



EUROPEAN COMMISSION
DG Employment and Social Affairs

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Open Method of Coordination

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Policy co-ordination... Why?

- Mutual challenges
- Member States depend on each other
- Legitimacy for difficult reforms
- Policy design: learn from each other

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Open Method of Coordination

- Social inclusion, Pensions, Health
- Definition of common objectives and agreed indicators
- National reporting
- Evaluation and synthesis in order to facilitate mutual learning and exchange of good practices
- All this through Social Protection Committee, in link with Economic Policy Committee and Employment Committee

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Streamlined OMC

1. Three overarching objectives
 - Promote social cohesion and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies.
 - Interact closely with the Lisbon objectives on achieving greater economic growth and more and better jobs and with the EU's Sustainable Development Strategy.
 - Strengthen governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.
2. Three groups of three objectives, each dedicated to specific strands (inclusion, pensions and health)

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Objective: Providing adequate and sustainable pensions

- Adequacy

In the spirit of solidarity and fairness between and within generations, guarantee adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree, their living standard after retirement.

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Objective: Providing adequate and sustainable pensions

- Sustainability

In the context of sound public finances, ensure the financial sustainability of public and private pension schemes, notably by: supporting longer working lives and active ageing; ensuring an appropriate and fair balance of contributions and benefits; and promoting the affordability and ensuring the security of funded and private schemes.

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Objective: Providing adequate and sustainable pensions

- Modernisation

Ensure that pension systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that reforms are conducted on the basis of the broadest possible consensus.

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Reporting: Strategy reports for pensions

- | | |
|-----------------|---|
| •Spring 2003 | Joint report on adequate and sustainable pensions |
| •2004 | SPC Study: Promoting Longer Working Lives Through Better Social Protection Systems |
| •2005 | SPC Study: Privately managed pension provision Joint Social Protection and social inclusion report |
| •Spring 2006 | Report on adequate and sustainable pensions annexed |
| 2006 | SPC Study: minimum income provision for elderly |
| •September 2006 | 1 st wave of Member States Reports of streamlined OMC |
| • Spring 2007 | Joint social protection and social Inclusion report |

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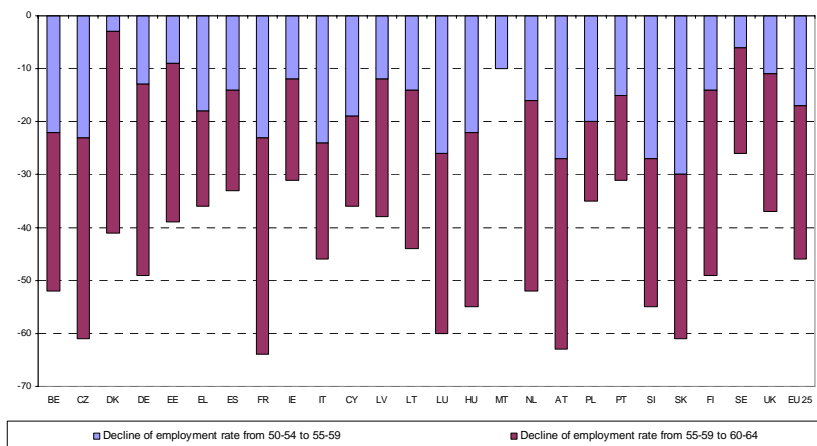
Synthesis report on pensions 2006 Common policy challenges

- Working longer – labour market reforms
- Strengthening the link between contributions and benefits
- Adjustment to the structural change in society and labour market
- Minimum pensions
- Private pensions: supplement or replace public provision? New tasks for State
- Improved governance

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A significant potential of increase in older workers employment

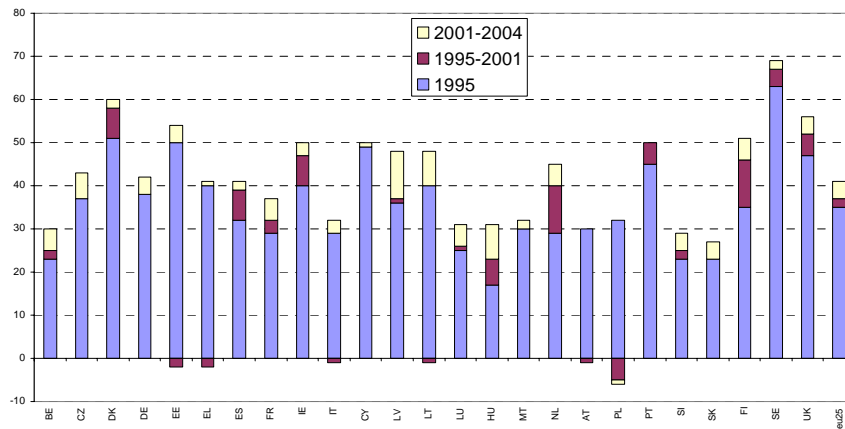


Source : LFS

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Recent evolution in employment of older workers



Source : LFS

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Measures to increase effective retirement age

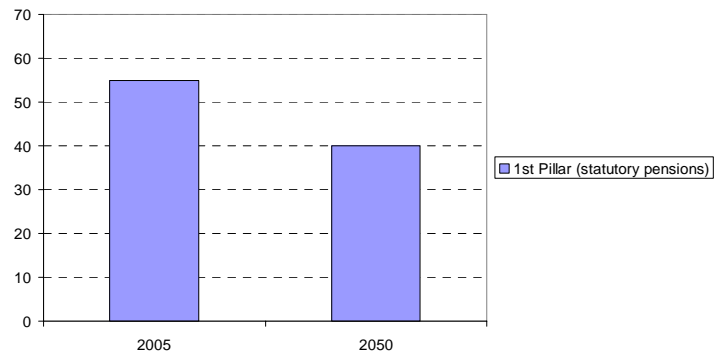
- Measures implementing stricter rules for eligibility for old age pensions
 - modifying ages in statutory schemes
 - modifying eligibility conditions
- Rewarding deferred retirement and discouraging early retirement
- Providing some flexibility in retirement

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Trend of replacement rates at a given age

A trend toward a decline in most statutory schemes

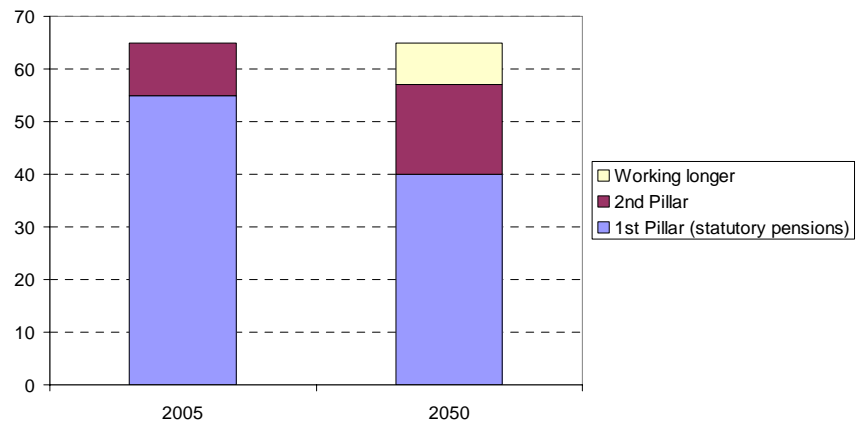


Source : Stylised illustration from ISG results on gross replacement rates

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How to compensate for this decline ? Working longer and private pensions



Source : Stylised illustration from ISG results on gross replacement rates

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Minimum income for elderly

- Growing attention to:
 - providing adequate income in retirement
 - reducing poverty among older people
- Current or future need?
 - increase quicker than general evolution pension/wages (IE, ES, PT, BE)
 - reformed (PT, UK, DK, DE)
 - Declining need (DE, FR, AT, IE, ES, FI)
- Disincentives

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Next steps

- Special studies of the SPC
 - Minimum income for older people
 - Flexibility in the age of retirement
 - later: regulation of private pension schemes; gender impact of pension systems
- Streamlined National Reports have been received
- New joint report for Spring 2007

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Further information

All information about the European Union:

<http://europa.eu.int>

Synthesis reports on Pensions (2003, 2006)
and the National Strategy Reports (2002, 2005):

http://europa.eu.int/comm/employment_social/soc-prot/pensions/index_en.htm

Reports by the Economic Policy Committee on the budgetary
implications of ageing:

http://europa.eu.int/comm/economy_finance/epc/epc_ageing_en.htm

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