Organisme: **Banque Mondiale**

La réforme des retraites est inévitable en Europe, selon la Banque Mondiale.

Countries across Europe, including current European Union (EU) member states, and EU accession countries (EUA) in Central, Eastern, and Southern Europe must undertake urgent pension reform to allow their rapidly ageing populations, especially women, to retire without a sharp reduction in living standards.

A new World Bank reportPension Reform in Europe: Progress and Processlaunched at a pensions briefing at the European Commission in Brussels todaysays that rising budget costs, changing patterns in contemporary society, and the financial requirements of European economic integration, are driving an unavoidable case for comprehensive, pan-European pensions reform.

While the need for this reform is clear, there is however no clear consensus among European countries as to which reform approach is equal to the task of a comprehensive pensions overhaul on the Continent. A majority of EU Accession countries are pursuing the so-called paradigmatic approach, whiletheir counterparts in the European Union have opting in majority for a parametric model.

Pension reform gets more attention in countries throughout Western, Central, and Eastern Europe than any other topic on the economic reform agenda, but in no area of European policy has progress been more uneven, says Robert Holzmann, Director of the World Bank's Social Protection unit, and a leading international authority on pensions reform. European policymakers and citizens need to answer some tough questions for themselves in order to safeguard and improve their pension systems; questions such as why reform has been greater in some countries than in others, and why the urgent need for reform has not brought more rapid progress.

According to Holzmann, and fellow World Bank pensions expert, Michal Rutkowski, a former director of the Polish pensions reform office, the scope of the pension challenges now facing European countries dictates that any less than a comprehensive overhaul of the Continent's systems will fail to bridge social and economic gaps that threaten the old age security of millions of older Europeans.

Budgetary pressures spending levels for public pensions in most Western European countries are well above those of other highly industrial countries at a similar income level. The average pension expenditure as a percentage of GDP for the 15 EU countries in 2000 amounted to some 11 percent.

On top of budgetary pressures, European-wide pensions systems are also being affected by changing social demographics. In Europe the total fertility rate has been low (i.e. some 2.1 children per woman) since the 1970s in the west, and since the 1980s in the east. On the other hand, life expectancy is likely to increase during the next 50 years by 4.2 years for women and 5 years for men. As a result, the old-age dependency ratio for the EU15 is projected to nearly double from 27.7 percent (in 2000) to 53.4 percent (by 2050 The projections for the EU accession countries are very similar. Based on this projected change in the old-age dependency ratio, and given a no-reform scenario, pension expenditures would roughly double.

Changing social and economic patterns even if there were no budgetary and demographic pressures for reform, there still would be a need for most European countries to realign their pension systems with socioeconomic changes. Three changes stand out:

Increasing female labor force participation in the EU countries, the numbers of women in the workforce have increased substantially in recent decades. So far this change in female labor force participation is not adequately reflected in the pension benefit structure. The benefit rules largely reflect the traditional image of a working husband and a child-caring housewife who needs a

widow’s pension for her protection in old age. But eligibility for such a pension is complicated by the rising divorce rate—some 50 percent of marriages are not thought likely to survive in both EU and EUA. Only a few countries have moved to establish independent rights for spouses, that is, the individualization of pension rights. Benefit traps for women still exist in many countries.

Changing employment patterns this more recent development refers to the reduction in full-time salaried employment and the increase in part-time employment, pseudo self- employment, and temporary employment. This trend may be attributed to globalization and its competitive pressures. Whatever the reason, these people do not fare well under many current pension schemes, which are based on a full-time employment model. Again, reform (and strict contribution-benefit relationships) are needed.

European economic integration the third major impetus for pan-European pension reform is economic integration on the Continent and the objective of common markets for goods, services, and factors of production under a common currencythe euro. This objective has implications for the provision of retirement income: budgetary implications, the need for more labor market flexibility, and the need for enhanced labor supply in an aging population.

Reform options and reform drivers

Against the strong need for reform, how do countries in Central, Eastern, and Western Europe fare? What emerges clearly is that there are two dominant styles of pension reform in Europe: a parametric style, and a paradigmatic style.

A parametric reform is an attempt to rationalize the pension system by seeking more revenues and reducing expenditures while expanding voluntary private pension provision. A Pay As You Go (PAYG) pillar is reduced by raising the retirement age, reducing pension indexation, and curtailing sector privileges, and a development of voluntary pension funds beyond the mandatory social security system is promoted through tax advantages, organizational assistance, tripartite agreements, and other means of administrative and public information facilitation. These among other things are happening in Austria, the Czech Republic, France, Germany, Greece, and Slovenia.

Other countries decided to change the paradigm in which pension systems operate that is, to move away from the monopoly of a PAYG pillar within the mandatory social security system. A paradigmatic reform is a deep change in the fundamentals of pension provision typically caused by the introduction of a mandatory funded pension pillar, along with a seriously reformed PAYG pillar and the expansion of opportunities for voluntary retirement saving and individual accounts. Among other measures, this is what Bulgaria, Croatia, Denmark, Hungary, Latvia, the Netherlands, Poland, Sweden, the United Kingdom decided to do.

The distinction between parametric and paradigmatic reform cuts across the EU/EUA divide. Paradigmatic reformers, however, tend to be more widely represented among EUA countries where, in addition to those cited above, others seem likely to follow soon Romania and perhaps Lithuania and Slovakia.

But why is it hard to find paradigmatic reformers among EU countries? What lies behind the differences in pension reform approach and progress across Europe? Pension Reform in Europe: Progress and Process, launched today in Brussels at the European Commission, offers the following insights:

Champions drive reform paradigmatic change is triggered by new actors and new factors. A severe financial crisis may strengthen the hand of the ministry of finance, and high debt may enhance the leverage of international financial institutions that advocate paradigmatic reform. However, which domestic institution takes the lead (whether ministry of finance or labor) and which international institution pushes reform (whether the World Bank or the International Labor Organization) is not a

crucial variable in explaining the willingness to undertake reforms.

Democracy is good for pensions reform.According to much of the political economy literature, systemic pension reform should be extremely difficult to achieve in democracies, with their mature pension systems, and social groups able to defend their interests vigourosuly. The new report shows that democracy helps pensions reforms, not blunts it. Pension policy has never been very democratic, because small policy networks have tended to dominate pension policy making in Europe. Operating in backrooms and excluding those without sufficient technical expertise, these networks exercised a dominance unchallenged by normal democratic procedures.

The wave of pension reforms in the 1990s may be attributed, in part, to the arrival of new actors with new ideas and the breakdown of insular and cohesive pension governance networks. Far from holding up reform, as some commentators suggest, democratic political processes can help break up dominant policy networks and trigger paradigmatic reform.

In Europe, the EU accession process makes a difference in social policy-countries with a greater chance of EU accession adopted social policy models that were more in tune with those of EU member states. So far, this has helped the Visigrad countries develop better transition social policies than Russia and countries of the Commonwealth of Independent States (CIS). The danger is that continued emulation of EU policies could produce higher unemployment and slower growth in the years ahead.

There are leaders and followers in pension reform, and international institutions matter-pension reforms should not be seen mainly as a result of domestic political processes, but also as a result of global patterns of ideational innovation and diffusion. During two great waves of post-World War II pension reform, in both Latin America and Europe, larger, richer, more industrial countries reformed first and smaller, poorer countries lagged behind. International organizations such as the International Labour Organization and the World Bank have played a major role, particularly in cross-regional diffusion of ideas and models.

The road ahead

As Europe’s policymakers and citizens grapple with how to best secure the old age security of the ageing populations, there seems to be broad agreement that reforming existing pensions systems is both urgent and unavoidable, but that progress is happening much too slowly.

According to Pension Reform in Europe: Progress and Process, perhaps the entry of the EUA countries after 2004 will energize current member countries because they will become more aware of reform alternatives. Or perhaps a reform champion will emerge among European politicians to push for reform. It is also possible that European politicians and the EU commission may be guided by recent lessons from the political economy of pension reform, and embrace much-needed pensions changes across Europe.

The trend we see towards paradigmatic pension reform in European Union Accession (EUA) countries instead of those in European Union (EU) countries may be well explained by the former countries’ need to reap the benefits of a modern, diversified, partially funded pension system relatively quickly; to increase savings and growth in their effort to catch up with EU countries, says Michal Rutkowski, a Social Protection Sector Manager, for the World Bank’s Europe and Central Asia Region, and co-author of the new report. To some extent, the willingness to engage in paradigmatic reforms is a result of the fact that EUA countries have undergone a profound crisis leading to a major ideological shift; while EU countries for the most part have not. Still, EUA reforms offer examples that cannot be ignored in a new enlarged EU, as those reforms rightly respond to problems which are equally acute in the EU, a response to truly Europe-wide problems.