

Social Security in Nine European Countries: A Portrait of Reform

February 2002

Sweden
Germany
Italy
United Kingdom
Belgium
Denmark
France
Portugal
Spain

Social security reform, once considered the “third rail” of politics, has moved to the top of the U.S. policy agenda. President George W. Bush’s appointment of the President’s Commission to Strengthen Social Security this past May, and its subsequent report to Congress in December, has added to the momentum for change. The consensus over the need for reform, however, has sparked fractious debate over the types of measures required and the timing of the reforms.

The United States is not alone in contending with social security woes. In industrialized countries throughout the world, lower fertility rates, combined with greater longevity, have led to significant increases in the size of retiree populations. In addition, many people have begun retiring at younger ages than in the past. The effects of these trends are exerting enormous pressure on pay-as-you-go retirement systems. While the tax bases that finance benefit payments are shrinking, more people are collecting benefits for longer periods of time. With longevity projected to increase further, countries must prepare for unprecedented numbers of individuals qualifying for old-age benefits.

This review of the pension systems in nine European Union countries reveals that even though the goals of reform may seem global, the road taken is a local one.

In the United States, the financial pinch is not far off. According to projections by the Social Security Commission, social security costs will increase rapidly between 2010 and 2030, and annual costs will exceed tax income starting in 2016. By 2038, the reserves of the current system are expected to run dry and to begin registering deficits in the hundreds of billions of dollars. To the extent that reform is delayed, the benefit reductions or tax increases required will become more abrupt and therefore more painful.

Social security reform has already begun in some parts of the world. In the past decade, pension reform has topped the European policy agenda, largely because the region's population is among the oldest in the world. The Maastricht Treaty—which introduced the euro and required member states to limit budget deficits as well as their public debt relative to GDP—also spurred reform efforts in some countries.

Europe's experiences are instructive; indeed, its pension problems are more severe than those of the United States in at least two important ways. First, the aging of its population will continue to be more pronounced than that of the United States. In addition, current retirement programs encourage lower labor force participation rates among older workers in Europe, creating higher retiree-to-worker ratios. But on both sides of the Atlantic, the fundamental financing problem is the same: most systems cannot afford the benefit commitments promised to the large number of future retirees.

On July 27, 2001, representatives of nine European Union countries and the European Commission discussed social security and pension reform at an Urban Institute conference hosted by the German Embassy. This brief, drawing on the conference papers and discussion, provides an overview of pensions in the European Union and summarizes the nine participating countries' pension systems, including recent reforms. It is intended as a useful resource to policymakers and the public as the United States wrestles with options for reforming social security.

The presentations revealed that even though the goals of reform may seem global, the road taken is a local one: Sweden has introduced individual accounts and a unique automatic balancing mechanism that adjusts benefit levels to

the system's internal rate of return. The United Kingdom allows individuals to opt out of the state system and encourages supplemental pensions to accrue greater savings (with further reforms on the way). And Germany, in addition to reforming its two-tier system, has lowered its replacement rate. The different, and in many cases incre-

mental, approaches suggest that while reform is inevitable, a single fix is hard to come by.

The individual presentations suggested several other general conclusions:

- To constrain costs, most countries undertaking reform have scaled back benefits in some way: by changing from wage indexing to price indexing, by otherwise lowering replacement rates, or by raising the retirement age or number of work years required to be eligible for benefits. To ensure income adequacy, most of the country systems examined contain a minimum pension benefit.
- Almost all the country experts named building up supplementary, private pensions as a reform priority. Private pensions are not readily available in all European countries, and in countries that do offer them, participation tends to be low. Many country experts also cited increasing labor force participation among women and older workers as reform priorities.
- Aging will continue to be a concern in the coming decades. The European Commission has set up two commissions to encourage cooperation among and to give guidance to EU members; all authority over pensions will remain with the individual countries.
- Although its population is older, Europe has one relative advantage over the United States: health care costs are not rising as rapidly in Europe as they are in the United States. Thus, the health care cost implications of an aging population are not as extreme.

The conference agenda and copies of the papers presented are available at http://www.urban.org/news/events/eu_pensions/index.html.

CONFERENCE ON SOCIAL SECURITY REFORM: LESSONS FROM EUROPE

The day-long conference opened with remarks from Wolfgang Ischinger, ambassador of the Federal Republic of Germany to the United States, and Robert Reischauer, president of the Urban Institute. Sessions were introduced by Urban Institute moderators. Experts from each country discussed the pension system and reform topics.

ABOUT THE URBAN INSTITUTE MODERATORS

Rudolph Penner holds the Arjay and Frances Miller Chair in Public Policy and directs the Urban Institute's Retirement Project. He directed the Congressional Budget Office from 1983 to 1987.

Eugene Steuerle is a senior fellow, conducting extensive research on budget and tax policy, social security, charitable sector issues, and health care and welfare reform. He was recently named president of the National Tax Association.

Lawrence Thompson is a senior fellow who specializes in pension and retirement issues and serves as a consultant on pension reform to the International Labor Office, World Bank, and Asian Development Bank.

ABOUT THE COUNTRY PRESENTERS

Henk Becquaert is adviser to the Belgian Minister of Social Affairs and Pensions. He is an expert at the Federal Planning Office and adviser for different ministers of pensions in the Flemish and the federal government.

Declan Costello is an economist at the public finance unit of the Directorate-General for the Economic and Financial Affairs of the European Commission.

Salvatore Giovanuzzi has worked at the Italian Social Security Institute since 1980 and was appointed in 1999 to general supervisor, as statistician and actuary.

Mark Heholt is a pensions policy expert in the United Kingdom's Department for Work and Pensions, examining reform of second-tier pensions for workers who exit the labor market to care for people with disabilities.

José M. Marco is managing director of budget control for the Spanish Social Security system. He participates in bilateral social security negotiations with European, Latin American, and North African countries.

Pedro Marques is adviser to the Portuguese Minister of Labor and Solidarity.

Hubert Martin is labor counselor for the embassy of France.

Christoph Schumacher-Hildebrand is head of the European Union Division at the German Federal Ministry of Labor and Social Affairs. He led the International Division at a regional social security fund from 1985 to 1990.

Ole Settergren is an economist and researcher with the Swedish National Social Insurance Board. He has served as an adviser to The Pension Reform Task Group since 1995, with special responsibility for financial matters.

Jens-Christian Stougaard is senior economist at the Danish Confederation of Trade Unions. His areas of expertise are economic forecasting, economic policy, and pension policy.

OVERVIEW OF PENSION COSTS IN THE EUROPEAN UNION

The trend toward an aging population is evident throughout the European Union. In the 12 member countries combined, the working-age population (age 15 to 64) is projected to decline significantly from 2000 to 2050 by about 20 percent, or 40 million people (table 1). Meanwhile, the number of persons over the age of 65 will rise from 61 million people in 2000 to more than 100 million by 2050. And of that group, the largest increase will occur among individuals age 80 and over. This segment of the population will almost triple. As a result of these demographic trends, the ratio of potential workers to people over age 65 will drop from 4 to 1 to 2 to 1 over the next 50 years.

Although all European countries confront aging populations, there are substantial differences in aging and fertility rates from country to country. These variations result in a wide range of old-age dependency ratios (table 2). For example, Italy and Spain have much older demographic profiles (and higher retiree-to-worker dependency ratios) than most other EU states.

TABLE 1: EU POPULATION (MILLIONS)

Category	2000	2025	2050	Change
Working Age	252	244	211	-41
Elderly (65 and Over)	61	86	103	42
Very Old (Over 80)	14	24	38	24
Total	376	386	364	-12
Workers per Retiree	4.1	2.8	2.1	-2

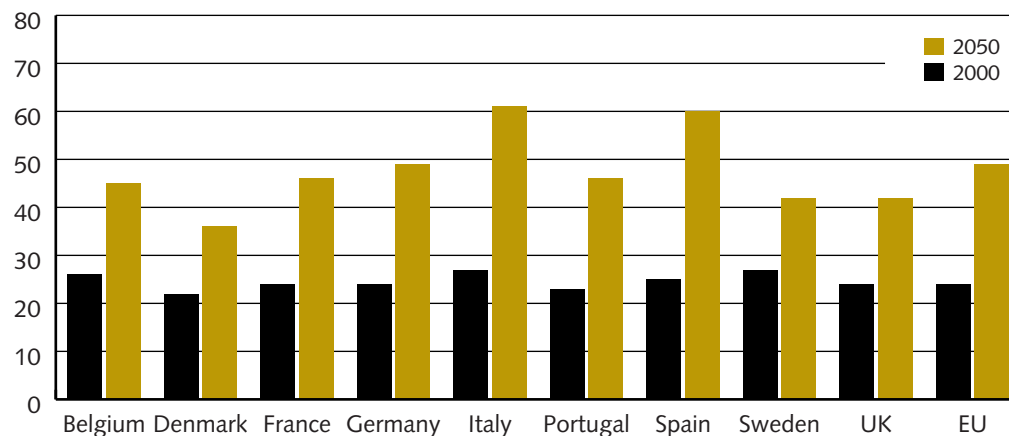
Source: Declan Costello, *Demographic Challenges and Beyond in Europe*. Presented at *The Urban Institute Conference, Social Security Reform in the United States: Lessons from Europe*, July 2001.

Urban Institute, 2002.

Because of these variations, as well as political factors, individual countries have approached reform at different times, with varying results. The United Kingdom began reforming its system in the late 1980s and has had the greatest success of the nine countries examined in reducing pension system costs (table 3). Between 2000

TABLE 2: OLD-AGE DEPENDENCY RATIOS

PERCENTAGE



Source: Economic Policy Committee and the Directorate-General for Economic and Financial Affairs of the European Commission. *Budgetary Challenges Posed by Ageing Populations, Working Group on Ageing Populations, October 2001* (http://europa.eu.int/comm/economy_finance/epc_en.htm.)

Note: Old-age dependency ratio is the population aged 65+ as percent of population aged 15–64.

Urban Institute, 2002.

and 2050, public spending on pensions is expected to shrink from 5.5 percent to 4.4 percent of GDP under current law. Other countries have succeeded in curtailing costs but must tackle remaining structural problems. The governments that have not yet undertaken change are deeply involved in debating the relevant issues.

For the EU as a whole, individual countries' recent reforms are not enough to fully address the problems created by aging populations. According to EU projections, without further reforms to address the labor market shortages and the budgetary implications of the aging population, the EU's projected rate of economic growth could fall by about 0.5 percentage

points, to 1.75 percent. National projections indicate that spending by EU member states on public pensions will increase to between 3 and 5 percent of GDP in most countries and that aging could lead to an average increase in public spending of 5–8 percent of the EU's total GDP.

The summary that follows outlines the pension systems in four countries that have succeeded in implementing radical reforms (Sweden, Germany, Italy, and the United Kingdom). It then outlines the pension systems and potential reform priorities of five countries that have introduced modest measures or are weighing reform options (Belgium, Denmark, France, Portugal, and Spain).

TABLE 3: PUBLIC PENSION EXPENDITURE (% OF GDP)

Country	2000	2010	2020	2030	2040	2050	Peak Change
Belgium	10.0	9.9	11.4	13.3	13.7	13.3	3.7
Denmark(a)	10.5	12.5	13.8	14.5	14.0	13.3	4.1
France	12.1	13.1	15.0	16.0	15.8	NA	4.0
Germany	11.8	11.2	12.6	15.5	16.6	16.9	5.0
Italy	13.8	13.9	14.8	15.7	15.7	14.1	1.9
Portugal	9.8	11.8	13.1	13.6	13.8	13.2	4.1
Spain	9.4	8.9	9.9	12.6	16.0	17.3	7.9
Sweden	9.0	9.6	10.7	11.4	11.4	10.7	2.4
UK	5.5	5.1	4.9	5.2	5.0	4.4	-1.1
EU	10.4	10.4	11.5	13.0	13.6	13.3	3.2

Notes: NA=Not available. For most member states, these projections include most public replacement income for persons aged 55 and over; however, the coverage is not fully comparable across countries. The peak change refers to the maximum change between 2000 and 2050 for any year (and not just the 10-year intervals reported in the table).

Source: Economic Policy Committee and the Directorate-General for Economic and Financial Affairs of the European Commission. *Budgetary Challenges Posed by Ageing Populations*, Working Group on Ageing Populations, October 2001 (http://europa.eu.int/comm/economy_finance/epc_en.htm.)

(a) For Denmark, the results include the semi-funded labor market pension (ATP); excluding the ATP, the peak change would be 2.7 percent.

Urban Institute, 2002.

Sweden

NEW MECHANISM GUARANTEES FISCAL BALANCE

Sweden began efforts to radically reform its old-age system in 1992 and passed most of the legislation for the new system in 1998. Sweden's former pension system was a tax-financed, largely pay-as-you-go program, complemented by a flat benefit for lower-income retirees. Under the reforms, it has moved to a system with a pay-as-you-go component, referred to as a "notional account" system, and an individual account component.

In the new system, an individual must set aside 18.5 percent of his or her income for retirement. Of that amount, 2.5 percentage points can be invested in individual financial accounts. The remaining 16 percentage points are credited yearly to his or her notional account. Payments in excess of benefits are transferred to the system's buffer fund.

Individuals are given credit for contributions that earn a notional return equal to the rate of growth of covered earnings. When the individual chooses to retire, his or her credits are used to "purchase" an indexed annuity reflecting the life expectancy of the person's cohort. The initial annuity is computed as though the person's credits earn a real return of 1.6 percent, but over time the annuity is adjusted for differences between wage growth and the 1.6 percent.

The system automatically adjusts to demographic and economic surprises. The initial annuity changes with life expectancy and the rate of return to contributions, and the interest rate applied to contributions is lowered if the buffer fund falls below a certain level.

The individual account component maximizes individual investment choices while keeping costs low through extensive government involvement in the administration of the system. Currently, about 500 mutual funds participate, and an individual can choose a maximum of five different funds. The annual cost of administering the system is estimated at about 0.75 percent of assets.

Sweden's notional account system grants pension credits for child care years (available to men and women), university studies, and compulsory national service. These credits are financed annually by corresponding transfers from the national budget to the buffer fund. In 1999, about 17 percent of all contributions derived from such transfers.

While the U.S. system has set early and normal retirement ages, there is no set retirement age in Sweden's new system; pensions can be drawn at 25, 50, 75, or 100 percent from age 61 on. Pensionable credits will always be earned and added to the notional (as well as the financial) accounts if the individual has pensionable income, regardless of an individual's age or whether he or she has begun to draw a pension. The system provides a guaranteed minimum pension, financed by general tax revenue and indexed to consumer price changes.

Germany

DUAL PLAN BOOSTS INCOME ADEQUACY AND CONTRIBUTIONS

In May 2001, Germany replaced its pay-as-you-go state pension scheme with a dual pension plan, composed of both a reformed pay-as-you-go state pension and a new private pension. Germany had faced declining contributions because of stagnant labor force growth and because some workers became self-employed to avoid compulsory contributions. Moreover, some pensioners received inadequate support, in part because individuals with sporadic employment were exempted from participating in the pension system.

Although the German system guarantees a minimum pension, the reforms eliminate disincentives for participating in the contributory plan. An individual must now pay a certain minimum amount to obtain the subsidy. Government subsidies can equal the mandatory contribution rate or even exceed it. The most important cost-saving reform lowers the replacement ratio to between 67 and 68 percent, compared with 70 percent today. This reduction is accomplished by replacing wage indexing with price indexing for a brief period. The contribution rate should remain at or below 20 percent until 2020.

The funded private component requires employees to contribute up to 4.0 percent (in 2008; increasing from 0.5 percent beginning in 2001) of their earnings into company or other private schemes. Employees can invest in a range of approved schemes offered by private insurers, including private pension insurance organizations, investment funds, life insurance plans, and savings banks. All private pensions must meet state criteria before employees are eligible for state subsidies and tax exemptions, and all benefits are taxable. Incentives and subsidies for making contributions to private accounts are targeted to lower-income individuals and families. Pension credits earned during a marriage can be shared equally by both spouses through a new pension-splitting option.

The government also introduced reforms to improve old-age security for women, including revaluing low earnings during child-raising years and granting pension credits to mothers who could not pursue part-time employment.

Italy

BENEFITS REDUCED GRADUALLY

In Italy, rising retiree-to-worker ratios, greater life expectancies, and political pressure since the 1950s had produced an expensive pension system containing a tangle of privileges and discriminations. In 1992, the Italian government undertook several reforms to restrain spending and to harmonize the various regulations applying to different workers. In addition to raising the retirement age (incrementally over 10 years) from 55 to 60 for women and from 60 to 65 for men, the reforms gradually raised the minimum number of years of contributions entitling an individual to an old-age pension from 15 to 20. The reforms also increased the reference periods used to calculate pensionable earnings and indexed benefits to prices instead of wages.

The 1992 reforms paved the way for more wholesale change in 1995, when Italy tightened the link between pensions and individual contributions. Under the new system, each worker contributes 32.7 percent of taxable income to a notional social security account (the self-employed contribute 20 percent). Upon retirement, a worker receives a pension equal to the contribution amount adjusted for life expectancy at retirement and expected real GDP growth of 1.5 percent. Workers may retire between the ages of 57 and 65, provided that they have contributed to the compulsory system for at least five years and that the pension they are entitled to exceeds the amount of the social allowance by at least 20 percent.

The reforms have succeeded in restraining costs and building a partially funded base. The system, however, continues to rely on transfers from general tax revenue to make up for shortfalls. In addition, the short-term cost saving is limited because the reforms do not apply to a large portion of pensioners: benefits for individuals with 18 years of contributions in 1995 follow the rules applying before the 1992 reforms. And for workers with less than 18 years of contributions, the new system's calculations apply just to contributions made after January 1995. Only individuals beginning work after 1995 will receive a pension based entirely on the new system. The very gradual phase-in of the reforms also makes it difficult to gauge the true long-term effects.

Future reform priorities could include progressively reducing the contribution rate paid by salaried workers, building supplementary employer schemes, increasing women's labor force participation, equalizing men and women's retirement age, and further raising the minimum retirement age.

United Kingdom

NEW REFORMS SET FOR 2002–03

State social security benefits for U.K. pensioners consist of a basic flat rate state retirement pension and a state earnings-related pension scheme (SERPS). Workers with an occupational or private pension can contract out of SERPS as long as they choose a private pension likely to be at least as large as the SERPS benefit. About 60 percent of employed contributors are contracted out. Individuals with personal pensions are required to purchase annuities with at least a portion of their account balance.

The United Kingdom's reform efforts occurred in steps spanning the 1980s and 1990s. In the 1980s, the government changed from wage indexing to price indexing and lowered replacement rates. Reforms in 1995 equalized the retirement age for men and women and improved consumer protection for persons enrolled in occupational pension schemes.

Although the reforms have reduced costs significantly, recent increases in income inequality have concerned policymakers. The growth in inequality reflects the greater benefits drawn by those who were able to opt out of the state system. From 1996 to 1997, the richest pensioners (the top 20 percent of the income distribution) realized about 80 percent growth in their income, while workers at the bottom 20 percent of the income distribution saw growth of about 30 percent. Consequently, in 1996–97, about a quarter of pensioners were in households with incomes below 60 percent of median income.

To correct this problem, the government will introduce a second state pension in 2002–03. The second state pension will provide more generous additional pensions for low and moderate earners, certain careers, and people with a long-term illness or disability. In addition, the existing minimum income guarantee for pensioners will be replaced by a pension credit in 2003. The option to contract out of the state system will still be available under the reformed system.

Belgium

POLITICAL BARRIERS BLOCK WIDE-SCALE REFORM

Belgium has three public pay-as-you-go pension schemes that are unfunded—one for public employees, one for the self-employed, and one for employees in the private sector. The public sector also provides a guaranteed minimum benefit that is means tested and requires no contributions. Private retirement accounts, financed by employers or individual savings, also are available. These private schemes benefit from government incentives but are not mandatory and have been limited in size, with only one in three workers creating a supplementary pension.

In 1997, Belgium reformed its pension system for salaried and self-employed workers, with the aim of treating men and women equally, limiting expenditures, and creating more social protection for low-income individuals. A high unemployment rate and political resistance make more wide-scale pension reform difficult.

One of the greatest challenges for Belgian reformers is to raise the effective age of retirement and older workers' labor force participation rates. Although the legal retirement age is 65, public early retirement schemes prompt many workers to leave the labor force much earlier. In some industries, collective labor agreements set the retirement age as low as 58. Private companies also use early retirement programs to contend with high unemployment and structural problems. In 2000, for every 100 employed persons, 86 people over the age of 20 were without work. More than half of those unemployed people were below the age of 65, and most were receiving social benefits.

To contend with declining worker-to-retiree ratios, the effects of early retirement, and income adequacy issues, the Belgian government has set three priorities for reform:

- Modernization of the financial safety net for the elderly and elimination of poverty among the elderly. It also plans to index older pensioners' benefits to wages.
- Creation of a demographic reserve called the "silver fund" to safeguard the financing of the pay-as-you-go system. The silver fund uses earmarked debt reduction to build up a demographic reserve that can absorb the acceleration in pension expenditure as the baby boom generation retires.
- Universal access to employer-sponsored private pensions. These pension plans will have to meet social criteria and transparency in investment in order to qualify for tax relief.

Denmark

BUILDUP OF PUBLIC PENSION FUNDS BEGINS

The Danish pension system comprises three parts: a state retirement pension, labor-market pension, and individual retirement schemes. The state pension guarantees individuals a basic income in old age, adjusted for any additional earnings. Qualifying individuals also receive a means-tested pension supplement. The state pension covers about 99 percent of Denmark's population.

In addition to the state pension, Denmark has two defined-contribution statutory schemes that are fully funded—the supplementary earnings-related benefit, established in the 1960s, and the special pension, introduced in 1999. In the earnings-related scheme, the contribution equals about 1 percent of salary for the average worker, with employers paying two-thirds and the employees paying one-third. Contributions to the special pension equal 1 percent of an employee's gross salary, with individuals paying the entire amount. Before the contribution is added to the individual's account, it is converted to credits based on the individual's employment record, so that everyone with the same number of hours earns the same pension rights.

Denmark's reforms in the late 1980s and early 1990s emphasized shifting toward a more fully funded system. Total public pension funds are expected to rise to 150 percent of GDP in 2030 (from about 100 percent in 2002). The buildup of pension funds means that, in the long run, fewer people will qualify for pension payments guaranteed by the state. In addition, by creating large funds that share investment risk and administrative costs, rather than focusing on individual accounts, reformers hope to substantially lower costs.

France

HIGH PENSION COSTS LOOM

France's retirement system is unique in that it consists of a wide variety of independent programs operating under the umbrella of the social security system. Currently, there are 100 types of compulsory pension schemes. A single program, however, covers most employees in the private sector (two-thirds of the labor force). The other categories of workers are covered by smaller, specialized programs. The state budget supports some programs that run structural deficits through a special fund financed by taxes. In addition, surpluses in some pension programs help cover deficits in others.

For most employees, the retirement pension system has two pay-as-you-go components: A basic pension plan, established by law in 1945 and generally equal to 50 percent of the calculated reference wage (a ceiling applies). In addition, since 1972, employees covered by the general social security program have been required to secure a supplementary plan. The retirement age is 60, although a retiree must have contributed to social security for 40 years to draw a full pension. If a worker does not meet this criterion, he or she can postpone retirement until age 65. Workers with full-contribution careers receive, on average, 80 percent of their last net wages, with the replacement rate varying from 100 percent for low-wage earners to 65 percent for top-wage earners.

Reforms since 1993 include increasing the number of required contribution years, adjustments to the reference wage on which benefits are based, and indexing benefits to prices instead of wages. The government also recently established a reserve fund that will be financed in part by the surplus of the main pension program. Other resources will come from a special tax and interest on the sums left in the fund.

France's retirement system will require further reform. Today, 10 people are working per 4 retirees. In 2040, projections show 10 people working per 7 retirees. Based on recent projections, pensions as a share of GDP could increase from 12.1 percent in 2000 to 15.8 percent in 2040.

Priorities for future reform include restoring financial balance to the large civil service pension plan, likely by extending the number of required contribution years. Reformers are also considering ways to improve the labor force participation of older workers. Among 60- to 64-year-olds, the employment rate is 10.1 percent, about half the EU average of 22.3 percent.

Portugal

PENSIONERS' SOCIAL PROTECTION HINGES ON CAREER DURATION

Portugal has a two-tiered pension system: a contributory scheme and a social pension plan that covers noncontributors. The normal retirement age is 65. In the contributory scheme, the average benefit is 2 percent of the reference wage for each year contributing to the system (replacement rates range from 30 percent to 80 percent). Workers can draw benefits before or after age 65, with proportional reductions or increases in the size of the benefits. Workers can also contribute additional work earnings to private-sector pension schemes.

Recent reforms included making the public budget responsible for any noncontributory-related expenditures on the pension system and establishing private pensions. The government also built a reserve fund, now equaling about 3 percent of GDP, with mandatory annual inflows from part of workers' contributions and current surpluses. Revisions to the pension calculation formula, which will take effect in the next year, base benefits on salaries from the whole career rather than on a worker's recent earning years. The reforms also improved pensions for low-wage workers.

Projections show that Portugal's old-age dependency ratio will rise from 23.0 percent in 2000 to about 46.0 percent in 2050. Although significant, the level is lower than the expected rate in many other EU countries. Portugal's relatively strong employment rate and high rates of labor force participation among older people account for its lower projected dependency ratio. Portugal's social protection, however, falls below that of many EU states, in part because the pension system is still fairly young. The majority of the population only became covered by a mandatory system in the 1970s. As a result, the career duration for pensioners—which determines benefit levels—averages only about 20 years.

The recent reforms have improved the funding and the efficiency of the system. A sharp rise in expenditures for about 10–15 years, mostly as a result of establishing the private sector schemes, should begin to level off in 2010. In the years ahead, Portuguese reform priorities include further developing private pension schemes, improving educational and professional opportunities for workers, and increasing women's labor force participation.

Spain

REFORM GOALS CENTER ON LABOR FORCE PARTICIPATION

Spain's pension system has three parts: The general contributory scheme is financed by employer contributions (23.6 percent) and employee contributions (4.7 percent) and covers retirement, disability, survivors, and pensions. A non-contributory scheme, established in 1990 and financed through taxes, provides minimum pensions and benefits to lower-income workers. Finally, private complementary pensions have been available outside the social security framework since 1987. To date, however, these private schemes have played a small role in pension income.

In 1997, reforms to the pension system included financing noncontributory pensions from general revenues (rather than from contributions); establishing a reserve fund with the surplus contributions; indexing benefits to inflation rather than wages; and other consolidation measures. The reforms, along with increased economic growth and employment levels, have improved the short-term fiscal prospects of Spain's pension system. Nonetheless, as in other EU states, preretirement work trends, aging, and high benefit costs will continue to threaten the system's stability.

To counter these trends, future reform efforts will focus on requiring more years of work to qualify for pension benefits (currently set at 15 years); increasing women's participation in the labor force; facilitating partial retirement combined with work activity in lieu of full retirement; curbing the proliferation of early retirement plans; and adding government incentives to increase workers' participation in complementary pension schemes.

ABOUT THE RETIREMENT PROJECT

The Retirement Project assesses how current retirement policies, demographic trends, and private sector practices affect the well-being of older Americans and the economy. The project also analyzes proposed retirement policies, with a focus on both the income and health needs of the elderly. Information about The Retirement Project and the full text of publications, including the most recent ones listed below, are available at <http://www.urban.org/retirement/index.htm>.

Occasional Papers

The Limits of Saving
August 2000, no. 7
Pamela Perun

Economic Consequences of an Aging Population
September 2000, no. 6
Diane Lim Rogers, Eric Toder,
and Landon Jones

Tax Benefits for the Elderly
April 2000, no. 5
Rudolph G. Penner

*ERISA at 50: A New Model for the
Private Pension System*
March 2000, no. 4
Pamela Perun and C. Eugene Steuerle

Briefs

*Insuring the Near Elderly: The Potential Role
for Medicare Buy-In Plans*
January 2002, no. 13
Richard W. Johnson, Amy J. Davidoff, and
Marilyn Moon

*Can Individual Accounts Really Save
Social Security?*
January 2002, no. 12
Lawrence H. Thompson and John C. Wilkin

*Sharing the Pain of Social Security
and Medicare Reform*
August 2000, no. 11
Lawrence H. Thompson

*Employee Stock Ownership Plans:
A Status Report*
June 2000, no. 10
Pamela Perun

*Parental Care at Midlife: Balancing Work and
Family Responsibilities near Retirement*
March 2000, no. 9
Richard W. Johnson and Anthony T. Lo Sasso

Straight Talk on Social Security and Retirement Policy (2000–01)

*Why the Politics of Social Security Could Improve
the Status of the Poor*
November 2001, no. 34
Eugene Steuerle and Adam Carasso

*Social Security's Additional Dollars Could Buy
Less Poverty*
October 2001, no. 33
Eugene Steuerle and Adam Carasso

*A Prediction: Older Individuals Will Work
More in the Future*
March 2001, no. 32
Eugene Steuerle and Adam Carasso

*Grounds for Compromise Revisited:
Individual Accounts*
March 2001, no. 31
Eugene Steuerle and Adam Carasso

*Grounds for Compromise: Competing Reform
Proposals Are Closer Than They Appear*
February 2001, no. 30
Eugene Steuerle and Adam Carasso

*Social Security Benefits and the Language of
Guarantees*
August 2000, no. 29
Eugene Steuerle and Adam Carasso

*British Empire Syndrome Strikes Some Social
Security Reformers*
August 2000, no. 28
Eugene Steuerle and Christopher Spiro

*Looking at Social Security Reform through
a Socioeconomic Lens*
July 2000, no. 27
Eugene Steuerle and Christopher Spiro

Do Replacement Rates Suggest a Trade-Off?
July 2000, no. 26
Eugene Steuerle and Christopher Spiro

*What Happens to Replacement Rates over the
Course of Retirement?*
June 2000, no. 25
Eugene Steuerle and Christopher Spiro

Measuring Replacement Rates at Retirement
May 2000, no. 24
Eugene Steuerle, Christopher Spiro,
and Adam Carasso

*Middle-Age, Old-Age, and Survivors Insurance
(MAOASI)?*
May 2000, no. 23
Eugene Steuerle and Christopher Spiro

*Repealing the Earnings Test Could Be Good
for the Budget*
April 2000, no. 22
Eugene Steuerle and Christopher Spiro

*Squandered Opportunity? Increasing Social
Security Liabilities in Flush Times*
April 2000, no. 21
Eugene Steuerle, Christopher Spiro, and
Adam Carasso

Social Security's Sagging Safety Net
March 2000, no. 20
Eugene Steuerle, Christopher Spiro

*Do Analysts Use Atypical Workers to Evaluate
Social Security?*
March 2000, no. 19
Eugene Steuerle, Christopher Spiro,
and Adam Carasso

*Do Social Security Reform Proposals Actually
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CREDITS

Text: Elizabeth Miranda, Rudolph Penner and Eugene Steuerle
Design: Diane Buric Design & Illustration

The authors would like to thank the embassies of the European Union Member States and the Delegation of the European Commission for their assistance in organizing the conference.

CONFERENCE PAPERS AND PRESENTATIONS

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Heholt, Mark. "The U.K. State Pensions System."

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Schumacher-Hildebrand, Christoph. "Pension Reform in Germany."

Settergren, Ole. "The Swedish Pension Reform."

Stougaard, Jens-Christian. "An Introduction to the Danish Pension System."

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