of individual countries and the institutional dynamics typical of each of them. It will also be necessary to rethink the role that EU institutions should play in coordinating these actions and facilitating their implementation together with governments, social partners and civil society.

Implementing the recommendations included in the Report will also require universal social consent as to the values and principles of the welfare state. Dialogue between trade unions and employers may play a decisive role – it will be key to establishing an action program at both the national and EU levels. Additionally, employers should take greater responsibility for meeting climate, social and governance obligations.

A set of actions recommended to EU Member States by the High Level Group on the Future of Social Protection and the Welfare State in the European Union:

### **A. “Starting strong”, i.e., supporting the development of every child**

1. It is extremely important that every child under the age of three has access to full-day care at an appropriate level and to early school education. This solution will make it easier for parents to reconcile family and professional life, and for women to maintain their jobs. It is desirable that services of this type be available to everyone, but free of charge for parents of children with special needs.
2. To prevent child poverty, Member States should guarantee targeted minimum income protection and support for vulnerable families. Children raised by single parents and children from large families are most at risk of poverty.

### **B. Providing a “springboard” for the young generation**

3. People planning to start a family and have children should be provided with adequate financial, service and in-kind support.
4. Member States should strive to implement the Youth Guarantee<sup>2</sup> initiative in its current form, as well as to ensure that the young generation has access to education and training at an appropriate level and create conditions conducive to the creation of high-quality jobs, as well as setting up companies by young people. It is also recommended that countries provide adequate financial support to young people from poor families so that they can continue their education after compulsory schooling.

### **C. Ensuring the availability of social protection and lifelong learning opportunities**

5. All employees – regardless of the type of employment contract – should have access to adequate social protection, to which contributions must be paid. Contributions would apply to all sources of income. Such social protection would be available throughout the life cycle and would enable an adequate level of everyday functioning, as well as provide adequate income replacement and reduce the need for a means-tested minimum income. This support should be structured in such a way that there is no unfair competition regarding social security contributions.
6. Member States – together with their social partners – should develop an approach to the issue of job quality that will take into account issues arising from the life cycle perspective. This approach would include ensuring income security at an appropriate level, having autonomy in the selection of tasks performed at the workplace, maintaining good physical and mental health, guaranteeing opportunities for professional development and maintaining a balance between work and family life.

---

<sup>2</sup> “Youth Guarantee”: the commitment – by accepting EU Council Recommendation 2020/C 372/01 – of European Union Member States to guarantee that all people under 30 years of age receive an offer of a job, internship, training or education within four months of leaving education or employment without good quality work, [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020H1104\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020H1104(01)) (17.8.2023).

7. In cooperation with their social partners, Member States should develop an effective system of lifelong learning that will enable both an upgrading of skills and retraining. This system would be designed to increase the chances of finding employment for all people of working age, enable those working in care professions to improve their qualifications, accelerate the digitization of work and the green transformation. It would also support the restructuring of the economy towards the creation of new sectors and professions while ensuring gender equality. Collective negotiations, funds from training contributions deducted from wages and employees having individual learning accounts may be helpful for the implementation and operation of the training system.
8. Using the tools offered by social policy and labour market policy, Member States should take action to integrate immigrants – provide this group with the fastest possible and non-discriminatory access to the labour market, necessary training, recognition of qualifications, language learning and the opportunity to develop civic awareness. Only then will migrants be able to contribute to the country's economic development.
9. The Great Recession and the COVID-19 pandemic made various parties in the public debate aware of the importance of job retention schemes, e.g., short-time work programs available to all employees regardless of the type of contract. These solutions enable the people covered by them to maintain their jobs and sources of income and prevent employees from losing their professional skills during crises. The time of employees on forced leave (furloughs) may be used for further education.

#### **D. Enabling continued professional work after reaching retirement age – while maintaining good health**

10. Social partners and/or Member States have the task of supporting the maintenance of employment of people who have exceeded retirement age by promoting flexible working time, modifying positions and enabling continuous improvement of qualifications in order to meet the needs of older workers and for them to realize their potential. It is also recommended that countries develop targeted incentives to facilitate gradual retirement and decision-making at a later age.
11. To meet the challenge of aging populations, Member States should actively combat poverty and ensure adequate incomes for older people. Analyzes of financial stability should take into account both the revenue and expenditure sides of the public sector and the consequences of later retirement. Benefits constituting minimum security for older people would have to be high enough to effectively prevent poverty in this group. Member States – and in countries where support programs are negotiated collectively, also social partners – should guarantee membership in contributory pension systems for all employees.
12. Periods of caring for children and people in old age that require caregivers to give up their jobs or switch to working fewer hours should be considered as contribution periods (subsidized in the case of private pension systems).



### **E. Providing adequate, high-quality long-term care**

13. As demand for long-term care increases, there is a need for Member States to increase the availability and choice of high-quality care services, including those provided on an outpatient basis, at home and in nursing homes. Care services should be available to all those in need and financed from the social welfare budget (contributions or taxes). It is important that the financial participation of families is set at a reasonable level.

### **F. Promoting inclusive and environmentally friendly public transport and accessible housing**

14. Member States should support affordable housing that is energy efficient and follows the principle of universal design. It is important that states ensure the availability of such housing for everyone. Households with low income and limited savings, in particular those created by young people and families with children, as well as people with disabilities and older people with special needs, would receive support. It should be assumed that Member States would provide assistance in this respect to local authorities, housing associations and organizations operating in the field of the social economy. Pilot projects in the area of social innovation would be co-financed from EU funds.

15. To support social cohesion and the transparency of the green transition, Member States would ensure that public transport is as cheap and energy-efficient as possible. Issues of social inclusion and equal access to public transport should be included in local action plans and subsidized by the state. Particular attention should be paid to disadvantaged areas.

### **G. Ensure universal availability of services that enhance well-being and potential**

16. To ensure the effectiveness, high quality and comprehensiveness of social services, states must improve their functioning at the local level. It is necessary to take actions to involve additional entities in their provision, support their professionalization and use the opportunities offered by digitalization. Member States should introduce quality standards for social services and mechanisms to ensure this quality; the mentioned standards and mechanisms should be applied both to public providers of this type of services and to private entities. Countries should ensure that non-profit and social economy institutions are more involved in the design and delivery of social services. To support innovation in the management and delivery of social services, the EU should facilitate research and the exchange of good practice.

### **H. Ensuring stable financing of the welfare state**

17. It is important that, in response to the growing financial needs of the welfare state, EU countries should consider broadening the tax basis and introducing changes in the structure of revenues other than social security contributions, which in-

crease labour costs. It is also necessary to analyse the possibility of expanding the scope of revenues obtained from progressive taxes imposed on income from work, consumption, capital, property, and coal and energy taxes. In order to prevent unfavourable tax competition and social dumping, the European Union should coordinate the actions of Member States aimed at developing a common policy on capital taxation and combat tax evasion.

18. To broaden the potential financing base for social protection and prevent competition on social protection standards, the European Union and Member States must consider developing a draft European agreement on minimum tax rates on capital and harmonizing EU capital taxation rules.
19. In the context of future rules for fiscal policy that will be implemented in the EU, it is necessary to secure the financing of social protection, in particular social investments. The golden rule of public finances should allow – at least in the initial phase of project implementation – taking out loans to invest in social infrastructure.

#### **I. Taking action to increase the EU's financial contribution to providing social protection in the future**

20. In order to implement all the demands contained in the European Pillar of Social Rights, the European Union should consider taking additional legislative initiatives in the field of employment and social policy. It is important to pay particular attention to the implementation of the principles included in the Pillar throughout the EU and to prevent unfair competition in relation to social security standards.
21. Member States should guarantee a minimum package of social rights to all persons living in their territory. These rights should be based on the principles of the European Pillar of Social Rights, which must be respected at all times, including in periods immediately following externally caused crises.

---

## Conclusions

There is no panacea for the numerous challenges generated by the megatrends mentioned in the Report. Demographic changes will not slow down: the percentage of older people in societies will continue to increase, while the number of employees and the number of births will decrease. Therefore, countries cannot afford to limit employment levels. At a time when human capital is becoming a scarce resource, there is great potential in ensuring that employees have an appropriate level of qualifications and the ability to reconcile work and family life. It is extremely important for society to use the abilities of each person and to enable everyone to realize their professional potential. To this end, action must be taken to create and maintain high-quality jobs and combat discrimination against women. It is also important to include immigrants and people from disadvantaged groups within the labour market. The market situation requires:

improvement of the conditions in which work is provided, availability of high-quality jobs for people just starting their professional careers, support for mobility – both geographical and professional – and enabling later retirement. Digitalization will continue to progress, which will be reflected in the labour market. Innovation in the field of digitalization may prove important for introducing the necessary changes in this market and for increasing work efficiency, but the digital divide must be overcome.

The costs of mitigating the effects of climate change will increase significantly, but it must be remembered that changes in the level of GDP may take a similar direction. Despite the deep economic crises of the last two decades, GDP growth is forecast to range between 20% and 50% in the next 30 years.<sup>3</sup>

As for the revenues necessary to finance the welfare state, taking into account the relatively stable scenario observed in the past, one third of future GDP can be expected to continue to be allocated to this purpose. These funds will come primarily from taxes (income tax) and social security contributions. Looking at this issue from a different perspective, maintaining welfare state expenditure at the same level in times of growing demand for social support imposes the need to find new sources of financing. In the opinion of the Report's authors, the financing of the welfare state in the future should depend less on the taxation of income from work and more on the taxation of capital, property, inheritance, consumption and carbon dioxide emissions – using the principle that the strongest entities should bear the largest share of the tax burden. This requires increasing the degree of tax progressivity and expanding the tax and contribution base.

---

3 European Union, op. cit., p. 83.

*Agnieszka Rusiecka*  
*Department of International Cooperation*  
*The Polish Social Insurance Institution*

## REFERENCES

- European Union, *The future of social protection and of the welfare state in the EU*, Luxembourg 2023, <https://op.europa.eu/en/publication-detail/-/publication/842d8006-c3b3-11ed-a05c-01aa75ed71a1/language-en/format-PDF/source-283143938> (15.9.2023).



# Adjusting to a changing world while sticking to principles. International Labour Organization responses to the challenges facing social protection systems in the 21<sup>st</sup> century

## Authors contribution:

A - Research project  
 B - Data collection  
 C - Statistical analysis  
 D - Data interpretation  
 E - Manuscript preparation  
 F - Literature analysis  
 G - Fundraising

<sup>E,F</sup> Krzysztof Hagemeyer

Hochschule Bonn-Rhein-Sieg  
 Formerly: International Labour Office  
 ORCID: 0000-0003-0003-035X

*To Michael Cichon (1953–2022), leader of the change in the landscape of the global social protection debate, and to Wolfgang Scholz (1951–2020), a tenacious defender of social security principles.*

**Introduction:** The paper analyses – basing itself on reports and other documents created by different parts of the International Labour Organisation (ILO) – the process which led to the adoption of Social Protection Floor Recommendation No. 202 and the shift in focus of social policy advice towards basic protection and to the Global South countries. We look at the actions of different actors which shape the standard setting and policy stand of the organisation.

**Objective:** To provide a comprehensive analysis of the historical trajectory of ILO social security standards, examining the evolution of principles, conventions, and the global dynamics that have shaped the organization's approach to social protection over time.

**Materials and methods:** The methods include examining ILO documents, relevant subject literature, and the author's participant observations from over twenty-years of service in the ILO's Social Security Department, aiming to provide insights into the decision-making processes within the organization.

**Results:** We conclude that change was brought by: 1) shift in the membership of the ILO and of its decision-making bodies towards the increased presence and powers of representatives from countries of the Global South, 2) the shift in the global development community policy priorities towards poverty reduction, 3) emergence of experimental social assistance schemes in Global South countries, with designs often ignoring principles embedded in the ILO standards.

The Social Protection Floor Recommendation complements previous standards in response to the challenges of widespread poverty and informality and spreading atypical forms of employment. It provides two directions of policy responses: 1) formalizing informal employment relationships and 2) expanding universal or targeted rights-based social assistance schemes.

Assistance provided by ILO to member states focuses now more on building the non-contributory schemes and on identifying the fiscal space necessary to close the coverage gaps. Nowadays, the ILO must collaborate more than before with other development partners and the main challenge is to build among them awareness and acceptance of the principles of the ILO social security standards.

**Key words:** global social policy, International Labour Organization, international labour standards, social protection, social security

## Dopasowywanie się do zmieniającego się świata, ale w zgodzie z zasadami. Reakcje Międzynarodowej Organizacji Pracy na wyzwania stojące przed systemami zabezpieczenia społecznego w XXI wieku

**Wprowadzenie:** W artykule przeanalizowano – opierając się na raportach i innych dokumentach stworzonych przez różne części Międzynarodowej Organizacji Pracy (MOP) – proces, który doprowadził do przyjęcia zalecenia nr 202, dotyczącego krajowego minimalnego zakresu ochrony socjalnej i przesunięcia punktu ciężkości doradztwa w obszarze polityki społecznej w stronę podstawowej ochrony oraz kwestii związanych z krajami Globalnego Południa. Autor przygląda się działaniom różnych podmiotów, które kształtują standardy i stanowiska polityczne MOP.

**Cel:** Dostarczenie wszechstronnej analizy historycznej trajektorii standardów zabezpieczenia społecznego MOP, zbadanie ewolucji zasad, konwencji i globalnej dynamiki, które na przestrzeni czasu ukształtowały podejście tej organizacji do ochrony socjalnej.

**Materiały i metody:** Metody obejmują analizę dokumentów MOP, odpowiedniej literatury oraz obserwacji osób z ponaddwudziestoletnim stażem pracy w Departamencie Ubezpieczeń Społecznych MOP – wszystko to, aby uzyskać wgląd w procesy decyzyjne w organizacji.

**Wnioski:** Uznaje się, że transformacje zostały spowodowane przez: 1) zmiany w składzie MOP i w jej organach decyzyjnych, które zwiększyły obecność i uprawnienia przedstawicieli krajów tzw. globalnego Południa, 2) przesunięcie w ogólnosięciowym rozwoju priorytetów polityki wspólnotowej, które zmierzają do ograniczenia ubóstwa, 3) pojawienie się eksperymentalnych programów pomocy społecznej w krajach globalnego Południa, a projekty tych programów często ignorują zasady zakorzenione w standardach MOP.

Zalecenie dotyczące poziomów ochrony socjalnej uzupełnia poprzednie standardy w odpowiedzi na wyzwania związane z powszechnym ubóstwem i nieformalnością oraz rozpowszechnianiem nietypowych form zatrudnienia. Zapewnia ono dwa kierunki reakcji politycznych: 1) sformalizowanie nieformalnych dotąd stosunków pracy oraz 2) rozszerzenie uniwersalnych lub ukierunkowanych systemów pomocy społecznej opartych na prawach.

Pomoc udzielana przez MOP państwom członkowskim koncentruje się obecnie głównie na budowie systemów nieopartych na składkach i identyfikacji przestrzeni fiskalnej niezbędnej do zlikwidowania luk w zakresie objęcia ochroną społeczną. Obecnie MOP musi bardziej niż kiedykolwiek współpracować z innymi partnerami rozwojowymi, a głównymi wyzwaniami są poszerzenie świadomości i akceptacja zasad standardów zabezpieczenia społecznego MOP.

**Słowa kluczowe:** globalna polityka, Międzynarodowa Organizacja Pracy, międzynarodowe standardy pracy, ochrona socjalna, zabezpieczenie społeczne

---

Submitted: 19.7.2023

Accepted: 6.12.2023

DOI: 10.5604/01.3001.0054.1200

## Introduction

The International Labour Organisation (ILO) was established in 1919 by Part XIII of the Peace Treaty of Versailles in the belief that peace “can be established only if it is based upon social justice”.<sup>1</sup> And those drafting this part of the Treaty had no doubts that one of the key conditions to secure peace is to urgently improve the working conditions of people in a globalising world, and that these required – among other things:

protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, provision for old age and injury.<sup>2</sup>

ILO started to adopt standards concerning social security immediately, starting from its first International Labour Conference (ILC) which adopted the Maternity Protection Convention No 3. Up until 2023, ILO has adopted 31 conventions and 24 recommendations directly concerning social security. Usually, authors<sup>3</sup> distinguish three “generations” of social security standards reflecting adjustments to the changing environments, attitudes and challenges. The first generation (1919–1939) brought 15 conventions and 11 recommendations, which developed and consolidated the social insurance model on the principles which social insurance schemes in the industrial countries were built on during that period, that is on compulsory affiliation; administration by non-profit, self-governing institutions; administrative and financial supervision of the State; and the association of insured persons to the management of social insurance institutions.<sup>4</sup> Although most of these standards were replaced after the Second World War by new ones, these principles – have kept their relevance in the world today.<sup>5</sup>

The Declaration of Philadelphia adopted in 1944 (originating from new approaches to social security brought in during the war by the Beveridge Report and the Atlantic Charter) announced a second generation of social security standards aiming at comprehensive (in the scope contingencies covered) and universal (in the extent of personal coverage) protection and promised

the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care.<sup>6</sup>

<sup>1</sup> ILO Constitution, preamble, first sentence, [https://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62\\_LIST\\_ENTRIE\\_ID:2453907:NO](https://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453907:NO) (18.7.2023).

<sup>2</sup> Ibid., preamble, second paragraph.

<sup>3</sup> See, for example, G. Uścińska, *Europejskie standardy zabezpieczenia społecznego*, Warszawa 2005, pp. 46–47, and Committee of Experts on Application of Conventions and Recommendations (CEACR), *Social Security and the rule of law. General Survey concerning social security instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization*, Report to the ILC, Geneva 2011, pp. 8–14.

<sup>4</sup> Committee of Experts on Application of Conventions and Recommendations, *Social Security and...*, op. cit., p. 9.

<sup>5</sup> As illustrated using special procedures under article 24 (Representations of non-observance of Conventions) of the ILO Constitution concerning the non-observance by Chile of Convention No. 35 following this country’s decision to introduce a fully funded pension scheme and to entrust its administration to profit-seeking private companies. See *ibid.*, p. 9.

<sup>6</sup> ILO Declaration of Philadelphia concerning the aims and purposes of the International Labour Organisation, art. III, p. f, <https://www.ilo.org/static/english/inwork/cb-policy-guide/declarationofPhiladelphia1944.pdf> (18.7.2023).

Income Security Recommendations No. 67 and Medical Care No. 69, adopted during the same conference established a social security model based on poverty prevention as the main objective, the provision of comprehensive protection for all the contingencies either by social insurance (preferably) or by social assistance (for those, for some reasons not covered by social insurance) and universality of coverage (including self-employed and other parts of the general population). The short period of the second-generation standards (1944–1952) was crowned in 1952<sup>7</sup> with the adoption of the ILO convention No. 102, concerning minimum standards in social security (becoming later a template for the European Code of Social Security). Convention No. 102 codified what was already spelled out by Recommendation 67 and 69 in terms of the scope of contingencies and opened the possibility for countries to comply with the convention using either social insurance schemes, or residence-based universal or means-tested schemes. For the development of social security in the industrialized world, the Convention played undoubtedly a very important role. It then became a social policy benchmark globally, also in the Global South. However, from the point of view of countries emerging from the colonial era and embarking on their development paths, it failed to include universality as an objective and oblige countries, after reaching the minimum coverage required to ratify the convention, to embark on the gradual process aimed at universal coverage. It failed as well<sup>8</sup> to explicitly state that the social security system is a combination of social insurance, social assistance and other complementary benefits and services and that to comply with the Convention countries should report how different schemes effectively cover different groups of the population. It seems to be also a failure of the ILO in relation to those supervisory bodies which usually have not supported such an interpretation of the Convention. And, in terms of the required benefit levels, the convention missed any explicit statement that poverty prevention and eradication is an objective of social security policy. The only explicit relative minimum threshold which one may obtain from the Convention, and which would apply to social assistance benefits is (depending on the contingency) 40–50% of the wage of an “ordinary labourer” (probably the minimum wage in most of Global North countries, but hardly applicable in many countries of the Global South where an “ordinary” labourer is most probably working in the informal sector where minimum wage regulations do not apply).

At the end, for decades, both inside the ILO and elsewhere, Convention 102 was (wrongly) interpreted as a social insurance convention while the contents of Recommendations 67 and 69 were completely forgotten.<sup>9</sup> Also, until the mid-nineties, ILO Social Security Department had not built up significant technical capacity in the area of social assistance

7 In the same year ILC adopted also key Maternity Protection Convention No. 103, complementing Convention 102 and revising Convention No. 3 from 1919.

8 K. Hagemeyer, *The right to social security and its implementation: What role ILO social security standards can play?* [in:] *Social Security Review: Evolution of Social Security in South Africa: An Agenda for Action*, eds. S. Motala, S. Ngandu, T. Hart, Pretoria 2021, pp. 51–60, <https://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=30588> (18.7.2023).

9 Evidence for it one can be found in the flagship publication of the Social Security Department of the ILO, *Introduction to social security* (first edition in 1958, last in 1989, published in many languages), which was treated by the



which would allow it to provide advice to member countries in this field. Only starting in the mid-nineties, with the development of the social budgeting concept,<sup>10</sup> ILO experts started to look at overall social protection systems in a comprehensive way, analyse their policy coherence and fiscal sustainability, promote such an approach in member countries and provide technical assistance and capacity building – first in the transition countries of central and Eastern Europe (i.e., Bulgaria, Lithuania, Slovakia, Ukraine, Poland) and then in the Global South (i.e., Namibia, Panama, South Africa, Tanzania, Thailand, Zambia).

In 1952, the convention on minimum standards, was intended to apply to countries which are in the process of building their social security systems, and was supposed to be followed by another convention setting standards for countries with more advanced social security systems already in place.<sup>11</sup> For some reasons this plan was never implemented.<sup>12</sup> Instead, starting in 1964, the ILO adopted several Conventions (and associated Recommendations) which either established higher standards than Convention 102 for specific branches of social security (Employment Injury Convention No. 121 (1964), Invalidity, old-age and survivors' Convention No. 128 (1967), and the Medical care convention No. 130 (1969) or deal with migrant workers: Equality of Treatment (Social Security) Convention No. 118 (1962) (No. 118). These conventions form a so-called third generation of standards. To the third generation belong also conventions adopted in the nineteen-eighties, after more than a decade break: Maintenance of Social Security Rights Convention No. 157 (1982) concerning the rights of migrant workers, and, later in 1988, Convention No. 168 concerning employment promotion and protection against unemployment. It is not clear if this convention put an end to the third generation of standards, or rather started new conceptual thinking within social security standard setting which integrates social security into other social policy areas – in this case, with employment and labour market policies. To a certain extent, the same question applies to Maternity Protection Convention No. 183, adopted in 2000. This convention is certainly broader in scope than the social security policy area and declares universality in terms of coverage: “this Convention applies to all employed women, including those in atypical forms of dependent work” (Article 2.1).

While discussions continued among experts on how the future social security standard might look, there were only a few standard setting initiatives in this area in the eighties and nineties.<sup>13</sup> One the reasons was that some (among social security experts and trade

---

ILO as a kind of “bible”, a must read for all the new adepts in the policy area. Nowhere, even in its chapter listing all the “relevant” ILO social security standards, Recommendations 67 and 69 are mentioned.

10 W. Scholz, M. Cichon, K. Hagemeyer, *Social Budgeting*, Geneva 2000.

11 International Labour Organization, *Minimum standards of social security*, Report of the ILC, 35th Session, 1952; Geneva 1951, and Committee of Experts on Application of Conventions and Recommendations, *Social Security and the rule of law...*, op. cit., pp. 10–11.

12 Committee of Experts on Application of Conventions and Recommendations, *Social Security and the rule of law*, p. 11: “[...] due to the complexity of the debate and the lack of time, the idea was ultimately abandoned”.

13 CEACR (ibid., p. 12) explains it this way: “This lengthy period hides what might be called the missing generation of international social security standards, which, if adopted in the nineties, might have better guided social security into the new era of globalization, deregulation and privatization engendering integrated policies, social safety nets and public and private partnerships. The reasons why the succeeding generation of social security standards has not seen the light should in all probability be found in the general retreat of the welfare state shifting large parts

union activists), were afraid that – considering the “retreat of the welfare state” mood dominating in many public policy debates and reforms in the 1980s and 1990s – any standard setting debate in this area would only lead to reduced levels of public guarantees and of the levels of protection. That is why, although for all it was clear that existing standards are not sufficient to face the challenge of prevailing informality and enormous global gaps of social security coverage, no standard setting actions were even seriously proposed, and the new generation of social security standards have not materialized.

The situation started to change at the beginning of 21st century, when a sequence of reports, discussions and decisions gradually led to the adoption of the Social Protection Floor Recommendation in 2012. This paper tries to analyze why and how it happened and what are the consequences for the future. The hypothesis is that the change was brought by: 1) a shift in the membership of the ILO and its decision making bodies towards the increased presence and powers of representatives from Global South countries 2) the emergence of experimental social assistance schemes in Global South countries, both driven domestically but also by international organizations other than the ILO (the World Bank), with designs often ignoring principles embedded in the ILO standards,<sup>14</sup> and 3) the shift in the global community development policy objectives (i.e., adoption of the Millennium Development Goals in 2000 with halving poverty being the first objective but also the implications of the Great Recession of 2007–2009). As far as the future is concerned, one still has to wait to see if Recommendation No. 202 opens a new generation of ILO social security standards and will lead to a new ILO or United Nations (UN) social protection convention.<sup>15</sup>

## The purpose and method

The very objective of this paper is thus to describe how the priorities and policy position of the International Labour Organisation on social security/social protection have evolved during the first two decades of the 21st century and what were the main driving factors behind such an evolution. Analysis is based on documents elaborated by different bodies of the Organisation, on literature discussing the role of the ILO and other international organizations in shaping global social protection policy and on the participant observations of the author, who served for more than twenty years as an official of the International Labour Office in its Social Security Department.

---

of its social responsibilities to the care of the private sector, financial markets and the providence of individuals themselves”.

<sup>14</sup> See, for example: K. Müller, *Contested universalism: from bonosol to renta dignidad in Bolivia*, “International Journal of Social Welfare” 2009, Vol. 18, Issue 2, pp. 163–172, and B. Schubert, *Beware of the crocodile: Quantitative evidence on how universal old age grants distort the social assistance systems of low-income countries*, “Poverty and Public Policy” 2020, Vol. 12, Issue 2, pp. 188–205.

<sup>15</sup> See M. Cichon, *Let Us Walk the Talk: The Right to Social Security and Social Protection – the Case for a New International Convention*, “Polityka Społeczna” 2020, Vol. 15, Issue 1, pp. 31–34.

With respect to the latter, one may ask if it is of any interest for researchers and other readers to know too much about the internal mechanisms within the organisation which have led to specific outcomes in the form of standards, declarations or other official documents and reports publicly available. Michael Cichon, in the text<sup>16</sup> which is at the same time commemorating Bob Deacon (died in 2017) and reviewing B. Deacon's book<sup>17</sup> devoted to the process which led to the adoption of ILO Recommendation No. 202, criticizes such an approach referring to the famous saying attributed to the German Chancellor Otto von Bismarck:

To retain respect for sausages and laws, one must not watch them in the making.<sup>18</sup>

M. Cichon insists further, that

personalizing the different views and political moves that ultimately led to the formulation of the final concept of the SPF and its acceptance by the Global Community of ILO members limits the credibility and authority of the final outcome... Most people want to enjoy the sausage and are much less interested in which butcher played what role in making it.<sup>19</sup>

It is thus about the credibility and authority of the International Labour Conference, global labour parliament, consisting of the representatives of governments, trade unions and employers, which meets every year in June and here for over a hundred years and has the sole authority to adopt, in democratic voting, international labour standards: conventions and recommendations. As the International Labour Organisation is the only organisation within the broadly defined UN system (thus including international financial organisations like the World Bank (WB) and the International Monetary Fund – (IMF)) where international standards and other policy documents are adopted in the process which includes not just governments but also representatives of civil society (workers and employers organisations), its credibility and authority seems to be especially worth securing. I do not think, however, that the sausage-production parable makes sense. To secure credibility and authority from both national and international law as well as from governments and international organisations, it is key that the law and policy making processes are transparent and that we all understand the mechanisms driving it. And this is why we devote so much attention to the decision-making processes within the organization, in our view, not sufficiently explored in B. Deacon's book on the "foundations of social protection floor".<sup>20</sup> B. Deacon's book focuses on what he sees

16 M. Cichon, *Bob Deacon and the making of sausages*, "Global Social Policy" 2019, Vol. 19, Issue 1–2, pp. 21–24; <https://doi.org/10.1177/1468018119849206>.

17 B. Deacon, *Global social policy in the making: The Foundations of the Social Protection Floor*, Bristol 2013.

18 M. Cichon, *Bob Deacon...*, op. cit., p. 21.

19 Ibid., p. 22.

20 At the same time, it is not the intention of this paper to critically analyse B. Deacon's theoretical framework adopted in the book, based on the concepts of agency, structure, institutions and discourse (ASID). B. Deacon, op. cit., pp. 143–155.

as the “development of the ILO-,UN-,G20-, and World Bank-endorsed SPF global policy”,<sup>21</sup> while this paper’s focus is on the development of the new international labour standard in the form of Recommendation No. 202. At the end of the paper, we indicate that such a broad endorsement of imprecisely designed “social protection”, in practice of policy advice given to countries of the Global South, not necessarily complies with the principles embedded in the ILO recommendation.

---

## Who decides on the social security policy recommendations of the ILO?

To answer the question on what the position of the “ILO” on social security is and why and how it has been evolving, one needs to understand what the different decision-making bodies are, what are the outcomes produced and publicly distributed (standards, declarations, reports, statements etc.), and what is the process which leads to the adoption of new international labour standards, and how the policy recommendations given to member countries are shaped and by whom. The recent centenary celebrations of the ILO stimulated a significant portion of research, both on ILO history and on its governance system, including analysis of the decision-making mechanism within the organisation.<sup>22</sup> Apart from the constitutional bodies of the Organisation there are also other stakeholders who have a direct or indirect impact on policy directions and choices: international trade union federations, international associations of employers, other organisations of the UN system, international financial organisations like the IMF and the World Bank, bilateral donors belonging or not to the OECD (Organization for Economic Co-operation and Development) Development Assistance Committee, and major international NGOs.

The ILO Constitution establishes two decision making bodies which are both tripartite. The International Labour Conference, meeting usually once a year, is composed of delegates from all the organisation’s member countries. Each country is represented by four delegates with voting rights – two government delegates, one trade union delegate and one employer’s delegate. The Conference adopts new (or revises old) conventions and recommendations – adoption requires a two-thirds majority (that means, for example, that governments voting jointly with one of the social partners can outvote the other social partner<sup>23</sup>). The Conference, in its committees, discusses also periodically major labour market and social policy areas seen as a priority by the Organisation. Such “recurrent” discussions on social security took place this century every ten years: in 2001, 2011 and 2021.

---

<sup>21</sup> Ibid., p. 147.

<sup>22</sup> See particularly relevant analysis in: M. Luis, *Who Decides? Representation and Decision-Making at the International Labour Organization*, “International Development Policy” 2019, Vol. 11, pp. 40–58.

<sup>23</sup> It happens not often, usually there is an effort to achieve consensus on the contents of the new standard adopted. These efforts often lead to many compromises, significantly watering down the outcome. When it happens on the other hand, sometimes the outvoted social partner tries to contest the validity of the standard.

In 2001, the ILC in its conclusions recalled the Declaration of Philadelphia of 1944 stating that it is

the solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve [...] the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care and declared that it is time for a renewed campaign by the ILO to improve and extend social security coverage to all those in need of such protection.<sup>24</sup>

In 2011, the ILC asked the Governing Body

to place a standard-setting item entitled Elaboration of an autonomous Recommendation on the social protection floor on the agenda of the 101st Session of the International Labour Conference, 2012, for a single discussion with a view to the adoption of a Recommendation.<sup>25</sup>

The conclusions of the social security discussions at that conference included the appendix *Elements of a possible Recommendation on social protection floors*.<sup>26</sup> In 2012, the ILC adopted the Social Protection Floors Recommendation in an unanimous vote (only the government of Panama abstained).

In 2021, the ILC, after discussing the Office report Building the Future of Social Protection for a Human-Centred World of Work,<sup>27</sup> adopted conclusions which constitute a “framework for action” for ILO member states and for the Governing Body and the Office, to promote universal social protection. Maybe the biggest novelty, compared to previously adopted documents, is the significant attention paid to cooperation with other international organisations and other “development partners” (with the emphasis on the necessity to sensitize those partners to the need to comply with international labour standards) and support for all the options for mobilizing international financing for social protection, including a willingness

to engage in discussions on concrete proposals for a new international financing mechanism, such as the Global Social Protection Fund.<sup>28</sup>

---

24 International Labour Organisation, *Social Security: A New Consensus*, Geneva 2001, p. 1, <http://www.ilo.org/public/english/protection/secsoc/downloads/353sp1.pdf> (18.7.2023).

25 International Labour Organisation, *Social Security for All. The Strategy of the International Labour Organization*, Resolution and conclusions concerning the recurrent discussion on social protection (social security), adopted at the 100th Session of the ILC, 2011, p. 3, <https://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=30588> (18.7.2023).

26 Ibid., pp. 14–15.

27 International Labour Organisation, *Report V Submitted to the 109th Session of the International Labour Conference*, Geneva 2021, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_780953.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_780953.pdf) (18.7.2023).

28 International Labour Organisation, *Record of proceeding (7A)*, Reports of the Recurrent Discussion Committee: Social protection (social security): Proposed resolution and conclusions submitted to the Conference for adoption, ILC 109th Session, 2021, section III: Reaffirming the ILO’s mandate and leadership in social protection in the multilateral system and promoting policy coherence, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_804457.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_804457.pdf) (18.7.2023).

After the 2011 and 2012 conferences debating social protection floor recommendations, ILO was criticized by some experts and non-governmental organisations for the lack of explicit support for the idea of a global social protection fund.<sup>29</sup>

The Governing Body is composed of fifty-six members (28 representatives of the governments, 14 of the trade unions and 14 of employers' organizations). Ten of the government seats are permanently held by so-called states of chief industrial importance (currently: Brazil, China, France, Germany, India, Italy, Japan, the Russian Federation, the United Kingdom and the United States). The other Government members are elected by the Conference every three years, while the employers and trade union members are elected in their individual capacity. The Governing Body decides on the work programme for the secretariat (the International Labour Office) and its budget: its decisions are thus key for the development of any of the ILO focus policy areas. Social protection is only one of them and never dominating the policy-oriented budget (employment policy related topics have been for decades budgetary priority areas for standard setting activities, research agendas and technical assistance to member countries<sup>30</sup>).

While government representatives are organised into regional groups and try to coordinate their positions within such groups but at the same time have the full right to speak and vote separately, trade unions and employers' organisation form respectively the Workers Group and Employers Group, presenting at all ILO tripartite meetings (starting from the ILC, through the Governing Body to any tripartite conferences or workshops) usually unified common group positions. Both groups are linked to respective external organizations: workers to the International Trade Union Confederation (ITUC) and employers to the International Organisation of Employers (IOE). In the majority of cases, to adopt any document from such a meeting one needs to achieve a compromise between the governments, workers and employers. This often means that the contents of the documents are somehow "watered-down" compared to the original intentions, while the wording used is purposely open to many interpretations. One needs to read the records of such meetings and the group and individual statements presented there to be fully aware of the differences in positions. In the ILO internal social security debate, the major difference in positions, for three decades already, concerns pensions reforms and in particular those reforms which move from defined-benefit pensions with solidarity-based financing to defined-contribution schemes and individual savings accounts. Employers group actively support pension privatizations and sometimes even cedes its expertise on that matters to Federación

29 B. Deacon, op. cit., pp. 173–178.

30 For example, ILO Programme and Budget for biennium 2024/25 identifies eight policy outcomes: 1) standard setting and supervision; 2) strengthening tripartite social dialogue; 3) full and productive employment for just transitions; 4) sustainable enterprises; 5) gender equality and equal opportunities and treatment for all; 6) protection at work for all; 7) universal social protection for all; 8) integrated policy and institutional responses for social justice. Social protection policy outcome (managed by Social Protection Department) were allocated 8.8% of the total amounts for policy related activities, compared to 8.6% over the previous two budgetary cycles. See: International Labour Organisation, *Programme and budget for the biennium 2024–25*, Geneva 2023, Table 2, pp. 19–20.

Internacional de Administradoras de Fondos de Pensiones (FIAP), whose “corporate purpose” – according to their web page – is:

to disseminate, promote, defend, publicize and otherwise facilitate the development of social security systems based on saving and individual capitalization, through pension funds managed by financial services companies: pension fund administrators.<sup>31</sup>

Not only from the Workers Group’s position, but also expertise from the Committee of Experts on the Application of Conventions and Recommendations and of the Office’s Social Security/Protection Department, are pointing out that defined contributions schemes and individual savings accounts can form only supplementary parts of national pension systems as such schemes cannot deliver outcomes complying with international social security standards objectives, principles and requirements.<sup>32</sup>

The International Labour Office, is the secretariat of the Organisation led by the Director General (DG), elected by and reporting to the Governing Body. The Office, according to the Constitution, is responsible for preparing reports and other documents feeding into discussion on the agendas of International Labour Conference, for providing requested assistance to governments, trade unions and employers organisations of the member countries and for undertaking and publishing research relevant to the mission of the organisation. As pointed out by Wolfgang Scholz,<sup>33</sup> while in the past in addition to the secretarial functions, the Office constituted a relatively small but globally relevant<sup>34</sup> think thank concentrating on economic and employment policies, for the last few decades significantly increased has the Office’s involvement of the Office in projects providing all

31 FIAP, *Objectives*, <https://www.fiapinternacional.org/en/objectives/> (18.7.2023).

32 Office publication: I. Ortiz, F. Durán-Valverde et al., *Reversing Pension Privatizations: Rebuilding public pension systems in Eastern Europe and Latin America*, Geneva 2018, was met with public criticism from the Employers Group expressed at the 2021 ILC during the discussion in the Conference’s Committee on the Application of Standards related to the CEACR’s General Survey report concerning implementation of the Recommendation No. 202. Both there and at the “Tripartite Round Table on Pension Trends and Reforms”, organised in 2022 in order to continue the debate at the wider forum, employers’ speakers (among them Guillermo Arthur, chairman of FIAP) insisted on the need to revise ILO solidarity principle in financing social protection in order to reach “adequate balance between social solidarity and private provision including a reduction of benefits if necessary” and “PAYG systems were no longer sustainable for demographic reasons”. See: Committee on the Application of Standards, *Discussion of the General Survey concerning the Social Protection Floors Recommendation*, 2012 (No. 202), Verbatim document C.App./PV.General Survey, 2019, [https://www.ilo.org/ilc/ILCSessions/108/committees/standards/WCMS\\_710395/lang--en/index.htm](https://www.ilo.org/ilc/ILCSessions/108/committees/standards/WCMS_710395/lang--en/index.htm) and also International Labour Organisation, *Tripartite Round Table on Pension Trends and Reforms (30 November–2 December and 4 December 2020)*, Record of proceedings (Meeting report) (18.7.2023). As showed by the above mentioned debate in the Conference’s Committee on the Application of Standards related to the CEACR’s General Survey report concerning implementation of Recommendation No. 202, differences in positions between Employers Group on the one side, and the Workers Group on the other, and CEACR and the Office expertise are revealed also in the discussions concerning ways social assistance is targeted to potential beneficiaries or assessment of governments’ austerity fiscal measures affecting the adequacy of social protection systems.

33 W. Scholz, *The European Social Model and the International Labour Organization – Origins and Transformations*, “Polityka Społeczna” 2020, Vol. 15, Issue 1, pp. 31–34, footnote 6.

34 There is a long list of prominent economists, many of them Nobel Prize winners, closely collaborating in their research work with the ILO and publishing in *International Labour Review*, a journal published by the Office and its research arm since 1921. Among them: Bertil Ohlin, Abba Lerner, Alva Myrdal, Michał Kalecki, Jan Tinbergen, Arthur Lewis and – more recently Amrtya Sen and Joseph Stiglitz. See: P. Bollé, *The International Labour Review and the ILO: Milestones in a shared history*, “International Labour Review” January 2013, Volume 152/S1.

kinds of technical assistance to member countries. This significant shift in the allocation of the Organization's resources to technical assistance projects has resulted, of course, from the similarly significant shift in the membership of the organization with Global South countries more and more dominating over the countries of the Global North – and thus the Organization has had to become more responsive to the needs of low- and middle-income countries. This shift is also to a certain extent reflected in a change in the composition of the Governing Body, although still only three of the ten permanent seats at the Governing Body are held by Global South countries: Brazil, China, and India. Important is also the shift in the composition of the staff of the International Labour Office (more apparent in managerial and expert field office positions, less so at headquarters). Juan Somavia from Chile, the ninth ILO Director General, serving from 1999 to 2012, was the first ILO DG originating from the Global South. In addition, in the same period – key for our analysis – the deputy director general responsible for social protection was Assane Diop from Senegal. A. Diop submitted his candidature for the ILO DG's elections in 2012 but lost. In 2022, the Governing Body of the ILO elected Gilbert F. Hounbo from Togo as the eleventh ILO DG.

There is one more body, which although it is not set up by the ILO Constitution and is not tripartite, is with any doubt important in implementing the ILO policy agenda, including that of social security. The Committee of Experts on the Application of Conventions and Recommendations<sup>35</sup> includes twenty independent legal experts, appointed by the Governing Body for a three-year term. The CEACR provides technical evaluation of the application of international labour standards in ILO member States. These evaluations are based on reports that countries which have ratified ILO Conventions are obliged to periodically submit General Surveys which focus on an analysis of the implementation of selected conventions and recommendations within member states. Reports of the CEACR are presented every year to the Application of Standards Committee of the International Labour Conference.<sup>36</sup> Conclusions from the reports may lead the ILO to consider either technical assistance to countries to help them to overcome obstacles in implementing the standards, or debate revisions of the existing standards or setting new ones based on good policy practices identified in member countries. In this century, the CEACR presented to the International Labour Conference the results of the two General Surveys concerning ILO social security standards.

The first one was presented to the ILC in 2011,<sup>37</sup> the same conference which had “recurrent” discussion on social security,<sup>38</sup> followed the next year by the standard setting

35 See: International Labour Organization, *Monitoring compliance with international labour standards: The key role of the ILO Committee of Experts on the Application of Conventions and Recommendations*, Geneva 2019.

36 See: The Committee on the Application of Standards of the International Labour Conference, *A dynamic impact built on decades of dialogue and persuasion*, Geneva 2011.

37 Committee of Experts on Application of Conventions and Recommendations, *Social Security and...*, op. cit.

38 See the Office report for that debate: International Labour Office, *Social Security for Social Justice and a Fair Globalization: Recurrent Discussion on Social Protection (Social Security) under the ILO Declaration on Social Justice for a Fair Globalization*, Report VI, 100th Session of the International Labour Conference, Geneva 2011.



discussion and adoption of the Recommendation No. 202. This report reviewed the implementation of Convention 102 concerning minimum standards in social security adopted in 1952 and revived the two Recommendations adopted in 1944: Income Security Recommendation, No. 67 and the Medical Care Recommendation, No. 69 – for decades forgotten although recognized as up-to-date standards.<sup>39</sup> The report stressed the continuing relevance of all these instruments but at the same time stated that the current ILO mandate and mission in social security, which is

to extend social security coverage to all beyond the formal economy to the masses of population living in abject poverty and insecurity, [...] has largely outgrown the standards with which it has to be implemented. The available means are no more sufficient to meet the new ends.<sup>40</sup>

And then the report concludes with:

The Committee is certain that the task of globalizing social security requires the ILO to complement the current set of up-to-date standards with a new high-impact instrument embedding social security in a new development policy paradigm and designed so as to be accepted by all ILO member States.<sup>41</sup>

The other General Survey published in 2019 and presented to the ILC focussed on the implementation of the Recommendation No. 202.<sup>42</sup> The report summarizes that although the guidance provided by the Recommendation is gradually being transformed into adequate and sustainable national social protection policies, important gaps and challenges to the achievement of universal social protection remain. It reminds one that only 29 per cent of the world population enjoys access to comprehensive social security coverage. However, the report concludes optimistically:

With effective implementation, Recommendation No. 202 opens the way into the future of social protection. Recommendation No. 202 constitutes a new international reference for the future development of national social protection policy and legislation, as well as international cooperation. By setting out fundamental principles and a framework for the development of comprehensive, universal and adequate social protection systems, it embodies a new paradigm for social protection in the twenty-first century which calls for effective implementation.<sup>43</sup>

---

39 The report stressed: “The income security and medical care Recommendations were visionary instruments, which laid down the new doctrine of universality as the basis for the development of social security. These two Recommendations reflected a fundamental change of paradigm in social security policies, as focus was shifted from social security protection for workers to the protection of the whole population.” Committee of Experts on Application of Conventions and Recommendations, *Social Security and...*, op. cit., p. 17.

40 Ibid., p. 13.

41 Ibid., p. 14.

42 Committee of Experts on Application of Conventions and Recommendations, *Universal social protection for human dignity, social justice and sustainable development. General Survey concerning the Social Protection Floors Recommendation, 2012 (No. 202)*, Geneva 2019.

43 Ibid., p. XIII.

Sources of funding also have an important impact on the policy directions of the organization. How are ILO activities funded? One must remember that the ILO is not a funding organization (like the IMF, World Bank, or even UNICEF) and thus the Office's activities (such as research, publications, technical assistance to member countries) must come either from the regular budget or from external donors. The Office's regular budget is funded from member countries' contributions and – as members' contributions are related to the size of their economy – the largest portion of the funding still comes from the countries of the Global North. With the “zero growth” budget policies imposed by the major contributors on the United Nations on the one hand, and increasing demands for technical assistance from the countries of the Global South on the other, the role of external financing for all UN organizations, including the ILO, had to significantly increase.

International Labour Office programmes in social security are implemented by its section called until 2013 the “Social Security Department”<sup>44</sup> and since 2013 the “Social Protection Department”.<sup>45</sup> In the ILO budget, adopted in 2023 for the biennium 2024–2025, the expected extrabudgetary resources to be allocated to that department were 62,5 million USD, compared to 47,6 million USD allocated to the same purpose by the regular budget (in the preceding biennium it was respectively 52 and 46 million USD).<sup>46</sup> In the past, the role of external financing was much less significant, which also meant that it was mainly the interplay of the Office and the Governing Body which was decisive for shaping the direction of technical activities.<sup>47</sup> With the increase in the role of external funding by the donors, the policy related, and technical activities are also shaped by donor preferences with respect to both the policy and regional focus these donors have. And, policy preferences and geographic focus differ significantly between donors and vary over time, often reflecting political changes. There are some donors who see contributory social security as a core element of the social protection systems of a country, but there are some others who rather want to

44 Led until 1990 by Giovanni Tamburi (Italy), until 2001 by Colin Gillion (New Zealand), until 2012 by Michael Cichon (Germany), until 2019 by Isabel Ortiz (Spain) and since then by Shara Razavi (Iranian by birth).

45 This changing of names is quite confusing for those looking from outside. It happened as part of the Office reorganization undertaken in 2013 by the new DG Guy Rider. It was supposed to reflect that “social protection” became the widely used term in the community of the international organizations and bilateral donors involved in the global policy debate and the fact that in July 2012, the Social Protection Interagency Collaboration Board (SPIAC-B) was established, co-chaired since then jointly by the ILO and the World Bank. The change of the name came from outside the then Social Security Department, when it was weakened during the lengthy inter-regnum period after early retirement of the previous Director, Michael Cichon. The term social security was often seen outside the ILO as being limited to social insurance and other contributory programmes. Not within the ILO however: until the reorganization in 2013, “Social Protection” was the name of one of the four sectors of the office which include in addition to the Social Security Department also departments dealing with policy areas like: occupation safety and health, wages, working time and other working conditions.

46 International Labour Organisation, *Programme and budget...*, op. cit., pp. 19–20, Table 2.

47 Of course, in addition there has always been a certain part of resources allocated by the department to meet the governments' demands for technical assistance. Social Security/Protection Department has been always addressed with requests from the governments and social security institutions of the member countries to provide actuarial and related services.

strengthen non-contributory, poverty targeted social assistance, and there are those who would support projects expanding mainly public works programmes, or support microinsurance as an instrument to extend coverage to those working informally.<sup>48</sup> Thus, the greater reliance on donor support requires additional efforts to design policy oriented and country work in a way which finds a balance between the principles of the international standards, the expectations of the tripartite membership of the organisation and donor preferences. Also, donors more and more press international organisations of the widely defined UN system to “act as one”, or at least in a carefully coordinated manner. For the ILO, as the only standard setting organisation and the only tripartite one within the system, it sometimes poses a challenge to find a common policy position with other organizations active in providing social policy advice and assistance to countries.

A good illustration of the challenges associated with the increasing role of donors in funding the activities of the ILO, might be the Multilateral Aid Review<sup>49</sup> undertaken in 2011 by the UK government. While until the 2010 general election, the UK as a donor played important role in promoting a rights-based approach to social protection and eagerly funded the ILO’s Social Security Department research on affordability of social protection even in low-income countries and on the positive economic and social impacts of extending social security coverage, after the change of government the attitude towards development aid in general and towards multilateral organizations has changed. Under the overall objective of ensuring to the British taxpayer “value for money” in foreign aid,<sup>50</sup> the review used two sets of criteria: “multilateral organisation’s strengths” and “contribution to UK development and humanitarian objectives” and then ranked the organisations giving them scores from “very good” to “poor”. The ILO was classified in the bottom part of the ranking with the overall score of “poor”. According to the report, the main reasons for the negative assessment were the organizational inefficiencies, partially resulting from the tripartite composition of the organisation’s decision making bodies and the responsiveness to requests for technical assistance from social partners and all the member countries, and here not necessarily coming only from the poorest ones. The paradox is that at the very moment of this evaluation the ILO was just in the middle of the process of major change in its standard setting, policy orientation and the directions of technical assistance towards low-income countries.

After the adoption of Recommendation No. 202, it entered into closer partnerships with many international organizations, including the World Bank and World Health

48 J. Seekings, *International actors and social protection [in:] Handbook on Social Protection Systems*, Cheltenham 2021, chapter 29, <https://doi.org/10.4337/9781839109119.00065>.

49 Department for International Development, *Multilateral Aid Review. Ensuring maximum value for money for UK aid through multilateral organisations*, London 2011, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67583/multilateral\\_aid\\_review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/67583/multilateral_aid_review.pdf) (18.7.2023).

50 See, for a methodology of support assessment to social protection programmes in low-income countries: Ph. White, A. Hodges, M. Greenslade, *Guidance on measuring and maximizing value for money in social transfer programmes*, London 2013.

Organisation, ones aimed at universal social protection, with other development partners it achieved explicit inclusion of social protection policies into the Sustainable Development Goals adopted in 2015,<sup>51</sup> and importantly it has been shifting the allocations of its resources toward technical assistance delivered to low-income countries. Let us examine how this happened.

---

## The Change – moving to ILO Social Protection Floor Recommendation and beyond

The Social Security Department (SECSOC) of the ILO had, until recent reforms, two branches: the Social Security Policy and the Development Branch (SOC/POL), dealing with promoting ILO social security standards and assisting countries in implementing them through social security reforms and the Financial, Actuarial and Statistical Branch (SOC/FAS) focused essentially on assessing the financial sustainability of these reforms and helping social security institutions around the world to ensure sound financial governance. However, in the Global South, those institutions predominantly covered those working in the formal economy, while most of the population remained excluded. Thus, while improving the functioning of these institutions was of great importance, more was required to extend social protection and create a fiscal space for social protection in all countries, to bring the world closer to achieving the objective of “social security for all”, which had been prominently highlighted by the ILC in 2001.<sup>52</sup>

Experts working in the Department shared the belief that social insurance represented a core element of comprehensive social protection systems and an indispensable mechanism of social solidarity as well as for horizontal and vertical redistribution. Despite this, it was realized that going beyond contributory schemes and expanding tax-financed social assistance programmes, which were largely non-existent across low-income countries, was essential to close existing coverage gaps and to build at least minimum levels of protection for all in need. The concept of a “socio-economic floor for the global economy” was introduced by the World Commission on the Social Dimension of Globalization in

---

51 Goal 1: End poverty in all its forms everywhere (Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable, Indicator 1.3.1: Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, new-borns, work-injury victims and the poor and the vulnerable); Goal 3: Ensure healthy lives and promote well-being for all at all ages (Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all); Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Target 8.5 by 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value); Goal 10: Reduce inequality within and among countries (Target 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality).

52 International Labour Office, *Social Security: A New Consensus...*, op. cit.

2004<sup>53</sup> and further spelled out in the 2004 follow-up report by the ILO Director General to the International Labour Conference,<sup>54</sup> to which the Department contributed.

The Department had to challenge the prevailing doubts on the affordability of social protection for low-income countries and attempted to do it with a series of papers. These papers presented the cost assessments of a basic social protection package and estimated its potential impact on poverty reduction.<sup>55</sup> Simulations confirmed that “nobody is too poor to share”<sup>56</sup> and that social protection was indispensable for building decent societies.<sup>57</sup> However, they also showed that some countries would require international solidarity-based financing to start building their social protection systems. Subsequent ILO simulations showed that only a small proportion of global GDP was required to eradicate extreme poverty.<sup>58</sup>

At the same time, while making efforts to convince policy and decision makers of the need for and the affordability of basic levels of social protection even in the poorest countries, the Department embarked on the task of developing a practical concept to concretize international solidarity for low-income countries as it was obvious that international solidarity should complement domestic efforts and commitment. It brought the proposal for the “Global Trust Fund”, which sought to match the efforts of low-income countries to alleviate poverty and extend social security coverage. The concept was piloted in Ghana with financial support from Global North trade unions and NGOs.<sup>59</sup> The

53 World Commission on the Social Dimension of Globalization, *A Fair Globalization – Creating Opportunities for All*, Geneva 2004, <http://www.ilo.org/public/english/wcsdg/docs/report.pdf> (18.7.2023).

54 International Labour Office, *A Fair Globalization: The Role of the ILO*, Report of the Director General to the 92st Session of the ILC, Geneva 2004, <http://www.ilo.org/public/english/standards/relm/ilc/ilc92/pdf/adhoc.pdf> (18.7.2023).

55 See: K. Pal, Ch. Behrendt et al., *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise*, Issues in Social Protection Discussion Paper, ILO, Geneva 2005, [https://www.ilo.org/seccoc/information-resources/publications-and-tools/Discussionpapers/WCMS\\_207725/lang-en/index.htm](https://www.ilo.org/seccoc/information-resources/publications-and-tools/Discussionpapers/WCMS_207725/lang-en/index.htm) (18.7.2023); M. Suguru, Ch. Behrendt et al., *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise for Five Asian Countries*, Issues in Social Protection Discussion Paper, ILO, Geneva 2006, <http://www.social-protection.org/gimi/gess/RessFileDownload.do?ressourceId=810> (18.7.2023); F. Gassmann, Ch. Behrendt, *Cash Benefits in Low-Income Countries: Simulating the Effects on Poverty Reduction for Senegal and Tanzania*, Issues in Social Protection Discussion Paper, ILO, Geneva 2006, <https://www.social-protection.org/gimi/ShowRessource.action?id=6813> (18.7.2023), and International Labour Office, *Can Low-Income Countries Afford Basic Social Security?*, Social Security Policy Briefings, Paper No. 3, ILO, Geneva 2008, <https://www.social-protection.org/gimi/RessourcePDF.action?id=5951> (18.7.2023).

56 Statement attributed to ILO Director General, Juan Somavia. He added: “the world does not lack the resources to abolish poverty, it lacks the right priorities”. See also a later paper by M. Cichon, *Hardly Anyone Is Too Poor to Share: A Basic Level of Social Protection Is Affordable Nearly Everywhere*, “Finance & Development Magazine” December 2018, No. 14–15, <https://www.imf.org/en/Publications/fandd/issues/2018/12/affordability-of-basic-social-protection-cichon> (18.7.2023). Google search reveals also related statement by Pope John Paul II: “Nobody is so poor he has nothing to give, and nobody is so rich he has nothing to receive”. The statement reflects very well the very sense of social security systems.

57 *Building Decent Societies: Rethinking the Role of Social Security in State Building*, ed. P. Townsend, London 2009.

58 International Labour Organization, *Social security for all: Investing in global social and economic development. A consultation*, Issues in Social Protection Discussion Paper, Geneva 2006, [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms\\_126210.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms_126210.pdf) (18.7.2023).

59 International Labour Organization, *Exploring the Feasibility of a Global Social Trust: Report on the Results of a Feasibility Study and the Recommendations of an Interregional Meeting of Experts (Geneva, 14–16 May 2002)*, submitted

underlying idea of international solidarity also resonated strongly later with the calls for establishing a global fund for social protection.<sup>60</sup>

Having formulated arguments backed by concrete figures on the affordability of a basic level of social protection benefits, as well as developing a concept for international solidarity financing for low-income countries, the next important step was to convince the opposition, both inside and outside the ILO.

There were many who were opposed to promoting an approach that went beyond contributory schemes,<sup>61</sup> there were many who did not want the new standard in social security either because they were afraid it would undermine existing standards, or they did not want any new international labour standards at all. Among those to convince were some of the social security specialists working at the ILO headquarters or in the field, and elsewhere who were afraid that any discussion on the new standard would lead to a weakening in the power of the existing ones or who also believed that the “floor” concept would weaken the contributory social security schemes. It was also important to convince experts in other ILO technical policy areas that the extension of social protection would ensure more and higher quality employment and not otherwise. Key was to convince ILO constituents: governments, that they can afford establishing the floors of protection; trade unions, that the new standard would not dilute the provisions of ILO Convention No. 102 and not lower existing entitlements to social security enjoyed by formal economy workers; and employers that adopting a new social security standard on the extension of social security was necessary and would not affect negatively the business world.

Thus, the need arose to provide further evidence and stronger arguments and to engage in broad dialogue with all stakeholders to forge a coalition of support. After

---

to the ILO Governing Body: GB.285/ESP/4, Geneva 2002, <https://www.ilo.org/public/english/standards/relm/gb/docs/gb285/pdf/esp-4.pdf> (18.7.2023); M. Cichon, D. Tumwesigye et al., *Linking Community Initiatives to National Institutions: Ghana*, “International Social Security Review” 2003, Vol. 56, Issue 3–4, pp. 39–72; International Labour Organization, *Improving Social Protection for the Poor – Health Insurance in Ghana*, Final Report of the Ghana Social Trust Pre-Pilot Project, Geneva 2005, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---soc\\_sec/documents/publication/wcms\\_secSOC\\_9357.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_secSOC_9357.pdf) (18.7.2023); *idem*, *Progress evaluation of the Global Social Trust pilot project*, Submitted to the ILO Governing Body: GB.300/ESP/5, Geneva 2007, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_084171.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_084171.pdf) (18.7.2023); and also *idem*, *Improving Social Protection for the Poor – Health Insurance in Ghana: Final Report of the Ghana Social Trust Pre-Pilot Project*, Geneva 2005, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---soc\\_sec/documents/publication/wcms\\_secSOC\\_9357.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_secSOC_9357.pdf) (18.7.2023).

60 See: O. De Schutter, S. Sepúlveda, *Underwriting the Poor: A Global Fund for Social Protection*, New York 2012; Global Coalition for Social Protection Floors, *Civil society call for a global fund for social protection to respond to the COVID-19 crisis and to build a better future*, 2020, <https://socialprotectionfloorscoalition.org/civil-society-call/civil-society-call-for-a-global-fund-for-social-protection/> (18.7.2023); International Trade Union Confederation, *A Global Social Protection Fund Is Possible*, Campaign Brief, 2020, [https://www.ituc-csi.org/IMG/pdf/ituc\\_campaign\\_brief\\_-\\_a\\_global\\_social\\_protection\\_fund\\_en\\_v3.pdf](https://www.ituc-csi.org/IMG/pdf/ituc_campaign_brief_-_a_global_social_protection_fund_en_v3.pdf) (18.7.2023).

61 And many among them had very strong and valid arguments and concerns: “Social contingencies gradually shifted from solidarity financing onto individuals’ shoulders; public social security spending was reduced and replaced with individual private arrangements and reliance on financial markets; social security schemes’ members became customers rather than citizens with rights-based public benefits entitlements. The ILO tried to stem the tide, but it was around this time that the international community, including the ILO, gradually replaced the term “social security” with “social protection”, the former more perceived as comprising social insurance language and the requirements of the middle classes, while the latter more echoed safety-net language addressing the poor”. W. Scholz, op. cit., p. 28.

numerous internal ILO discussions, a consultation paper *Social security for all: Investing in global social and economic development*<sup>62</sup> was published in August 2006 and distributed widely to ILO members and other international organizations. It referred to the global social-economic floor concept proposed by the World Commission on the Social Dimension of Globalization in 2004. The document conceded that existing international (both ILO and the UN) instruments

say very little on the actual levels of protection and the order of priority by which they should be pursued, thus leaving room for discretion to the ILO and member States.<sup>63</sup>

A country can ratify ILO Convention No. 102 and meet its minimum standards by covering only the better-off minority of the population; the Convention does not oblige governments to progressively extend the coverage to the rest of the population to guarantee to all at least a minimum level of income security and access to at least essential health care, which would allow one to prioritize poverty eradication.

The consultation document stated:

The ILO interprets the entirety of (the existing international instruments) as a mandate to define a basic minimum protection package (that could also be described as a “minimum social floor”) to fulfil the international recommendations, notably the requirements of article 22 of the Universal Declaration of Human Rights. The floor should, in fact, consist of a hierarchy of floors that must be reached at different levels of development. Setting global floors for social rights and social transfers may halt “the race to the bottom” – when it comes to curbing social rights and social spending – at an acceptable decent level. ILO social security standards with the support of core labour standards (like freedom of association) can be seen as a tool in the global process to protect the fiscal space of social security systems. New and wider instruments might have to follow.<sup>64</sup>

The consultation paper proposed also that the poorest countries could start with the initial package of benefits, which could include:

- access to basic health care through pluralistic national systems that consist of public tax-financed components, social and private insurance components, equity funds and community-based components that are linked to a strong central system;
- a system of family benefits that helps to combat child labour and permits children to attend school;
- a system of targeted basic cash transfers programmes of social assistance associated with public work programmes and similar labour market policies (like cash for work programmes) that helps to overcome abject poverty for the able bodied; and
- a system of basic universal pensions for old age, invalidity and survivorship that in effect support whole families.<sup>65</sup>

---

62 International Labour Organization, *Social security for all...*, op. cit.

63 Ibid., p. 31.

64 Ibid., p. 32.

65 Ibid., p. 34.

It is in this consultation paper that for the first time the concept of social security “floors” and the need for a new international standard was spelled out publicly. This concept was further developed, to not only spell-out the need for the international community to agree on what a set of basic social benefits (“the global social security floor”) would comprise, but also “to assume some responsibility in helping the poorest countries to achieve this”.<sup>66</sup>

The task of developing a new standard required intensive dialogue with all stakeholders, both inside and outside the ILO, at the national as well as global level. It would take several years and the diplomatic skills of the Department’s Director, M. Cichon, before a consensus was reached, just before the crucial discussion on “Social security for social justice and a fair globalization” at the 2011 International Labour Conference.<sup>67</sup> The International Labour Conference agreed on the key elements of a possible Recommendation and decided to move into a standard-setting discussion the following year (2012). This decision was helped by the social repercussions of the global economic and financial crisis 2008–2009, which had created a growing consensus among governments and international organizations that social protection was a key element of policies aimed at stabilizing economies and making the globalization processes socially acceptable and sustainable. This consensus had led to the establishment of the UN-wide Global Social Protection Floor Initiative in 2009, co-led by the ILO and the World Health Organization, and of the Social Protection Floor Advisory Group under the leadership of Michelle Bachelet in 2011.<sup>68</sup>

The Social Protection Floors Recommendation No. 202 was adopted unanimously in June 2012 by the governments, employers and workers of the ILO’s, at that time 184 member States. Although non-binding, the Recommendation asserted the commitment to guarantee at least a basic level of social security for all, while aiming at higher levels of protection and adequacy of benefits in line with other more advanced social security standards. It was certainly a very important breakthrough and achievement, but it was never the final goal. So, what comes next?

## Conclusions

The importance of international standards is a cornerstone of a global policy consensus, as they are a key instrument in realizing the human right to social security for all. In an article published in a special issue of the “International Social Security Review”,

66 M. Cichon, K. Hagemeyer, *Changing the Development Policy Paradigm: Investing in a Social Security Floor for All*, “International Social Security Review” 2007, Vol. 60, Issue 2–3, p. 182, <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-246X.2007.00275.x/pdf> (18.7.2023).

67 *Social Security for Social Justice...*, op. cit.

68 Social Protection Floor Advisory Group, *Social Protection Floor for a Fair and Inclusive Globalization*, A Report of the Advisory Group Chaired by Michelle Bachelet and Convened by the ILO with the Collaboration of the WHO, Geneva 2011, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_165750.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_165750.pdf) (18.7.2023).



it was asked whether a six-page document can really change the course of social history.<sup>69</sup> The answer was, of course, that to achieve the objectives of the Recommendation many things must happen. The global coalition of international organizations and civil society<sup>70</sup> had to be expanded to effectively push for: a) social protection to be included into the international accepted development goals' agenda (this was achieved in 2015, when social protection, including floors, became part of SDG goals and policy toolkit), b) a global social protection fund or similar international funding mechanism to be agreed on and implemented, c) a binding international instrument in the form of either a UN or ILO Convention (still debated) to be adopted, and d) at the country level, trade unions and civil society should build national coalitions and use the Recommendation to actively fight for establishing social protection floors and achieving universal coverage.

The Recommendation 202 was adopted thanks to the change in internal ILO processes, but also because of the change in the international environment.

First, many other international organizations became – during the first two decades of the century – major new players in advising and supporting low- and middle-income countries in developing social security programmes and systems. The World Bank, UNICEF and a number of other organizations published their first comprehensive social protection strategies in 2012 or after. Also, one can witness growth in the importance of advising lower income countries on the part of international NGOs (i.e., Save the Children, HelpAge International, Oxfam and many others) and their shift from purely humanitarian assistance interest to regular social protection.

Second, the aftermath of the global economic and financial crisis in 2007–2009 (similarly like the COVID-19 pandemic more than ten years later) stimulated many countries to expand (often only temporarily) their social protection programmes and for many donor countries the support of social protection in developing countries became one of the priorities (OECD Development Assistance Committee adopted their statement on the importance of social protection in 2009).

Third, rapid increase in the number of international organizations active in Global South countries and elsewhere in the field of social protection, caused the growing pressure from the donor countries on those international organizations to avoid competition (which is rather a natural phenomenon as these organization compete for limited resources which come from the donor countries) and rather enhance cooperation. This led to the establishment of the Social Protection Interagency Collaboration Committee (SPIAC-B). Many donors are now ready to fund projects on the condition that these are executed by a collation of two or more international organizations. Also, within the UN, for a few decades, there is an attempt to save resources and ensure coherence within

69 M. Cichon, *The Social Protection Floors Recommendation, 2012 (No. 202): Can a Six-Page Document Change the Course of Social History?*, "International Social Security Review" 2013, Vol. 66, Issue 3–4; <https://doi.org/10.1111/issr.12017>. See also: M. Cichon, *Let Us Walk the Talk...*, op. cit., pp. 31–34.

70 USP2030, *Together to Achieve Universal Social Protection by 2030 (USP2030) – A Call to Action*, Global Partnership for Universal Social Protection, 2019, <https://usp2030.org/> (18.7.2023).

the whole system and act as “one UN” (not always easy as many of these organizations have quite different mandates and often report to) different constituencies. In practice, it means that in every country there is one UN organization designated as the leading one and expected to coordinate the activities of all the other organizations involved. In many countries in the Global South, in social protection it is, for example, often UNICEF, as it has field offices nearly everywhere and the ILO does not.

While inter-agency close cooperation is certainly good for efficiency concerns and “value for money” spent by the donor countries, the problem is that the ILO as an organization has features which make it very different from other organisations: one is the body of international labour standards which the organization must promote and defend (unless its tripartite structure decides to revise it), the second is the tripartite governance structure, unique to the UN where countries are represented only by specialized government departments.

Social Protection Floors Recommendation is fully following the whole body of principles of international social security standards, including Convention 102. It complements the Convention and other up-to-date standards in a number of respects. It brings back from the recommendations of 1944 poverty prevention and eradication as its main objective and priority. It brings universality of protection as an ultimate objective – although this can be only achieved gradually. It required countries to look at social protection and a comprehensive and coordinated system encompassing different types of schemes (social insurance, social assistance and others).<sup>71</sup>

The problem is that why now we have many international organisations supporting the objective of “universal social protection”, there is not necessarily agreement concerning the definition of universality, the methods and pace for achieving it. Many of the current partners (including funding donors) of the International Labour Office in implementing various social protection country projects are not necessarily paying too much attention to some of the principles embedded in Recommendation 202. For example, while the Recommendation and other ILO social security standards do not exclude means-testing as a method to deliver social assistance to the poor and vulnerable, in many countries many donor funded projects support the development of targeting methods which avoid the necessity to rely on qualified social workers (which these countries cannot afford) by relying on all kind of algorithms or “proxy” targeting and on introducing national

---

71 In 2023 European Union adopted the European Council Recommendation on adequate minimum income ensuring active inclusion (<http://ec.europa.eu/social/BlobServlet?docId=26076&langId=en>) which explicitly “builds on and complements the ILO Social Protection Floors Recommendation, which provides guidance to countries in extending social protection coverage by prioritising the establishment of national floors of social protection accessible to all in need” (p. 8) and has an objective to “ensure a life in dignity at all stages of life” (p. 24) by, among other things, setting the minimum income support benefits at the specified adequate levels by 2030. One of the reasons for the growing importance of minimum income guarantees in EU countries is that, as a result of the wave of reforms driven mainly by concerns related to the demographic ageing, for example future pension benefit levels in many EU countries will not meet the requirements of ratified ILO and European standards but also will not prevent many pensioners from falling into poverty (see International Labour Organization, *World Social Protection Report 2014/15*, 2014, pp. 92–93, Box 4.4, and also consecutive Pension Adequacy Reports published by the EU Commission).

registers of the poor and vulnerable.<sup>72</sup> Some of these designs do not consider the provisions of the Recommendation 202, like paragraph 3f:

respect for the rights and dignity of people covered by the social security guarantees and paragraph 23:

[countries] should establish a legal framework to secure and protect private individual information contained in their social security data systems.

ILO makes efforts to alert international and national partners to the provisions of the standards but for the governments and some donors, cost efficiency concerns or other priorities often prevail over the principles.<sup>73</sup> We thus end with a quote from a researcher:

[...] the recent calls for universalism represent a new interpretation of universalism that refers to individual entitlements to benefits rather than collective development, and that this global consensus was reached by constructing the norm in a way to leave room for interpretation and adaptation. However, the price of consensus is the attenuation of the norm, by allowing particularistic interpretations and by weakening the content of the right to social protection.<sup>74</sup>

72 S. Razavi, C. Behrendt et al., *Building universal social protection systems for all: What role for targeting?*, “Global Social Policy” 2022, Vol. 22, Issue 3; <https://doi.org/10.1177/14680181221121449>.

73 See for example: J. Seekings, *The limits to “global” social policy: The ILO, the social protection floor and the politics of welfare in Southern Africa*, “Global Social Policy” 2019, Vol. 19, Issue 1–2, and *idem*, *The vernacularisation of global rights discourses and social protection in regional African arena*, “Global Social Policy” 2021, Vol. 21, Issue 2; <https://doi.org/10.1177/1468018120978331>.

74 L. Leisering, *The calls for universal social protection by international organizations: Constructing a new global consensus*, “Social Inclusion” 2020, Vol. 8, Issue 1, p. 90.

Krzysztof Hagemeyer, Ph.D.  
Hochschule Bonn-Rhein-Sieg  
Formerly: International Labour Office  
ORCID: 0000-0003-0003-035X

## REFERENCES

- *Building Decent Societies: Rethinking the Role of Social Security in State Building*, ed. P. Townsend, London 2009.
- Cichon M., *Bob Deacon and the making of sausages*, “Global Social Policy” 2019, Vol. 19, Issue 1–2; <https://doi.org/10.1177/1468018119849206>.
- Cichon M., *Hardly Anyone Is Too Poor to Share: A Basic Level of Social Protection Is Affordable Nearly Everywhere*, “Finance & Development Magazine” December 2018, No. 14–15, <https://www.imf.org/en/Publications/fandd/issues/2018/12/affordabilityof-basic-social-protection-cichon> (18.7.2023).
- Cichon M., *Let Us Walk the Talk: The Right to Social Security and Social Protection – the Case for a New International Convention*, “Polityka Społeczna” 2020, Vol. 15, Issue 1,

[https://www.researchgate.net/publication/338711902\\_CENTENARY\\_OF\\_INTERNATIONAL\\_LABOUR\\_ORGANIZATION\\_AFTER\\_100\\_YEARS\\_OF\\_GLOBAL\\_SOCIAL\\_POLICY\\_WE\\_STILL\\_NEED\\_MORE\\_OF\\_IT\\_FROM\\_THE\\_EDITOR\\_POLITYKA\\_SPOLECZNA\\_ILO\\_CENTENARY\\_ISSUE](https://www.researchgate.net/publication/338711902_CENTENARY_OF_INTERNATIONAL_LABOUR_ORGANIZATION_AFTER_100_YEARS_OF_GLOBAL_SOCIAL_POLICY_WE_STILL_NEED_MORE_OF_IT_FROM_THE_EDITOR_POLITYKA_SPOLECZNA_ILO_CENTENARY_ISSUE) (18.7.2023).

- Cichon M., *The Social Protection Floors Recommendation*, 2012 (No. 202): *Can a Six-Page Document Change the Course of Social History?*, “International Social Security Review” 2013, Vol. 66, Issue 3–4; <https://doi.org/10.1111/issr.12017>.
- Cichon M., Hagemeyer K., *Changing the Development Policy Paradigm: Investing in a Social Security Floor for All*, “International Social Security Review” 2007, Vol. 60, Issue 2–3, <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-246X.2007.00275.x/pdf> (18.7.2023).
- Cichon M., Tumwesigye D., Pal K., Léger F., Vergnaud D., *Linking Community Initiatives to National Institutions: Ghana*, “International Social Security Review” 2003, Vol. 56, Issue 3–4.
- Committee of Experts on Application of Conventions and Recommendations, *Social Security and the rule of law. General Survey concerning social security instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization*, Report to the ILC, Geneva 2011.
- Committee of Experts on Application of Conventions and Recommendations, *Universal social protection for human dignity, social justice and sustainable development. General Survey concerning the Social Protection Floors Recommendation*, 2012 (No. 202), Geneva 2019.
- Committee on the Application of Standards, *Discussion of the General Survey concerning the Social Protection Floors Recommendation*, 2012 (No. 202), Verbatim document C.App./PV.General Survey, 2019, [https://www.ilo.org/ilc/ILCSessions/108/committees/standards/WCMS\\_710395/lang-en/index.htm](https://www.ilo.org/ilc/ILCSessions/108/committees/standards/WCMS_710395/lang-en/index.htm) (18.7.2023).
- De Schutter O., Sepúlveda S., *Underwriting the Poor: A Global Fund for Social Protection*, New York 2012.
- Deacon B., *Global social policy in the making: The Foundations of the Social Protection Floor*, Bristol 2013.
- Department for International Development, *Multilateral Aid Review. Ensuring maximum value for money for UK aid through multilateral organisations*, London 2011, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67583/multilateral\\_aid\\_review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/67583/multilateral_aid_review.pdf) (18.7.2023).
- FIAP, *Objectives*, <https://www.fiapinternacional.org/en/objectives/> (18.7.2023).
- Gassmann F., Behrendt Ch., *Cash Benefits in Low-Income Countries: Simulating the Effects on Poverty Reduction for Senegal and Tanzania*, Issues in Social Protection Discussion Paper, ILO, Geneva 2006, <https://www.social-protection.org/gimi/ShowResource.action?id=6813> (18.7.2023).
- Global Coalition for Social Protection Floors, *Civil society call for a global fund for social protection to respond to the COVID-19 crisis and to build a better future*, 2020, <https://socialprotectionfloorscoalition.org/civil-society-call/civil-society-call-for-a-global-fund-for-social-protection/> (18.7.2023).

- Hagemeyer K., *The right to social security and its implementation: What role ILO social security standards can play?* [in:] *Social Security Review: Evolution of Social Security in South Africa: An Agenda for Action*, eds. S. Motala, S. Ngandu, T. Hart, Pretoria 2021, <https://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=30588> (18.7.2023).
- International Labour Office, *A Fair Globalization: The Role of the ILO*, International Labour Conference, 92nd Session, Geneva 2004, <http://www.ilo.org/public/english/standards/reim/ilc/ilc92/pdf/adhoc.pdf> (18.7.2023).
- International Labour Office, *Can Low-Income Countries Afford Basic Social Security?*, Social Security Policy Briefings, Paper No. 3, Geneva 2008, <https://www.social-protection.org/gimi/RessourcePDF.action?id=5951> (18.7.2023).
- International Labour Office, *Social Security for Social Justice and a Fair Globalization: Recurrent Discussion on Social Protection (Social Security) under the ILO Declaration on Social Justice for a Fair Globalization*, Report VI, 100th Session of the International Labour Conference, Geneva 2011.
- International Labour Organization, *Exploring the Feasibility of a Global Social Trust: Report on the Results of a Feasibility Study and the Recommendations of an Interregional Meeting of Experts (Geneva, 14–16 May 2002)*, submitted to the ILO Governing Body: GB.285/ESP/4, Geneva 2002, <https://www.ilo.org/public/english/standards/reim/gb/docs/gb285/pdf/esp-4.pdf> (18.7.2023).
- International Labour Organization, *Improving Social Protection for the Poor – Health Insurance in Ghana: Final Report of the Ghana Social Trust Pre-Pilot Project*, Geneva 2005, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---soc\\_sec/documents/publication/wcms\\_secsec\\_9357.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_secsec_9357.pdf) (18.7.2023).
- International Labour Organization, *Minimum standards of social security, Report of the ILC*, 35th Session, 1952; Geneva 1951.
- International Labour Organisation, *Programme and budget for the biennium 2024–25*, Geneva 2023.
- International Labour Organization, *Progress evaluation of the Global Social Trust pilot project*, Submitted to the ILO Governing Body: GB.300/ESP/5, Geneva 2007, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_084171.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_084171.pdf) (18.7.2023).
- International Labour Organisation, *Record of proceeding (7A)*, Reports of the Recurrent Discussion Committee: Social protection (social security): Proposed resolution and conclusions submitted to the Conference for adoption, ILC 109th Session, 2021, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_804457.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_804457.pdf) (18.7.2023).
- International Labour Organisation, *Report V Submitted to the 109th Session of the International Labour Conference*, Geneva 2021, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_780953.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_780953.pdf) (18.7.2023).
- International Labour Organisation, *Social Security: A New Consensus*, Geneva 2001, <http://www.ilo.org/public/english/protection/secsoc/downloads/353sp1.pdf> (18.7.2023).

- International Labour Organisation, *Social security for all: Investing in global social and economic development. A consultation*, Issues in Social Protection Discussion Paper, Geneva 2006, [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms\\_126210.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms_126210.pdf) (18.7.2023).
- International Labour Organisation, *Social Security for All. The Strategy of the International Labour Organization, Resolution and conclusions concerning the recurrent discussion on social protection (social security)*, adopted at the 100th Session of the ILC, 2011.
- International Labour Organisation, *Tripartite Round Table on Pension Trends and Reforms (30 November–2 December and 4 December 2020)*, Record of proceedings (Meeting report) (18.7.2023).
- International Labour Organization, *World Social Protection Report 2014/15*, 2014.
- International Trade Union Confederation, *A Global Social Protection Fund Is Possible, Campaign Brief*, 2020, [https://www.ituc-csi.org/IMG/pdf/ituc\\_campaign\\_brief\\_-\\_a\\_global\\_social\\_protection\\_fund\\_en\\_v3.pdf](https://www.ituc-csi.org/IMG/pdf/ituc_campaign_brief_-_a_global_social_protection_fund_en_v3.pdf) (18.7.2023).
- Leisering L., *The calls for universal social protection by international organizations: Constructing a new global consensus*, “Social Inclusion” 2020, Vol. 8, Issue 1.
- Luis M., *Who Decides? Representation and Decision-Making at the International Labour Organization*, “International Development Policy” 2019, Vol. 11.
- Müller K., *Contested universalism: from bonosol to renta dignidad in Bolivia*, “International journal of social welfare” 2009, Vol. 18, Issue 2.
- Ortiz I., Durán-Valverde F., Urban S., Wodsak V., *Reversing Pension Privatizations: Rebuilding public pension systems in Eastern Europe and Latin America*, Geneva 2018.
- Pal K., Behrendt Ch., Léger F., Cichon M., Hagemeyer K., *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise*, Issues in Social Protection Discussion Paper 13, ILO, Geneva 2005, [https://www.ilo.org/secsoc/information-resources/publications-and-tools/Discussionpapers/WCMS\\_207725/lang-en/index.htm](https://www.ilo.org/secsoc/information-resources/publications-and-tools/Discussionpapers/WCMS_207725/lang-en/index.htm) (18.7.2023).
- Razavi S., Behrendt C., Nesterenko V., Orton I., Bista C.P., Chaves A.R., Stern-Plaza M., Wodsak V., *Building universal social protection systems for all: What role for targeting?*, “Global Social Policy” 2022, Vol. 22, Issue 3; <https://doi.org/10.1177/14680181221121449>.
- Scholz W., *The European Social Model and the International Labour Organization – Origins and Transformations*, “Polityka Społeczna” 2020, Vol. 15, Issue 1.
- Scholz W., Cichon M., Hagemeyer K., *Social Budgeting*, Geneva 2000.
- Schubert B., *Beware of the crocodile: Quantitative evidence on how universal old age grants distort the social assistance systems of low-income countries*, “Poverty and Public Policy” 2020, Vol. 12, Issue 2.
- Seekings J., *International actors and social protection* [in:] *Handbook on Social Protection Systems*, Cheltenham 2021; <https://doi.org/10.4337/9781839109119.00065> (18.7.2023).
- Seekings J., *The limits to “global” social policy: The ILO, the social protection floor and the politics of welfare in Southern Africa*, “Global Social Policy” 2019, Vol. 19, Issue 1–2.

- Seekings J., *The vernacularisation of global rights discourses and social protection in regional African arena*, "Global Social Policy" 2021, Vol. 21, Issue 2; <https://doi.org/10.1177/1468018120978331>.
- Social Protection Floor Advisory Group, *Social Protection Floor for a Fair and Inclusive Globalization, A Report of the Advisory Group Chaired by Michelle Bachelet and Convened by the ILO with the Collaboration of the WHO*, Geneva 2011, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_165750.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_165750.pdf) (18.7.2023).
- Suguru M., Behrendt Ch., Pal K., Léger F., *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise for Five Asian Countries*, Issues in Social Protection Discussion Paper, ILO, Geneva 2006, <http://www.social-protection.org/gimi/gess/RessFileDownload.do?resourceId=810> (18.7.2023).
- The Committee on the Application of Standards of the International Labour Conference, *A dynamic impact built on decades of dialogue and persuasion*, Geneva 2011.
- USP2030, *Together to Achieve Universal Social Protection by 2030 (USP2030) – A Call to Action*, Global Partnership for Universal Social Protection, 2019, <https://usp2030.org/> (18.7.2023).
- Uścińska G., *Europejskie standardy zabezpieczenia społecznego*, Warszawa 2005.
- White Ph., Hodges A., Greenslade M., *Guidance on measuring and maximizing value for money in social transfer programmes*, London 2013.
- World Commission on the Social Dimension of Globalization, *A Fair Globalization – Creating Opportunities for All*, Geneva 2004, <http://www.ilo.org/public/english/wcsdg/docs/report.pdf> (18.7.2023).





# Individual funded pension accounts and the World Bank: evolving views<sup>1</sup>

## Authors contribution:

A – Research project  
B – Data collection  
C – Statistical analysis  
D – Data interpretation  
E – Manuscript preparation  
F – Literature analysis  
G – Fundraising

<sup>E,G</sup> Nicholas Barr

European Institute  
London School of Economics  
ORCID: 0000-0002-5325-2055

**Introduction:** This paper sets out a brief history of World Bank involvement in pensions. Section 1 considers the period 1980–2000, and in particular a major pension reform in Chile in 1981 and the World Bank's support for that approach, discussing the reforms and how well, or otherwise, they performed. Section 2 explains increasing diversity of views within the World Bank, and section 3 the more balanced view of recent years.

**Objective:** The main goal of the presented article is to provide a comprehensive analysis of the evolution and controversies surrounding individual funded pension accounts, with a primary focus on the Chilean model and its global impact. The article aims to critically examine the historical context, the World Bank's role, internal and external debates, and recent developments in pension policy. Ultimately, it seeks to foster a more balanced understanding of pension systems, acknowledging their complexities, objectives beyond consumption smoothing, and the need for responsive policy adjustments in the face of real-world challenges.

**Materials and methods:** The analysis is based on historical and policy documents, literature review, comparative analysis, qualitative assessments, and policy evaluation.

**Results:** The main conclusion of the article is that the widespread adoption of individual funded pension accounts, as championed by the World Bank and initially implemented in Chile, has faced significant challenges and limitations. While these accounts were promoted as a panacea for pension reform challenges, the article argues that they have not lived up to their promises. Issues such as incomplete coverage, inadequate pensions, high administrative charges, gender inequality, and fiscal transition costs have raised concerns. The article also highlights a shift in recent years toward a more balanced and comprehensive approach to pension policy, emphasizing the importance of addressing poverty relief and broader social protection objectives.

**Key words:** funded pensions, pension reform in Chile, pension schemes, the old age crisis, World Bank

## Indywidualne kapitałowe konta emerytalne a Bank Światowy: ewolucja perspektywy

**Wprowadzenie:** W artykule przedstawiono krótką historię zaangażowania Banku Światowego w kwestię emerytur. W pierwszej części przedstawiono działania w latach 1980–2000, w szczególności poważną reformę emerytalną w Chile w 1981 r. oraz wsparcie jej założen przez Bank Światowy. Przy omówieniu reform wskazano na ich skuteczność lub jej brak. Druga część artykułu wyjaśnia rosnącą różnorodność poglądów przedstawianych przez Bank Światowy, a trzecia część prezentuje jego bardziej zrównoważone podejście z ostatnich lat do omawianych zagadnień.

**Cel:** Głównym celem artykułu jest przedstawienie wszechstronnej analizy ewolucji indywidualnych kapitałowych kont emerytalnych i kontrowersji z nimi związanych, ze szczególnym uwzględnieniem modelu chilijskiego i jego globalnego wpływu. Artykuł ma także za zadanie krytycznie zbadać kontekst historyczny roli Banku Światowego, jego debat wewnętrznych i zewnętrznych oraz ostatnie wydarzenia w polityce emerytalnej. Ostatecznie tekst ma promować bardziej wyważone podejście do systemów emerytalnych, uznając ich złożoność, dążenia wykraczające poza wygładzanie konsumpcji oraz potrzebę reaktywnego dostosowania polityki w obliczu realnych wyzwań.

**Materiały i metody:** Przeprowadzono analizę dokumentów historycznych i politycznych, dokonano przeglądu literatury, analizy porównawczej, ocen jakościowych i oceny polityki.

**Wyniki:** Głównym wnioskiem płynącym z artykułu jest to, że powszechne przyjęcie indywidualnych kapitałowych kont emerytalnych, za którym opowiadał się Bank Światowy, napotkało poważne wyzwania i ograniczenia. Chociaż konta te były promowane jako panaceum na wyzwania emerytalne, w artykule dowodzi się, że nie spełniły one pokładanych w nich obietnic. Zaniepokojenie budzą takie kwestie, jak niepełne ubezpieczenie, nieodpowiednie emerytury, wysokie opłaty administracyjne, nierówność płci i koszty transformacji fiskalnej. W niniejszym tekście zwrócono uwagę także na zmianę, jaka nastąpiła w ostatnich latach, w kierunku bardziej zrównoważonego i kompleksowego podejścia do polityki emerytalnej, podkreślono przy tym znaczenie zajęcia się kwestiami ograniczania ubóstwa i szerszymi celami ochrony społecznej.

**Słowa kluczowe:** emerytury kapitałowe, reforma emerytalna w Chile, systemy emerytalne, kryzys emerytalny, Bank Światowy

Submitted: 24.5.2023

Accepted: 14.9.2023

DOI: 10.5604/01.3001.0053.8834

<sup>1</sup> This chapter draws on N. Barr, *The Economics of the Welfare State*, 6th edition, Oxford and New York 2020 (in Polish: *Ekonomia polityki społecznej*, Poznań 2016, 5th edition), and N. Barr and P. Diamond, *Pension Reform: A Short Guide*, New York and Oxford 2010; *idem*, *Better pension design*, OUP, forthcoming). I am grateful to Michał Rutkowski for helpful comments. The views expressed and remaining errors are my responsibility.

# Chile and the World Bank in the 1980s and 90s

## Reform in Chile and other countries<sup>2</sup>

In the years around 1980 the Pinochet dictatorship in Chile introduced a series of market-oriented reforms under the influence of the “Chicago Boys”, a group of Chilean economists trained at the University of Chicago under the tutelage of the influential pro-market economist Milton Friedman.

As part of those reforms, in 1981 Chile replaced its previous complex system of pay-as-you-go (PAYG)<sup>3</sup> plans with mandatory membership of fully-funded individual accounts chosen from competing private providers (called *administradoras de fondos de pensiones* – AFPs), together with a guaranteed minimum pension for workers with 20 or more years of contributions. Workers were required to contribute 10% of earnings, with no employer contribution. Retirement age was 65 for men and 60 for women, with provision for early retirement for someone with a large enough accumulation.

To limit conflicts of interest, accounts were managed by single-purpose firms independent of other providers of financial services. Firms were able to set their own fees. The only role of employers was to collect contributions and pass them on to each worker’s chosen fund, and the only role of government was to regulate the system, i.e. government had no role in investing funds.

In short, the design was based on a model of choice and competition (what economists call a “first-best” model), which assumes that consumers are well-informed and act rationally, hence competition would have its textbook advantages of responding to consumer choice and driving down costs.

Great claims were made for the reforms. In the words of the Minister of Labour and Social Security at the time, the new arrangements,

[...] will bring about real competition in favour of taxpayers, who will give the final verdict in favour of the most efficient and secure, as they will be free to choose, on a permanent and individual basis, the institution where their savings will be capitalised. Competition will reinforce the efficiency, stability and security of the new system, while ensuring that no undue powers are created, as all will be equally subject to strict and objective rules.<sup>4</sup>

2 For fuller discussion, see N. Barr, P. Diamond, *Pension Reform...*, op. cit., chapters 9 and 10.

3 PAYG pensions are paid out of current revenue. Funded pensions are paid from an accumulated fund built up over a period of years out of contributions by or on behalf of plan members.

4 “Con esto se logrará una competencia real que favorecerá a los imponentes, quienes darán el veredicto final en favor de las más eficientes y seguras, pues tendrán libertad para elegir, en forma permanente e individual, la institución donde se capitalizarán sus ahorros. La competencia reforzará la eficiencia, estabilidad y seguridad del nuevo sistema, a la vez que garantizará que no se generen poderes indebidos, pues todas estarán sometidas por igual a reglas estrictas y objetivas” (quoted in J. Piñera, *Discurso del Ministro del Trabajo y Previsión Social, con motivo de la Aprobación de la Reforma Previsional* (Speech by the Minister of Labour and Social Security after the approval of the Chilean Pension Reform) [in:] *Análisis de la Previsión en Chile*, ed. S. Baeza, Santiago de Chile 1986, pp. 193–206).

In a widely-read book written 10 years after the reform, its main architect José Piñera<sup>5</sup> wrote that,

If everything went reasonably well, our calculations indicated that a contribution rate of 10% of monthly income would generate a benefit equivalent to 70% of their income at the end of their working life, which estimates suggest would offer a standard of living similar to final pay because a retiree has fewer expenses than the active labor force (workwear, transportation, education of children, and so on) assuming the presence of good health insurance.<sup>6</sup>

As section 1.3 describes, events did not bear out those claims.

The Chile reforms were widely influential.

Beginning in the 1990s, Peru (1993), Argentina (1994), Colombia (1994), Uruguay (1996), Bolivia (1997), Mexico (1997), El Salvador (1998), Ecuador (2001), Costa Rica (2001), the Dominican Republic (2003–05), and Panama (2005–07) introduced structural reforms. These reforms had distinct aspects and characteristics, but they all shared a common objective: to make their social protection systems viable [...], or in other words to ensure that they are funded in the medium and long term.<sup>7</sup>

In Central and Eastern Europe, funded individual accounts were introduced in Hungary (1998), Poland (1999), Latvia (2001), Bulgaria (2002), Estonia (2002), Lithuania (2004), Slovakia (2005) and Romania (2008). Funded individual accounts were also introduced in China (1998), Hong Kong (2000), Nigeria (2004) and Ghana (2010).

## The early role of the World Bank

The Chile reforms were widely promoted by the World Bank, notably in the 1994 volume *Averting the Old Age Crisis* and in a later World Bank publication.<sup>8</sup> According to Orenstein<sup>9</sup>,

To a large extent, pension privatization was fostered by a transnational advocacy campaign that started with Chilean consultants and multinational companies in Latin America and later took hold of the Social Protection and Labour sector of the World

5 J. Piñera, *El cascabel al gato: la batalla por la reforma previsional*, 1991, p. 18, [http://www.josepinera.org/zrespaldo/el\\_cascabel\\_al\\_gato.pdf](http://www.josepinera.org/zrespaldo/el_cascabel_al_gato.pdf) (13.5.2023).

6 “Si todo iba razonablemente bien, nuestros cálculos indicaban que ahorrando mensualmente un 10% de la remuneración, las pensiones podrían alcanzar montos equivalentes al 70% de ella al final de la vida de trabajo. Se estima que una pensión de este orden permite al trabajador un nivel de la vida similar al de antes, ya que el pensionado tiene menos gastos que el trabajador activo (ropa de trabajo, locomoción, hijos en el colegio, etc.) siempre que exista un buen seguro de salud.”

7 R. Rofman, I. Apella, *Argentina* [in:] *Beyond Contributory Pensions: Fourteen Experiences with Coverage Expansion in Latin America*, eds. R. Rofman, I. Apella, E. Vezza, Washington, D.C. 2015, p. 16, <https://openknowledge.worldbank.org/handle/10986/20602> (13.5.2023).

8 R. Holzmann, R. Hinz, *Old Age Income Support in the 21st century: An International Perspective on Pension Systems and Reform*, World Bank, Washington, D.C. 2005.

9 M. Orenstein, *Pension Privatization in Crisis: Death or Rebirth of a Global Policy Trend?*, “International Social Security Review” July 2011, Vol. 64, Issue 3, p. 66.

Bank. The World Bank, after the 1994 publication of its landmark volume *Averting the old age crisis*, played an enormous role in advocating mandatory funded pensions in Central and Eastern Europe in the 1990s and 2000s’.

Though the international influence of the World Bank was considerable, views within the Bank were not monolithic. Even in the 1990s there was some diversity of internal views and country recommendations, explored in more detail in section 2. In contrast, the Bank’s external publication were considerably more monolithic.

## How well did the reforms work?

The Chile Bravo Commission<sup>10</sup> documented a series of continuing concerns with individual accounts:

- Incomplete coverage, mainly because of continued informality.
- Inadequate pensions, mainly because of incomplete contribution records.
- Continued high administrative charges, despite attempts to improve the system, because many people did not move to AFPs with lower charges.
- Gender inequality, given women’s multiple disadvantage: lower hourly pay on average, more part-time work and more career breaks all lead to smaller pension accumulations. In addition, a lower retirement age for women and separate life tables for calculating annuities lead to a lower pension for a given accumulation.
- Hostility towards the AFP system, though with lack of clarity about whether the discontent was with the system itself (in particular its origin under the dictatorship) or because pensions fell short of what people had been led to expect.

An additional problem is that a move from PAYG to funding has a significant fiscal cost: if workers’ contributions go into their individual accounts they cannot be used to finance the pensions of workers who have already retired, whose cost has to be met from government sources. These are referred to as “transition costs”, which sounds fairly small and short-lived. Neither is true: between 1981–2004 annual public pension spending in Chile, though not all attributable to transition costs, averaged 5.7% of GDP. Though Chile was able to cope, in many other countries the fiscal system was not robust enough to meet those costs, particularly after the 2008 economic crisis.

Responses took different forms<sup>11</sup>:

- An orderly retreat from funding: Estonia, Latvia, Lithuania, Poland and Romania retained individual accounts but changed the balance of contributions, so that less went to individual accounts and more to finance PAYG benefits.
- Non-implementation of reform: China introduced funded individual accounts in 1998, but in practice the reforms for the most part did not get off the ground.

<sup>10</sup> Chile Presidential Advisory Commission on the Pension System (the Bravo Commission), *Final Report*, 2015, <http://www.comision-pensiones.cl/report.html> (13.5.2023).

<sup>11</sup> For fuller discussion, see M. Orenstein, op. cit.

- Appropriation of pension funds: in 2008, the government of Argentina nationalized the private pension system, putting assets worth about 10 per cent of GDP at the government's disposal. In Hungary,

In 2010, the [...] government *de facto* “nationalized” the second pillar, and it is to use part of the accumulated pension capital to reduce Hungary's excessive public debt and annual budget deficit and to compensate for income tax reductions.<sup>12</sup>

## Why those outcomes were no accident

Nicholas Barr and Peter Diamond<sup>13</sup> set out a series of analytical errors in the World Bank's pension analysis, of which three are particularly relevant for the purposes of this paper.

### 1) Inappropriate use of the simple model of choice and competition.

A large literature explains why basing the 1981 reforms on first-best analysis was mistaken.

Most branches of science have special and limiting cases. In physics, there is zero gravity and a perfect vacuum; in engineering, zero friction. These cases provide benchmarks from which to judge what happens when these conditions are relaxed. But it would be useless to build machines or set up experiments by relying on an understanding of what happens only in these special states.<sup>14</sup>

Pensions display multiple deviations from the assumptions of the simple model.

Imperfect information (Nobel Prize 2001): many workers do not understand basic financial concepts such as the difference between stocks and bonds; many do not understand the need to move from stocks to bonds as they approach retirement; and many do not understand the importance of administrative charges (over a full career, a 1% annual management charge results in an accumulation at retirement about 20% smaller because of the charge than it would be without, and hence a pension about 20% smaller).

Lessons from behavioural economics (Nobel Prize 2002 and 2017): simple theory predicts that workers will voluntarily save the right amount and retire at the right time. The practice is very different: given the complexity of many financial products, workers may not know what is the right thing to do (known as bounded rationality); or they may know what they should do (e.g. save more), but do not do so (bounded will power). As a result, people often do not save enough, retire too soon, delay choice or make no choice, choose an unsuitable adviser, and/or choose an unsuitable portfolio.

<sup>12</sup> A. Simonovits, *The mandatory private pension pillar in Hungary: An obituary*, “International Social Security Review” July–September 2011, Vol. 64, No. 3, abstract.

<sup>13</sup> N. Barr, P. Diamond, *Reforming pensions: Principles, analytical errors and policy directions*, “International Social Security Review” 2009, Vol. 62, No. 2, pp. 13–17, and more fully *idem*, *Pension Reform...*, op. cit., chapter 11.

<sup>14</sup> P. Woolley, *The Fallibility of the Efficient Market Theory: A New Paradigm*, “CFA Institute Conference Proceedings Quarterly” 2014, Second Quarter, p. 1.

Firms can exploit limited consumer information: they may levy high charges often with little relation to fund performance; they may give biased advice; and there are examples of outright fraud.

2) Failure to view the pension system as a whole.

Pensions have multiple objectives: consumption smoothing (i.e. redistributing from one's younger to one's older self); insurance (e.g. buying an annuity to insure against outliving one's life expectancy), and poverty relief. Individual funded accounts are an instrument for consumption smoothing but by their very construction, do not provide poverty relief for workers with low incomes and/or with few or no contributions. It is mistaken to give undue focus to consumption smoothing while ignoring or understating the parts of the pension system that address the other objectives.

3) Misplaced claims that funding is generally superior.

World Bank publications wrote as though the Chile design was superior to other designs. To explain why the assertion of innate superiority is mistaken, consider a country with no pension. If the country introduces a PAYG plan, the contributions of today's workers pay the pensions of today's elderly; thus the first generation of elderly receives a pension. But if the country introduces a funded plan, the contributions of today's workers go into their own pension funds, so the first generation of elderly does not receive a pension. Thus the choice between PAYG and funding is inescapably also a choice about the intergenerational distribution of income.

Economists define an increase in efficiency (known as a Pareto gain) as a situation where a change makes at least one person better off and nobody worse off. The choice of funding above or, more generally, an increase in the degree of funding in a pension plan, does not comply with that definition. Thus the claim that individual funded accounts are inherently superior to PAYG is mistaken.

---

## Doubts within the World Bank grow in prominence

### World Bank analysis

As noted, the World Bank's flagship presentation on pensions, *Averting the Old Age Crisis*, published in 1994 with a large dissemination budget, recommended a move to individual accounts from competing private providers, of the sort pioneered in Chile. Many of the reforms in Latin America in the 1990s and early 2000s took this approach.

A less radical strand of thinking saw the introduction of smaller individual funded accounts as a complement to PAYG state pensions rather than a substitute, the view being

that a funded element would diversify risk, exemplified by *Security through Diversity* in the title of Agnieszka Chłoń, Marek Góra and Michał Rutkowski.<sup>15</sup> Most of the reforms in Central and Eastern Europe in the 1990s took this less radical approach.

Even in the 1990s, however, there was some scepticism. A World Bank book which I edited, *Labor markets and social policy in Central and Eastern Europe: The transition and beyond*,<sup>16</sup> was widely read, both because of its scope (labour markets and social policy broadly defined) and because it argued that individual accounts were not the only option, and not an easy one. The 1996 *World Development Report: From Plan to Market*<sup>17</sup> took a similar line.<sup>18</sup>

Disagreement within the World Bank widened in the early 2000s. One line of criticism, set out in *Keeping the Promise of Social Security in Latin America*<sup>19</sup> was that – at least in Latin America – the push to funding diverted attention from other important objectives of the pension system, in particular poverty relief. The inside story illustrates the debate within the Bank: the book was published only because the Vice-President of the Bank's Latin America and Caribbean region fought off internal opposition; and, as a result of that opposition, the book was never translated into Spanish.

A different critique came from a hard-hitting report by the Bank's Independent Evaluation Group, i.e. a World Bank critique of its own work. The study identified a number of policy errors. The list of figures in the report's table of contents<sup>20</sup> tells a powerful story of reforms that were implemented when one or more important preconditions were absent. Examples included:

- insufficient emphasis on public administration;
- many countries had high inflation at the time of reform;
- several countries had high budget deficits at the time of reform;
- several countries had poor financial sectors;
- many reformers had poor corruption indexes;
- despite predictions to the contrary, participation rates did not rise in Latin America.

Another strand in World Bank work was the exploration of notional-defined contribution (NDC) pensions.<sup>21</sup> In an NDC plan individual accounts are based not on an accumulation of financial assets but on a notional accumulation made of up a record

15 A. Chłoń, M. Góra, M. Rutkowski, *Shaping pension reform in Poland: Security through Diversity*, Pension Reform Primer series, Social Protection Discussion Paper No. 9923, Washington, D.C. 1999.

16 *Labor Markets and Social Policy in Central and Eastern Europe: The Transition and Beyond*, ed. N. Barr, World Bank, 1994.

17 World Bank, *World Development Report: From Plan to Market*, New York 1996.

18 Full disclosure: I was one of the authors.

19 I. Gill, T. Packard, J. Yermo, *Keeping the Promise of Social Security in Latin America*, Stanford 2005.

20 World Bank, *Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance*, Washington, D.C. 2006, p. v, <https://openknowledge.worldbank.org/handle/10986/6956> (13.5.2023).

21 *Pension Reform: Issues and Prospects for Non-Financial Defined Contribution (NDC) Schemes*, eds. R. Holzmann, E. Palmer, Washington, D.C. 2006; *Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World*, eds. R. Holzmann, E. Palmer, D. Robalino, Vol. 1 and 2, Washington, D.C. 2012; *Progress and Challenges of Nonfinancial Defined Pension Schemes*, eds. R. Holzmann, E. Palmer et al., Vol. 1 and 2, Washington, D.C. 2019.

of a worker's contributions over the years, each year attributing to the accumulation a notional interest rate, typically linked to the growth either of average wages (hence linked to living standards) or to the total wage bill, hence taking account also of labour market developments. The arrangement, developed in Sweden, was introduced in Latvia in 1996, Poland in 1999 and Norway in 2011.

## Other actors

The World Bank's position was both controversial and contested. The International Monetary Fund's approach was more sceptical since its emphasis on sound fiscal policy made it acutely aware of the transition costs of a move towards funding. Successive editions of the OECD's *Pensions at a Glance* were more broad ranging in their policy analysis. The International Labour Office (ILO), with its remit to ensure good jobs, including good pensions, was a steadfast opponent of the World Bank's position.<sup>22</sup>

My early writing<sup>23</sup> criticised what I regarded as the over-selling of the Chile model and its one-size-fits all nature, a view shared by P. Diamond.<sup>24</sup> Both themes were picked up and amplified in our later writing.<sup>25</sup> On a personal note, given the tortured publication history of *Keeping the Promise*, I was pleased when P. Diamond's and my 2010 book, which stressed the importance of looking at pension systems holistically, was translated into Spanish.

## The view from outside

Notwithstanding some diversity of internal views, in the 1990s the World Bank's external communications were much more monolithic. Partly for that reason, and partly because it can take a long time for perceptions to catch up with reality, the widespread view in the outside world was that the World Bank regarded individual accounts as the central element in a pension system. To a significant extent that view remains widespread, particularly among politicians and civil servants. And, whether or not that view is accurate, its persistence is a major reason for this paper.

22 R. Beattie, W. McGillivray, *A risky strategy: Reflections on the World Bank Report Averting the old age crisis*, "International Social Security Review" 1995, Vol. 48, Issue 3.

23 *Labor Markets and Social Policy in Central and Eastern Europe...*, op. cit., chapter 9; N. Barr, *Comment on "Government Provision and Regulation of Economic Support in Old Age," by Peter Diamond* [in:] *Annual World Bank Conference on Development Economics 1995*, eds. M. Bruno, B. Pleskovic, Washington, D.C. 1996; *idem*, *Pensions: How much choice?*, CENIE International Centre on Aging, 21 April 2022, <https://cenie.eu/en/pensions-how-much-choice> (13.5.2023).

24 P. Diamond, *Government Provision and Regulation of Economic Support in Old Age* [in:] *Annual World Bank Conference on Development Economics 1995*, eds. M. Bruno, B. Pleskovic, Washington, D.C. 1996.

25 N. Barr, P. Diamond, *The Economics of Pensions*, "Oxford Review of Economic Policy" 2006, Spring, Vol. 22, No. 1, pp. 15–39, <https://doi.org/10.1093/oxrep/grj002> (13.5.2023); *idem*, *Reforming pensions: Principles, analytical errors and policy directions*, "International Social Security Review" 2009, Vol. 62, No. 2, pp. 5–29; *idem*, *Pension Reform...*, op. cit.



## Recent years: A more balanced view

### World Bank analysis

In the years since 2015 the centre of gravity of the World Bank's work on pensions has shifted to a more broadly based view, both of pension design *per se* and of the place of pensions in wider systems of social protection. The approach is exemplified by an ambitious study<sup>26</sup> which considers social protection in the context of the changing nature of work.<sup>27</sup> The analysis is based explicitly round multiple objectives, including poverty relief and consumption smoothing, and with a particular emphasis on risk sharing indicated in the book's title, *Protecting All: Risk Sharing for a Diverse and Diversifying World of Work*. The analysis fits well with earlier analysis by Santiago Levy<sup>28</sup> which argued that the finance of benefits aimed mainly at poverty relief and insurance should be largely decoupled from employment-related contributions.

A second piece of work<sup>29</sup> broadens the canvas further by considering a range of options for a universal basic income.

More recently, responding to the crisis caused by the COVID-19 pandemic absorbed considerable bandwidth at the World Bank, notably what the Bank called a *Living paper* on social protection and job responses to the pandemic<sup>30</sup> i.e. a document published online and regularly updated.

### Chile update

A sign of good government is that it adjusts policy to address design flaws as they become apparent. To a significant extent that has been the story in Chile.

One line of evolution related to attempts to improve regulation as it became apparent that workers do not act like well-informed active consumers. Such regulation concerned the risk profile of funds and attempts to reduce charges. A notable reform in 2008, a recommendation of the 2006 Marcel Commission, introduced a competitive auction mechanism under which AFPs bid for all new entrants to the labour force, who have to stay with the winning bidder for at least 18 months. The AFP had to offer the same low

26 T. Packard, U. Gentilini et al., *Protecting All: Risk Sharing for a Diverse and Diversifying World of Work*, Washington, D.C. 2019, <http://documents1.worldbank.org/curated/en/997741568048792164/pdf/Protecting-All-Risk-Sharing-for-a-Diverse-and-Diversifying-World-of-Work.pdf> (13.5.2023); M. Rutkowski, *Reimagining Social Protection, Finance and Development*, 2018.

27 Full disclosure: I was an adviser to the project.

28 S. Levy, *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico*, Washington, D.C. 2008; for a recent summary, see *idem*, *The great failure: Retirement pensions in Latin America*, 27 January 2017, <https://www.brookings.edu/articles/the-great-failure-retirement-pensions-in-latin-america/> (13.5.2023).

29 *Exploring Universal Basic Income: A Guide to Navigate Concepts, Evidence, and Practices*, eds. U. Gentilini, M. Grosh et al., Washington, D.C. 2019.

30 *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures*, eds. U. Gentilini, M. Almenfi et al., World Bank, Washington, D.C. 2020, <https://openknowledge.worldbank.org/handle/10986/33635> (13.5.2023).

commission for at least 18 months to its existing members and to any new members. Though bringing about some improvement, the effect was limited (Table 9).<sup>31</sup>

A second, hugely important reform emerging from the Marcel Commission was the introduction in 2008 of a solidarity pension for the lowest 60% of pensioners – a non-contributory pension as a complement to individual accounts. As noted, a well-designed pension system addresses consumption smoothing, insurance and poverty relief. The AFP system, with only limited poverty relief, mainly provided consumption smoothing – thus, it can be argued, the 1981 arrangements were not a pension system but only part of a pension system. The 2008 reforms created a more rounded structure. The advantage of the solidarity pension is its wide coverage, including people in the informal sector and workers with incomplete contribution records. Since women are over-represented in both groups, the solidarity pension also makes a major contribution to gender equity.

Notwithstanding these improvements, persistent discontents with the AFP system remained, listed in section 1.3, above. The 2015 Bravo Commission made a number of recommendations, including enlarging the solidarity pension, but failed to reach agreement on reforms, if any, to the AFP system.<sup>32</sup>

Events have moved on since then. First, in June 2020, in response to the COVID-19 pandemic, Chileans were allowed to withdraw 10 per cent of their pension accumulation, and on each of two further occasions allowed a similar withdrawal. In total, about 25 per cent of total pension savings were withdrawn. Policies of this sort can be criticised because they reduce future pensions; and since early withdrawal is likely to be most acute for lower earners, are likely to have the greatest impact on people with smaller accumulations.

Separately, in November 2022 a new government outlined a set of structural reform proposals.<sup>33</sup> One strand is an additional contribution to reinforce the PAYG element provided by the non-contributory pension. Second, AFPs would no longer provide both account administration (i.e. record keeping, etc.) and fund management (i.e. deciding which financial assets to hold). Instead, account administration and fund management would be separated, with a central clearing house for record keeping (as, for example, in Sweden), and with fund management on a wholesale basis by the AFPs and by a new, government-organised fund manager.

Although at the time of writing details remain a work in progress, the proposals have features in common with N. Barr and P. Diamond's<sup>34</sup> evidence to an Australian inquiry which emphasised the potential role of simple, cheaply-managed individual accounts with a well-designed default and very limited choice, along the lines of the National

31 Chile Presidential Advisory Commission on the Pension System (the Bravo Commission), *Final Report*, 2015, <http://www.comision-pensionones.cl/report.html> (13.5.2023).

32 For a summary of the controversy see N. Barr, P. Diamond, *Reforming pensions in Chile*, "Polityka Społeczna" 2016, No. 1, [http://econ.lse.ac.uk/staff/nb/Barr\\_and\\_Diamond\\_2016\\_Chile.pdf](http://econ.lse.ac.uk/staff/nb/Barr_and_Diamond_2016_Chile.pdf) (13.5.2023).

33 Government of Chile, *Find out more about the pension reform and how it will substantially increase pensions in Chile*, 3 November 2022, <https://www.gob.cl/en/news/find-out-more-about-pension-reform-and-how-it-will-substantially-increase-pensions-chile/> (13.5.2023).

34 N. Barr, P. Diamond, *Designing a default structure: Submission to the Inquiry into Superannuation: Assessing Efficiency and Competitiveness*, Australia Productivity Commission, 2017, [https://www.pc.gov.au/\\_\\_data/assets/pdf\\_file/0015/221703/sub074-superannuation-assessment.pdf](https://www.pc.gov.au/__data/assets/pdf_file/0015/221703/sub074-superannuation-assessment.pdf) (13.5.2023).

Employment Savings Trust (NEST pensions) pioneered in the UK ([www.nestpensions.org.uk](http://www.nestpensions.org.uk)). The same evidence suggested two principles of good design: that where someone wants to make choices about pensions and retirement, the system should assist them; but the system should be designed to work well also for someone who makes no choice – and making no choice should be an entirely acceptable option.

In Chile, much detail has yet to be determined, with particular concern that government should not be involved in fund management (in the UK NEST arrangement all fund management is outsourced to private fund managers). Viewed from the outside, a move to an arrangement more like NEST would combine the principles of individual accounts (i.e. private property) with design that respects the findings of information and behavioural economics, in particular the limitations of individual choice in the face of complexity<sup>35</sup>. To that extent there is the possibility of having the best of both worlds.

To end on a personal note, I have made many trips to Chile, to spend time with the Marcel Commission and as a member of the Bravo Commission. One of the great strengths of the country is that laws are passed, and are then implemented and adhered to. Thus, in sharp contrast with many other countries and despite intense debate, individual accounts remain intact (albeit subject to higher administrative charges than are necessary or desirable and with the withdrawals outlined above). The contrast with Argentina is stark. However, the fact that in that sense the 1981 reforms broadly succeeded is double-edged. Introducing and maintaining individual accounts is administratively, fiscally and politically demanding – more so than was fully appreciated in 1981. Thus many countries followed Chile's lead, and most were unable to carry the reform through successfully. To that extent (as I have said to friends in Chile), Chile did not do the world a favour.

To end on a personal note, I have made many trips to Chile, to spend time with the Marcel Commission and as a member of the Bravo Commission. One of the great strengths of the country is that laws are passed, and are then implemented and adhered to. Thus, in sharp contrast with many other countries and despite intense debate, individual accounts remain intact (albeit subject to higher administrative charges than are necessary or desirable and with the withdrawals outlined above). The contrast with Argentina is stark. However, the fact that in that sense the 1981 reforms broadly succeeded is double-edged. Introducing and maintaining individual accounts is administratively, fiscally and politically demanding – more so than was fully appreciated in 1981. Thus many countries followed Chile's lead, and most were unable to carry the reform through successfully. To that extent (as I have said to friends in Chile), Chile did not do the world a favour.

<sup>35</sup> For fuller discussion, see N. Barr, *Pensions: How much choice?*, CENIE International Centre on Aging, 21 April 2022, <https://cenie.eu/en/pensions-how-much-choice> (13.5.2023).

*Professor Nicholas Barr*  
*European Institute*  
*London School of Economics*  
 ORCID: 0000-0002-5325-2055

## REFERENCES

- Barr N., *Comment on “Government Provision and Regulation of Economic Support in Old Age,” by Peter Diamond* [in:] *Annual World Bank Conference on Development Economics 1995*, eds. M. Bruno, B. Pleskovic, Washington, D.C. 1996.
- Barr N., *Pension Design and the Failed Economics of Squirrels*, “LSE Public Policy Review” 2021, Vol. 2, Issue 1; <https://doi.org/10.31389/lseppr.40>.
- Barr N., *Pensions: How much choice?*, CENIE International Centre on Aging, 21 April 2022, <https://cenie.eu/en/pensions-how-much-choice> (13.5.2023).
- Barr N., *The Economics of the Welfare State*, 6th edition, Oxford and New York 2020.
- Barr N., Diamond P., *Better pension design*, OUP, forthcoming.
- Barr N., Diamond P., *Designing a default structure: Submission to the Inquiry into Superannuation: Assessing Efficiency and Competitiveness*, Australia Productivity Commission, 2017, [https://www.pc.gov.au/\\_data/assets/pdf\\_file/0015/221703/sub074-superannuation-assessment.pdf](https://www.pc.gov.au/_data/assets/pdf_file/0015/221703/sub074-superannuation-assessment.pdf) (13.5.2023).
- Barr N., Diamond P., *Pension Reform: A Short Guide*, New York and Oxford 2010.
- Barr N., Diamond P., *Reforming pensions: Principles, analytical errors and policy directions*, “International Social Security Review” 2009, Vol. 62, No. 2.
- Barr N., Diamond P., *Reforming pensions in Chile*, “Polityka Społeczna” 2016, No. 1, [http://econ.lse.ac.uk/staff/nb/Barr\\_and\\_Diamond\\_2016\\_Chile.pdf](http://econ.lse.ac.uk/staff/nb/Barr_and_Diamond_2016_Chile.pdf) (13.5.2023).
- Barr N., Diamond P., *The Economics of Pensions*, “Oxford Review of Economic Policy” 2006, Vol. 22, No. 1, Spring; <https://doi.org/10.1093/oxrep/grj002>.
- Beattie R., McGillivray W., *A risky strategy: Reflections on the World Bank Report Averting the old age crisis*, “International Social Security Review” 1995, Vol. 48, Issue 3.
- Chile Presidential Advisory Commission on the Pension System (the Bravo Commission), *Final Report*, 2015, <http://www.comision-pensiones.cl/report.html> (13.5.2023).
- Chłoń A., Góra M., Rutkowski M., *Shaping pension reform in Poland: Security through Diversity*, Pension Reform Primer series, Social Protection Discussion Paper No. 9923, World Bank, Washington, D.C. 1999.
- Diamond P., *Government Provision and Regulation of Economic Support in Old Age* [in:] *Annual World Bank Conference on Development Economics 1995*, eds. M. Bruno, B. Pleskovic, Washington, D.C. 1996.
- *Exploring Universal Basic Income: A Guide to Navigate Concepts, Evidence, and Practices*, eds. U. Gentilini, M. Grosh, J. Rigolini, R. Yemtsov, Washington, D.C. 2019.
- Gentilini U., Almenfi M., Orton I., Dale P., *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures*, Washington, D.C. 2020, <https://openknowledge.worldbank.org/handle/10986/33635> (13.5.2023).
- Gill I., Packard T., Yermo J., *Keeping the Promise of Social Security in Latin America*, Stanford, CA. 2005.
- Government of Chile, *Find out more about the pension reform and how it will substantially increase pensions in Chile*, 3 November 2022, <https://www.gob.cl/en/news/find-out-more-about-pension-reform-and-how-it-will-substantially-increase-pensions-chile/> (13.5.2023).

- Holzmann R., Hinz R., *Old Age Income Support in the 21st century: An International Perspective on Pension Systems and Reform*, Washington, D.C. 2005.
- *Labor Markets and Social Policy in Central and Eastern Europe: The Transition and Beyond*, ed. N. Barr, Oxford 1994.
- Levy S., *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico*, The Brookings Institution, Washington, D.C. 2008.
- Levy S., *The great failure: Retirement pensions in Latin America*, 27 January 2017, <https://www.brookings.edu/articles/the-great-failure-retirement-pensions-in-latin-america/> (13.5.2023).
- *Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World, Volumes 1 and 2*, eds. R. Holzmann, E. Palmer, D. Robalino, Washington, D.C. 2012.
- Orenstein M.A., *Pension Privatization in Crisis: Death or Rebirth of a Global Policy Trend?*, “International Social Security Review” 2011, Vol. 64, Issue 3.
- Packard T., Gentilini U., Grosh M., O’Keefe P., Palacios R., Robalino D., Santos I., *Protecting All: Risk Sharing for a Diverse and Diversifying World of Work*, Washington, D.C. 2019, <http://documents1.worldbank.org/curated/en/997741568048792164/pdf/Protecting-All-Risk-Sharing-for-a-Diverse-and-Diversifying-World-of-Work.pdf> (13.5.2023).
- *Pension Reform: Issues and Prospects for Non-Financial Defined Contribution (NDC) Schemes*, eds. R. Holzmann, E. Palmer, Washington, D.C. 2006.
- Piñera J., *Discurso del Ministro del Trabajo y Previsión Social, con motivo de la Aprobación de la Reforma Previsional* [in:] *Análisis de la Previsión en Chile*, ed. S. Baeza, Santiago de Chile 1986.
- Piñera J., *El cascabel al gato: la batalla por la reforma previsional*, 1991, [http://www.josepinera.org/zrespaldo/el\\_cascabel\\_al\\_gato.pdf](http://www.josepinera.org/zrespaldo/el_cascabel_al_gato.pdf) (13.5.2023).
- *Progress and Challenges of Nonfinancial Defined Pension Schemes*, Vol. 1 and 2, eds. R. Holzmann, E. Palmer, R. Palacios, S. Sacchi, Washington, D.C. 2019.
- Rofman R., Apella I., *Argentina* [in:] *Beyond Contributory Pensions: Fourteen Experiences with Coverage Expansion in Latin America*, eds. R. Rofman, I. Apella, E. Vezza, Washington, D.C. 2015, <https://openknowledge.worldbank.org/handle/10986/20602> (13.5.2023).
- Rutkowski M., *Reimagining Social Protection*, “Finance and Development” December 2018.
- Simonovits A., *The mandatory private pension pillar in Hungary: An obituary*, “International Social Security Review” July–September 2011, Vol. 64, No. 3.
- Woolley P., *The Fallibility of the Efficient Market Theory: A New Paradigm*, “CFA Institute Conference Proceedings Quarterly” 2014, Second Quarter.
- World Bank, *Averting the Old Age Crisis*, Washington, D.C. 1994.
- World Bank, *Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance*, Independent Evaluation Group, Washington, D.C. 2006, <https://openknowledge.worldbank.org/handle/10986/6956> (13.5.2023).
- World Bank, *World Development Report 1996: From Plan to Market*, New York 1996.



# Are ageing Nordic welfare states sustainable? An analysis of pension and care policies in Finland and Sweden

**Authors contribution:**

A – Research project  
B – Data collection  
C – Statistical analysis  
D – Data interpretation  
E – Manuscript preparation  
F – Literature analysis  
G – Fundraising

<sup>E,F</sup> **Niko Väänänen**  
Planning Department  
Finnish Centre for Pensions  
ORCID: 0000-0001-6784-1398

**Introduction:** The article discusses the aging population in Nordic countries, focusing on Sweden and Finland, where the median age has steadily increased since 1950. The text emphasizes the impact of demographic changes on the old-age dependency ratio and the subsequent implications for the welfare state

**Objective:** It is examination and comparison of the aging policies of Nordic countries, with a specific focus on Finland and Sweden. The author aims to shed light on the differences in pension and long-term care systems between these two nations, challenging the perception of a common Nordic pension model.

**Materials and methods:** The article employs a theoretical background based on the intergenerational reciprocity trichotomy developed by André Masson. The methodological approach utilized in the research is that of a comparative case study. The author analyzes the pension and long-term care systems of Finland and Sweden, reviewing key indicators, policy documents, and relevant research literature.

**Results:** While the Swedish system is financially robust, it encounters political challenges due to low public pension levels, prompting discussions about potential reforms, such as increasing contribution rates for higher benefits. Finland's public pension system, characterized by stable political support, raises concerns about long-term financial sustainability. The decision-making model, led by social partners, may shift to a more parliamentary approach as trade union density decreases and aging-related issues become more significant for the electorate. Both countries have successfully promoted high employment rates among older workers, but long-term care policies pose a greater challenge to the sustainability of their welfare models. The growing importance of family and informal care, coupled with a reliance on migrant workers for healthcare, highlights the strain on the welfare systems. Demographic changes increase pressure on pro-old welfare policies, particularly in long-term care, with Sweden better positioned than Finland to sustain elevated spending towards the elderly.

**Key words:** demographics, intergenerational reciprocity, long-term care, Nordic countries, pension

## Czy starzejące się państwa opiekuńcze w Skandynawii są zrównoważone? Analiza polityk emerytalnej i opiekuńczej w Finlandii i Szwecji

**Wprowadzenie:** W artykule omówiono problem starzenia się ludności w krajach nordyckich, na przykładach Szwecji i Finlandii, w których od 1950 r. mediana wieku stale rośnie. W tekście podkreślono wpływ zmian demograficznych na współczynnik obciążenia emerytalnego i wynikające z tego implikacje dla dobrobytu państwa.

**Cel:** Tekst prezentuje badanie i porównanie polityk starzenia się krajów nordyckich, ze szczególnym uwzględnieniem Finlandii i Szwecji. Celem autora jest rzucenie światła na różnice w systemach emerytalnych i opieki długoterminowej pomiędzy tymi dwoma państwami, kwestionuje on postrzeganie wspólnego nordyckiego modelu emerytalnego.

**Materiały i metody:** W artykule wykorzystano podstawy teoretyczne oparte na trychotomii wzajemności międzypokoleniowej, opracowanej przez Andrégo Massona. W badaniu zastosowano porównawcze studium przypadku. Autor analizuje systemy emerytalne i opieki długoterminowej w Finlandii i Szwecji, dokonując przeglądu kluczowych wskaźników, dokumentów politycznych i odpowiedniej literatury badawczej.

**Wnioski:** Chociaż szwedzki system jest solidny finansowo, staje przed wyzwaniem politycznym ze względu na niski poziom emerytur publicznych. Skłania to do dyskusji na temat potencjalnych reform, np. podniesienia składek, aby uzyskać wyższe świadczenia. Publiczny system emerytalny w Finlandii, charakteryzujący się stabilnym poparciem politycznym, budzi obawy co do długoterminowej stabilności finansowej. Model podejmowania decyzji pod przewodnictwem partnerów społecznych może się zmienić na podejście bardziej parlamentarne w miarę zmniejszania się gęstości związków zawodowych, a dla elektoratu coraz większego znaczenia nabierają kwestie związane ze starzeniem się społeczeństwa. Obydwa kraje z powodzeniem promowały wysokie wskaźniki zatrudnienia wśród starszych pracowników, jednak polityka w zakresie opieki długoterminowej stanowi większe wyzwanie dla trwałości modeli opieki społecznej w tych państwach. Rosnące znaczenie opieki rodzinnej i nieformalnej w połączeniu z uzależnieniem opieki zdrowotnej od pracowników migrujących uwypukla obciążenie systemów opieki społecznej. Zmiany demograficzne potęgują presję na politykę opieki społecznej sprzyjającą osobom starszym, szczególnie w opiece długoterminowej, przy czym Szwecja jest w lepszej sytuacji niż Finlandia ze względu na utrzymanie zwiększonych wydatków na rzecz tych obywateli.

**Słowa kluczowe:** demografia, wzajemność międzypokoleniowa, opieka długoterminowa, kraje nordyckie, emerytura

---

Submitted: 16.7.2023

Accepted: 27.11.2023

DOI: 10.5604/01.3001.0054.0861



# Introduction

Nordic countries, as Europe in general, are ageing. The median age of the population has increased in Sweden (in Finland) from 33.2 (26.7) years in 1950 to 39.5 (42.4) years in 2021.<sup>1</sup> The median age is expected to increase in the future. Ageing is driven by changes in mortality and fertility. Longer life expectancy together with decreased birth rates translates into a change in the relative size of different age groups. The old-age dependency ratio<sup>2</sup> will increase: the share of people over the age of 65 in the population is getting bigger. It is a well-established empirical observation in the political economy literature that a growing old-aged dependency ratio leads to a larger welfare state.<sup>3</sup> An older population structure will translate into increased old-age related spending: pensions, health care and long-term care.

Finland and Sweden are typically considered advanced when it comes to ageing policies. Among the Nordic countries, Finland's welfare state has been considered the least developed, whilst Sweden is often regarded as the most developed.<sup>4</sup> Therefore, it is relevant for policy makers to learn more about the ageing policies of these two countries, and whether the intuition about the frontrunner is true. This text describes how the ageing policies of Finland and Sweden differ, and what other countries can learn about their ageing policies. I analyze the pension and long-term care system by reviewing the key indicators, policy documents and relevant research literature. The analysis maps the context around ageing policies and system characteristics. As a theoretical background it relies on the intergenerational reciprocity trichotomy as developed by André Masson.<sup>5</sup> The methodological approach is that of a comparative case study.

## Different ageing policies in Nordic welfare states

In social policy analysis, the Nordic countries are often clustered together in the distinctive Nordic welfare model.<sup>6</sup> They typically top the charts in international comparisons related to ageing, such as Mercer's Global Pension Index<sup>7</sup> ranking pension systems or

1 H. Ritchie, M. Roser, *Age Structure*, OurWorldInData.org 20 September 2019, <https://ourworldindata.org/age-structure> (23.5.2023).

2 The old-age dependency ratio expresses the number of individuals aged 65 or more as a proportion of those aged 20 to 64 who are in "active age".

3 R. Disney, *Population ageing and the size of the welfare state: Is there a puzzle to explain?*, "European Journal of Political Economy" June 2007, Vol. 23, Issue 2, pp. 542–553.

4 G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Princeton 1990.

5 A. Masson, *La retraite par répartition au crible de la pensée multisolidaire* [Retirement by distribution to the sieve of multisolidarity thought], "Revue de l'OFCE" 2020, Vol. 6, No. 170.

6 M. Kautto, K. Kuitto, *Nordic Countries* [in:] *The Oxford Handbook of the Welfare State (2nd edition)*, eds. D. Béland, S. Leibfried et al., online edition 2021.

7 Mercer, *Mercer CFA Institute Global Pension Index 2022*, 11 October 2022, <https://www.mercer.com/en-fi/insights/investments/market-outlook-and-trends/mercercfa-global-pension-index/> (22.5.2023).

the European Elderly Dignity Index<sup>8</sup> ranking the overall situation of elderly people. I claim that the future looks less rosy in ageing policies than international comparisons tend to portray.

Furthermore, clustering Nordic countries together is problematic for two reasons: they have different ageing policies, and their demographic structure and economic situation differs. First, in Nordic countries ageing policies are not homogenous. By ageing policies, I refer to those public policies that target specifically those above the age of 60. In this text I will focus on pensions and long-term care. The structure and decision making of pension systems differ significantly between the Nordic countries.<sup>9</sup> Although the aims remain somewhat similar, no common Nordic pension model exists. The systems are different in terms of the role and design of public and supplementary pensions. What the countries have in common is a willingness to rely on financial markets and pre-funding as a source for retirement income to complement the state-led pay-as-you-go financing mechanism. This is different from many other European countries such as France.<sup>10</sup> Second, the countries' demographic structure and economic forecasts look rather different, and this has a big impact on the financing and the scope of possibilities for ageing policies. The difference between the demographic structure is expected to grow in the future.

## Intergenerational reciprocity – a theoretical background

In this article, I classify the models of intergenerational reciprocity according to the trichotomy by A. Masson.<sup>11</sup> In his theoretical model, the approaches to intergenerational reciprocity in welfare states are located within a philosophical triangle. He argues that three distinct ideologies can be constructed around the classical philosophers John Locke (free agent model), Thomas Hobbes (multi-solidarity model) and Jean-Jacques Rousseau (egalitarian citizenship model).

The free agent model privileges the free market and is most opposed to the State, which comes typically with high social contributions and holds back innovation. Market-led solutions are promoted in ageing policies. Perhaps, the welfare model of the United States would fall close to this model.

The multi-solidarity model is built around the family, civil solidarity and professional groups but is suspicious of solutions based on market logic and individualized provisions.

8 Fundacion Mutualidad Abogacia, *European elderly dignity index*, July 2022, [https://fundacionmutualidadabogacia.org/wp-content/uploads/2022/10/Dignidad-Adultos\\_UE\\_ING\\_web.pdf](https://fundacionmutualidadabogacia.org/wp-content/uploads/2022/10/Dignidad-Adultos_UE_ING_web.pdf) (22.5.2023).

9 T.M. Andersen, *Pensions and the Nordic Welfare Model*, CESifo Working Paper, No. 10321, Munich 2023.

10 See for example N. Väänänen, J. Liukko, *Justifying a financially and socially sustainable pension reform: a comparative study of Finland and France*, "International Journal of Sociology and Social Policy" 2023, Vol. 43, No 5/6.

11 A. Masson, op. cit.

It values the cooperation within the aforementioned groups. The central idea is that individuals belong to a status shared by a collective which both creates obligations and privileges. Interdependency between individuals and generations exist at many levels. The links of dependency exist between proximate socio-professional groups or generations. Perhaps, Germany and France would fall in this category.

Nordic countries follow the egalitarian citizenship model in which solidarity is built around the State. In the egalitarian tradition family solidarity is abandoned as it is seen as inefficient and unequal. This approach rests on the notion that families, networks, or statuses create inequality among citizens as individuals have different access to them. Therefore, the role of the family is replaced by the State. A strong link with the State is created with everyone since childhood through municipal kindergartens and school meals. The central community for solidarity is the collective of all the citizens represented by the State. The State plays a primary role in organizing welfare state services although the use of markets in the production and distribution of services is widespread. It is plausible that this strong solidarity at the national level is easier to promote in small, homogenous, and consensual societies where inequalities and hierarchies are limited.

## The centrality of the State in the Nordic welfare model

The Nordic welfare model has one key feature: the State is a central actor in sustaining intergenerational reciprocity. Politically these welfare state regimes are tilted towards egalitarianism. They combine a mix of high income equality and effective redistribution programmes.<sup>12</sup> In terms of legal tradition, they are strongholds of Scandinavian realism, a legal philosophy which interprets law as a social phenomenon ultimately anchored in the State's monopoly of force. Some see that this tradition plays a part in a state-apologetic and rights-sceptical political culture that has given priority to the common good instead of individual human rights. Those critical of the Nordic welfare states argue that this philosophy is responsible for the prevailing paternalism and state-absolutism in these countries.<sup>13</sup> When individuals accept social benefits and goods, they become bounded to the moral framework of the welfare state. Thus, welfare state strongly influences individuals' conception of the good life. Their citizens have regarded themselves as highly homogeneous, religiously, culturally, and ethnically.<sup>14</sup> However, the homogeneity of the population has changed rapidly in recent decades,

12 O. Bäckman, K. Nelson, *Egalitarian Paradise?* [in:] *The Routledge Handbook of Scandinavian Politics (1st ed.)*, eds. P. Nedergaard, A. Wivel, London 2017.

13 J. Strang, *Scandinavian Legal Realism and Human Rights: Axel Hägerström, Alf Ross and the Persistent Attack on Natural Law*, "Nordic Journal of Human Rights" 2018, Vol. 36, Issue 3.

14 A. Føllesdal, *Rawls in the Nordic Countries*, "European Journal of Political Theory" 2002, Vol. 1, Issue 2.

especially in Sweden, due to high migration rates from ethnically and religiously different regions.

The centrality of the State is very visible in most welfare policies, to illustrate in Sweden and in Finland, many social services have been constructed based on standardized solutions with regards to childcare, schools, and old-age care. Citizens can hardly affect the content or allocation of these services.<sup>15</sup>

Intrafamily links are weaker than much elsewhere in Europe. Consequently, the age when children move out from their parents' homes is the lowest in Finland (21.3 year), and equally low in Sweden (21.4 years). As an example, in Poland the age is 28.9 years.<sup>16</sup> In Sweden and Finland, parents have no legal responsibility to support their adult children. Similarly, adult children are not legally liable to provide or pay for the care of their parents. In long-term care, the traditional role of the family is taken over by municipalities that are responsible for services.

Another striking feature is that Nordic politicians have typically strongly avoided policies that disincentivize work. There is no family taxation in neither of the countries. Instead, spouses are taxed separately. Individual taxation was seen as one of the main elements in incentivizing married women to participate in labour market.<sup>17</sup> The Scandinavian welfare model is employment focused.<sup>18</sup> This is because of two reasons. First, welfare entitlements are mainly financed by taxes levied on labour. The wage sum of the economy defines the financial basis for welfare benefits. There is an ideological resistance to use other type of revenues to finance welfare benefits. Hence, the financial sustainability is secured by having a high employment rate. Generous benefits and high employment go hand in hand. Second, public service provision requires labour as it is institutionalized. Therefore, the debates on the welfare state in Nordic countries focus on how to ascertain high labour force participation and high employment. They are understood to be pivotal for the financing of the welfare model and on the other hand a large public sector requires a workforce. Thus, it is no surprise that in 2022, Sweden had an employment rate of 82.2% and Finland an employment rate of 78.4%. Both were above the European Union (EU) average of 74.6%.<sup>19</sup> In domestic politics Nordic countries use themselves as peers for comparison instead of the EU average.

Another typical feature of the Nordic welfare states is the existence of corporatist arrangements between state, capital, and labour.<sup>20</sup> This is clearly visible in the large

15 Ibid. A notable exception to this rule is that Sweden has a voucher-based system in schools that allows families to put their children into a private school instead of the public one.

16 Eurostat, *Estimated average age of young people leaving the parental household by sex*, 2022, [https://ec.europa.eu/eurostat/databrowser/view/YTH\\_DEMO\\_030/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/YTH_DEMO_030/default/table?lang=en) (23.5.2023).

17 H. Selin, *The rise in female employment and the role of tax incentives. An empirical analysis of the Swedish individual tax reform of 1971*, "International Tax and Public Finance" 2014, Vol. 21, pp. 894–922.

18 T.M. Andersen, *Welfare State – The Scandinavian Model*, Economics Working Papers 2011–01, Department of Economics and Business Economics, Aarhus University, Denmark, November 2010.

19 Eurostat, *Employment and activity by sex and age – annual data*, 2023, [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_emp\\_a/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a/default/table?lang=en) (12.5.2023).

20 See e.g. A. Føllesdal, op. cit.

share of pre-funded and mutual pension arrangements. Pensions are financed by a combination of pay-as-you-go and pre-funding, in other words both from wages and capital income. However, in the structure of the pension schemes, there is a stark difference between the two countries. In Finland, supplementary pensions are virtually non-existent whereas in Sweden they occupy an important role in the pension provision and are crucial for the labour market parties.<sup>21</sup> Yet, in Finland the labour market parties occupy a key role in the design and administration of public pensions which are partially pre-funded.<sup>22</sup>

Typically, Finland has been a country that follows Sweden in social policy.<sup>23</sup> The main conclusion of my text is that the countries' perspectives for ageing policies look rather different. Both countries need to pursue reforms to keep the systems politically and financially sustainable in times of demographic ageing. Perhaps this will lead to a reassessment in the central role of the State in securing intergenerational reciprocity.

## Sweden and Finland are ageing at a different pace

Europe with a median age of 44.4 has the oldest population of all the continents. In Finland the median age is 42.4 years, and in Sweden 39.5 years. As Swedish people live longer on average, and the difference cannot be explained by differences in fertility, the main explanation is that Sweden receives more migrants *per capita* than Finland. The arriving migrants who are aged below the average age keep the demographic structure younger.

In 2019, the old-age dependency rate which describes the share of those above 65 relative to those aged 20 to 64 was 35.2% in Sweden and 38.9% in Finland. Both are above the EU average which is 34.4%.<sup>24</sup>

Both countries have had below replacement level fertility rates for decades and this trend is expected to persist in the future. According to Eurostat,<sup>25</sup> the fertility rate has decreased in Sweden (Finland) from 1.98 (1.87) in 2010 to 1.67 (1.46) in 2021.

Therefore, the population growth is largely driven by immigration. According to Statistics Finland net migration has been between 12,000 to 23,000 persons since

21 M. Vidlund, A. Mielonen et al., *Pension contribution levels and cost-sharing in statutory and occupational pensions: a cross-national study of eight European countries*, Finnish Centre for Pensions, Reports 7, Helsinki 2022.

22 V.P. Sorsa, J.E. Johanson, *Pension governance in Finland: a case study on public and private logics of governance in pension provision*, Finnish Centre for Pensions, Reports 2, Helsinki 2010.

23 As an example, for pension policy see M. Hannikainen, J. Vauhkonen, *The History of Finnish earnings-related pension in the private-sector*, Finnish Literature Society, Helsinki 2016.

24 European Commission, *The 2021 Ageing Report: Economic and Budgetary Projections for the EU Member States (2019–2070)*, Institutional Paper 148, Brussels 2021.

25 Eurostat population statistics: *Total fertility rate*, 2023, <https://ec.europa.eu/eurostat/databrowser/view/TPS00199/default/table?lang=en> (10.5.2023).

2010. In Sweden net migration has been on average 76,000 persons for the same period although Sweden has less than twice the population of Finland. Finland has received far fewer immigrants historically which partly explains the lower net migration figures today. Networks remain crucial in explaining individuals' decision to migrate to a certain destination.<sup>26</sup> The other reasons for Sweden's higher migration rates are explained by historically looser immigration policies, and by the fact that Sweden has been a more prosperous country than Finland thus attracting more migrants.

According to a 2023 population forecast, it is expected that the Swedish population will grow by 400,000 to 10.9 million in 2030. Of this population increase 300,000 is contributed by more people immigrating than emigrating, and 100,000 by more births than deaths. Approximately 30% of the population between 20 to 65 will be born abroad. The population is expected to further increase later in the century.<sup>27</sup>

The Finnish population forecast looks much different. In the next ten years the population is expected to increase from 5.5 to 5.6 million in 2034 after which it is expected to start decreasing. As deaths already exceed births, the population increase is driven by immigration being higher than emigration. However, the current immigration levels are not sufficient to keep the size of the population stable and therefore the population will start to decrease. In 2060 Finnish population is expected to be 5.45 million.<sup>28</sup>

In 2022, of the Swedish population 19% were 66 or older, whereas 23.4% of the Finnish population 23.4% were 65 or older.

---

## Sustainable pension policies?

As mentioned before, the corporatist structure combining wages and capital is present in pension financing. It could be said that both countries are exceptional in the European pension landscape due to the large share of pre-funding in the public pension systems.<sup>29</sup> However, the financing and structure of pension systems differ between them.

### Swedish pension scheme

The Swedish public pension system is a pay-as-you-go scheme with demographic reserve funds that support the financing of pensions. The reserve funds were accumulated in the starting years of the pension system. The contribution rate was set higher than was

---

26 J.E. Blumenstock, G. Chi, H. Tu, *Migration and the Value of Social Networks*, CEPR Discussion Paper No. DP13611, 2019, <https://ssrn.com/abstract=3360078> (10.5.2023).

27 Statistics Sweden, *Sveriges framtida befolkning 2023–2070* [The future population of Sweden 2023–2070], Demographic reports 2, 2023.

28 Statistics Finland, *Population projection 2021–2070*, Helsinki 30 September 2021, [https://www.stat.fi/til/vaenn/2021/vaenn\\_2021\\_2021-09-30\\_en.pdf](https://www.stat.fi/til/vaenn/2021/vaenn_2021_2021-09-30_en.pdf) (5.5.2023).

29 M. Vidlund, A. Mielonen et al., op. cit.

needed to pay out pension benefits. This way the system could accumulate reserves. The reserves help in mitigating the need to cyclically adjust the pension contribution rate. Another aim was to offset the decrease in private saving due to the increased capital available for lending.<sup>30</sup> The size of these reserve funds amounted to 30% in relation to GDP in 2020.<sup>31</sup> Due to the ageing of the population, since 2009 these funds have been net contributors to the pension system, in other words, pension expenditures have exceeded contributions. Funds are expected to continue to make net disbursements to the pension system for another 20 years or so. Thereafter, the buffer funds are expected to receive net inflows again.<sup>32</sup> The financial situation of the public pension system is strong. In 2022, the system had a surplus of 13% which means that assets and expected contributions exceeded liabilities (pensions to be paid in the future) by that percentage. However, no rule existed in 2022 on what to do with the surplus. The old-age pension scheme has an autonomous structure and is financially separated from other pension insurance benefits, that is, from disability and survivors' benefits, which are financed from budget funds and employer contributions.

**Table 1.** Key factors influencing the pension system<sup>33</sup>

	Sweden	Finland
Old-age dependency ratio (65+/20-64)	35.2	38.9
Population median age in years	39.5	42.4
Effective retirement age in years	men: 65.8 women: 64.9	men: 63.0 women: 63.6
Average public old-age pension (PPS)*	1,278 euro	1,254 euro
Public pension contribution rate in 2023 (private-sector)	18.5%	24.8%
Pension expenditure/ GDP (%)	public: 8.0 occupational: 4-5 total: 12.5	public: 13.5 occupational: 0.3 total: 13.8
Size of statutory and occupational pension funds/GDP (%)	130	100

\* Purchasing Power Standard.

Note: Figures from 2019 or 2020.

Source: own study

The Swedish pension reform that took place in the late 1990s towards a notionally defined contribution (NDC) system has acted as a template for pension reforms in many other countries. Pre-agreed rules exist which make the public pension system financially very sustainable as under no condition can the contribution rate be increased, or tax money directed to fill any shortfall. Instead pension benefits and accrued pension rights

30 A. Sundén, *The Swedish experience with pension reform*, "Oxford Review of Economic Policy" 2006, Vol. 22, Issue 1.

31 Ibid.

32 Ministry of Finance, *Redovisning av AP-fondernas verksamhet t.o.m. 2020* [Analysis of the AP funds function until 2020], 2021, <https://www.regeringen.se/rattsliga-dokument/skrivelse/2021/05/skr.-202021130> (3.5.2023).

33 M. Vidlund, A. Mielonen et al., op. cit.

are reduced if needed. All the risks related to financing are borne by the retirees. These pre-determined rules got the liberal minister in charge of the pension reform, Bo Könberg, to declare in the 1990s that the reformed system would be sustainable until at least the next Ice Age.<sup>34</sup> The guiding principle of the system is the “lifetime earnings principle” according to which pension benefit should directly reflect lifetime earnings.<sup>35</sup> Since the reform changes to the pension system have been negotiated and agreed by the pension negotiating group (*pensionsgruppen*) consisting of members from the parties present in the Parliament excluding Sweden Democrats<sup>36</sup>, the Green Party<sup>37</sup> and the Left Party<sup>38</sup>. However, in 2023 equally these three parties expressed their interest in accepting the basic principles of the public pension system which would then give them a path to join the *pensionsgruppen*.<sup>39</sup> The *pensionsgruppen* officially invited them to join the group in September 2023.

The Swedish public pension system consists of two parts. The first component operates on a notionally defined contribution logic and the second is a pre-funded defined contribution (DC) premium pension component. In other words, 16%-points go to individual notional accounts that finance the pay-as-you-go part. The remaining 2.5%-points of the 18.5% contribution rate are for the individual to invest according to their own choice in the State regulated pension fund market. The premium pension fund market has been marked by some major scandals including cases of embezzlement.<sup>40</sup> To get rid of fraudulent providers, the fund market was fundamentally revamped in 2022. In addition to these two components, the State pays in contributions for periods when the pension is accrued but no contributions are paid (being on sickness leave, time on unemployment benefit, doing military service, parents of small children or studying with study grants). On top of the public scheme, approximately 90% of workers are enrolled to a sector-wide occupation scheme. These are pre-funded arrangements. Participation to the occupational pensions is quasi-mandatory as the decision is made at the industry or branch level through collective bargaining agreements. Both private and public sector employees have their own arrangements, and around 85% are covered by the four major collective schemes. However, only 30% of the self-employed are covered by occupational pensions.<sup>41</sup> The low coverage of self-employed people is a challenge regarding the future adequacy of pensions for this group.

34 *Mellan folkbildning och fonderådgivning. Nya perspektiv på pensionssystemet* [Between educating people and fund counselling. New perspectives on the pension system], ed. U. Lundberg, Institutet för framtidsstudier, Stockholm 2007.

35 *Pensionsmyndigheten, Ett nytt pensionssystem? Rapport nr 4 i vägvalserie om pensionerna* [Do we need a new pension system? Report number 4], Swedish Pension Agency report 4, 2023.

36 In the European Parliament the party is affiliated to the European Conservatives and Reformists (ECR) group.

37 In the European Parliament the party is affiliated to the European Green Party (EGP).

38 In the European Parliament the party is affiliated to the Left in the European Parliament – GUE/NGL group.

39 *Pensionsgruppen kan utökas – mot trohetslöfte* [Pensions group can be extended against a pledge of allegiance], *Aftonbladet.se* 16 June 2023, <https://www.aftonbladet.se/minekonomi/a/3E7r8X/insteg-i-pensionsgruppen-kraver-trohetslofte> (16.10.2023).

40 H. Cronqvist, R.H. Thaler, F. Yu, *When Nudges are Forever: Inertia in the Swedish Premium Pension Plan*, “AEA Papers and Proceedings” 2018, Vol. 108, pp. 153–158.

41 M. Vidlund, A. Mielonen, op. cit.



Occupational pensions have a significant role as public pension benefits are limited in level due to the rather low contribution rate (18.5%) and the low ceiling on pensionable earnings which is just above the average wage. In recent years there have been both public and political debates arguing that current pension benefit levels are too low. This even though Swedes have on average the longest working careers in the EU. This development does not come as a surprise. In 2005 it was calculated that the replacement rate in the new system compared to the previous one will drop significantly by 2050 for people retiring at the age of 65. The gross replacement rate was estimated to fall for an average earner between 12 to 22 percentage points depending on the type of career.<sup>42</sup> Parliament has not altered the core of the NDC system, but they have added new subsidies for low-income pensioners and increased the level of existing subsidies and the minimum pension. Currently three out of four pensioners receive a subsidy complementing their old age income or minimum pension.<sup>43</sup> The Swedish Pension Agency is worried that all the recent changes go against the lifetime earnings principle of the NDC system although there have been no reforms to the system itself. To provoke a debate, the Agency published a report in 2023 which asked whether the public pension system should be transformed into a flat rate Beveridgean one due to all the implemented benefit increases.<sup>44</sup>

The future rules regarding retirement age and age limits are linked to the development of average life expectancy through a “target age” (*riktålder*) system. This means that all the age limits in the pension system and in the rest of the social security system are linked to life expectancy. The retirement age at which people can start drawing the public pension is 63 years in 2023 but it will be increased to 64 years in 2027.<sup>45</sup> The target retirement age is 67. For the birth cohort born in 1970 the retirement age will be increased to 65. Their target retirement age according to forecast is 68 years. The aim of the target age is to make people extend their working career and thus retire with higher pensions.

## Finnish pension scheme

The Finnish public pension system consists of the statutory earnings-related and the national pension system which tops up low earnings-related pensions. A separate guarantee pension exists to secure a minimum pension for those with very low pensions. The earnings-related pension scheme of the private-sector is a partially funded and privately organised defined-benefit system. The public sector earnings-related pension scheme offers similar defined-benefits but has reserve funds instead of partial-funding. The

42 K.G. Scherman, *Replacement rates in the new Swedish pension system*, “Nordisk Forsikringstidsskrift” 2006, Vol. 2.

43 Folksam, *Nästan tre av fyra pensionärer tar emot bidrag*, 29 September 2022, <https://nyhetsrum.folksam.se/sv/2022/09/29/nastan-tre-av-fyra-pensionarer-tar-emot-bidrag/> (5.5.2023).

44 *Pensionsmyndigheten, ett nytt pensionsystem...*, op. cit.

45 B.E. Halvorsen, *High and rising senior employment in the Nordic countries*, “European Journal of Workplace Innovation” 2021, Vol. 6, Issues 1–2.

private sector scheme is administered by partly competing private pension providers (pension insurance companies, industry-wide funds, and company funds). Criticism exists as to what extent these companies really compete as the contribution rate is jointly agreed and the benefits are defined in legislation. Some have proposed as a solution the merger of the different companies into one single entity.<sup>46</sup> The providers are managed by bipartite boards representing employer and employee organizations.<sup>47</sup> Due to partial pre-funding, actuaries occupy a central role in the design and development of the public pension system. Their influential role perhaps explains why there has been an increasing emphasis on actuarial neutrality in recent parametric reforms. The social security motive to redistribute towards the worse off groups is less present in earnings-related pensions and in related reform debates.<sup>48</sup>

The pension assets are increasingly used for keeping the contribution rate stable. According to the basic scenario in a recent forecast, the contribution rate of 24.4% of the wage sum is sufficient to pay pensions until mid-2050 when it would need to be increased.<sup>49</sup> Since 2012 expenditure in the private sector has exceeded contribution income and the difference is financed through returns on pension assets. In recent years, approximately one-fifth of private sector pension expenditure has been financed with pre-funded pension assets.<sup>50</sup>

The private-sector pension scheme is financially autonomous and does not need State subsidies. Labour market parties want to keep the management of the scheme in their hands and therefore are reluctant to increase the State's role. The contribution rate is proposed yearly by the social partners based on a calculation by the actuaries of the pension insurance companies. The Ministry of Social Affairs and Health approves the proposal. This way the contribution rate is decided without a separate debate in parliament.<sup>51</sup> Unsurprisingly, the role of direct state financing is very small. The State finances pension accrual of some non-contributory periods that are study times leading to a degree and time on child home care allowance. Otherwise, contributions and the use of funds are sufficient to finance the pensions. The details of the system are set out in law, based on negotiation between the social partners.<sup>52</sup> Historically, the social partners have negotiated and agreed on a pension reform together. Then later the agreement has been legislated by parliament as initially agreed by the social partners. However, societal change, namely population ageing and reduced trade union

46 *Understanding Finnish...*, op. cit.

47 V.P. Sorsa, N. van der Zwan, *Sustaining the unsustainable? The political sustainability of pensions in Finland and the Netherlands*, "Journal of European Social Policy" 2023, Vol. 32, Issue 1.

48 N. Väänänen, J. Liukko, op. cit.

49 Obviously, it needs to be pointed out that long-term forecasts are sensitive to the assumptions used in the calculations.

50 H. Tikanmäki, S. Lappo et al., *Statutory Pensions in Finland: Long-term Projections 2019*, Finnish Centre for Pensions reports 7, Helsinki 2019.

51 S. Ritola, N. Väänänen, op. cit.

52 N. Barr, *The pension system in Finland: Adequacy, sustainability and system design*, Finnish Centre for Pensions, Helsinki 2013.

density, have put pressure on this decision-making model in which parliamentary debates have not played a central role.<sup>53</sup>

Since the earnings-related pension scheme covers practically all types of employment, operates without any ceilings, and provides a reasonably high replacement rate in old age, the role of second pillar employer-specific occupational pensions and private pensions has remained marginal in Finland.<sup>54</sup> Developing supplementary pensions has not been in the interest of labour market parties either as they have been *de facto* decision makers within the statutory pension scheme.<sup>55</sup>

Finland has implemented several pension reforms in the 21st century. The reforms are typically motivated by the long-term forecasts prepared by the Finnish Centre for Pensions.<sup>56</sup> These forecasts play a key role in the reform plans. This perhaps makes the decision-making system more forward-looking than in many other European countries.<sup>57</sup> The main objective has been to secure financially more sustainable pensions in the long run by encouraging higher employment and a longer and better working life for older workers. The reforms have been equally motivated by the aim of keeping the contribution rate stable.

The earliest possible retirement age is gradually being raised from 63 to 65 years up to 2027. From 2030, the future retirement age will be indexed in accordance with development in the expected remaining life expectancy of the relevant age cohorts.<sup>58</sup>

## Consequences of reforms

Bjørn E. Halvorsen argues that one upcoming pension policy challenge in Nordic countries may stem from a rather too one-sided focus on work incentives at the expense of the social redistribution purposes of the public pension systems.<sup>59</sup>

Despite Finland having a higher the legal retirement age, the effective retirement age is higher in Sweden 65.8 for males and 64.9 for females compared to Finland 63.0 years for males and 63.5 years for females. The pension expenditure of GDP is lower in Sweden 12.5% (out of which 8.0% goes to public pensions and 4.5% goes to occupational pensions) than in Finland 13.8% (13.5% goes to public pensions and 0.3% goes to occupational pensions).<sup>60</sup>

53 *Understanding Finnish Pensions*, eds. S. Ritola, N. Väänänen, Helsinki forthcoming in 2024.

54 M. Vidlund, A. Mielonen et al., op. cit.

55 N. Väänänen, J. Liukko, op. cit.

56 H. Tikanmäki, S. Lappo et al., op. cit.

57 Although the risk is that the assumptions used are too optimistic or pessimistic. In Finland, however, the assumptions used in the forecasts are not often criticized in the media.

58 B.E. Halvorsen, op. cit.

59 Ibid.

60 M. Vidlund, A. Mielonen et al., op. cit.

In Sweden, pensioners bear the risk related to the financing of the scheme. In Finland, due to the defined benefit character of the scheme, pensioners are rather well protected. The financial sustainability is secured by increasing the contribution rate which has increased from 5% in 1962 to 24.8% in 2023. However, further increases have become more difficult to accept, especially for employer organizations. This has led to an increase in policy debate to introduce an automatic balance mechanism which would share any financial risks with pensioners. The Orpo government programme in 2023 explicitly stated that the feasibility and implementation of such a mechanism should be studied.<sup>61</sup> If an automatic balance mechanism is implemented, the system will take one more step closer towards a defined contribution model. Something that has been somewhat an undeclared aim of the successive reforms that have strengthened the actuarial neutrality of the system's different parameters. A recent evaluation of the Finnish pension system pointed out that the system lacks a built-in adjustment mechanism that would secure a balance between contributions and expenditures.<sup>62</sup>

Transition to retirement does not translate as a significant increase in the poverty rate for most older workers. In 2020 in Finland, the poverty rate of pensioners was 13 per cent, that is, nearly the same as of the total population on average. However, the poverty rate increases with age and it is nearly double for those over the age of 84.<sup>63</sup> In Sweden in 2020, the poverty rate for those over the age of 65 was 13% which is the same poverty rate as for those under the age of 65. The poverty rate for those above 65 has been relatively stable since 2011.<sup>64</sup>

In Finland, public pension income represents about 85% of all incomes of pensioners. The rest comprises mainly labour and capital income. The disposable income of pensioners is also influenced by the size of household and strongly progressive taxation, which leaves low pensions untaxed.

## Employment of older workers

In Sweden, permanence in the labour market for those over 55 years of age is one of the highest rates in Europe. Furthermore, Swedish workers have the longest working careers in the EU. In Finland, the age when people stop working increased in the 2010s by 1.6 years to just under the age of 64. Both countries have had high female employment

61 Orpo Government Programme, *A strong and committed Finland: Programme of Prime Minister Petteri Orp's Government 20 June 2023*, 2023, p. 60.

62 T.M. Andersen, *Pension adequacy and sustainability: An evaluation of the Finnish pension system*, Finnish Centre for Pensions, 2021.

63 S. Kuitavainen, J. Rantala et al., *Eläkkeet ja eläkeläisten toimeentulo: kehitys vuosina 1995–2020* [Pensions and pensioners' income: evolution 1995–2020], Finnish Centre for Pensions Research 06, Helsinki 2022.

64 Pensionsmyndigheten, *Varför finns det fattiga pensionärer?* [Why are there poor pensioners?], Swedish Pension Agency, Reports 6, Stockholm 2022.

rates for decades. In 2022 Sweden's and Finland's female employment rate of 79.2% and 77.8% were above the EU average of 69.3%.<sup>65</sup>

**Table 2.** Senior employment rates in Finland and Sweden

	Finland		Sweden	
	2000	2019	2000	2019
55–59 years	59%	79%	78%	85%
60–64 years	23%	54%	48%	70%
65–69 years	5%	15%	15%	24%
70–74 years	2%	7%	6%	11%

Source: own study

As Table 1 shows, the employment rate of older workers is high and has been rising in the last two decades. A lot of this positive development is explained by active and inclusive labour market policies, restriction on early retirement and pension reforms. In 2021, the expected duration of a working career in Finland was an average of about 39 years. This is nearly a year beyond the EU average, which was 38.2 years. In Sweden, the expectation was 42 years. In Finland, the age when people stop working increased in the 2010s by 1.6 years to just under the age of 64.<sup>66</sup>

As an example, in Finland, which for a long time was a country of early retirement, an unemployment tunnel of extended and longer unemployment benefits for older people (55–63) into retirement has gradually been dismantled. Equally, the retirement age is increasing for every birth cohort by three months until reaching 65 for those born in 1965.<sup>67</sup> As the retirement age has risen, people have prolonged their working career. The largest peak in exiting working life for each cohort has been delayed by three months. Thus, the reform has been successful in postponing retirement.<sup>68</sup>

Sweden has also a good tradition and good achievements by working systematically with managing organisational restructuring and downsizing in businesses and working life in the best possible way for affected employers and employees.<sup>69</sup> The Finnish work culture has been different compared to Sweden where it is usual to continue working after retirement, often in part-time work. In Finland people typically keep working full-time. When the employment rate is converted to reflect full-time work, Finland does not differ much from Sweden.<sup>70</sup>

65 Eurostat, *Employment and activity by sex and age*, 2023, [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_emp\\_a/default/bar?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a/default/bar?lang=en) (17.10.2023).

66 Eurostat, *Duration of working life: how long in 2021?*, 2022, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20220706-1> (16.10.2023).

67 B.E. Halvorsen, op. cit.

68 *Tutkimuksia vanhuus- ja työkyvyttömyyseläkkeelle siirtymisen muutoksista vuoden 2017 eläkeuudistuksen jälkeen* [Studies on changes in the transition to old-age and disability pensions after the 2017 pension reform], eds. S. Nivalainen, M. Laaksonen, I. Ilmakunnas, Finnish Centre for Pensions research, January 2023.

69 Ibid.

70 S. Ritola, N. Väänänen, op. cit.

## Increasingly foreign-born healthcare workforce

Population ageing increases the demand for health care services. Countries are currently trying to find ways to respond to this demand. Recruitment has been a long-term challenge in the healthcare sector. The challenge is becoming more severe due to the demographic shift as large birth cohorts that were born after the Second World War have retired and are slowly losing their functional autonomy requiring personal care. Smaller birth cohorts must provide care for larger birth cohorts, and this drives up the demand for health care professionals.

Care work and long-term care professions suffer from a lack of prestige. Their work is lowly valued and poorly paid. Even within professionals in the health care sector this type of work is not much appreciated. Thus, it is not a surprise that in Finland, nurses (and associated professionals) were at the top of the list of occupations facing the largest recruitment challenges in many municipalities.<sup>71</sup> On top of this, according to a survey by the Finnish Nurses' Association in 2018, more than one-third of nurses were shown to have considered leaving the profession.<sup>72</sup>

Both countries policy is to attract migrant workers into the health care sector and into long-term care. According to Statistics Sweden (updated on 5 March 2020), 34 per cent of all practising medical doctors and 12 per cent of all nurses in Sweden are immigrants. Sweden's most common profession is personal care worker or assistant nurse. Of all assistant nurses 26 per cent were born abroad. The most common region of origin of assistant nurses was Asia.<sup>73</sup>

These figures are drastically different in Finland. In 2018, foreign-born nurses accounted for 3.3% of working nurses. Of these, 31% were from EU countries and 69% from outside the EU.<sup>74</sup> In 2015, 7.7% of doctors were foreign-born.<sup>75</sup> It is expected that if the foreign labour recruitment policy is successful, these figures will increase. Consequently, new workers will become net contributors, paying taxes helping to finance the welfare state.

Yet, promoting immigration as a solution to a lack of healthcare professionals might be hard to push through politically. In recent decades both countries have seen an increase in the support and political power of right-wing populist parties that promote stricter

71 Nordregio, *Recruitment and retention in the welfare sector: Nordic good practice 2021*, <https://www.diva-portal.org/smash/get/diva2:1530451/FULLTEXT01.pdf> (31.5.2023).

72 Ibid.

73 European Commission, *Immigrant health staff indispensable in Sweden's response to COVID-19*, 5 March 2020, [https://ec.europa.eu/migrant-integration/news/immigrant-health-staff-indispensable-swedens-response-covid-19\\_en](https://ec.europa.eu/migrant-integration/news/immigrant-health-staff-indispensable-swedens-response-covid-19_en) (5.5.2023).

74 Finnish Nurses Association, *Facts and Figures about Nurses in Finland 2023*, <https://sairaanhoitajat.fi/en/profession-and-skills/facts-and-figures-about-nurses-in-finland/#> (5.5.2023).

75 B. Lindahl, *OECD: Big increase in number of foreign born doctors and nurses*, "Nordic Labor Journal" 29 September 2015, <http://www.nordiclaborjournal.org/nyheter/news-2015/article.2015-09-23.6679429457> (13.5.2023).

immigration policies, especially for groups outside the EU. These same parties try to redefine the Nordic universal and egalitarian welfare state. They reframe the welfare state as being linked to a sovereign and exclusive Swedish and Finnish political community with distinct national boundaries: the welfare nation state.<sup>76</sup> Such ideas have been branded as welfare chauvinism, implying a strong support for economic redistribution with resistance toward distributing welfare services to immigrants.<sup>77</sup> Perhaps a sign of this was when Sweden decided to stop paying the guarantee pension to beneficiaries residing outside Sweden in 2023. Guarantee pension was paid to 57,700 pensioners residing in another EU/EEA country. The biggest group of pensioners resided in Finland and were Finnish citizens with a short working history in Sweden.

## More roles for the family? Weakening public services in long-term care

A. Masson argues that in the equal citizenship model, family solidarity between generations is often denounced as ineffective, unequal and even perverse, which the State can replace.<sup>78</sup> Therefore, in this model the main role is given to the State. Nordic countries have typically been described in the subject literature as “caring states” due to the strong role of the state in providing long-term care services to its older citizens. Typically, the public sector is responsible for financing, but private-sector companies provide services. These services are provided within a formally and professionally based long-term care system, where the main responsibility for the organization, provision and financing of care traditionally lies with the public sector.<sup>79</sup> Long-term care such as old people home fees are subsidized.

Responsibility for elderly care is divided between the state, the regions, and the municipalities. The state governs elderly care through legislation, financial incentives, standards, and guidance. The regions are responsible for healthcare. The municipalities are responsible for community-based services and nursing homes (also called special housing) for the elderly. Community-based services include such tasks as shopping, house cleaning, bathing, dressing, or pre-prepared meals in the elderly person’s own home. Nursing home care is provided to people whose needs cannot be met at home. Elderly citizens receive help with almost everything, including medical help.<sup>80</sup> In Finland,

76 J. Nordensvärd, M. Ketola, *Nationalist Reframing of the Finnish and Swedish Welfare States – The Nexus of Nationalism and Social Policy in Far-right Populist Parties*, “Social Policy & Administration” 2015, Vol. 49(3), pp. 363–375.

77 J. van der Waal, “Some are more equal than others”: economic egalitarianism and welfare chauvinism in the Netherlands, “Journal of European Social Policy” 2010, Vol. 20(4).

78 A. Masson, op. cit.

79 T. Rostgaard, F. Jacobsen, *Revisiting the Nordic long-term care model for older people—still equal?*, “European Journal of Ageing” 2022, Vol. 19(4).

80 W. Songur, *System of choice promotes ethnically-profiled elderly care and older migrants’ use of elderly care: Evidence from Sweden’s three largest cities*, “Public Money & Management” 2022, Vol. 43(6).

especially digitalized services have been seen as a solution for the increasing health care needs of ageing populations in rural areas.<sup>81</sup>

Although officially Finnish governments have not made a decision to abandon the centrality of the State, in reality this is what has happened to some extent. Despite the desire to shift the balance of care from institution to home care, the proportion of people receiving home care or family support is still below the national target.<sup>82</sup> Presumably, the lack of finances and staff has meant that Finnish long-term care has become more private market and family oriented. Constanzo Ranci and Emmanuele Pavolini argue that this is the trend in the Nordic model in general: long-term care is under re-construction but nevertheless continuing in the direction of more restricted universalism.<sup>83</sup> Equally, Swedish elderly care has changed dramatically in recent decades. The most significant changes have been decentralization, privatization, and the introduction of choice.<sup>84</sup> The modes of service delivery pose new challenges: to what extent can citizens be allowed a choice of producers of services, for instance with voucher systems, without threatening equality?<sup>85</sup>

In contrast to some other countries, adult children are not legally obliged to provide or pay for the care for their aged parents. In neither of the countries do adult children have any obligation or strong norms to use financial resources towards their own parents. When assessing individual needs, the availability of informal care by family members should not be considered.<sup>86</sup>

Provision is based on need but obviously, assessment of individual need has less clear-cut eligibility criteria to which the financial capacity might play a role. Thus, in contrast to the idea of the welfare model, in Finland informal care has become increasingly common and families are widely assumed to participate in the care for older relatives at home. Similarly, increased family care has been an unintended consequence of the decline in care services in Sweden.<sup>87</sup> This development in long-term care was identified already some years ago, concluding that weak universalism has become weaker in Finland and Sweden.<sup>88</sup> As a result, long-term care services are increasingly targeted at the frailest. More specifically, it means that the requirement for entry into residential care has become more strict, fewer receive home help, equally home help hours may be reduced.<sup>89</sup> The

81 N. Väänänen, *The digital transition of social security in Finland. Frontrunner experiencing headwinds?*, "Ubezpieczenia Społeczne. Teoria i praktyka" 2021, Vol. 4(151).

82 L. Tynkkynen, J. Pulkki et al., *Health system reforms and the needs of the ageing population – an analysis of recent policy paths and reform trends in Finland and Sweden*, "European Journal of Ageing" 2022, No. 19.

83 C. Ranci, E. Pavolini, *Not all that glitters is gold: Long-term care reforms in the last two decades in Europe*, "Journal of European Social Policy" 2015, Vol. 25(3).

84 W. Songur, op. cit.

85 A. Føllesdal, op. cit.

86 T. Rostgaard, F. Jacobsen et al., op. cit.

87 P. Ulmanen, *Childcare and eldercare policies in Sweden* [in:] *The Sandwich generation: caring for oneself and others at home and at work*, eds. R.J. Burke, L.M. Calvano, Cheltenham 2017.

88 M. Szehebelly, G. Meagher, *Nordic eldercare – Weak universalism becoming weaker?*, "Journal of European Social Policy" 2018, Vol. 28(3).

89 T. Rostgaard, F. Jacobsen et al., op. cit.



dominating cause of admission to residential long term is dementia in both countries.<sup>90</sup> Although, most people with memory disorders live, and are cared for, at home.<sup>91</sup>

According to Eurostat,<sup>92</sup> Sweden spent in 2020, a little less than 3% in relation to GDP on long-term care and Finland spent 1.7%. The EU average was 1.8%. Finland does not compare well in relation to equality among the elderly population among the EU countries. The weakness is especially due to the percentage of elderly people who also care for the elderly or people with chronic ailments, and the percentage of older people living alone. In addition, recent research has pointed out large municipal variations in long-term care expenditure and in the total coverage of long-term care services (between 15 and 40% for 75+ population).<sup>93</sup> The differences cannot be explained by any variation of need but instead the availability of services.

## Conclusion

Sweden and Finland score typically high in different rankings related to ageing policies. Yet, the situation differs in both countries and different sectors. The Swedish public pension system has proven to be financially very sustainable. Perhaps, it offers a model for countries that are grappling with pension expenditure increases due to an ageing population. However, the Swedish system lacks political sustainability as shown by all the recent reform proposals that go against the system's core principles. The political challenges stem from the relatively low level of public pensions. One option could be to increase the contribution rate to generate higher pension benefits. The Finnish public system seems to have enjoyed stable political support, but financial sustainability remains somewhat an open question in the long-term. The decision-making model led by the social partners, which has been able to reform the system over the years, might be replaced by a more parliamentary model as trade union density has decreased and pensions are becoming more topical issues for the ageing electorate.

Both countries have succeeded in promoting high employment rates amongst older workers. Finland has successfully extended the working lives and employment rates of older workers by the recent pension reforms. Long-term care policies, which as a form of health care and social policy should take priority over pension transfers, pose a bigger

90 S. Kehusmaa, *Kolmasosa vanhuspalvelujen henkilöstöstä työskentelee kotihoidossa – asiakkaita kotihoidossa on yli puolet. Tutkimuksesta tiiviisti 39* [A third of staff in elderly services work in home care – more than half of clients are in home care. Policy brief], Finnish Institute for Health and Welfare, Helsinki 2018; A. Sköldunger, A. Wimo et al., *Resource use and its association to cognitive impairment, ADL functions, and behavior in residents of Swedish nursing homes: Results from the U-Age program (SWENIS study)*, "International Journal of Geriatric Psychiatry" 2019, Vol. 34, Issue 34.

91 L. Tynkkynen, J. Pulkki et al., op. cit.

92 Eurostat, *Health care expenditure by function 2023*, [https://ec.europa.eu/eurostat/databrowser/view/HLTH\\_SHA11\\_HC/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/HLTH_SHA11_HC/default/table?lang=en) (22.5.2023).

93 See e.g. T. Tupala, O. Halminen et al., *IKÄPIHA – ikäihmistien pitkäaikaispalvelujen harmonisointi maakunnissa* [IKÄPIHA – harmonisation of the grounds for granting long-term elderly care services in counties], Prime Minister's Office, Helsinki 2020.

challenge for the sustainability of the welfare models. Contrary to the ideal model existing in Nordic countries, the role of family has grown more important as has the share of informal care. The demand for health care professionals and care givers is going to remain high. For the supply of these workers both countries rely on migrant workers, especially coming from countries outside Europe.

The demographic change has led to increasing pressure on the pro-old welfare policies in both countries. The forecasted increase in long-term care and health-care expenditures will confront Sweden and Finland with harder choices than old age pension policies. Long-term care is under resourced and the role of the family in providing care is expected to grow.

The Swedish population structure will be better prepared to sustain elevated welfare spending towards the old. In Finland, the situation looks less bright. It remains to be seen whether this will translate itself into a profound reform of the country's welfare model.

*Niko Väänänen*  
*Planning Department*  
*Finnish Centre for Pensions*  
ORCID: 0000-0001-6784-1398

## REFERENCES

- Aftonbladet, *Pensiongruppen kan utökas – mot trohetslöfte*, 16 June 2023, <https://www.aftonbladet.se/minekonomi/a/3E7r8X/insteg-i-pensionsgruppen-kraver-trohetslofte> (16.10.2023).
- Andersen T.M., *Welfare State – The Scandinavian Model*, Economics Working Papers 2011–01, Department of Economics and Business Economics, Aarhus University, 2011.
- Andersen T.M., *Pension adequacy and sustainability: An evaluation of the Finnish pension system*, Finnish Centre for Pensions, 2021.
- Andersen T.M., *Pensions and the Nordic Welfare Model*, CESifo Working Paper, No. 10321, Munich 2023.
- Bäckman O., Nelson K., *The Egalitarian Paradise?* [in:] *The Routledge Handbook of Scandinavian Politics (1st ed.)*, eds. P. Nedergaard, A. Wivel, London 2017.
- Barr N., *The pension system in Finland: Adequacy, sustainability and system design*, Finnish Centre for Pensions, 2013, <https://urn.fi/URN:ISBN:978-951-691-175-8> (16.10.2023).
- Blumenstock J.E., Chi G., Tan X., *Migration and the Value of Social Networks*, CEPR Discussion Paper 2019, No. DP13611, <https://ssrn.com/abstract=3360078> (16.10.2023).
- Cronqvist H., Thaler R.H., Yu F., *When Nudges are Forever: Inertia in the Swedish Premium Pension Plan*, “AEA Papers and Proceedings” 2018, Vol. 108.
- Disney R., *Population ageing and the size of the welfare state: Is there a puzzle to explain?*, “European Journal of Political Economy” 2007, Vol. 23, Issue 2.
- European Commission, *Immigrant health staff indispensable in Sweden's response to COVID-19*, 5 March 2020, [https://ec.europa.eu/migrant-integration/news/immigrant-health-staff-indispensable-swedens-response-covid-19\\_en](https://ec.europa.eu/migrant-integration/news/immigrant-health-staff-indispensable-swedens-response-covid-19_en) (5.5.2023).

- Eurostat, *Duration of working life: how long in 2021?*, 2022, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20220706-1> (16.10.2023).
- Eurostat, *Employment and activity by sex and age*, 2023, [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_emp\\_a/default/bar?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a/default/bar?lang=en) (17.10.2023).
- Eurostat, *Estimated average age of young people leaving the parental household by sex*, 2022, [https://ec.europa.eu/eurostat/databrowser/view/YTH\\_DEMO\\_030/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/YTH_DEMO_030/default/table?lang=en) (23.5.2023).
- Eurostat, *Health care expenditure by function*, 2023, [https://ec.europa.eu/eurostat/databrowser/view/HLTH\\_SHA11\\_HC/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/HLTH_SHA11_HC/default/table?lang=en) (22.5.2023).
- Eurostat, *Total fertility rate*, 2023, <https://ec.europa.eu/eurostat/databrowser/view/TPS00199/default/table?lang=en> (10.5.2023).
- Esping-Andersen G., *The Three Worlds of Welfare Capitalism*, Princeton University Press, Princeton 1990.
- Finnish Nurses Association, *Facts and Figures about Nurses in Finland*, 2023, <https://sairaanhoitajat.fi/en/profession-and-skills/facts-and-figures-about-nurses-in-finland/#> (5.5.2023).
- Folksam, *Nästan tre av fyra pensionärer tar emot bidrag*, September 2022, <https://nyhetsrum.folksam.se/sv/2022/09/29/nastan-tre-av-fyra-pensionarer-tar-emot-bidrag/> (5.5.2023).
- Føllesdal A., *Rawls in the Nordic Countries*, “European Journal of Political Theory” 2002, Vol. 1, Issue 2.
- Fundacion Mutuallidad Abogacia, *European elderly dignity index*, Barcelona July 2022, [https://fundacionmutuallidadabogacia.org/wp-content/uploads/2022/10/Dignidad-Adultos\\_UE\\_ING\\_web.pdf](https://fundacionmutuallidadabogacia.org/wp-content/uploads/2022/10/Dignidad-Adultos_UE_ING_web.pdf) (1.6.2023).
- Halvorsen B.E., *High and rising senior employment in the Nordic countries*, “European Journal of Workplace Innovation” 2021, Vol. 6, Issue 1–2.
- Hannikainen M., Vauhkonen J., *The History of Finnish earnings-related pension in the private-sector*, Finnish Literature Society, Helsinki 2016.
- Johanson J.E., Sorsa V.P., *Pension governance in Finland: a case study on public and private logics of governance in pension provision*, Finnish Centre for Pensions, Reports 2, Helsinki 2010.
- Kautto M., Kuitto K., *The Nordic Countries* [in:] *The Oxford Handbook of the Welfare State (2nd edition)*, eds. D. Béland, S. Leibfried, K.J. Morgan, H. Obinger, Ch. Pierson, London 2021.
- Kehusmaa S., Alastalo H., Hammar T., Luoma M.L., *Kolmasosa vanhuspalvelujen henkilöstöstä työskentelee kotihoiossa – asiakkaita kotihoiossa on yli puolet. Tutkimuksesta tiiviisti 39*, Finnish Institute for Health and Welfare, Helsinki 2018.
- Kuivalainen S., Rantala J., Ahonen K., Kuitto K., Palomäki L.M., Liukka J., *Eläkkeet ja eläkeläisten toimeentulo: kehitys vuosina 1995–2020*, Finnish Centre for Pensions Research 06, Helsinki 2022.
- Lindahl B., *OECD: Big increase in number of foreign born doctors and nurses*, “Nordic Labor Journal” 2015, <http://www.nordiclaborjournal.org/nyheter/news-2015/article.2015-09-23.6679429457> (13.5.2023).

- Masson A., *La retraite par répartition au crible de la pensée multisolidaire*, “Revue de l’OFCE” 2020, Vol. 6, No. 170.
- *Mellan folkbildning och fondrådgivning. Nya perspektiv på pensionssystemet*, ed. U. Lundberg, Institutet för framtidsstudier, Stockholm 2007.
- Mercer, *Mercer CFA Institute Global Pension Index*, 11 October 2022, <https://www.mercer.com/insights/investments/market-outlook-and-trends/mercera-cfa-global-pension-index/> (10.5.2023).
- Ministry of Finance, *Redovisning av AP-fondernas verksamhet t.o.m. 2020 Skr 2021*, 31 May 2022, <https://www.regeringen.se/rattsliga-dokument/skrivelse/2022/05/skr-202122130> (25.5.2023).
- Nordensvärd J., Ketola M., *Nationalist Reframing of the Finnish and Swedish Welfare States – The Nexus of Nationalism and Social Policy in Far-right Populist Parties*, “Social Policy & Administration” 2015, Vol. 49(3).
- Nordregio, *Recruitment and retention in the welfare sector: Nordic good practice*, Policy Brief 2021:1, <https://www.diva-portal.org/smash/get/diva2:1530451/FULLTEXT01.pdf> (31.5.2023).
- Orpo Government Programme, *A strong and committed Finland: Programme of Prime Minister Petteri Orpo’s Government 20 June 2023*, <http://urn.fi/URN:ISBN:978-952-383-818-5> (6.10.2023).
- Pensionsmyndigheten, *Ett nytt pensionssystem? Rapport nr 4 i vägvalsserie om pensionerna*, Swedish Pension Agency report 4, 2023.
- Pensionsmyndigheten, *Varför finns det fattiga pensionärer?*, Swedish Pension Agency, Reports 6, Stockholm 2022.
- Ritchie H., Roser M., *Age Structure*, <https://ourworldindata.org/age-structure> (23.5.2023).
- Rostgaard T., Jacobsen F., Kröger T., Peterson E., *Revisiting the Nordic long-term care model for older people – still equal?*, “European Journal of Ageing” 2022, Vol. 19, Issue 2.
- Scherman K.G., *Replacement rates in the new Swedish pension system*, “Nordisk Forsikringstidsskrift” 2006, Vol. 2.
- Selin H., *The rise in female employment and the role of tax incentives. An empirical analysis of the Swedish individual tax reform of 1971*, “International Tax and Public Finance” 2014, Vol. 21.
- Sköldunger A., Wimo A., Sjögren K., Björk S., Backman A., Sandman P.O., Edvardsson D., *Resource use and its association to cognitive impairment, ADL functions, and behavior in residents of Swedish nursing homes: Results from the U-Age program (SWENIS study)*, “International Journal of Geriatric Psychiatry” 2019, Vol. 34.
- Songur W., *System of choice promotes ethnically-profiled elderly care and older migrants’ use of elderly care: Evidence from Sweden’s three largest cities*, “Public Money & Management” 2022, Vol. 43, Issue 6.
- Sorsa V.P., Johanson J.E., *Pension governance in Finland: a case study on public and private logics of governance in pension provision*, Finnish Centre for Pensions, Reports 2, Helsinki 2010.

- Sorsa V.P., van der Zwan N., *Sustaining the unsustainable? The political sustainability of pensions in Finland and the Netherlands*, “Journal of European Social Policy” 2023, Vol. 32, Issue 1.
- Statistics Finland, *Official Statistics of Finland (OSF): Population projection 2021*, Helsinki 30 September 2021, [https://www.stat.fi/til/vaenn/2021/vaenn\\_2021\\_2021-09-30\\_en.pdf](https://www.stat.fi/til/vaenn/2021/vaenn_2021_2021-09-30_en.pdf) (5.5.2023).
- Statistics Sweden, *Sveriges framtida befolkning 2023–2070*, demographic reports 2, 2023.
- Strang J., *Scandinavian Legal Realism and Human Rights: Axel Hägerström, Alf Ross and the Persistent Attack on Natural Law*, “Nordic Journal of Human Rights” 2018, Vol. 36, Issue 3.
- Sundén A., *The Swedish experience with pension reform*, “Oxford Review of Economic Policy” 2006, Vol. 22, Issue 1.
- Szehebely M., Meagher G., *Nordic eldercare – Weak universalism becoming weaker?*, “Journal of European Social Policy” 2018, Vol. 28(3).
- Tupala T., Halminen O., Leskelä R.L., Niemelä P., Peltonen E., Hiltunen A.M., Kaarnasaari A., Linna M., *IKÄPIHA – ikäihmisten pitkäaikaispalvelujen harmonisointi maakunnissa*, Prime Minister’s Office, Helsinki 2020.
- *Tutkimuksia vanhuus- ja työkyvyttömyyseläkkeelle siirtymisen muutoksista vuoden 2017 eläkeuudistuksen jälkeen*, eds. S. Nivalainen, M. Laaksonen, I. Ilmakunnas, Finnish Centre for Pensions research, January 2023.
- Tynkkynen L., Pulkki J., Tervonen-Gonçalves L., Schön P., Burström B., Keskimäki I., *Health system reforms and the needs of the ageing population – an analysis of recent policy paths and reform trends in Finland and Sweden*, “European Journal of Ageing” 2022, No. 19.
- Ulmanen P., *Childcare and eldercare policies in Sweden* [in:] *The Sandwich generation: caring for oneself and others at home and at work*, eds. R.J. Burke, L.M. Calvano, Cheltenham 2017.
- *Understanding Finnish Pensions*, eds. S. Ritola, N. Väänänen, Finnish Literature Society, Helsinki forthcoming in 2024.
- Väänänen N., *The digital transition of social security in Finland. Frontrunner experiencing headwinds?*, “Ubezpieczenia Społeczne. Teoria i praktyka” 2021, Vol. 4, No. 151.
- Väänänen N., Liukko J., *Justifying a financially and socially sustainable pension reform: a comparative study of Finland and France*, “International Journal of Sociology and Social Policy” 2023, Vol. 43, Issue 5/6.
- Vidlund M., Mielonen A., Väänänen N., Kesälä M., Lavigne A., *Pension contribution levels and cost-sharing in statutory and occupational pensions: a cross-national study of eight European countries*, Finnish Centre for Pensions, Reports 7, Helsinki 2022.
- Waal J. van der, *“Some are more equal than others”: economic egalitarianism and welfare chauvinism in the Netherlands*, “Journal of European Social Policy” 2010, Vol. 20(4).



# The Italian gender gap in pensions: a cohort of birth approach

## Authors contribution:

A – Research project  
B – Data collection  
C – Statistical analysis  
D – Data interpretation  
E – Manuscript preparation  
F – Literature analysis  
G – Fundraising

A,C,D,E,F **Monica Paiella**<sup>1</sup>

Istituto Nazionale della Previdenza Sociale  
ORCID: 0000-0002-3670-8954

**Introduction:** The text discusses the gender pension gap in rich countries, focusing specifically on Italy. The paper delves into the evolution of this gap across different generations, analyzing social security reforms and their impact on retirement incomes. The study emphasizes the importance of understanding these disparities for designing effective pension systems that address gender inequalities and ensure well-being in retirement.

**Objective:** The aim of the article is to investigate the gender pension gap, specifically in the context of Italy, by analyzing the factors contributing to this disparity, including late entry into the job market, wage gaps, and caregiving responsibilities. The study focuses on understanding the impact of social security reforms and the pension system on these gender inequalities, aiming to provide insights for the design of equitable pension systems.

**Materials and methods:** The article utilized administrative data from the Italian National Institute for Social Security (Istituto Nazionale della Previdenza Sociale – INPS) covering pension payments from 1995 to 2022. The study employed a cohort perspective, analyzing the evolution of the gender pension gap across generations and examining the impact of social security reforms and labor market arrangements.

**Results:** The main conclusion of the study indicates that while the absolute gender disparity in mean retirement income has increased across cohorts of Italian retirees born between 1930 and 1954, the relative gender gap, when considering men's average pension, has decreased over time. Additionally, the impact of survivor's benefits has been significant in reducing the gender disparity in pensions, particularly in the later stages of life. Furthermore, the study found that the impact of social security reforms in Italy has been limited, primarily affecting the youngest cohorts, with most retirees still relying on the dominant defined benefit component for their pensions.

**Key words:** gender gap, pension, pension system reforms

## Różnice między płciami w emeryturach we Włoszech: podejście oparte na kohorcach urodzeń

**Wprowadzenie:** W tekście omówiono różnice w emeryturach kobiet i mężczyzn w krajach bogatych, ze szczególnym uwzględnieniem Włoch. Artykuł analizuje ewolucję tych dysproporcji w różnych pokoleniach, badając reformy zabezpieczenia społecznego i ich wpływ na

<sup>1</sup> The author is currently on leave from the University of Naples Parthenope. This research was developed within the project funded by Next Generation EU – “Age-It – Ageing well in an ageing society” project (PE0000015), National Recovery and Resilience Plan (NRRP) – PE8 – Mission 4, C2, Intervention 1.3. The views and opinions expressed are only those of the author and do not necessarily reflect those of INPS, the European Union or the European Commission. Neither INPS, nor the European Union, nor the European Commission can be held responsible for them. I am grateful to Gianfranco Santoro for discussion and advice on this work and to Giuseppe Dachille for his comments.

dochody emerytalne. W badaniu podkreślono, jak ważne jest zrozumienie tych różnic, aby opracować skuteczne systemy emerytalne, które rozwiązywałyby problem nierówności płci i zapewniałyby dobrobyt w wieku emerytalnym.

**Cel:** Celem artykułu jest zbadanie różnic, które występują między płciami w emeryturach, szczególnie w odniesieniu do Włoch. Zanalizowano w związku z tym czynniki przyczyniające się do tej sytuacji, w tym późne wejście na rynek pracy, różnice w płacach i obowiązki opiekuńcze. Badanie koncentruje się na zrozumieniu wpływu reform zabezpieczenia społecznego i systemu emerytalnego na te nierówności, rozeznanie to ma to na celu pomóc w projektowaniu sprawiedliwych systemów emerytalnych.

**Materiały i metody:** W artykule wykorzystano dane administracyjne włoskiego Narodowego Instytutu Ubezpieczeń Społecznych (Istituto Nazionale della Previdenza Sociale – INPS) dotyczące płatności emerytalnych w latach 1995–2022. W badaniu wykorzystano perspektywę kohort, analizowano ewolucję dysproporcji w emeryturach ze względu na płeć w różnych pokoleniach oraz rozważano znaczenie reform zabezpieczenia społecznego i ustaleń dotyczących rynku pracy.

**Wyniki:** Główny wniosek z badania wskazuje, że choć bezwzględna różnica między płciami w średnim dochodzie emerytalnym wzrosła wśród grup włoskich emerytów urodzonych w latach 1930–1954, to względna różnica między płciami, biorąc pod uwagę średnią emeryturę mężczyzn, z czasem się zmniejszyła. Ponadto wpływ świadczeń dla osób pozostałych po śmierci bliskich był znaczący w zmniejszaniu nierówności między płciami w zakresie emerytur, zwłaszcza na późniejszych etapach życia. Poza tym badanie wykazało, że wpływ reform zabezpieczenia społecznego we Włoszech był ograniczony, dotknął przede wszystkim najmłodsze grupy, a większość emerytów nadal opiera się na dominującym składniku zdefiniowanych świadczeń w swoich emeryturach.

**Słowa kluczowe:** różnice między płciami, emerytura, reformy systemu emerytalnego

---

Submitted: 25.8.2023

Accepted: 14.12.2023

DOI: 10.5604/01.3001.0054.1480



## Introduction

An aspect of gender inequality that most rich countries share is the “pension gap”. According to the latest figures, from 2021, the gender pension gap at European Union (EU) level stands at 27.1%,<sup>2</sup> which means that women in the EU aged over 65 received a pension that was on average more than a quarter lower than that of men. Although women receive lower pensions in all Member States, the extent of the gap varies widely and ranges between the highest values of Malta (41.5%), followed by the Netherlands (38.1%) and Austria (35.8%), and the lowest values of Estonia (3.5%), followed by Denmark (8.5%) and Hungary (9.7%). Understanding the extent of the pension gap and its causes is critical for the design of a pension system that intends to address inequalities and ensure well-being in retirement. Low income late in life is of particular concern since individuals at retirement age generally have fewer opportunities to boost their incomes by means of paid work.

This paper focuses on Italy<sup>3</sup> where the Italian National Institute for Social Security (Istituto Nazionale della Previdenza Sociale – INPS) estimated the gap in retirement incomes between men and women to be 27%<sup>4</sup> in 2022 and draws on rich administrative data to understand better its dynamics relative to the social security reforms that have been adopted over the past 30 years to curb pension expenditure and improve the sustainability of the public pension system.

Gender inequality at retirement is first of all the result of very different labor market experiences over the course of many decades. In Italy women face several challenges during their working lives, such as late entry into the labor market, discontinuous working careers, a pay gap, and early retirement due to family caregiving, which all contribute to lower pension incomes. However, the gender gap in pensions depends also on the capacity of the pension system to promote solidarity across genders and rich-to-poor redistribution in general. In Italy, the pension system has undergone several reforms starting from the early 1990s, which have increased the age and years of contribution requirements to retire and have reduced the system generosity through a transition from defined benefit (DB) to (notional) defined contribution (NDC) schemes. Also, the DB system incorporated several redistributive tools like floors, ceilings, and redistributive accrual rates which were lost in the shift to the actuarially fair DC system.<sup>5</sup> From a gender perspective, in NDC schemes, pension benefits are predominantly driven by employee and employer

2 Eurostat, available at [https://ec.europa.eu/eurostat/web/products-datasets/-/ilc\\_pnp13](https://ec.europa.eu/eurostat/web/products-datasets/-/ilc_pnp13) (24.8.2023).

3 A related study has been made by Ewa Poprawska, Ilona Kwiecień, Anna Jędrzychowska (*eadem*, *The determinants of the women's pension gap and the knowledge of structure of the Polish pension system in the light of the survey research*, “Polityka Społeczna” 2022, No. 18(1) Eng.) who focus on Poland and on women's insufficient knowledge of the pension system operation as a critical determinant of the pension gap.

4 Istituto Nazionale della Previdenza Sociale, *XXII Rapporto Annuale*, 2023, <https://www.inps.it/it/it/dati-e-bilanci/rapporti-annuali/xxii-rapporto-annuale.html> (24.8.2023).

5 The DB scheme exhibited several redistributive features, including floors raising pension benefits to a minimum amount if they were lower, ceilings setting an upper boundary to the earnings to be accounted for in the calculation

contributions which may exacerbate gender differences in retirement incomes as, relative to men, women have lower life-time earnings and, therefore, make lower contributions over their working lives. However, generally speaking, when it comes to quantifying the phenomenon of the working poor among women one should allow for family composition because female workers very often live in households with more than one income recipient. This has implications for their living conditions also after retirement. In fact, women are the primary beneficiaries of survivor's pensions which represent an important policy instrument to redistribute income from men to women and can play a mitigating role in gender disparities in pensions. Last, defined contribution formulas for actuarially fair annuities do not account for the gender gap in life expectancy and this is also a source of between-gender redistribution as women's mortality rates are lower.

This paper studies the gender gap in pensions from a cohort perspective to analyze its evolution over the life of the elderly and its changes across generations resulting from social security reforms and changes in labor market arrangements. An alternative to the cohort approach would be focusing on the gap at the date of retirement. However, this would imply a narrower perspective as the men and women retiring in some specific year may be very different in terms of age, careers and opportunities to retire. Also, such a comparison may be misleading if one is interested in the impact on the gender gap of a reform that may take years to unfold and whose impact varies depending on the cohort of birth which determines the labor market conditions that (future) retirees face. Overall, cohort studies pulling together information on individuals who have experienced a particular event, such as major changes in labor market arrangements or a pension reform, facilitate a thorough examination of processes of societal change and allow one to distinguish between age and cohort effects.<sup>6</sup>

To document the gender gap in pensions and analyze its drivers we use administrative data on the universe of pensions paid by INPS, accounting for over 95% of the total, which are available from 1995 to 2022. For our purposes, we focus on retirees born between 1930 and 1964, aged between 50 and 90, who receive a work insurance-based public pension. Our sample excludes professionals contributing to private pension funds, the recipients of pensions from public employment because of the lack of information on years of contribution, and the recipients of social assistance-types of pension.

Based on a comparison of retirement incomes, we find that women's benefits are substantially lower than men's and the difference increases across cohorts with the average pensions of the younger generations of men being higher than the pensions of the older ones at any age, whereas the upward shift of women's pension age profiles is much smaller. The positive cohort effects are consistent with an increase in the years of contributions driven by pension reforms, besides higher earnings. Indeed, both men and women have experienced a lengthening of labor market participation, but women's years

---

of the pension, and an accrual rate which was decreasing in pensionable earnings (A. Brugiavini, F. Peracchi, *Social security wealth and retirement decisions in Italy*, "Labour" 2003, Vol. 17).

<sup>6</sup> See: A. Dale, R. Davies, *Analyzing social and political change: a casebook of methods*, 1994.

of contribution remain significantly lower than men's due to their more fragmented careers, which imply also lower wages, and together explain women's smaller cohort effects.

The increase in the absolute (monetary) gender gap in pensions across cohorts does not necessarily imply an increase in the "relative" gender gap, defined as the ratio between the monetary difference in retirement income and men's average income. The latter is the standard metrics to quantify the gender gap in pensions. The relative gender gap age profiles suggest that the younger the cohort is, the lower the gap despite the larger monetary difference in average pensions. As an example, the relative gender gap in pensions for the retirees of the 1950–1954 cohort at the age of 70 is 4 percentage points lower than that of the retirees of the 1945–1949 cohort at the same age (ratios are 0.39 and 0.43, respectively). Besides this, the analysis suggests that survivor's benefits play a really important role in reducing the absolute and relative gender gap in pensions and the impact increases with retirees' age. For a sense of survivor's pensions impact, we consider again the retirees of the 1945–1949 cohort. Their relative gender gap is quite stable around 0.43 at age 65 to 75, when excluding survivor's benefits. When including them, the gap is reduced at all ages: for the 65-years-old it falls to around 0.40 and drops to just above 0.30 for the 75-years-old.

Last, for what concerns the link between gender gap at retirement and social security reforms, we find an early and large impact on the gender difference in retirement age and in years of contribution, which have fallen significantly because the reforms acted in the direction not only of tightening the requirements, but also of making the requirements the same for men and women, whereas earlier on women could retire at a younger age and with fewer years of contribution. However, on the one hand, there has been a remarkable increase in women's age at retirement which has essentially closed the gender gap in age; on the other hand, a three year or more difference remains in years of contribution. Regarding the transition from a DB to a DC system, which can be expected to have a large negative impact on pension benefits, we find that for most retirees in our data the DB component is dominant. In fact, except for the youngest cohort, for over 80% of retirees the DC scheme applies only to the share of contributions paid after 2011 and most of their pension are still based on their earnings.

The rest of the paper is organized as follows. Part 2 briefly explains the Italian pension system and the reforms undertaken over the past 30 years. Part 3 describes the data. Part 4 focuses on individual pension benefits. It analyses their changes over time within and across cohorts, the life cycle and relates observed patterns to the existing pension policies and to the labor market arrangements. Part 5 concludes matters.

## Institutional background

The Italian pension system is based on a pay-as-you-go mechanism, where the pension benefits of retirees are financed by contributions paid by the working-age population (employees, employers and self-employed workers), as well as through general taxation.

Starting from the nineties, the Italian pension system underwent a major reform process and moved gradually from a DB to a NDC system.<sup>7</sup> Currently, the NDC benefit formula applies to all workers who have entered the labor market after 1995. Their pension benefits are based on the total amount of contributions paid during their entire working life,<sup>8</sup> notionally capitalized at the GDP nominal growth rate, and converted into an actuarially fair annuity through the application of a transformation coefficient that varies according to worker retirement age and is revised every two years to allow for changes in life expectancy. Workers who entered the labor market before the end of 1995 are applied a pro-rata mechanism in such a way that their retirement benefits result from the application of the DB formula to the contributions paid up to a given year and from the application of the NDC formula to the contributions paid after that year. The year threshold depends on the number of years of contributions as of 1995.<sup>9</sup> Workers who entered the labor market before the end of 1995 are also entitled to a top-up benefit if the amount of their pension is below the minimum level (which was set at 503.27 euro in 2022). Such a top-up was abolished for those who entered the labor market after 1995.

Contributions entitle one to social security benefits if specific requirements are met. Table 1 reports the age and contribution requirements for a statutory old-age pension and for a statutory early-retirement pension.

**Table 1.** Old-age pension and early retirements requirements

	Started contributing before 31.12.1995	Started contributing after 31.12.1995
	DB-NDC pro-rata system	NDC
Old age	67 years of age + 20 years of contributions	67 years of age + 20 years of contributions + benefits ≥ 1.5 MP*
NDC old age		71 years of age + 5 years of contributions
Early retirement	42/41 years and 10 months of contributions for men/women	42/41 years and 10 months of contributions for men/women
NDC early retirement		64 years of age + 20 years of contributions + benefits ≥ 2.8 MP*

\* Minimum pension (MP) = 563.74 euro (INPS, Circ. N. 35, 3–4-2023).

Source: own study

7 For details on the reforms, see F. Coda Moscarola, E. Fornero, *How to strengthen the credibility of the Italian pension reform. The Geneva Papers on Risk and Insurance – Issues and Practice*, “The Geneva Association” 2009, Vol. 34, Issue 4, and A. Brugiavini, V. Galasso, *The social security reform process in Italy: where do we stand?*, “Journal of Pension Economics and Finance” 2004, Vol. 3, Issue 2.

8 Social security contributions are computed as a percentage, set by law, of gross income. In addition to work-related contributions, workers can increase their pensions by means of voluntary contributions (for periods of part-time work or to cover periods when no contributions were paid), figurative contributions (for such periods as military service, accident at work or occupational disease, pregnancy, illness and redundancy, among others) and redemption contributions (credited upon request after payment of a redemption fee, for such periods as university studies and some instances of work abroad).

9 For workers with fewer than 18 years of contribution in 1995, the DB formula applies to pre-1996 contributions (Dini reform, Law 335/1995). For workers with 18 years of contribution or more in 1995, the DB formula applies to pre-2012 contributions (Monti-Fornero reform, Law 201/2011).

As mentioned, one important public measure that contributes to reducing gender disparities in pensions are survivor's pensions, which are mainly received by women. According to the most recent statistics<sup>10</sup> in the OECD25 the share of women among the recipients of survivor pensions is above 85%. This is because women tend to live longer, be the younger partner in a couple and accumulate lower pension entitlements. Eligibility criteria for survivor's pensions and their amount and calculation vary across countries. In Italy, the benefit is universally provided to the surviving spouse, even if separated or divorced provided that alimony rights have been granted and that the spouse has not remarried. The amount of the benefit is computed as a percentage of the pension that the deceased was or would have been entitled to at the time of death.<sup>11</sup> A spouse without dependent children or grandchildren receives 60% of the pension of the deceased, a spouse with one dependent child 80% and a spouse with two or more dependent children 100%. As part of the 1995 reform of the Italian social security system (Law 335/95), the survivor insurance scheme moved from universal to means tested for spouses with no dependent children.<sup>12</sup>

Finally, for our purposes it is worth mentioning that over time, in some specific years, more favorable early retirement rules have been exceptionally introduced. Over the recent past, the most popular scheme was the so-called "Quota 100" allowing workers with at least 38 years of contribution and being of at least 62 years of age in 2019–2021 to retire early. The age threshold was raised to 64 in 2022 ("Quota 102"). Females can retire early also under the so-called "Opzione donna" scheme if 58 years old (59 if self-employed) with at least 35 years of contribution by the end of 2021. Requirements were tightened in 2022. Under "Opzione donna", retirement benefits are computed based on the NDC formula regardless of the timing of the years of contribution.

## The data

For our analysis, we rely on administrative data on the universe of Italian retirees from the National Institute for Social Security. The pension data archive is available starting from 1995 and provides detailed information on all the benefits that the Institute pays to any individual during the year, including old-age pensions, early retirement benefits, invalidity, survivors, and guaranteed minimum pensions. For each benefit, the data set includes the date of the first payment and the amount paid each year with details on any supplement, and can be merged with other archives to recover certain demographics and information about retirees' careers.

<sup>10</sup> Organisation for Economic Co-operation and Development, *OECD Pensions Outlook 2018*, Paris 2018.

<sup>11</sup> If the deceased is not retired at the time of death, the survivor's benefit is based on the pension that he or she would have been entitled to at the time of death, based on the pension contributions paid up to that date.

<sup>12</sup> Specifically, the replacement rate drops to 45% if the survivor's income is above three times the annual minimum pension, 36% if above four times the annual minimum pension and 30% if above five times the annual minimum pension. The replacement rate is based on a measure of individual taxable income, that includes all forms of labor income from employment and self-employment, retirement income, pensions and retirement annuities, capital income and rental income. The minimum pension level is set by law each year.

For our purposes, we focus on the individuals born in 1964 or earlier, to have a large enough number of retirees for each birth year, and after 1930, to compare workers retiring immediately before the reforms to workers involved in the transition from DB to NDC schemes. We drop those aged less than 50 at retirement and the over 90-years-old. We consider only those who have contributed to a public pension plan and exclude professionals, such as lawyers, accountants, and architects among others, who contribute to private pension funds subject to fund specific rules. Last, we restrict the analysis to old-age or early retirement benefits, work insurance-based invalidity benefits and survivor’s pensions and exclude all types of guaranteed minimum and means-tested benefits, which are types of social assistance and go well beyond the concept of pension annuity from a contribution career. Professionals and social assistance-type of pension beneficiaries correspond to around 20% of the retirees. Since some individuals receive more than one pension, we add all benefits up and distinguish only between worker’s pensions and survivor’s benefits to appraise the role of the latter in closing the gender gaps because the beneficiary of most survivor pensions are women. When an individual retirement income, be it worker’s or survivor’s pension, results from more than one benefit, we use the characteristics (years of contribution and date of first payment) of the highest one.

Our sample consists of over 285 million observations on over 16 million individuals and spans 28 years, from 1995 to 2022. Table 2 reports some information on the sample composition. The sample includes slightly more men than women despite, in the population, female pension recipients being more numerous than male recipients.<sup>13</sup> The difference arises because the sample excludes the beneficiaries of guaranteed minimum pensions, of civil incapacity and of long-term care benefits which are granted primarily to women. The last three columns of the table focus on the sample that will be used in the analysis, which excludes all recipients of a pension from public employment because of a lack of information on years of contribution and the first year of employment for public employees. Overall, one out of four retirees receives a survivor pension; among women, the incidence is almost one out of two. Also, for more than one out of five women, survivor pensions are the only benefit.

**Table 2.** Sample composition

	All	Males	Females	No public employees*	Males	Females
Males	51.8%			53.4%		
Public employees	18.9%	17.2%	20.6%	-	-	-
w/survivor pension	26.6%	7.4%	46.9%	25.8%	6.8%	47.5%
w/survivor pension only	10.6%	1.4%	20.4%	10.8%	1.3%	21.7%
Retirees	16,255,561	8,425,339	7,830,222	12,949,373	6,919,755	6,029,618

\* We exclude the recipients of a public pension, both worker pension and survivor benefit recipients.  
Source: own study

<sup>13</sup> In Italy, in 2022, the number of retirees was over 16 million and social security payments amounted to over 320 billion euro. Women constituted 52% and received 44% of the benefits (Istituto Nazionale della Previdenza Sociale, op. cit.).

## Summary statistics

To examine the gender gap in pensions we use cohort techniques with cohorts defined over the date of birth of retirees at five-year ranges. Table 3 provides details on our cohort definition and on cell size. The average cell size is 1.6 million observations. The lower share of males of the oldest cohorts is due to the fact that we observe these cohorts later in life when the number of (women) survivor's pension beneficiary is the largest. Notice that although our sample spans 28 years of data, we observe the three youngest cohorts over a shorter horizon because we exclude those who retire before turning 50.

**Table 3.** Cohort composition

Cohort	Year of birth	Average cell size	Share of males	Years in the sample	Ages observed
1	1930-1934	1,819,158	0.47	1995-2022	61-90
2	1935-1939	1,861,311	0.48	1995-2022	56-87
3	1940-1944	1,671,818	0.52	1995-2022	51-83
4	1945-1949	1,635,677	0.55	1995-2022	50-77
5	1950-1954	1,174,474	0.57	2000-2022	50-73
6	1955-1959	653,187	0.51	2005-2022	50-67
7	1960-1964	216,644	0.51	2010-2022	50-63

Source: own study

Table 4 reports cohort-level means of retirement related variables, including years of contributions, retirees' age when they started contributing to social security and the year when they did so. The recipients of survivor pensions only (almost 2 million retirees, 91% of whom are women) are excluded from the sample for these statistics because retirement related variables would refer to the deceased who might be part of a cohort that is different from that of the pension beneficiary. Last, notice that the starting date of social security contribution payment may be different from the date when one started working as one may have started off holding an informal job.

The years of contribution are sharply increasing across cohorts with younger cohorts contributing to social security for over 10 years more than the older ones.<sup>14</sup> Cohort 1 retirees appear to start paying social security contributions at a relatively old age compared to younger cohorts. This is most likely due to the fact that they started working right after the end of the Second World War and probably carried out undeclared, cash-paid work for several years before turning to formal employment.

<sup>14</sup> The years of contributions of the youngest cohort (cohort 7) retirees are relatively low. This is due to the fact that for this cohort we observe only those who retire between 50 and 63, i.e., only the individuals who have had relatively short careers.

As to the age at retirement, we should exclude the two youngest cohorts because a large fraction of the individuals born between 1955 and 1964 are still to retire. Then, we find that the age at retirement increases relatively little. So far, over the period covered by our data, the age at retirement has increased by approximately four years over the twenty years, running from the average date of retirement of the 1930–1934 cohort to that of the 1950–1954 cohorts. Most of the increase in years of contribution comes from a substantial decrease in the age when workers start paying social security contributions.

**Table 4.** Summary statistics (excluding survivor pensions)<sup>15</sup>

Cohort	Year of birth	Year of first contribution	Age at first contribution	Years of pension contributions	Age at retirement
1	1930–1934	1962	30.2	24.1	56.8
2	1935–1939	1960	22.7	26.5	57.0
3	1940–1944	1961	19.0	28.3	57.5
4	1945–1949	1965	18.3	30.2	58.8
5	1950–1954	1971	18.6	32.9	61.1
6	1955–1959	1975	17.7	38.6	59.9
7	1960–1964	1979	17.2	37.0	57.3

Source: own study

Table 5 summarizes gender differences. The most striking feature is that, with the exception of the two eldest cohorts, women start paying social security contributions not much later than men, nor do they retire earlier. Despite that, the years of contribution are significantly lower, which is consistent with a much more fragmented career.

**Table 5.** Summary statistics (excluding survivor pensions)

Cohort	Year of birth	Year of 1 <sup>st</sup> contribution		Age at 1 <sup>st</sup> contribution		Years of contribution		Age at retirement	
		women	men	women	men	women	men	women	men
1	1930–1934	1965	1960	33.2	27.9	20.7	27.1	55.4	57.9
2	1935–1939	1961	1959	23.7	21.9	22.3	29.8	55.6	58.1
3	1940–1944	1962	1961	19.6	18.6	24.5	30.8	57.7	57.4
4	1945–1949	1966	1965	18.5	18.2	26.8	32.6	59.0	58.7
5	1950–1954	1970	1971	18.5	18.6	29.4	35.0	61.4	61.0
6	1955–1959	1975	1974	17.6	17.7	35.5	38.9	59.5	60.1
7	1960–1964	1979	1978	17.6	17.0	33.7	36.8	57.5	57.3

Source: own study

<sup>15</sup> Means are computed as averages taken across cohort members regardless of the years each member is in the sample in order not to overweight those who live longer.



Table 6 summaries the years of contribution of survivor's pensions and the age when the spouse of the deceased starts receiving it. Based on a comparison with Table 4, the years of contribution of survivor pensions are lower than those of old-age or early retirement pensions and the difference has increased. That may result from the fact that the deceased was older and possibly of an older cohort whose career and retirement behaviors were different from those of the retirees of the cohort of the survivor pension recipient. The share of men receiving a survivor's pension is low, around 15%.

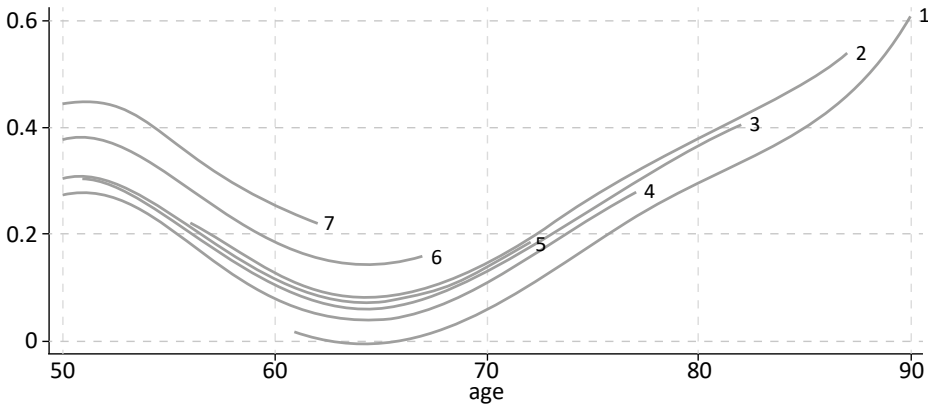
**Table 6.** Survivor pensions

Cohort	Year of birth	Years of contribution	Share of males	Age at reception		
				all	women	men
1	1930-1934	23.6	0.15	68.8	68.2	72.6
2	1935-1939	25.5	0.14	67.6	67.3	69.5
3	1940-1944	27.0	0.14	64.7	64.7	64.9
4	1945-1949	29.0	0.13	63.8	63.9	63.5
5	1950-1954	29.7	0.13	61.2	61.3	60.6
6	1955-1959	29.4	0.15	57.7	57.9	56.3
7	1960-1964	28.3	0.17	54.1	54.5	52.5

Source: own study

Figure 1 shows survivor's pension diffusion across cohorts and displays the ratio of survivor's benefit recipients to the total number of retirees by cohort. Cohort smoothed age profiles are obtained by regressing cohort data on a full set of cohort dummies and a fifth-order age polynomial. All contours are U-shaped. Survivor pension beneficiaries account for a relatively large share of retirees among those under 60-years-old. As an example, for the 1960–1964 cohort, they account for around 35% of retirement income recipients (cohort 7 in Figure 1). Many of these pensions probably originate from the contributions of spouses who were still working at the time of their death. The share of survivor's pension beneficiaries rises again over 35% among the retirees in their eighties. The incidence of these pensions is lowest among the 60–70 years old, i.e., when the number of retirees (the denominator) is the largest. The two youngest cohorts exhibit very large cohort effects with the share of survivor's benefit beneficiaries 10–15 percentage points higher compared to older cohorts. This is due to pension reforms which progressively increased retirement age. As a result, cohort 6 and 7 retirees at young ages are very few and this makes the incidence, but not necessarily the number, of survivor's pensions appear larger.

**Figure 1.** Share of survivor pensions' beneficiaries



Note: cohorts are based on the year of birth and are at 5-year intervals. Cohort 1 refers to retirees born between 1930 and 1934, cohort 2 refers to retirees born between 1935 and 1939, ... and cohort 7 2 refers to retirees born between 1960 and 1964.

Last, Table 7 reports some measures of exposure to reforms. First of all, it reports the share of retirees who retired before 1993, when the reference period of the earnings used to compute DB pensions was increased from (the last) 5 to 10 years for private sector employees and from (the last) 10 to 15 years for the self-employed. This was the first important reform of the system and those who retired before 1993 enjoyed the most favorable benefit calculation. The share of these retirees is significantly large only among those born before 1940. In the following column, the table reports the share of workers who retired before 2012. Indeed, the year 2012 marks a turning point for the Italian social security system because in 2012 the fundamental Monti-Fornero reform came into effect, gradually increasing retirement requirements and extending the DC formula to all workers. The DC scheme was introduced in 1996, but it did not apply to workers with 18-years of contribution or more at the end of 1995. As a consequence of the Monti-Fornero reform, all workers retiring after 2011 had whole or part of their pension benefits based on their contributions.<sup>16</sup> The share of pre-2012 retirees declines rapidly across cohorts because the number of individuals meeting retirement requirements by 2012 is necessarily lower the younger the cohort is. In our sample, the vast majority of retirees of the four oldest cohorts retired before 2012, when the Monti-Fornero reform was adopted, and therefore have a DB pension. The last column of the table reports the share of workers with 18 years of contribution or more by 1995. To these workers, the DC formula applies only to contributions paid after 2011, whereas to those with less than 18 years of contributions in 1995, it applies to all contributions paid after

<sup>16</sup> Actually, if the requirements for retirement had been fulfilled by the end of 2011, the worker was entitled to the pension determined according to the old rules regardless of the moment when they claimed it and, consequently, even if they retired after 2011. However, in practice most workers retire as soon as they are entitled to.

1995. Hence, for the latter, pension benefits are more strictly related to the length of their careers and to their earnings. The diffusion of pensions with a large DC quota is non negligible only for the retirees born after 1960, many of whom did not have 18 years of contribution in 1995.

**Table 7.** Cohort exposure to reforms

Cohort	Year of birth	Share of retirees* with:		
		year of retirement ≤ 1992	year of retirement ≤ 2011	1995 – year of first contribution > 18
1	1930-1934	0.63	0.85	0.97
2	1935-1939	0.32	0.85	0.98
3	1940-1944	0.10	0.85	0.98
4	1945-1949	0.01	0.79	0.97
5	1950-1954	-	0.39	0.93
6	1955-1959	-	0.08	0.86
7	1960-1964	-	0.02	0.61

\* Survivor benefit recipients are excluded.

Source: own study

**Table 8.** Cohort exposure to reforms: gender differences

Cohort	Share of retirees* with:					
	year of retirement ≤ 1992		year of retirement ≤ 2011		1995 – year of first contribution > 18	
	women	men	women	men	women	men
1	0.61	0.65	0.72	0.98	0.96	0.99
2	0.34	0.31	0.72	0.98	0.97	1.00
3	0.07	0.12	0.72	0.97	0.97	1.00
4	0.01	0.01	0.77	0.81	0.98	0.98
5	-	-	0.33	0.44	0.92	0.92
6	-	-	0.06	0.09	0.88	0.84
7	-	-	0.02	0.03	0.63	0.60

\* Survivor benefit recipients are excluded.

Source: own study

As to differences in the exposure to reforms by gender, Table 8 shows that the shares of women retiring before 1993 or before 2012 and benefitting from less tight retirement requirements and a more favorable treatment calculation is smaller than the share of men because of the tendency of women to meet retirement requirements later due to their more fragmented careers.

## Gender differences in pensions by cohort

Figure 2 plots the mean monthly gross pension of men (panels (a) and (c)) and women (panels (b) and (d)), by cohort, excluding (panels (a) and (b)) and including (panels (c) and (d)) survivor benefits. Mean monthly pensions are computed as the average of the benefits that retirees receive at various ages. Since we employ 5-year cohorts, cohort members turn a specific age in different years.

Several features of the contours should be noted. First, women's benefits are substantially lower than men's and the difference, captured by the vertical distance between men's and women's contours, increases with age, so that the gender difference in mean pensions is relatively larger for older retirees. Indeed, contours are upward sloping, especially for men, and level off around 80 years. Several factors help to explain the positive slope. First, the older the mean age is the larger the share of retirees with long careers and many years of contribution, which imply higher mean retirement benefits. Clearly, the inflow of higher-income retirees slows after a certain age, and this explains the flattening of the contours at very old ages. Second, pensions are subject to partial automatic adjustments for inflation. Hence, individual pensions tend to increase over time, i.e., as individuals age. Last, the contours are affected by income-related differential mortality so that the older the age of the cohort is, the wealthier its (alive) members are, on average.

Another interesting feature are the large positive cohort effects of men's contours in such a way that benefits are higher at all ages the younger the cohort is, for cohorts 1 to 5. The upward shift of women's contours is much smaller, and this results in an increase in the income difference at all ages. In other words, the absolute (monetary) gender gap in pensions is higher at all ages, the younger the cohort is. The remarkable difference between cohorts 1 to 5 and cohorts 6 and 7 is that the former are the least affected by social security reforms. Their share of retirees who retired before 2012, when the Monti-Fornero reform came into effect, ranges between 85 and 40%, but even those who retired afterwards had a substantial number of years of contributions paid before 1995. Hence, the pensions of cohorts 1 to 5 retirees are by far mostly DB-based, and hence strictly related to earnings and to the years of contribution. The positive cohort effects are consistent with an increase in the years of contributions driven by pension reforms and in (nominal) mean earnings. Both men and women have experienced a lengthening of their careers. However, significant differences in the years of contribution remain. In fact, women have increasingly started paying social security contributions not much later than men, nor do they retire earlier. However, their careers are more fragmented and this results in fewer years of contribution than men and also in lower wages (besides the wage gap issue). These, together, explain the smaller cohort effects.

Another feature of the figure that is worth noting is the slight drop that men's contours exhibit after 65. This is due to the inflow in the pool of retirees of workers claiming old-age retirement pensions whose statutory age for these cohorts was just 65 years. The drop in the average pension comes from the fact that the years of contribution and the wages of most old-age retirees are lower than the years of contribution and the wages of early retirement pension beneficiaries.<sup>17</sup> The contribution requirement for the former is 20 years versus 41/42 years for the latter. Hence, the pensions of the former are generally lower. For women, a similar, but much more pronounced drop is at 60, which is the statutory retirement age for most women of cohorts 1 to 5.

Last, a word must be said on the contours of cohorts 6 and 7, that we observe between the ages of 50 and 67, and of 50 and 62. The pensions of the retirees of these cohorts are lower than those of older cohorts (negative cohort effects) at all ages until the age 60. These cohorts are the most affected by the reforms. For them, retirement before 60-years of age is very uncommon and exceptional, comes with short careers and, consequently, low pensions as their benefits have a non-negligible DC element.

The contours of panels (c) and (d) also include survivor's benefits. Such an inclusion has two effects one should allow for. On the one hand, the pension of the retirees whose spouse dies increases, which raises the contours. On the other, in the case of spouses with no retirement income, including survivor's pension, beneficiaries may lower the contours because survivor's benefits are a fraction of the pension of the deceased and therefore are at the low end of the pension distribution.

As expected, given the low incidence of survivor's pensions among men, the impact on men's contours is negligible,<sup>18</sup> except for the two youngest cohorts whose contours shift slightly down for ages 50–60 because survivor's pension recipients entering the sample receive relatively low benefits. A similar downward shift is recorded for women of cohort 6 and 7. This implies that for several 50–60-years-old women pension recipients (but also men) of the two youngest cohorts, survivor pensions are their only form of retirement income. In contrast, the impact of survivor's pensions on the other women contours is positive, which suggest that, as expected, survivor's benefits increase women retirement income on average.<sup>19</sup>

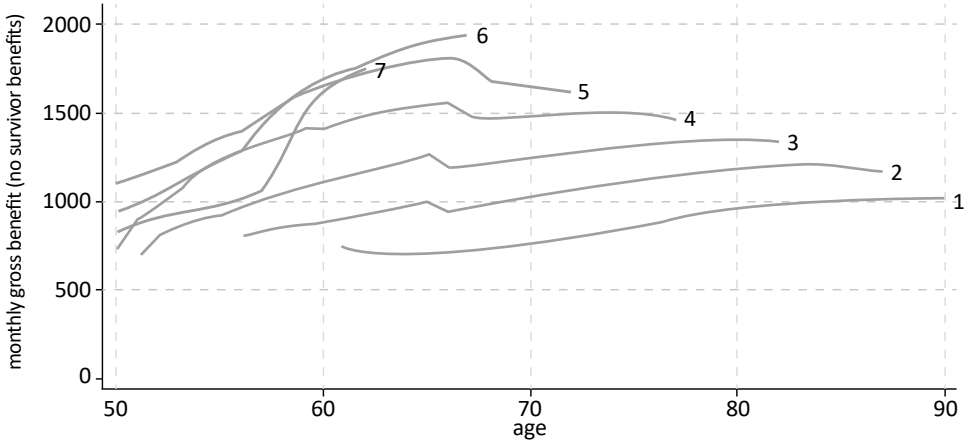
17 In 2022, the mean old-age pension was 889 euros versus a mean early retirement pension of 1,915 euros (Istituto Nazionale della Previdenza Sociale, *op. cit.*).

18 The number of men receiving a survivor's pension is low because men's life expectancy is lower than women's and women's participation in the labor market is lower than men's. Besides this, survivor's benefits are means tested. Since men's income is higher than women's, men's survivor's benefits tend to be lower.

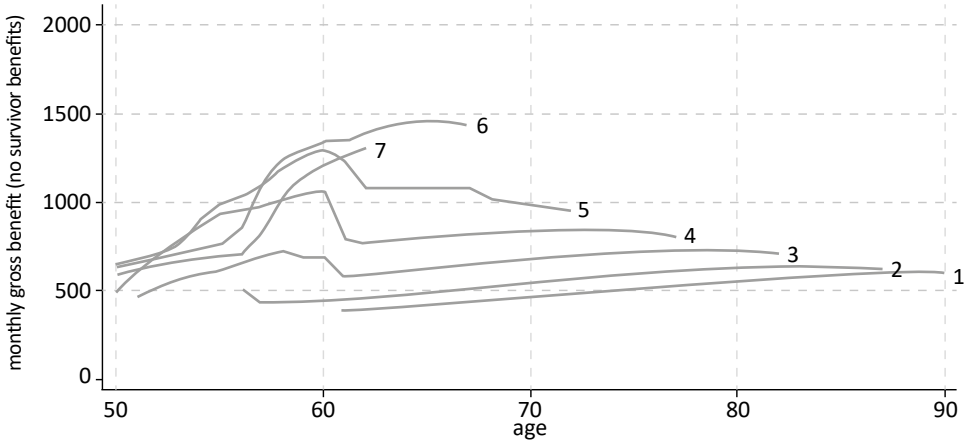
19 The appendix reports the contours of Figure 2 in panels that allow a direct comparison of the contours of men and women of the same cohort.

**Figure 2.** Retirement benefits by cohort and gender

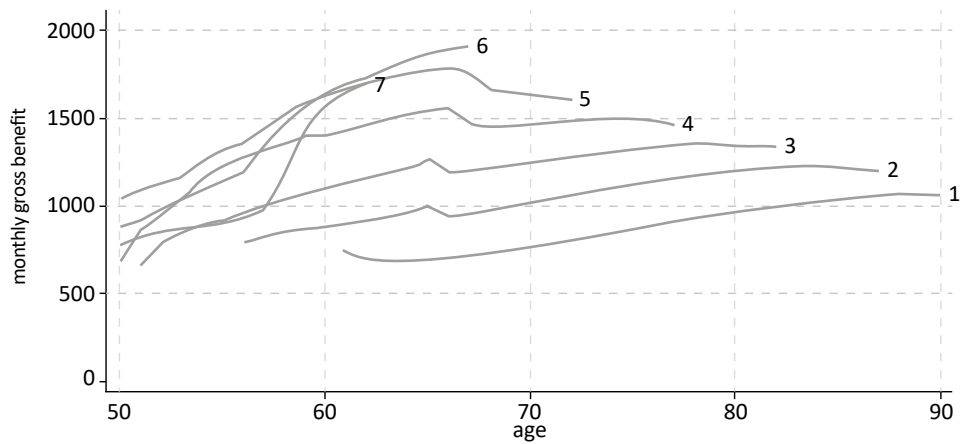
(a) men



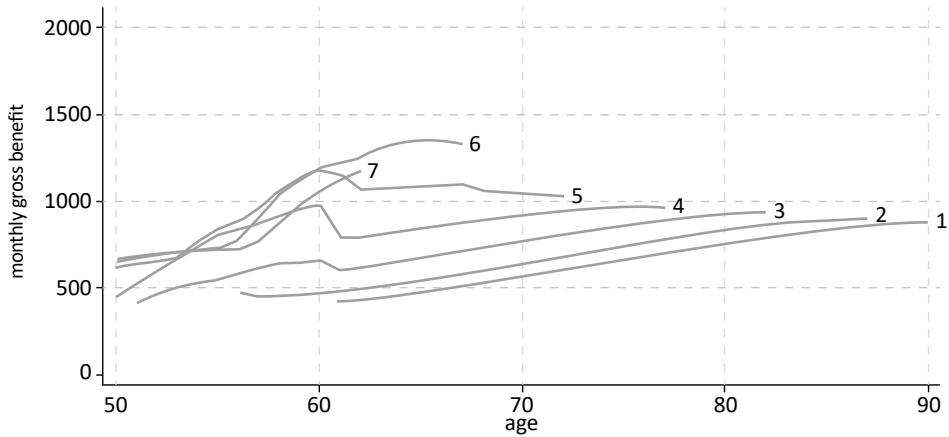
(b) women



(c) men



(d) women



Note: cohorts are based on the year of birth and are at 5-year intervals. Cohort 1 refers to retirees born between 1930 and 1934, cohort 2 refers to retirees born between 1935 and 1939,... and cohort 7 2 refers to retirees born between 1960 and 1964.

Source: own study

### The gender gap in pensions by cohort

The most common approach in the subject literature to measure the gender gap in retirement income is in terms of the difference between men’s and women’s average pension as a percentage of men’s average pension,<sup>20</sup> which can be written as follows:

$$GGP = \frac{\mu_m - \mu_f}{\mu_m}$$

where  $\mu_m$  and  $\mu_f$  denote average men and woman retirement income, respectively.<sup>21</sup>

Figure 3 plots the gender gap in pensions and displays the cohort-corrected smoothed age profiles of the *GGP* index. When survivor benefits are not included in retirement income (panel (a)), the gap increases slightly at age 60 to 70 for all cohorts, which is consistent with the increase in the pension benefit difference recorded earlier and resulting in pension income contours that were steeper for men than for women. Beyond 70 years the *GGP* contours are essentially flat.

20 F. Bettio, P. Tinios, G. Betti, *The Gender Gap in Pensions in the EU*, Luxembourg 2013; Organisation for Economic Co-operation and Development, *Pensions at a Glance 2021: OECD and G20 Indicators*, Paris 2021; J. Cribb, H. Karjalainen, L. O’Brien, *The gender gap in pension saving*, Institute for Fiscal Studies Report R250, 2023.

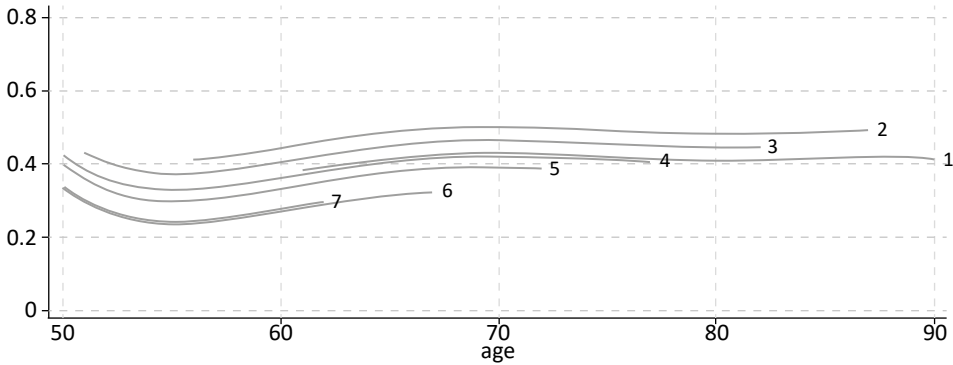
21 The *GGP* index is obtained by dividing the absolute (monetary) gender gap by men’s average pension income. Hence, it turns out to be sensitive to variations in men’s benefits. Furthermore, it exhibits three other drawbacks: 1) It is not decreasing with rich-to-poor group-transfers. In fact, an income transfer from an individual of the richer group to an individual of the poorer group may reduce or increase the index. 2) It does not satisfy monotonicity, in that it is not monotonically increasing with *if*, and vice versa. 3) It does not satisfy the anonymity property since it is not independent of the identity of the group as the index changes if the gender identities of the two groups are switched.

If we exclude the oldest, 1930–1934, cohort, cohort effects are negative, and range between 4 and 7 percentage points. This means that the gender gap of retirees born, for example, between 1940 and 1944 (cohort 3) is 4 percentage points larger than the gap of retirees born between 1945 and 1949 (cohort 4) on average. The gender gap of retirees born between 1955 and 1964 (cohorts 6 and 7) is lowest, around 27%. The contours of panel (b) include survivor’s benefits and survivor’s benefit beneficiaries. This shifts downward the contours of all cohorts. Besides this, the contours become downward sloping after the age of 65. This implies that, for the retirees of any cohort, compared to when they were 65 years old, the gender gap in pensions drops by 5 percentage points or more after they turn 70.

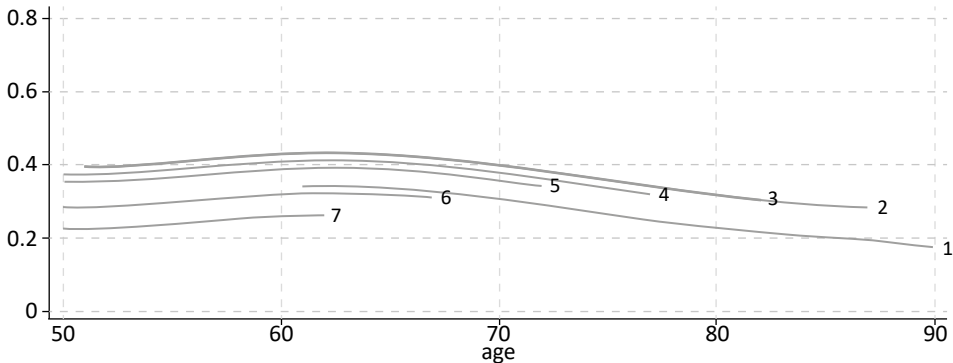
The negative cohort effects of *GGP* contours apparently conflict with the evidence in Figure 2 where the monetary gender difference in pensions was higher, at all ages, the younger the cohort was, implying positive cohort effects. The two pieces of evidence can be reconciled by noting that the same variation of the absolute pension gap may generate different variations of *GGP* depending on which average pension is changing more.

**Figure 3.** The gender pension gap by cohort

(a) excluding survivor benefits



(b) including survivor benefits



Note: cohorts are based on the year of birth and are at 5-year intervals. Cohort 1 refers to retirees born between 1930 and 1934, cohort 2 refers to the retirees born between 1935 and 1939,... and cohort 7 2 refers to retirees born between 1960 and 1964.



## Concluding remarks

Understanding the evolution of the gender gap at retirement is particularly important because it provides information that can be used to correct undesirable aspects of social security systems.

This paper takes a cohort approach and uses administrative data on the universe of Italian retirees and takes a year-of-birth cohort approach to study the gender gap at retirement and the impact of the social security reforms that have been adopted in Italy to curb pension expenditure on such a gap. We find that, for retirees born between 1930 and 1954, the gender disparity in mean retirement income has increased across cohorts. If, instead of looking at the absolute difference in average pensions, we consider the relative difference as most of the subject literature does, i.e., we divide the difference by men's average pension, we obtain a different picture. In fact, we find that the (relative) gender gap decreases across cohorts and the impact of survivor's benefits is large as they reduce the gap markedly. In fact, when including survivor's pensions, the relative gap contours not only shift downwards for all cohorts, but they also become downward sloping after 65 years of age. Hence, although they do not eliminate the gap, survivor's benefits appear important to reduce the gender disparity in pensions, especially very late on in life.

Regarding the social security reforms, we find evidence that their impact has been small and limited to the 1955–1959 and 1960–1964 (youngest) cohorts. The main goals of these reforms were to delay retirement and to link benefits to contributions. As to the first goal, although the picture is incomplete because most of the two youngest cohorts are still to retire, retirement age has increased, but less than one would have expected. For the two youngest cohorts, early retirements have come with a significant reduction in pension benefits. As to the second goal, i.e., shifting to a DC system and ultimately lowering pensions, we find that for most retirees in our data the DB component is dominant. In fact, except for the youngest cohort, for over 80% of retirees the DC scheme applies only to the share of contributions paid after 2011 and most of their pension is based on their earnings.

Monica Paiella

*Istituto Nazionale della Previdenza Sociale*

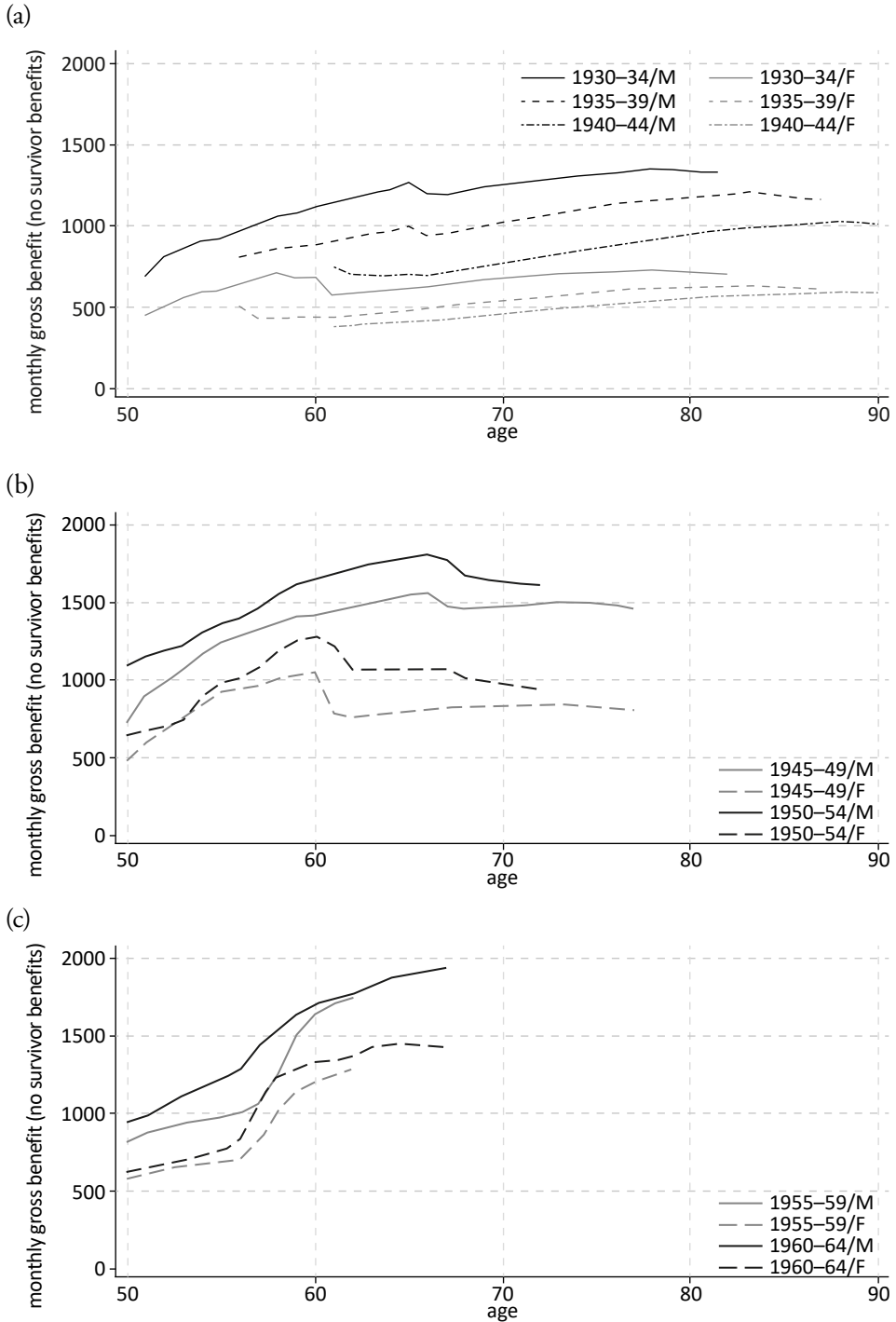
ORCID: 0000-0002-3670-8954

## REFERENCES

- Abatemarco A., Lagomarsino E., Russolillo M., *Gender Pension Gap in EU Countries: A Between-Group Inequality Approach*, "Risks" 2023, Vol. 11(3), 63, <https://doi.org/10.3390/risks11030063>.
- Abatemarco A., Russolillo M., *The Dynamics of the Gender Gap at Retirement in Italy: Evidence from SHARE*, "Italian Economic Journal" 2023, Vol. 9.

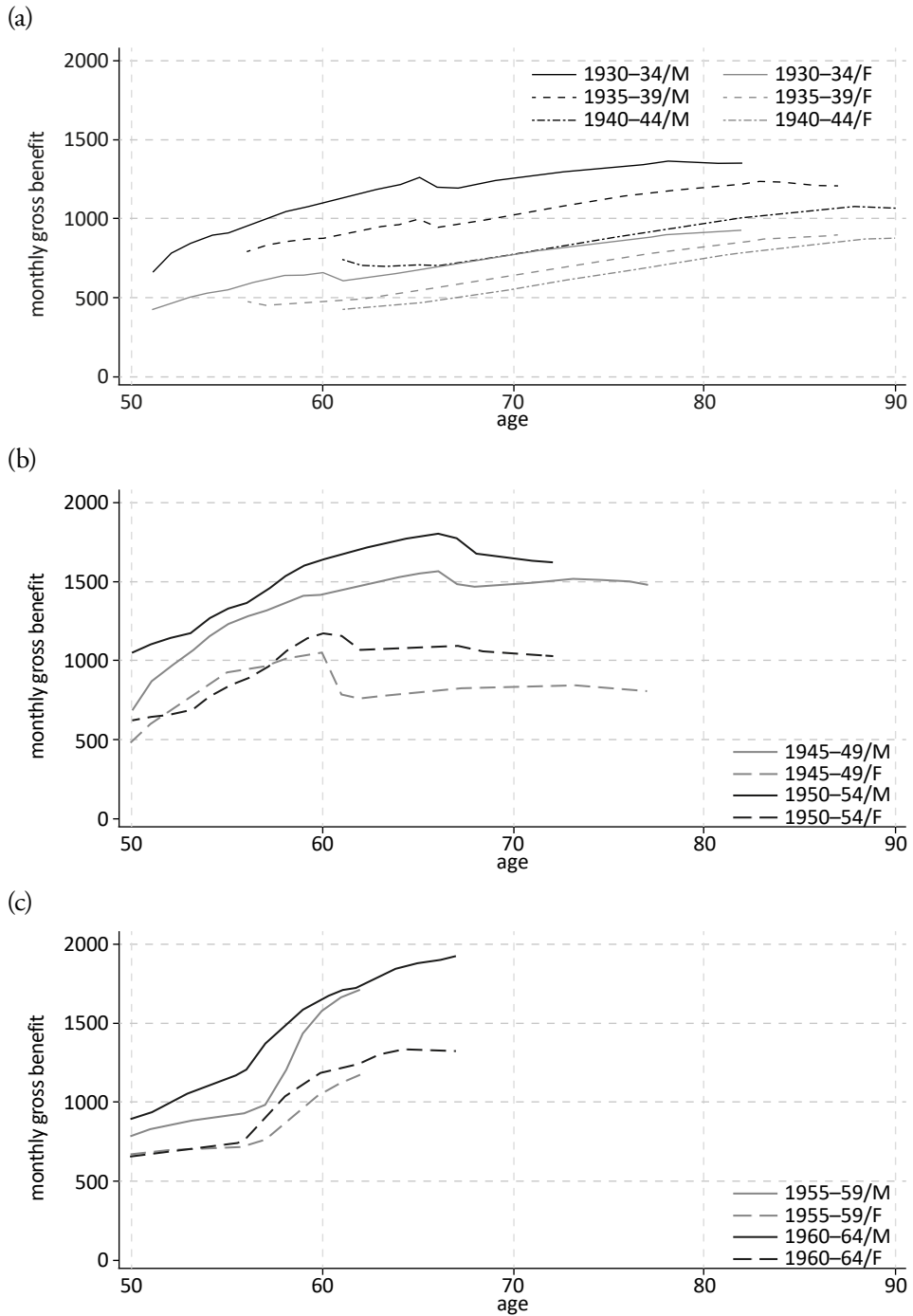
- Bettio F., Tinios P., Betti G., *The Gender Gap in Pensions in the EU*, Luxembourg 2013.
- Brugiavini A., Galasso V., *The social security reform process in Italy: where do we stand?*, "Journal of Pension Economics and Finance" 2004, Vol. 3, Issue 2.
- Brugiavini A., Peracchi F., *Social security wealth and retirement decisions in Italy*, "Labour" 2003, Vol. 17.
- Coda Moscarola F., Fornero E., *How to strengthen the credibility of the Italian pension reform. The Geneva Papers on Risk and Insurance – Issues and Practice*, "The Geneva Association" 2009, Vol. 34, Issue 4.
- Cribb J., Karjalainen H., O'Brien L., *The gender gap in pension saving*, Institute for Fiscal Studies Report R250, 2023.
- Dale A., Davies R., *Analyzing social and political change: a casebook of methods*, 1994.
- Istituto Nazionale della Previdenza Sociale, *XXII Rapporto Annuale*, 2023, <https://www.inps.it/it/it/dati-e-bilanci/rapporti-annuali/xxii-rapporto-annuale.html> (24.8.2023).
- Organisation for Economic Co-operation and Development, *OECD Pensions Outlook 2018*, Paris 2018.
- Organisation for Economic Co-operation and Development, *Pensions at a Glance 2021: OECD and G20 Indicators*, Paris 2021.
- Poprawska E., Kwiecień I., Jędrzychowska A., *The determinants of the women's pension gap and the knowledge of the structure of the Polish pension system in the light of the survey research*, "Polityka Społeczna" 2022, No. 18(1) Eng.
- Shorrocks A., *The class of additively decomposable inequality measures*, "Econometrica" 1980, Vol. 48(3).
- World Bank, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*, Oxford 1994.

**Appendix – Figure A1.** Retirement benefits, excluding survivor benefits, by cohort and gender



Source: own study

**Appendix – Figure A2.** Retirement benefits, including survivor benefits, by cohort and gender



Source: own study

---

1 Wstęp

---

**ARTYKUŁY**

- 
- 7 Adekwatne i trwałe zabezpieczenie społeczne dla wszystkich: odpowiedzi w nowym kontekście – *Jens Schremmer*
- 
- 23 Raport o przyszłości ochrony socjalnej i państwa opiekuńczego w Unii Europejskiej. Przegląd głównych wniosków z raportu – *Agnieszka Rusiecka*
- 
- 35 Dopasowywanie się do zmieniającego się świata, ale w zgodzie z zasadami. Reakcje Międzynarodowej Organizacji Pracy na wyzwania stojące przed systemami zabezpieczenia społecznego w XXI wieku – *Krzysztof Hagemeyer*
- 
- 63 Indywidualne kapitałowe konta emerytalne a Bank Światowy: ewolucja perspektywy – *Nicholas Barr*
- 
- 77 Czy starzejące się państwa opiekuńcze w Skandynawii są zrównoważone? Analiza polityk emerytalnej i opiekuńczej w Finlandii i Szwecji – *Niko Väänänen*
- 
- 101 Różnice między płciami w emeryturach we Włoszech: podejście oparte na kohorcie urodzeń – *Monica Paiella*

---

1 Introduction

---

**ARTICLES**

---

7 Adequate and sustainable social security for all: responses in a new context  
*Jens Schremmer*

---

23 Report on the future of social protection and the welfare state in the European Union. Overview of the report's main conclusions  
*Agnieszka Rusiecka*

---

35 Adjusting to a changing world while sticking to principles. International Labour Organization responses to the challenges facing social protection systems in the 21<sup>st</sup> century  
*Krzysztof Hagemeyer*

---

63 Individual funded pension accounts and the World Bank: evolving views  
*Nicholas Barr*

---

77 Are ageing Nordic welfare states sustainable? An analysis of pension and care policies in Finland and Sweden  
*Niko Väänänen*

---

101 The Italian gender gap in pensions: a cohort of birth approach  
*Monica Paiella*

---