

# The changing world of work and pensions

WPA – Transatlantic Conference

21 June 2019

Matti Leppälä, Secretary General, CEO PensionsEurope



# Pensions: (some of) the challenges ahead



- **Longer life expectancy and changing demography**

- According to the OECD the old-age dependency ratio, which is the ratio of older dependents (people older than 64) to the working age population will increase from 28% in 2015 to 51% in 2050
- The 1<sup>st</sup> pillar PAYG pensions will face tremendous challenges.
  - Financial and social sustainability
  - Sustainability of public finances

- **Structural changes in the labor market**

- Growing number of people in non-standard forms of employment

- **Weakening of the social partners' role**

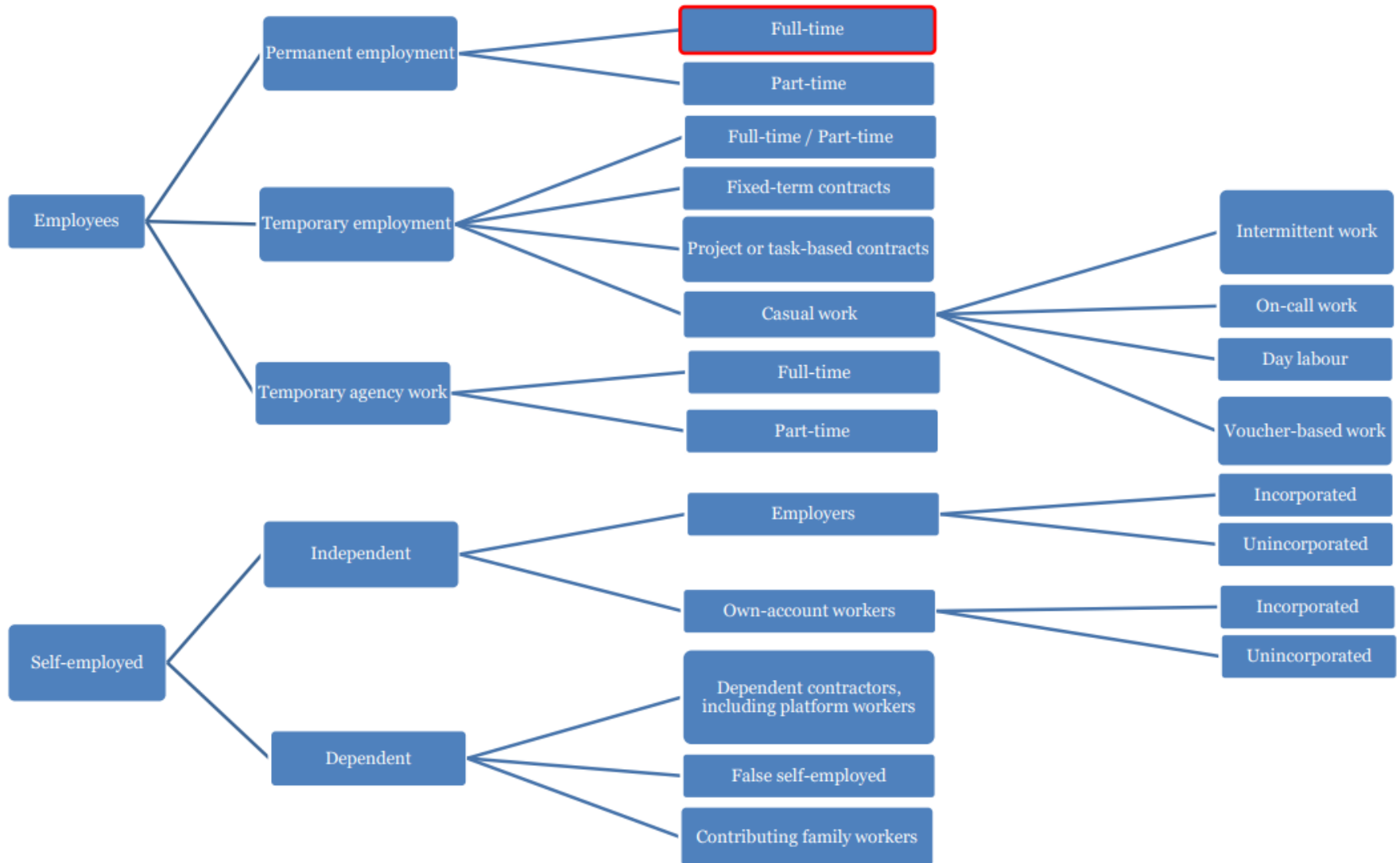
- **Technological breakthroughs**

- Easy-to-use applications to follow up all pension savings, returns, costs etc.

- **Growing interest in ESG factors**

- Impact on investment portfolios and reporting standards

# OECD classification of workers in non-standard forms of work: heterogeneity!



# And still more...



- Platform-mediated work
  - "a form of employment that uses an online platform to enable organisations or individuals to access other organisations or individuals to solve problems or to provide services in exchange for payment" (Eurofound 2018)
  - Participation of three parties: platform, client and worker/service-provider
  - Platform-mediated work is about doing individual tasks or solving particular problems, the work is outsourced, and done on-demand.
  - **Work can be done as an employee or as a genuine freelancer**
- Platform work
  - New kind of working environment where a platform company (1) splits jobs into tasks, (2) controls the work performance (through technology), and (3) outsources the work to individuals who are not employees
  - Changes the world of work: despite the control, job/tasks are outsourced to individuals. **Platform workers have neither worker's rights nor the freedom of entrepreneurs.**



Source:

# Extent of platform mediated work

(based of 2 surveys)

|                 | Percentage of adults who have ever done platform-mediated work |        | Percentage of adults who have done platform work at least monthly |                                     | Percentage of adults who have done platform-mediated work at least 10 hours per week | Percentage of adults who have earned at least one fourth of their income through platforms | Percentage of adults who have earned at least half of their income through platforms |        | Percentage of those who have earned at least half of their income through platforms of those ever done platform-mediated work |
|-----------------|--|--------|---|-------------------------------------|--|--|--|--------|---|
|                 | Pesole*  | Huws** | Pesole*<br>Percentage of adults                                   | Huws**<br>Percentage of respondents | Pesole*  | Pesole*  | Pesole *   | Huws** | Huws**  |
| UK              | 12,0   | 19     | 9,9   | 6                                   | 6,7  | 8,5  | 4,3  | 2,7    | 27  |
| Spain           | 11,6   | (-)    | 9,4   | (-)                                 | 6,6  | 6,1  | 2,0  | (-)    | (-)   |
| Germany         | 10,4   | 12     | 8,1   | 8                                   | 6,6  | 6,5  | 2,5  | 2,5    | 30  |
| The Netherlands | 9,7  | 9      | 8,7   | 6                                   | 5,4  | 6,5  | 2,9  | 1,6    | 14  |
| Portugal        | 10,6   | (-)    | 7,1   | (-)                                 | 6,0  | 4,2  | 1,6  | (-)    | (-)   |
| Italy           | 8,9  | 22     | 7,1   | 15                                  | 5,4  | 5,4  | 1,8  | 5,1    | 20  |
| Lithuania       | 9,1  | (-)    | 5,9   | (-)                                 | 5,6  | 5,6  | 1,6  | (-)    | (-)   |
| Romania         | 8,1  | (-)    | 6,4   | (-)                                 | 4,5  | 3,8  | 0,8  | (-)    | (-)   |
| France          | 7,0  | (-)    | 5,9   | (-)                                 | 4,2  | 4,8  | 1,8  | (-)    | (-)   |
| Croatia         | 8,1  | (-)    | 5,2   | (-)                                 | 5,2  | 3,0  | 1,0  | (-)    | (-)   |
| Sweden          | 7,2  | 10     | 5,3   | 6                                   | 3,5  | 4,6  | 1,6  | 2,7    | 22  |
| Hungary         | 6,7  | (-)    | 5,0   | (-)                                 | 4,1  | 3,5  | 1,3  | (-)    | (-)   |
| Slovakia        | 6,9  | (-)    | 5,1   | (-)                                 | 2,7  | 3,7  | 0,9  | (-)    | (-)   |
| Finland         | 6,0  | 15,0   | 4,1   | 9,5                                 | 2,9  | 3,3  | 0,6  | 2,8    | 25,5  |
| Switzerland     | (-)  | 18     | (-)   | 13                                  | (-)  | (-)  | (-)  | 3,5    | 12  |
| Austria         | (-)  | 19     | (-)   | 13                                  | (-)  | (-)  | (-)  | 2,3    | 11  |
| All             | 9,7  | (-)    | 7,7   | (-)                                 | 5,6  | 6,0  | 2,3  | (-)    | (-)   |

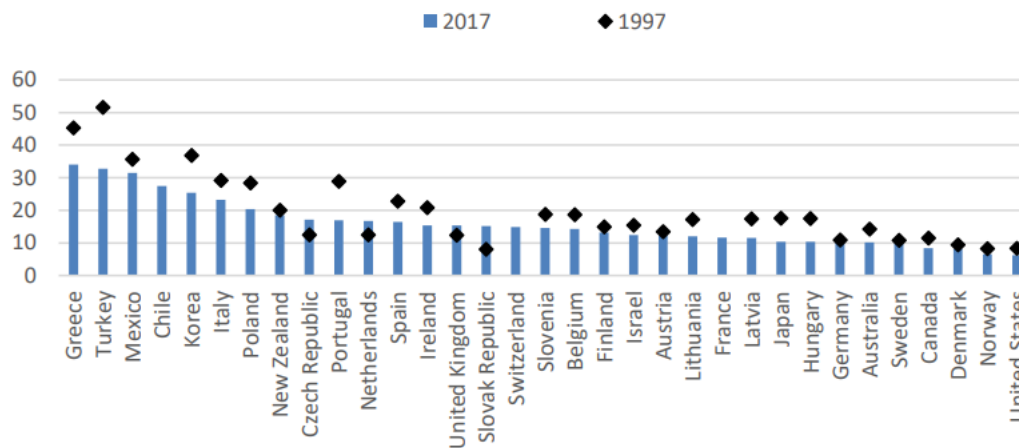
\*Pesole et al. 2018

\*\*Huws et al. 2017; Huws et al. 2019

# Global trends

Over the past 20 years, the relative importance of self-employed workers, temporary workers and part-time workers has evolved differently across countries.

Figure 1. Self-employment as a percentage of total employment, 1997-2017

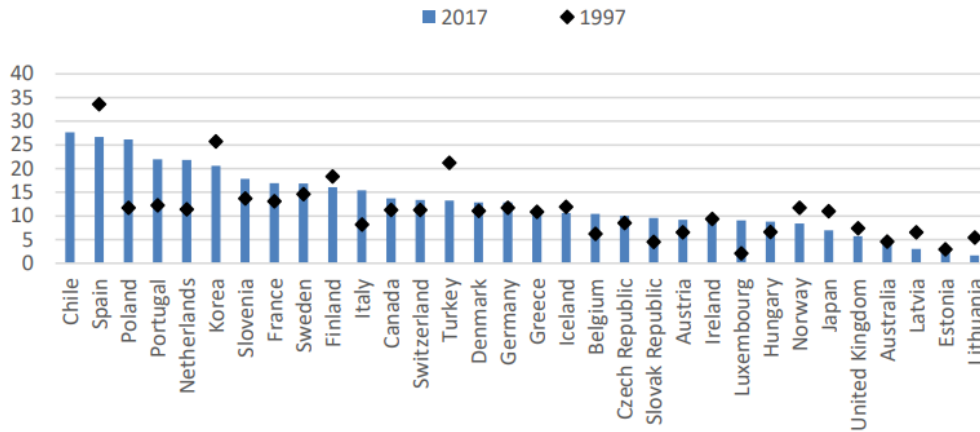


There are **less self-employed workers** than 20 years ago in most OECD countries (with exceptions)



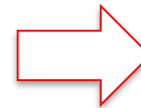
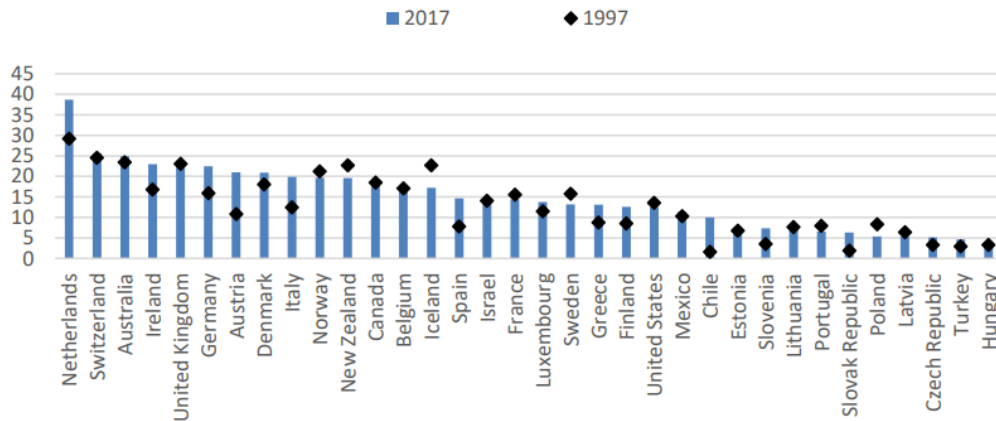
16% of all workers on average today

Figure 2. Temporary employment as a percentage of dependent employment, 1997-2017



13% of dependent employees on average today

Figure 3. Part-time employment as a percentage of dependent employment, 1997-2017



temporary and part-time employment have followed an increasing trend among employees over the last 20 years in most countries.

15% of dependent employees on average today



# Socio-economic characteristics of workers in non-standard forms of work

PENSIONS EUROPE

- On average across the OECD, **women** accounted for 59% of non-standard workers in 2013. When excluding part-time work, this proportion falls to 38%.
- **Younger workers** are more likely to have work experience in a non-standard form, in particular through temporary contracts. In 2013, 40% of younger workers (aged 15-29) were engaged in non-standard forms of work on average across the OECD.
- The incidence of non-standard employment decreases as the **level of education** increases.



# The labor market is changing and it affects pensions

PENSIONS EUROPE

- Social protection, including pension systems, has in many countries been geared primarily to full-time workers in standard employment
- However, the “real world” is different: around 40% of jobs in the EU today are either as self-employed (14%) or in an employment relationship other than permanent full-time work.
- Overall result: gaps in terms of coverage, access and benefit accrual (e.g. interrupted contribution periods and below-average income)

# People in non-standard employment often face less favourable conditions for accessing and accruing pension rights

The earnings gap



Gaps in access and benefit accrual



High risk for old-age income inadequacy



# Main pension issues raised by non-standard forms of work

PENSIONS EUROPE

- **Coverage gaps**

- Main issues related to voluntary pension:

- income instability
- willingness to contribute

- Main issues related to workplace pensions:

- workers in non-standard forms of employment tend to be less represented collectively by trade unions.
- the role of social partners in pension policies is highly uneven across EU Member States and the **unionization rates are decreasing** → this may limit the development potential of occupational pensions.

- A lack of **transferability** can hinder the build-up of adequate entitlements over the course of a career

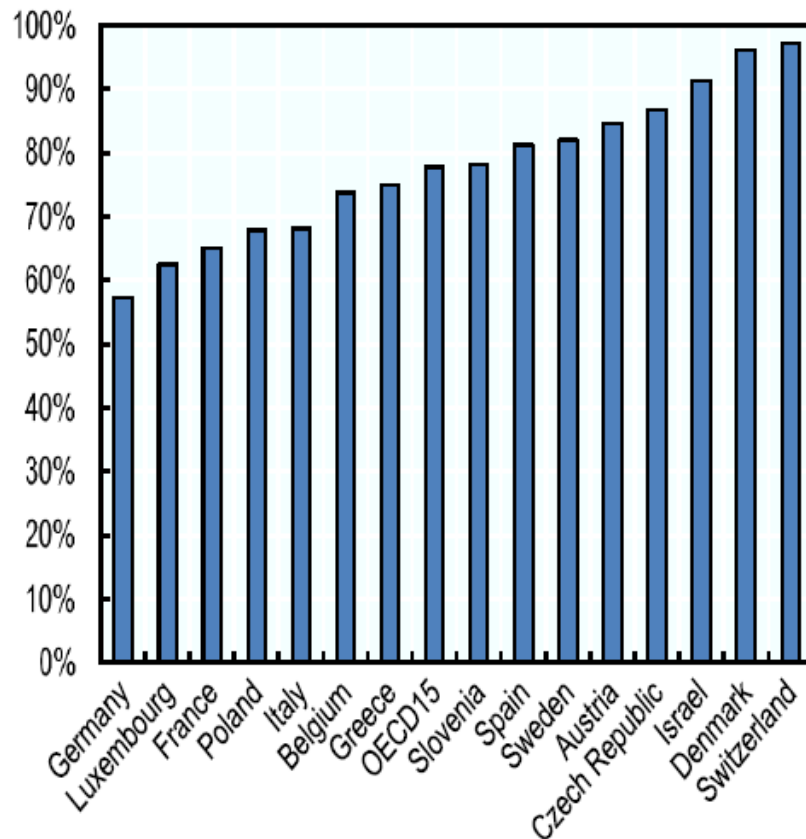
- Impact on pension income **adequacy**

- Continuous development of new forms of work

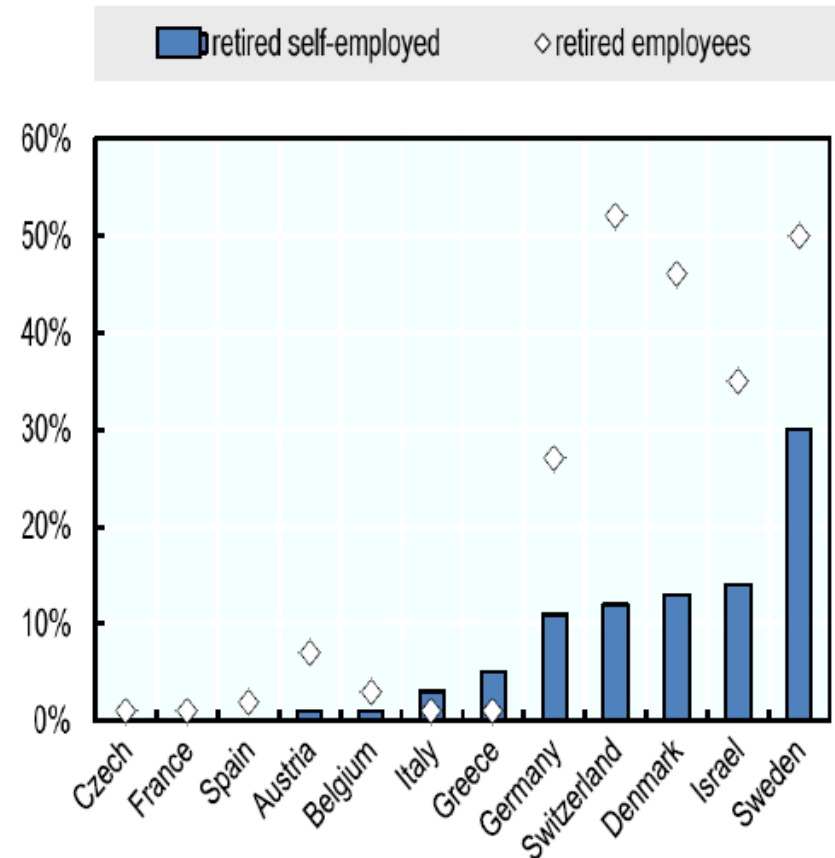
# Self-employed receive lower public pensions and less often occupational pensions

PENSIONS EUROPE

Panel A: Public pensions of the self-employed compared to employees

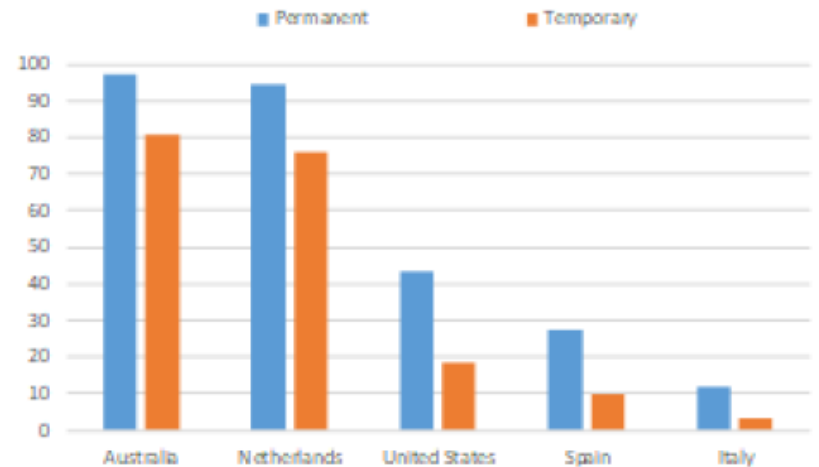
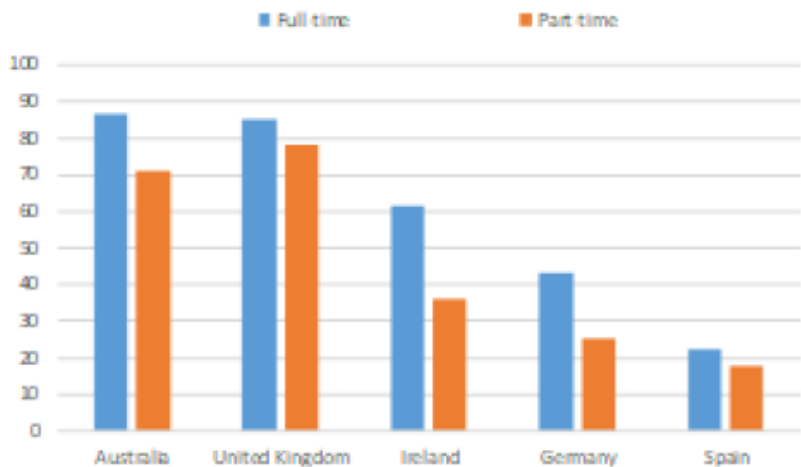


Panel B: Coverage of occupational pensions



Source: OECD computations based on data of Pettinicchi and Boersch-Supan (2017), originally computed with the SHARE survey data.

# Non-standard workers participate less in funded pensions, with some exceptions

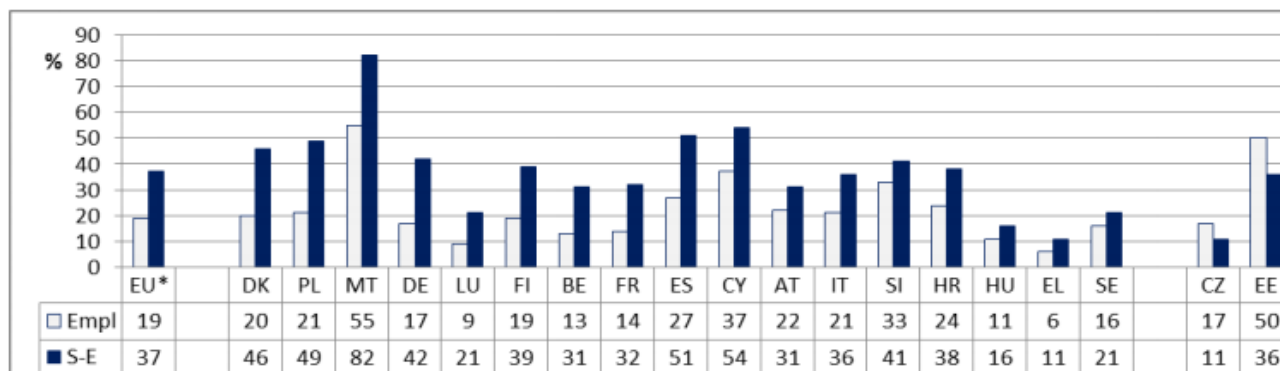


# Impact on the pension income adequacy

PENSIONS EUROPE

- **Self-employed workers** are exposed to low average incomes and high levels of risk of poverty during their working life that risks being transmitted into old age.

Figure 36: At-risk-of-poverty rate<sup>65</sup> by former work type, 2017, %



Source: SHARE (preliminary release). Notes: AROP threshold from the 2016 EU-SILC survey; 'Empl' stands for retired employees and 'S-E' for retired self-employed people; EU\* does not include IE, NL and UK; sample sizes in BG, LV, LT, PT, RO and SK do not allow a distinction to be drawn between retirees.

- The precise impact on old-age income of having worked in **non-standard employment** is hard to estimate, as the categories in question are diverse and workers can change their status multiple times.

# Policy responses at EU level



- ✓ European Pillar of Social Rights and related initiatives
  - ✓ Recommendation on access to social protection
  - ✓ High-level group of experts on pensions
- ✓ Holistic reflection on adequacy and sustainability
  - ✓ Pension Adequacy Report and the Ageing Report
- ✓ Adequacy monitoring to continue
  - ✓ Next Pension Adequacy Report in 2021



# Conclusions



- Many countries need to **increase pension coverage** of workers engaged in non-standard forms of employment
- **Different approaches** are required for different categories of workers
- **Different solutions** must be found in different pension systems, taking into account the design of the pension system and its objectives
- Soft-compulsion (**auto-enrolment** with opt-out option) can be an effective solutions for increasing pension coverage
- Making entitlements **portable** supports mobility across jobs and forms of employment
- Most likely, the development of new forms of work will continue in the years to come → need to continuously reform the pension systems



# Contacts



## **PensionsEurope**

Koningsstraat 97 Rue Royale

1000 Brussels

Tel.: +32 2 289 14 14

[info@pensionseurope.eu](mailto:info@pensionseurope.eu)

[www.pensionseurope.eu](http://www.pensionseurope.eu)

