

# PLANNING AHEAD

## ARE OUR EU PENSIONS AND SOCIAL SECURITY SYSTEMS FIT FOR THE FUTURE?

BY JENNIFER BAKER

EU employment and social policies bring practical benefits to citizens, but also have to tackle challenges linked to globalisation, the ageing of Europe's population and changing social realities. **Andriana Sukova**, Acting Director-General, DG for Employment, Social Affairs and Inclusion at the European Commission, spoke to The European Actuary's **Jennifer Baker** about the view ahead.

*The rapidly ageing population frustrates the pension systems in several countries. For instance in France the system faces reforms, but public buy-in is difficult to mobilise. How do you fight historical legacies?*

'The question is not how to fight historical legacies, but how to collectively ensure that pension systems are economically sustainable and socially adequate throughout the EU.

You're right that demography is a big challenge currently because our population is ageing. People have active working lives, but they also have long lives as retired. And this is very good. However,

the birth rate is not that accommodative of our extended lives beyond the pension. I think that there are a lot of concerns, but also a lot of action undertaken at EU level, to make sure that our welfare systems function well.

We must ensure that our welfare systems are compliant with the national subsidiarity requirements of member states, but at the same time, that we are taking care of everyone. One of our major concerns is that we don't leave anyone behind.

Let me start by praising and publicising the report of the [high level group on the future of social protection and welfare state in the EU](#),

commissioned by the European Commission just over a year ago. This valuable report advises member states how to reform and ensure investments in their welfare states through initiatives that make social protection fit for the future. And I want to refer first to the [Council recommendation on access to social protection for workers and the self-employed](#) because that's a precondition for having a good pension situation.

With the [European care strategy](#), we have developed policy initiatives in relation to attracting more workforce in the care sector, making sure that the working conditions for this workforce are well covered. Making sure that people >

engaged in long-term care are also socially protected.

We have the **Council Recommendation on ensuring the fair transition towards climate neutrality** because we know that climate transition is affecting everyone. There is no avoiding this. It is a process that will accompany us, our work, our thinking, and also taking care of the most vulnerable for the foreseeable future.

We have a **Council recommendation on adequate minimum income**, ensuring active inclusion so that the people who are involved in vulnerable situations are taken out of poverty. They shouldn't be below the poverty line because this is Europe of the 21st century. And this is the solidarity that Europe should demonstrate. It's one of our founding principles, and we should stick to it in all circumstances. I'm very happy that during COVID times we demonstrated what European solidarity is.

We also have a **Directive on minimum wages** which makes sure that people are well protected when they're working full time. Our objective is to reduce in-work poverty, and make sure that social protection accompanies everybody's work life, so that after retirement people do have a decent living. We are working actively now with a lot of member states, with the national authorities, and the different institutions engaged in



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the process to ensure that all the legislative work – which is mostly recommendations and directives in our policy area due to subsidiarity – are really taken up to the benefit of all European citizens.

Finally, let's not forget that the EU aims to **reduce the number of persons at risk of**

**poverty or social exclusion by at least 15 million by 2030**, including at least 5 million children, compared to 2019 levels. All Member States have set their own targets to contribute to this goal and shape welfare policies for the next decade. This is one of the three **EU headline social targets for 2030**.>

*It's interesting in fact that you mentioned climate change mitigation, because our readers are actuaries, and they're in the business of quantifying future risks. And climate change is one of the things that keeps them awake at night. Now we see, in some countries, extending the working life is one of the ways they're trying to mitigate risks. In Denmark, for example, the working age is up to 74. How likely are other countries to follow suit?*

'Well, I mentioned the subsidiarity because the pension systems and the potential pension regulations are national and they're quite diverse. On average, the retirement age in Europe is between 60 and 67. To ensure the stability of the pension funds, member states are increasing the age of retirement. It is also connected to life expectancy. Currently, European citizens work two years for every year of retirement. There is a connection between life expectancy and the duration of their work life.

Statistics also show that retirement lasts between 15 and 25 years. We know that there are some very lucky people who live much more, but there are the unlucky people who don't live 15 years beyond retirement. In Denmark, life expectancy is also a key factor for deciding on the pension age.

For the moment, the upper limit of all the other member states is 67 and we can safely consider this as a normal pension age. But longer working lives vary because there are different professions where working conditions require that we take care of people and let them retire in a fair and flexible way. Fairness is the keyword here. There should be flexibility and recognition of the efforts of the workers.'

*And there should be flexibility for those who maybe want to work beyond a retirement age?*

'Of course, nobody should stop people if they want to continue working. Of course, workplaces should be adapted for them. The tasks should be adapted for them. And that's probably the inevitable way forward bearing in mind our labour shortages and skill shortages. Our labour shortages are quite significant and that's not something that's going to be solved in the next two years.'

Turning to the question of freedom of movement. Moving to other countries to work and live is not always easy due to complex national regulations. How does the Commission influence things for the better given national competencies? How can we ensure people can take advantage of their freedom of movement without losing out financially – especially as you say we may need skills or youth

workers in certain parts of the bloc?

'In fact, the free movement of workers is one of the fundamental principles of the European single market. When people go to different places and different countries and work for different periods there, we have to make sure that they get equal treatment. That means equal treatment for wages, working conditions, dismissal and any social and tax benefits that a person, no matter his/her origin, enjoys in a member state.

There should also be clear, fair and enforceable rules for mobility. Because this can facilitate the decision of a person who has the right profession, the right skills, to go to another labour market where their skills are needed. One of the first pieces of community legislation in 1957, after the Treaty of Rome and the creation of the European Union, was about regulating and coordinating social security systems among Member States. In Article 3 of the Treaty of Rome, the European Social Fund was created to facilitate labour mobility. So, this is really a founding principle of the EU.

Our social security regulations and rules in member states are based on four key principles. The first is equal treatment – and this is unquestionable – then exportability of benefits. If you have accrued certain rights in one country, you should benefit from them wherever you go. >



In addition, aggregation of periods and making sure that insured persons are covered by one, and only one, member state social security legislation at a time. We want to be sure that it is clear in which country the person is working most. And finally, that a person's social security and social rights are allowed and insured.

Of course, these rules have been updated because things have changed. The European Union has grown and there are trends in society in the economy that do affect mobility. National systems have also developed. That is why, in 2016, the Commission came up with [a proposal modernising social security coordination rules](#) in a number of domains, such as unemployment benefits, family benefits, long-term care and data protection. The discussions with Council and Parliament are ongoing. But in relation to pensions, the coordination of old age pensions will ensure that workers do not lose their pension rights when moving within the European Union.

Last year in September, we also proposed [concrete actions to digitise social security coordination](#), improving the information that we exchange among national authorities, and also speed up recognition of acquired rights across borders. We're working with member states now to implement these actions and make them a real additional benefit for people

who have retired. We have the [EURES](#) (EUROpean Employment Services) network, and the EURES portal where we provide support to workers who are ready to move somewhere else, giving them a lot of practical information about what they have to do when they move and so on. This is not only about the job itself, but also the environment to which they're moving and the living conditions. Our latest data shows that 3.4 million people have used the EURES platform.'

***What are the different perspectives or the different approaches towards social welfare across the EU. Who are the different stakeholders – because of course businesses have to be involved in helping their employees as well – and how can the European Commission ensure a kind of level playing field so that no one gets left behind across social welfare in the EU?***

'Well, I think that this is touching very seriously upon our efforts to make sure that social partners at all levels are well engaged in the process, in the discussions and also in the protection of the rights of people. We have recently had a new impetus on social dialogue at EU level at the [Val Duchesse Social Partners Summit](#). There is a commitment at EU-level that businesses, trade unions and all social partners should be working together to

make sure that we have a really good European social model.

We will continue respecting the diversity of national pension systems of national rules, as across the EU, there is no one-size fits all solution. In addition to the Val Duchesse Declaration of 31st January, we have the [European Semester](#), where we are monitoring [pension adequacy and pension fiscal sustainability](#). We have a lot of funding, which will be provided to reform pension systems in a number of countries under the [Recovery and Resilience Facility](#).

This year in May, we'll have the 4th edition of the pension adequacy report. It's a big report because it looks at how our pension systems can prevent poverty and social exclusion in different countries. It's a comparative report and provides a broad overview of pension systems across the EU by looking at the changes that are ongoing in pension systems and making sure that they can be resilient. COVID was the first test, but we don't know what's ahead. We should make sure that we provide social security systems as a resilient tool for supporting Europeans.' <

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