

The Political Economy of Pension Reforms



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Hearing: **Promoting solidarity within and between generations through decent pensions**

European Parliament, EMPL; 23 June 2026



Demographic change, labour market transformation, and the future of pension solidarity



- Demographic change: *financial sustainability challenge*
 - **Ageing societies:** lower fertility, longer life expectancy, longevity
 - **Old age dependency:** challenge for public pay-as-you-go pensions, less for funded pensions
- Labour market transformation: *flexible working life challenge*
 - **Flexibilization** of work, part-time, non-stable, low-paid, precarious etc. jobs
 - **Extending working life:** Reversing early retirement, but disability increases with age
 - **Increased activation:** increased employment, reconciliation of work and family
 - **Old age poverty risks:** contributory pensions may lead to inequalities and poverty
- Reform trade-offs between sustainable, adequate & fair pensions
 - **Political pressures** against reforms (public opinion, older voters, organized interests)
 - *Can we limit the reproduction of labour market inequalities in old age?*

Ebbinghaus, B. and T. Wiß (2024), The political economy of pension policy. In: B. Greve, A. Moreira and M. van Gerven (eds) *Handbook on the Political Economy of Social Policy*, Cheltenham, UK: Elgar, pp. 191-205.

Increasing old age employment, meeting the target

Table 1: Employment Rates for Older Workers (55-64) across Europe, 2000 and 2022

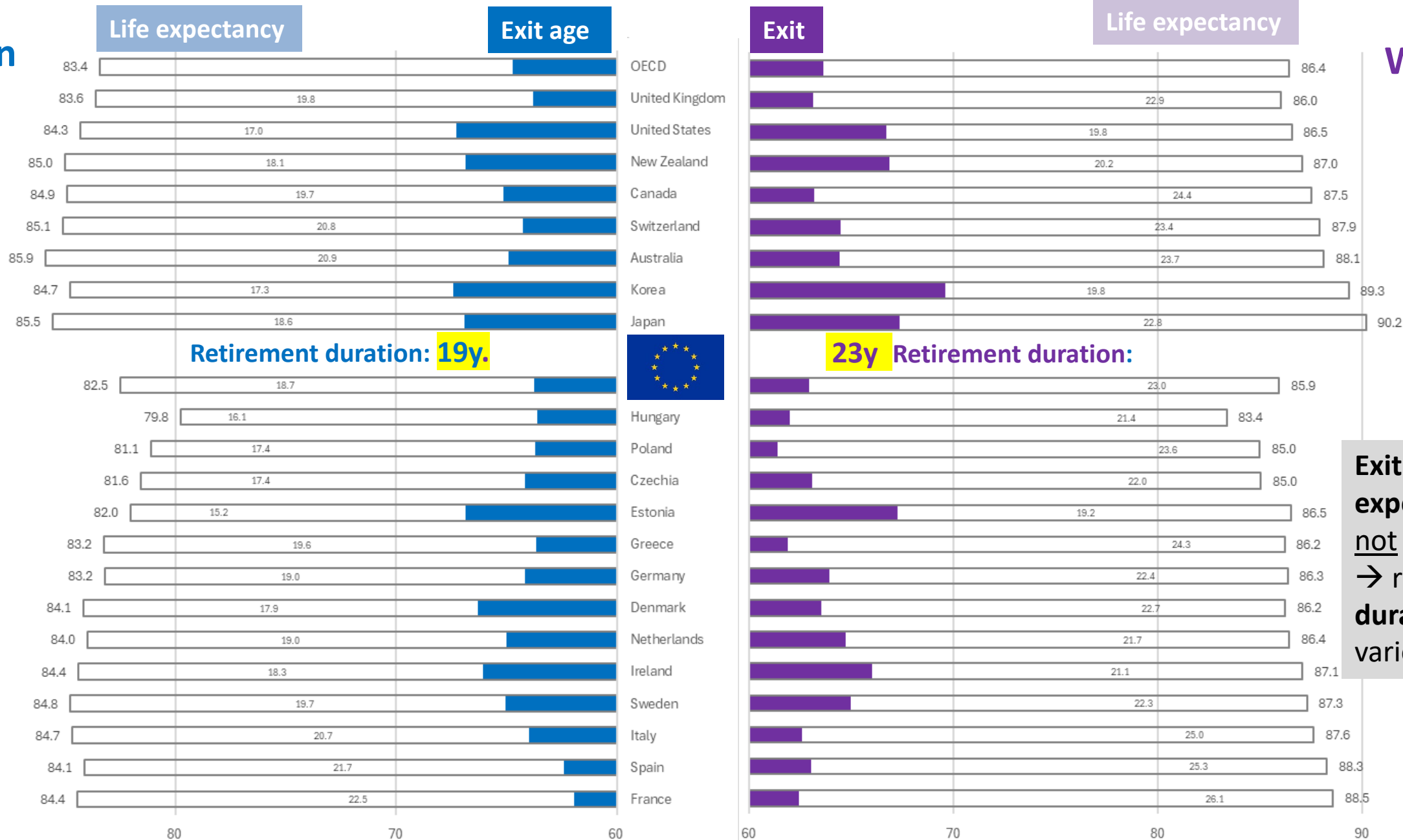
	2022:		
2000:	Low	Medium	High
High			<i>Always late exit:</i> Nordic (IE, SE, NO, DK) & CH
Medium	<i>Falling behind (crisis):</i> ES, GR	Average: Anglophone (IE, UK); PT; OECD	<i>Major catch-up:</i> Germany (DE) & NL; FI & Baltics (EE, LV, LT); CZ
Low	<i>Stuck in early exit:</i> Latin (LU, BE, FR; IT); AT; SI, PL	Partly improving: HU, SR	

Source: Eurostat

Actual Exit Age and Life Expectancy by Gender 2024

Men

Women

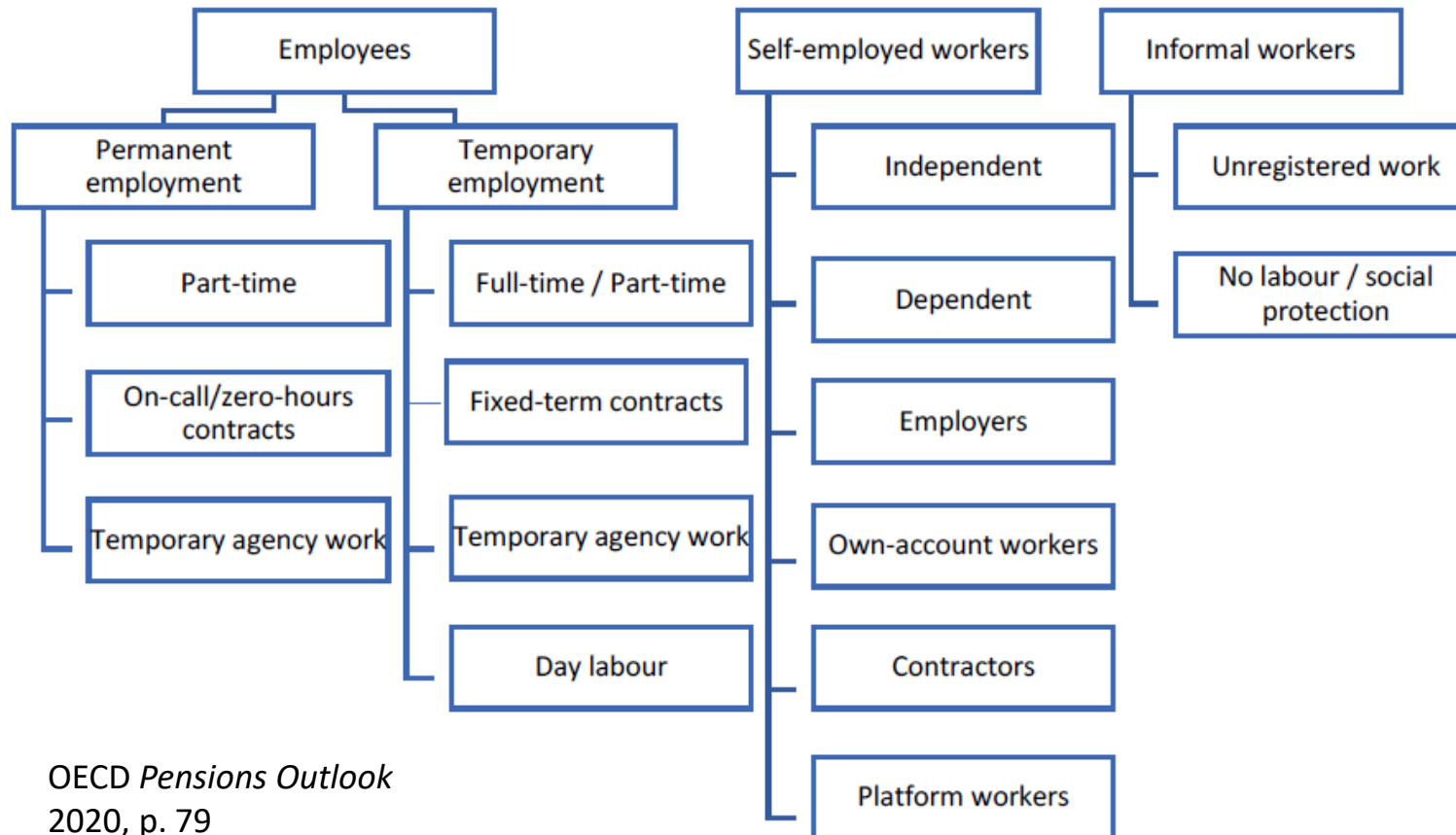


Exit age & life expectancy not in sync → retirement duration varies

Source: OECD Pension at a Glance, 2025, life expectancy (UN projections) at age 65, average exit age; data for 2024

Non-standard forms of work and their pension consequences

Figure 3.1. Framework presenting different categories of workers in non-standard forms of work from the point of view of retirement savings



OECD *Pensions Outlook*
2020, p. 79

Later pensions depend on:

Contributory systems:

- Employment contract type
- Are self-employed covered?
- Length of employment
- Hours and pay

Credits:

- Unemployment spell credited?
- Credits for child care years?

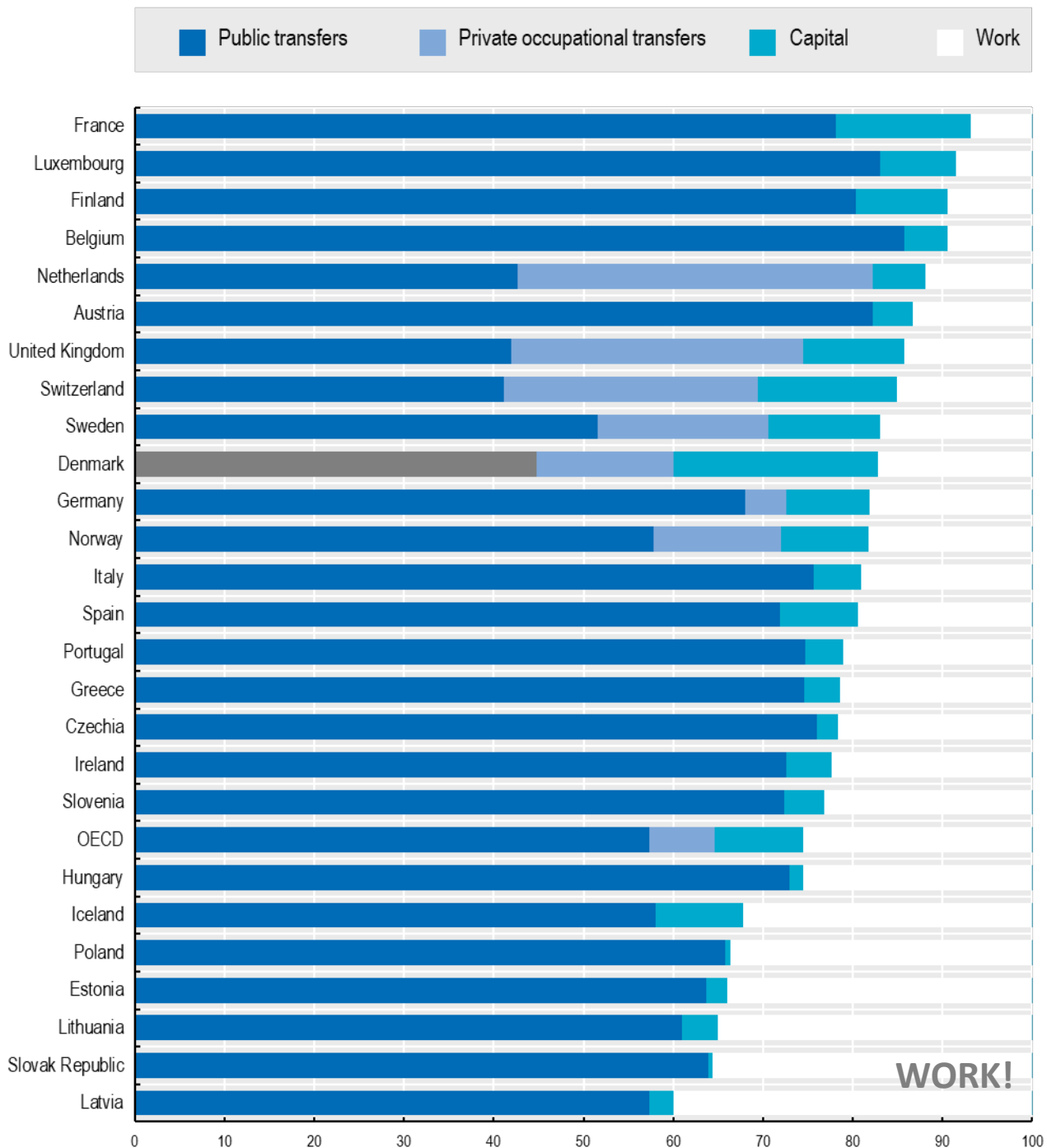
Occupational pensions:

- Have firms / employees access?

Voluntary pensions:

- Capacity & willingness to save

Today's elderly income situation



Income distribution, older people HH 65+ (OECD, Pension at a Glance 2023, Fig. 7.1)

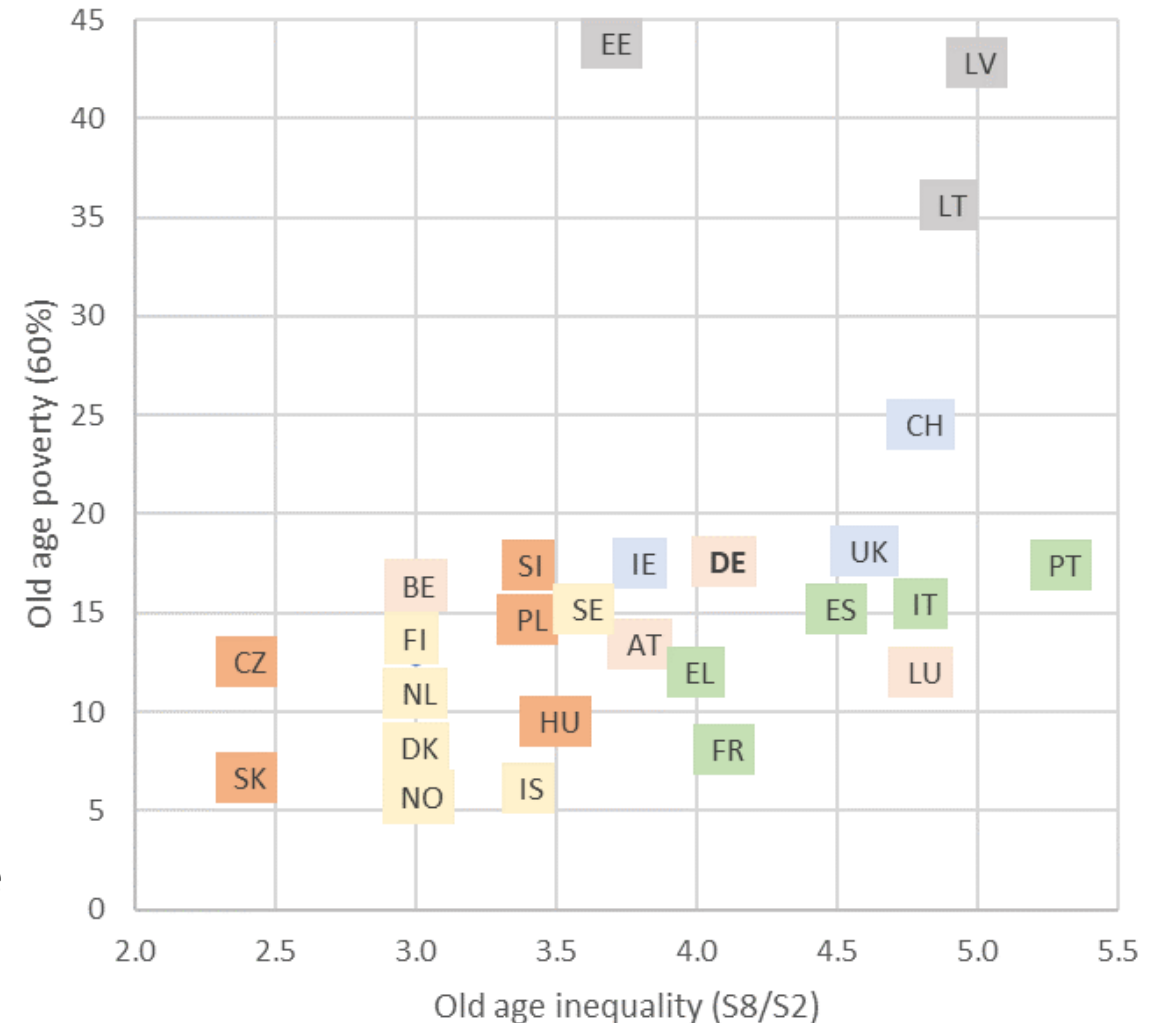
% of total equivalised gross household income and transfers

- **Public pensions** still play main role in old age income across Europe (*1st tier!*)
- Few large private occupational pensions:
 - NL (40%), UK (33%), CH (28%) (*2nd tier*)
- Some countries with minor private OPs:
 - SE, DK, DE, NO (OECD: 7%) *additional tier*
- Also private savings (capital), incl. PP:
 - DK (23%), CH (15%), SE, UK, FI, IC (10-12%)
- **WORK** due to *late or partial* retirement:
 - still important in CEE countries (agriculture)
 - Countries with post-65 exit from work

Old-age poverty & inequality across Europe (2019)

- Old-age poverty particularly high in the **Baltic States**
- Inequality particularly high in **Southern** European & **Liberal WS (UK) & CH**
- Old-age poverty particularly low in generous **Nordic** countries (SE: less so)
- **Visegrád** countries also have low poverty and inequality in old age
- **Bismarck** systems only in midfield!

Ebbinghaus, B. (2021). "Inequalities and poverty risks in old age across Europe: The double-edged income effect of pension systems." *Social Policy & Administration* **55(3): 440-455.**



Pension reform options

- **Increasing pension age** in line with added life expectancy (+2/3 per extra year).
- Age-related provision for **working longer &** sufficient **disability** schemes if impossible
- **Social security for all:** inclusion of all people working in pension schemes
- **Credits** for unemployment and child caring years in public schemes
- Poverty-reducing (income-tested) **minimum pensions** (instead of means-tested)
- **Increasing coverage** and contributions of occupational (or personal) pensions
- Transition from DB to **DC** leads to individualization of crisis-risks (with/out pooling?)
- **Increase funding basis** of public pensions (capital, energy, AI tax?)

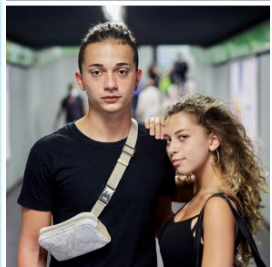
The future of social protection & welfare states

High-level group (11/2020-12/2022)



High-level group on the future of social protection and of the welfare state in the EU

THE
FUTURE
OF SOCIAL
PROTECTION



AND OF THE
WELFARE
STATE
IN THE EU

(Creation of the HLG announced in the « [Action Plan](#) to implement the European Pillar of Social Rights », adopted in March 2021)

- High-Level Expert Group is to : “study the **future** of the welfare state, its **financing** and **interconnections with the changing world of work** and to present a **report by end 2022**”.

Life-cycle social investment and security for all goal:

Recommendations relevant to old age:

Preventive old age poverty policy requires adjustments during working lives (labour market):

Employment opportunities for all, investments in upskilling, allowing to earn a decent living,

Sufficient access to social protection, including pensions and long-term care

Transition to retirement: **Active ageing** with later retirement in line with gains in life expectancy