Pension Systems in the Crisis: Response and Resistance Conclusions of the Annual EISS Conference

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The annual conference of the European Institute of Social Security was held in Hungary on September 2012. The conference was hosted by the Hungarian Central Administration of National Pension Insurance (CANPI) in cooperation with the European Institute of Social Security (EISS). The conference objective was to share views and identify global solutions on the effects of the global crisis on pension funds. The opening statement was made by Prof. Dr. Jos Berghman (President of the EISS) followed by Prof. Dr. Jozsef Meszaros (CANPI) who welcomed the speakers and attendants.

The first part, moderated by Dr. Sara Stendahl (University of Gothenburg) focused on the foundations of Economic Theory and History. Professor Laurence J. Kotlikoff spawned controversy among conference attendants with a presentation entitled “The Clash of Generations”. In particular, his argument on how the developed world uses taxes as a loan from the people thus creating an ever increasing implicit debt which leads to definite fiscal derailment was viewed as ingenious by some, but treated quite skeptically by others. On the basis of his analysis and related data, Greece has a shorter fiscal gap than the US when taking into consideration the aforementioned debt. Robert I. Gal (Senior Researcher at TÁRKI Social Research Institute) analyzed the life-cycle deficit (LCD) used in income smoothing, presented its use in some countries and pinpointed two common mistakes in its use, namely the disintegration of the link between opposite flows and the artificial externalities on child rearing. According to Gal these should be corrected by re-connecting the opposite flows in budget planning at the level of the individual as well as reducing externalities by internalizing the costs and benefits of child rearing. Michael Orszag (Head of Research at Towers Watson) highlighted the similarities between the current crisis and past ones, while he also focused on the new features of the present crisis.

The following session, moderated by Andras Bodor (Senior Economist at the World Bank) focused on governments’ and decision makers’ responses to the crisis. Presentations began with an analysis of the condition before the crisis, followed by the main features of the crisis, the expected short and long term impact on the system and concluded with the responses. George Simeonidis (Board Member of the Hellenic Actuarial Authority) presented the reasons that led to the increasing expenditure of the Greek Social Security System thus rendering it unsustainable. He then presented the improved long-term results, the short-term effects and their evolution under the Medium-Term Fiscal Strategy agreed on by the Greek Government and the Troika, while also stressing the adequacy aspect. In order to create contrast and stimulate discussion, the organizers asked Prof. Dr. Karl Hinrichs (Senior Research Associate at Bremen University’s Centre for Social Policy Research and Professor of Political Science at Humboldt University in Berlin) to analyze the German response to the crisis. Hinrichs presented the German approach and the measures needed to stabilize further the system. Dr. Debbie Harisson (Senior Visiting Fellow of the Pensions Institute at Cass Business School) presented the British response to the pensions and economic crisis. She analyzed the situation within the DC systems and at the same time, the challenges faced because...
of high charges, poor investment and volatility, which lead to reduced outcomes. Ole Settergen (Director in the R & D Department at the Swedish Pensions Agency) analyzed the Swedish Pensions system in detail and illustrated some important aspects, one of these being the five basic features that secure financial stability. He also mentioned negative fiscal effects brought on by the crisis, and the way they were treated by the government, as well as the lessons learned. Finally, Csaba Feher spoke of the Hungarian Pension System and its second pillar which was introduced and abolished in only a decade. The presentation was wittily entitled “There and back again: the Hungarian pension reform that wasn’t”.

During the Young Researchers’ Forum, two Greek researchers analyzed a rather important topic related to the reform of the Greek Social Security System. Anna Tsetoura (postgraduate student of KU Leuven) explored how the protection of the fundamental human right to property can serve as a limit to changes in social security in terms of law. Focus was given on the judicial protection provided when a social security claim is brought to the ECHR and certain national courts. Dafni Diliagka (Max Planck Institute for Social Law and Social Policy) presented one of her PhD research questions related to the reductions of old-age pension benefits. In particular, she examined how the already established old-age pension benefits are legally protected. Namely, she examined eventual restriction, ar. of the First Protocol ECHR; ar. 4 par. 5 Greek Constitution and the constitutional principles of legal certainty and the protection of reliance.

The second day focused on the long-term perspectives for social security pensions. Krzysztof Hagemejer (Chief of Policy Development and Research in the Social Security Department of the ILO) and Kenichi Hirose (Senior Specialist in Social Security in ILO Budapest) presented results from the Ageing Report 2012 of the Ageing Working Group, subgroup of the Economic Policy Committee of the European Commission as well as further data concerning the upcoming demographic challenges and the thin red line between adequate and sustainable pensions. They also highlighted the importance of migration and its role. Előd Takáts (Senior Economist, at the Bank for International Settlements) analyzed two of the determinants of the future: productivity and asset prices. He demonstrated through the lifecycle model how ageing can affect asset prices. Finally, Prof. Dr. Robert Holzmann analyzed worldwide drivers, trends, and challenges behind global pension systems and their reform. In addition he analyzed the main reform trends across the three main pension pillars. Special breakdown was provided in terms of architecture and patterns appearing in certain geographical locations, while posing the question regarding the feature focus. More specifically, he posed the questions of whether the Bismarckian systems will withstand the test of time, how the elderly can be best kept in the labor market and how unknown longevity increases can be addressed in the payout phase.

Overall, the variety of presentations and ideas exchanged on pension systems in the crisis gave attendants the opportunity to enrich their knowledge on developments in other countries and broaden their horizons. Furthermore, the radical ideas expressed by some as well as the theoretical background introduced by others laid the foundation for extensive discussions and in-depth analysis on the effects of the crisis on pension systems and the responses provided.