

Task 6.1

Pan-European pension plans as a way to cope with the risks of ageing, automation and new forms of work

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1. Task description

The rise of non-standard work and the increasing mobility of workers across countries challenge the future old age security of workers. This task will study a recent policy (March 2022) designed to facilitate personal and fully portable pension savings in Europe, regardless of country of residence: the pan-European personal pension product (PEPP). PEPP will provide private pension plans, not linked to labour conditions, to all residents in the EU. We will gauge the potential demand for this policy and map which sectors, occupations and countries could benefit more from PEPP. We will also apply experiments in some countries to study the individual willingness to participate in and the attitudes towards the PEPP among standard and atypical workers.

2. Background / Setting

The rise of non-standard jobs (e.g. part-time work, temporary work, seasonal work, self-employment, homeworkers) and the increasing mobility of workers across countries pose a challenge to the future old age security of some workers. In such jobs, pension contributions tend to be infrequent and/or low, and the portability of pension rights (including private pension plans and corresponding tax treatment) is limited. A framework for a pan-European personal pension (PEPP) plan came into effect in March 2022. The PEPP will provide private pension plans, not linked to labour condition, to all residents in EU. The PEPP may also boost capital markets of long-term investments in EU countries with limited personal pension markets. However, little is known about individual willingness to participate in and the attitudes towards the PEPP. The main purpose of this task is to analyse potential demand and impact of the PEPP.

3. State-of-the-art

Recent pension reforms in Europe were designed to address the risks that ageing pose on fiscal sustainability (Castellino et al. 2020, Ebbinghaus 2021), but it has been noted that they are insufficient to cope with the threat of rising importance of non-standard and highly mobile jobs (Hinrichs 2021). The reports by EC (2017) and OECD (2019) argue in favour of new pension plans tailored to the needs of these workers. The PEEP is such a product.

To our knowledge, no previous studies exist that assess worker's interest in such a product.

4. Advancement compared to the state of the art

We will provide (one of) the first studies assessing *ex-ante* the willingness to participate in PEEP (a unique pan-European pension) in relation with the emergence of non-standard jobs. Although EC (2018) analyses the willingness to participate in social protection across non-standard jobs in 10 EU countries, its scope in general and do not assess personal pensions.

5. Research to be done

For this task, we will use individual survey data collected in EU-SILC, SHARE and HFCS to gauge the potential demand for this policy; i.e., we jointly assess the participation in public and private pensions and the type of work performed by the individual to map which sectors and countries could benefit more from PEPP. In addition, we will apply online surveys in a selection of countries (same as in Task 4.4) to study the individual willingness to participate in and the attitudes towards the PEPP among people with standard and atypical jobs.

6. Methodology

We will use statistical descriptive analysis to identify the incidence of having personal pensions across occupations, sectors, and countries.

We will use regression analysis to identify the relationship between lack of pension plans and job types conditional on socio-economic characteristics, including income and wealth (the latter are measured in HFCS and SHARE).

We will collect online survey data to capture the willingness-to-pay for and attitudes towards the PEEP. For this, we will exploit vignettes randomizing information about the characteristics of the PEEP (contribution rate, retirement age, withdrawals, etc.)

7. Data sources

- EU-SILC: European Union Statistics on Income and Living Conditions
- HFCS: Household, Finance, and Consumption Survey
- SHARE: Survey of Health, Ageing and Retirement in Europe
- Specific online survey data (to be collected in at least 4 countries as in Task 4.4). The same survey can include questions on attitudes and willingness to pay for social protection (including EU private pensions, UBI, and other policies studied in the Project), and (perhaps) preferences for redistribution.

References

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