



# Statistics in focus

## POPULATION AND SOCIAL CONDITIONS

THEME 3 – 11/2003

## POPULATION AND LIVING CONDITIONS

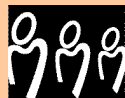
### Contents

Old-age pensions dominate pensions expenditure .....2

Growth in expenditure on pensions is stabilising.....3

Steady growth in real terms of expenditure on old-age pensions increases their share of the total .....4

The ageing population and pension scheme reforms.....5



Manuscript completed on: 03/2003  
ISSN 1024-4352  
Catalogue number: KS-NK-03-011-EN-N  
© European Communities, 2003

# Social protection: expenditure on pensions

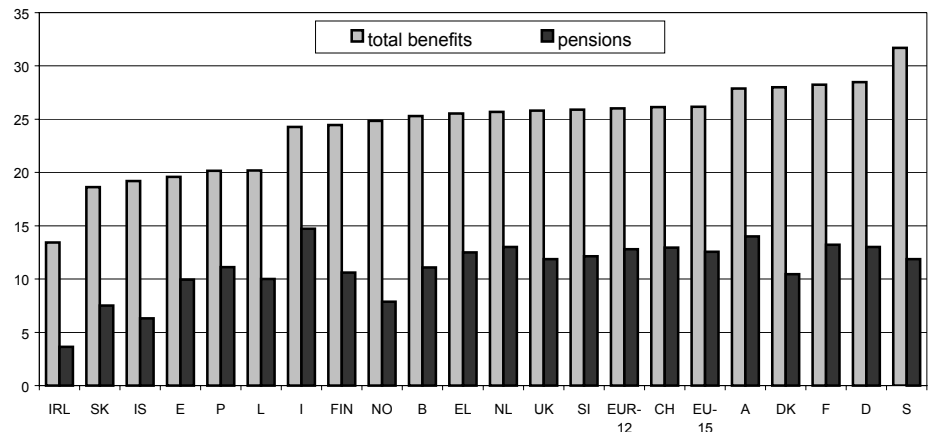
*Gérard Abramovici*

Accounting for 12.5% of GDP in 2000, the growth in real terms of expenditure on pensions has stabilised in the European Union in recent year (at around 2% per annum).

Due to their constant growth, old-age pensions are increasing their already predominant share within total pensions.

To address the issue of ageing populations, pension systems have been subject to a number of reforms in most countries.

Figure 1: Expenditure on pensions and total benefits, as a % of GDP, 2000



Source: Eurostat-ESSPROS.

In 2000, expenditure on pensions in the EU-15 was 12.5% of GDP (Table 2) <sup>(1)</sup>.

In Italy, this expenditure amounted to almost 15% of GDP, whilst the figures for Austria, France, the Netherlands and Germany were between 13% and 14%; the ratios of social expenditure to GDP in these latter countries are also amongst the highest in Europe (over 26 %) (Figure 1).

Conversely, Ireland, which had the lowest rate of social expenditure to GDP (13.4%), allocated only 3.6% of its GDP to expenditure on pensions <sup>(2)</sup>.

In Iceland, Norway and Slovakia, the percentage was also low (less than 8% of GDP).

<sup>(1)</sup> The "pensions" aggregate studied here is the sum of seven different categories of benefits defined in the ESSPROS manual 1996: disability pensions, early-retirement benefits due to reduced capacity to work, old-age pensions, anticipated old-age pensions, partial pensions, survivors' pensions and early-retirement benefits for labour market reasons. Some of these benefits (for example, disability pensions) are paid to people who have not reached the standard retirement age.

<sup>(2)</sup> No data are available for Ireland on occupational pension schemes for private-sector employees with constituted reserves.

## Old-age pensions dominate pensions expenditure

In 2000, expenditure on old-age pensions <sup>(3)</sup> topped the list of pension expenditure in every country, accounting for 75.8% of the total, or 9.6% of GDP in the EU-15 (Table 1).

This is particularly true in the United Kingdom, Germany and France (and in Slovakia) where approximately 80% of pensions are of this kind.

Ireland, on the other hand, recorded the lowest value, at 45.9%.

Disability pensions accounted for almost 10% of total pension expenditure in the EU-15 in 2000.

They are very high in the Netherlands, Portugal and Finland (approximately 20% of the total), as well as in Norway and Iceland.

By contrast, France and Italy spend less than 7% of their total pensions expenditure on this category on pensions. The differences in rules on benefits linked to disability are one explanation for these figures.

Leaving aside those countries for which this heading is over-estimated (see comments below in the box text), survivors' pensions are highest in the Netherlands, the United Kingdom and Spain.

Denmark, on the other hand, spends practically nothing on survivor's pensions.

There are considerable differences between Member States with regard to the other categories of pensions <sup>(4)</sup>.

In comparison with an EU-15 average of 4.9% in 2000, countries such as Denmark and Greece (and Slovenia) spend over 20% of total pension expenditure on other pensions, almost all of which consists of anticipated old-age pensions. Some other countries (Ireland, Austria and Finland) spend significant amounts in excess of 12%. In contrast, the United Kingdom and, outside the EU-15, Iceland and Switzerland do not classify any pension expenditure under the other categories headings.

**Table 1: Breakdown of expenditure on pensions category, 2000 (as a % of total pensions)**

|               | Old age pension | Disability pension | Survivors' pension | Other pensions categories <sup>(4)</sup> |
|---------------|-----------------|--------------------|--------------------|--|
| <b>EU-15</b>  | <b>75.8</b>     | <b>9.7</b>         | <b>9.6</b>         | <b>4.9</b>                               |
| <b>EUR-12</b> | <b>75.0</b>     | <b>8.9</b>         | <b>10.3</b>        | <b>5.8</b>                               |
| B             | 64.6            | 10.3               | 20.4               | 4.6                                      |
| DK            | 62.8            | 14.7               | 0.0                | 22.6                                     |
| D             | 79.1            | 8.2                | 3.0                | 9.7                                      |
| EL            | 64.5            | 7.1                | 6.5                | 21.9                                     |
| E             | 75.4            | 12.2               | 8.0                | 4.4                                      |
| F             | 79.4            | 6.2                | 11.8               | 2.6                                      |
| IRL           | 45.9            | 15.5               | 21.4               | 17.3                                     |
| I             | 75.8            | 6.0                | 17.6               | 0.5                                      |
| L             | 72.8            | 18.4               | 5.9                | 2.9                                      |
| NL            | 61.5            | 21.6               | 10.6               | 6.2                                      |
| A             | 59.4            | 7.3                | 19.5               | 13.7                                     |
| P             | 65.8            | 21.2               | 12.0               | 1.0                                      |
| FIN           | 59.6            | 19.0               | 8.9                | 12.6                                     |
| S             | 75.6            | 17.9               | 5.9                | 0.6                                      |
| UK            | 80.5            | 11.4               | 8.1                | 0.0                                      |
| IS            | 64.6            | 27.8               | 7.7                | 0.0                                      |
| NO            | 66.1            | 29.8               | 3.7                | 0.4                                      |
| CH            | 74.2            | 16.7               | 9.0                | 0.0                                      |
| SK            | 85.5            | 9.8                | 2.2                | 2.5                                      |
| SI            | 65.7            | 10.0               | 3.1                | 21.2                                     |

Source: Eurostat-ESSPROS.

### Data on categories of pension

Under the functional classification in ESSPROS, benefits paid to beneficiaries having reached the statutory retirement age as fixed by the reference scheme must be reported under the old-age function (see Part II, § 53 of the ESSPROS Manual 1996). In some countries this does not happen, however.

In **Ireland, Portugal** and **Switzerland** (partly), disability pensions include those paid to beneficiaries over the statutory retirement age.

In **Belgium, France, Ireland, Italy, Austria, Portugal, Finland** and **Switzerland** (partly), survivors' pensions include those paid to beneficiaries over the statutory retirement age.

In **Italy** and **Luxembourg**, old-age pensions include anticipated old-age pensions.

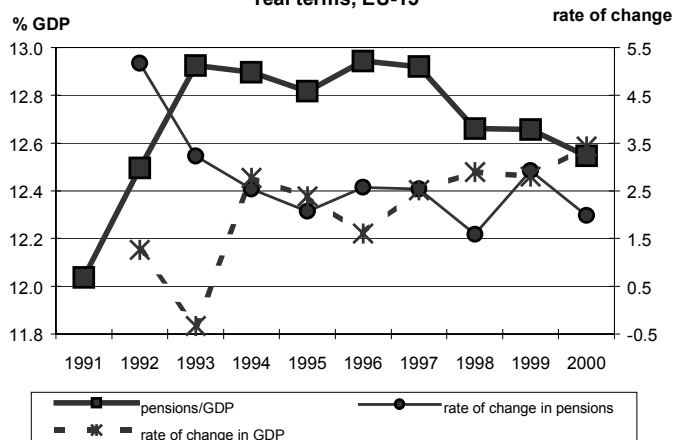
In **Portugal**, in 1999 and 2000, the values for certain schemes of early retirement benefits for labour market reasons are not available.

<sup>(3)</sup> Old-age pensions are paid to protected persons having reached the statutory retirement age fixed by the reference scheme.

<sup>(4)</sup> These include anticipated old-age pensions, partial pensions, early-retirement benefits for reasons of reduced capacity to work and early-retirement benefits for labour market reasons.

## Growth in expenditure on pensions is stabilising

**Figure 2: Expenditure on pensions as % of GDP and rates of change in expenditure on pension and GDP in real terms, EU-15**



Source: Eurostat-ESSPROS.

Between 1991 and 2000, expenditure on pensions in the EU-15 rose by 0.5 percentage points of GDP from 12.0% to 12.5% (Table 2).

This increase was fairly general throughout the EU-15, except in the Netherlands, Luxembourg and Ireland which all recorded notable drop (over 2 points). These reductions were due mainly to the slow growth in pensions expenditure in the Netherlands (in real terms 1.7% per annum as against an EU-15 average of 2.7% per annum) and the strong growth in GDP in Luxembourg and in Ireland during this period.

The increase in expenditure in relation to GDP between 1991 and 2000 was particularly marked in Portugal (almost + 3 points) where spending on pensions in real terms rose by some + 7.3% per annum against an average increase in GDP of about + 2.6% per annum. In Switzerland, the ratio also rose rapidly (+ 3.4 points).

The trend in pensions expenditure as a proportion of GDP did, in fact, fluctuate in the EU-15 over the period 1991-2000.

There was a substantial upturn between 1991 and 1993, when expenditure as a percentage of GDP increased by one percentage point to reach 12.9% (Figure 2). GDP by volume grew slowly in 1992 and fell in 1993, whereas over the same period expenditure on pensions in real terms rose steadily (+5.2% in 1992 and +3.2% in 1993), though the pattern was not the same in every country (Figure 3).

In Finland, for example, this ratio increased at a faster rate than in the other Member States (up 1.8% of GDP). Finland was in fact in recession during this period, while expenditure on pensions increased by an average of 3.2% per annum in real terms.

**Table 2: Expenditure on pensions, as a % of GDP**

|               | 1991        | 1993        | 1997        | 1998        | 1999        | 2000        |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>EU-15</b>  | <b>12.0</b> | <b>12.9</b> | <b>12.9</b> | <b>12.7</b> | <b>12.7</b> | <b>12.5</b> |
| <b>EUR-12</b> | <b>12.2</b> | <b>13.1</b> | <b>13.2</b> | <b>13.0</b> | <b>12.9</b> | <b>12.8</b> |
| B             | 12.2        | 13.0        | 11.8        | 11.7        | 11.4        | 11.1        |
| DK            | 9.7         | 10.1        | 11.2        | 11.1        | 10.8        | 10.5        |
| D             | 11.7        | 12.5        | 13.0        | 12.9        | 13.0        | 13.0        |
| EL            | 11.1        | 11.3        | 11.7        | 12.4        | 12.6        | 12.5        |
| E             | 9.4         | 10.3        | 10.3        | 10.1        | 9.9         | 10.0        |
| F             | 12.7        | 13.4        | 13.7        | 13.5        | 13.5        | 13.2        |
| IRL           | 5.8         | 5.6         | 4.4         | 4.1         | 3.8         | 3.6         |
| I             | 13.6        | 14.9        | 15.3        | 14.8        | 15.1        | 14.7        |
| L             | 12.8        | 12.7        | 11.9        | 11.2        | 10.8        | 10.0        |
| NL            | 15.4        | 15.6        | 13.7        | 13.1        | 13.2        | 13.0        |
| A             | 13.8        | 14.2        | 14.2        | 14.0        | 14.0        | 14.0        |
| P             | 8.2         | 9.6         | 10.4        | 10.6        | 10.6        | 11.1        |
| FIN           | 12.0        | 13.8        | 12.0        | 11.3        | 11.2        | 10.6        |
| S             | :           | 14.1        | 13.0        | 12.7        | 12.4        | 11.9        |
| UK            | 11.2        | 12.2        | 12.0        | 11.5        | 11.6        | 11.9        |
| IS            | 4.9         | 5.7         | 5.7         | 5.8         | 6.0         | 6.3         |
| NO            | 8.8         | 8.9         | 8.1         | 8.8         | 9.0         | 7.9         |
| CH            | 9.5         | 10.7        | 12.1        | 12.4        | 12.7        | 12.9        |
| SK            | :           | :           | 7.2         | 7.3         | 7.4         | 7.5         |
| SI            | :           | :           | 12.1        | 12.0        | 12.1        | 12.1        |

Source: Eurostat-ESSPROS.

In Italy and Portugal, expenditure on pensions as a percentage of GDP also increased at an above-average rate (over 1 percentage point higher between 1991 and 1993). This can be largely explained by significant real growth in expenditure on pensions (an average of 4.2% and 10.0% per annum respectively for each of the two countries) and by a slight decrease in GDP.

Between 1993 and 1997, expenditure on pensions in the EU-15 as a percentage of GDP stabilised at around 12.9%.

This was a result of both stronger GDP growth in real terms (2.3% per annum on average) and a slowdown in expenditure on pensions (2.4% per annum on average).

The rate of increase in real terms of this expenditure decreased in most Member States, with the exception of Denmark (+6.1%), Greece (+3.9%) and, outside the EU-15, Iceland and Norway.

In Belgium, expenditure on pensions actually decreased in real terms.

Finally, between 1997 and 2000, expenditure on pensions as a percentage of GDP in the EU-15 dropped from 12.9% to 12.5%.

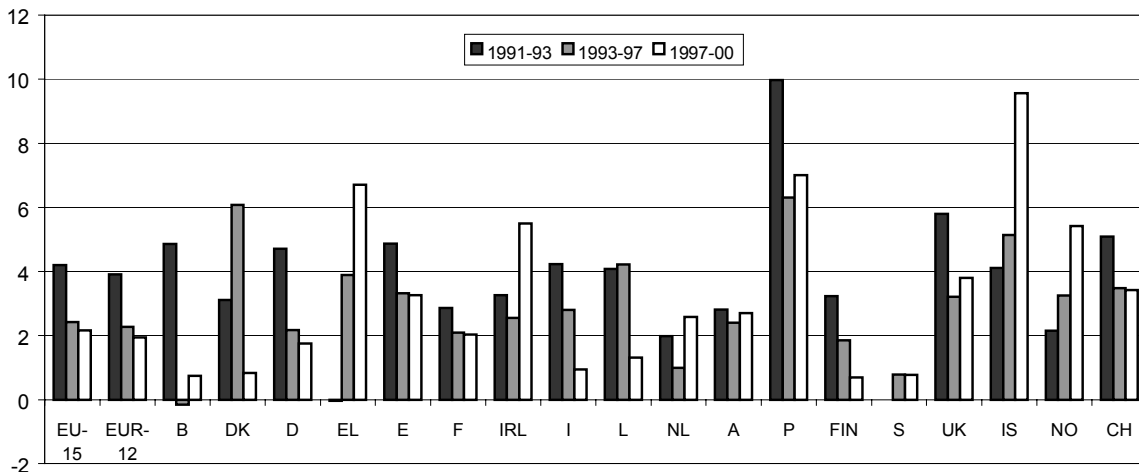
This is true for most of the Member States. The exceptions are Greece and Portugal, where expenditure

on pensions grew significantly in real terms (an average of around +7.0% per annum), and, outside the EU-15, Iceland and Switzerland.

The drop in the ratio was, on the other hand, particularly marked in Luxembourg, Finland and Sweden (over 1 percentage point of GDP), where the economies grew strongly and the increase in expenditure on pensions in real terms was much more restrained than in the other countries.

In 2000, there was a general slowdown in the growth of pension expenditure in the EU-15 (2.0% in 2000 as against an average of 2.2% per annum over the period 1997-2000). The fall in the growth rate was particularly marked in France and, outside the EU-15, in Norway. In Belgium, Italy, Luxembourg and Sweden, there was even a fall in expenditure on pensions in real terms. In the United Kingdom (+7.0%), Portugal (+8.4%) and Spain (+4.9%), on the other hand, this expenditure continued to increase in 2000 at an above-average rate.

Figure 3: Rate of change in expenditure on pensions in real terms, annual average\*



\* See calculation method on page 7. For the period 1991-1993, the rate of the variation of Greece is equal at 0 and in Sweden the data are not available.  
Source: Eurostat-ESSPROS.

## Steady growth in real terms of expenditure on old-age pensions increases their share of the total

Between 1991 and 2000, expenditure on pensions rose steadily in the EU-15 (2.7% per annum in real terms), but there were different trends for the various components.

In real terms, old-age pensions in the EU-15 rose by 32% between 1991 and 2000 (Figure 4). This increase resulted in the percentage share of total pensions accounted for by old-age pensions rising to 75.8 % in 2000.

In Portugal and Greece, these pensions rose by 8.5% and 4.4% respectively, which was much higher than the European average of + 3.1% per annum.

The growth rate was also high in the United Kingdom and Spain and, outside the EU-15, in Iceland.

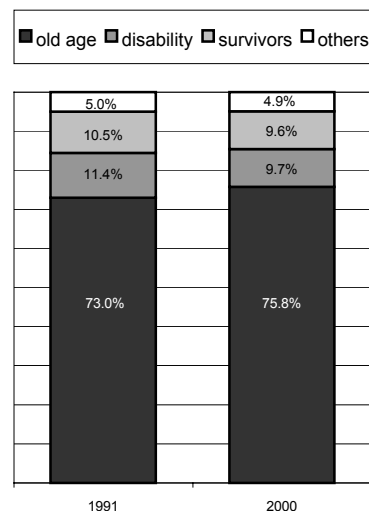
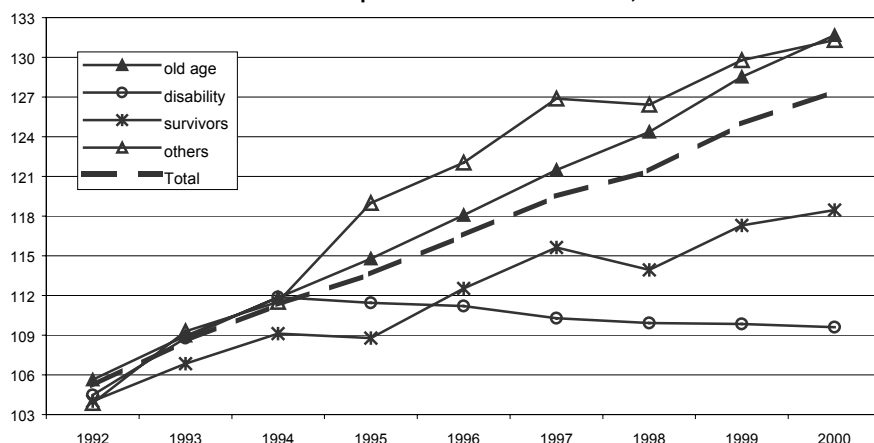
By contrast, in Ireland, Belgium and Finland, the increase in expenditure on old-age pensions was fairly low at around 2% per annum in real terms.

Calculating expenditure on old-age pensions per person aged 60 or over (i.e. removing effect of age structure) brings the trend in real terms down to 1.9% per annum over this period. The highest rate is still found in Portugal (+6.7% per annum), though the United Kingdom (+4.0%) and Denmark (+3.5%) are close behind (Table 3).

The removal of the demographic factor has a greater downward effect (of around 2 points) for Greece, Italy and Germany.

Whilst the average increase in total expenditure on pensions from 1991 to 2000 in EU-15 was 27% in real terms, the type of pension for which expenditure increased least was disability pensions, at 10% in real terms over the same period. Their proportion of total pension expenditure therefore fell from 11.4% to 9.7% between 1991 and 2000 in the EU-15.

**Figure 4: Trend in the expenditure on pensions at constant prices (index 1991=100) and structure of pensions in 1991 and 2000, EU-15 \***



\* See calculation method on page 7.  
Source: Eurostat-ESSPROS.

Some countries even recorded a fall in such expenditure as a result of regulatory measures taken by the Member States. Italy, the Netherlands and Austria are in this group. In the Netherlands, for example, the conditions to qualify for a disability pension became much stricter in the mid 1990s. By contrast, this expenditure rose significantly in Ireland and Portugal.

The increases for the other pension categories were similar to those for old-age pensions at +31% in real terms between 1991 and 2000 in the EU-15, or +3.1% per annum; the growth rate has, however, slowed down in the last three years.

Part of the increase is due to the fact that, up until 1997, early retirement schemes (anticipated old-age pensions and early-retirement benefits) were, for some countries, the instrument of choice for dealing with the problems of long-term unemployment.

Over the longer term, however, it can be seen that there has been a fall in these benefits in certain countries, such as in Italy as regards early-retirement benefits for labour-market reasons.

Finally, expenditure on survivors' pensions increased at a more modest rate of 1.9 % per annum in real terms in the EU-15 between 1991 and 2000. This trend can be linked to the fact that people are living longer on average, which thus reduces the number of beneficiaries, and to improvements in the amounts paid in women's pensions.

**Table 3: Expenditure on old age pensions at constant prices (index 1991=100) per person aged 60 or over) (1) \***

|        | 1993 | 1997 | 1998 | 1999 | 2000 |
|--------|------|------|------|------|------|
| EU-15  | 107  | 114  | 115  | 117  | 118  |
| EUR-12 | 106  | 111  | 112  | 114  | 114  |
| B      | 110  | 109  | 111  | 112  | 112  |
| DK     | 106  | 133  | 134  | 135  | 136  |
| D      | 107  | 109  | 109  | 109  | 107  |
| EL     | 98   | 110  | 120  | 124  | 124  |
| E      | 107  | 116  | 116  | 119  | 125  |
| F      | 105  | 111  | 114  | 117  | 117  |
| IRL    | 103  | 98   | 104  | 107  | 111  |
| I      | 106  | 113  | 113  | 115  | 114  |
| L      | 107  | 121  | 121  | 125  | 126  |
| NL     | 102  | 105  | 110  | 114  | 118  |
| A      | 106  | 114  | 115  | 117  | 117  |
| P      | 119  | 141  | 158  | 168  | 180  |
| FIN    | 104  | 110  | 110  | 111  | 110  |
| S      | :    | :    | :    | :    | :    |
| UK     | 110  | 126  | 127  | 133  | 143  |
| IS     | 100  | 116  | 127  | 137  | 147  |
| NO     | 106  | 123  | 133  | 138  | 141  |
| CH     | 108  | 116  | 120  | 122  | 124  |

(1) This indicator is not perfect. Old age pensions may cover different areas in different countries, and the retirement age differs from country to country (for both the legal age and the effective age).

\* See calculation method on page 7.  
Source: Eurostat-ESSPROS.

## The ageing population and pension scheme reforms

The ageing of Europe's population has accelerated in recent years. Persons reaching the age of retirement make up a growing proportion of the population, with the result that the old age dependency ratio rose by almost 3 points between 1990 and 2000 (Table 5) and is set to increase by a further 4.7 points over the next decade.

Faced with this situation which jeopardises the financial balance of pension schemes due to the reduction in the number of contributors and the increase in the number of beneficiaries, most European countries have conducted more or less thorough reforms of their pensions legislation. A large number of reforms were carried out between 1990 and 2000 (Table 4).

**Table 4: Main recent reforms to pension systems in Europe up to 2000**

| Country        | Date of latest reform | Previous provisions  | New provisions   | Creation of a reserve fund   | Amount in the reserve fund at the end of 2000 |               |
|----------------|-----------------------|--|--|--|---|---------------|
|                |                       |  |  |  | In billion euros                              | As a % of GDP |
| Belgium        | 1997                  | - Standard pension: statutory age of 65 for men and 60 for women<br>- Early retirement pension: 28 years of gainful employment   | - Standard pension: statutory age for women raised progressively from 60 to 65 between 1997 and 2009<br>- Early retirement pension: years of gainful employment raised from 28 to 35 between 1997 and 2005   |  |   |               |
| Denmark        | 1999                  | - National pension: statutory age of 67  | - National pension: statutory age reduced from 67 to 65 for persons turning 60 after 1 July 1999<br>- Creation of a compulsory special pension fund paid out at 65 (67)  |  |   |               |
| Germany        | 1999                  | - Pensions indexed to net salaries<br>- Standard pension: statutory age of 65 for men and 60 for women   | - Pensions indexed to prices as of 2000<br>- Standard pension: Statutory age for women raised progressively from 60 to 65 between 2000 and 2004  |  |   |               |
| Greece         | 1993                  | - Standard pension: statutory age of 65 for men and 60 for women<br>- Standard pension: 35 years of gainful employment to obtain 80% of pensionable income   | - Standard pension: statutory age for women raised from 60 to 65<br>- Standard pension: 35 years of gainful employment to obtain 60% of pensionable income<br>- Abolition of the supplement for a dependent spouse and reduction in supplements for dependent children                             |  |   |               |
|                | 1998                  |  | - Creation of a new compulsory contribution scheme for agricultural workers  |  |   |               |
| Spain          | 1997                  | - Calculation basis: average contributions over last 8 years   | Calculation basis: progressive increase in average contributions from last 8 to last 15 years between 1997 and 2002  | 1997   | 0.6   | 0.1%          |
| France         | 1993                  | - Pensions indexed to salaries<br>- General scheme and aligned schemes: 37.5 years of activity for a full pension  | - Pensions indexed to prices<br>- General scheme and aligned schemes: progressive increase from 37.5 to 40 years of activity for a full pension (one extra quarter a year) between 1994 and 2003   | 1999   | 3.2   | 0.22%         |
|                |                       | - General scheme and aligned schemes: calculation basis = average salary over last ten years   | - General scheme and aligned schemes: calculation basis progressively raised from last 10 years' to last 25 years' average salary between 1997 and 2008  |  |   |               |
| Ireland        |                       |  |  | 1997   | 6.4   | 6.23%         |
| Italy          | 1995-1997             | 1) Beneficiaries having contributed for over 18 years: reformed proportional system<br>- Standard pension: statutory age of 62 for men and 57 for women<br>- Early retirement pension: 36 years of contributions and 52 years of age   | - Standard pension: statutory age raised progressively to 65 for men and 60 for women between 1996 and 2000<br>- Early retirement pension: 35 years of contributions and 57 years of age or 40 years of contributions with no age restrictions from 2002   |  |   |               |
|                |                       | 2) Beneficiaries contributing since 1996: subject to the new contribution system<br>- Minimum age of 57<br>- Accumulation of individual rights in a notional accounts system <sup>(1)</sup><br>- Individual account credited at a constant contribution rate<br>- Minimum of 5 years of contributions and pension 120% higher than the old-age minimum |  |  |   |               |
|                |                       | 3) Beneficiaries with fewer than 18 years of contributions: mixed system<br>- Rights acquired before 1 January 1996 come under the proportional system, those acquired after this date are covered by the new system   |  |  |   |               |
|                |                       | 4) Other provisions<br>- The career termination allowance can be invested in a pension fund which benefits from tax deductions   |  |  |   |               |
| Austria        | 1998                  | - Early retirement pension: calculation basis = average salary for 15 best years   | - Early retirement pension: calculation basis = average salary for 18 best years progressively between 2003 and 2020   |  |   |               |
| Netherlands    | 1997                  | - Basic scheme (AOW): contribution rate of 15.4% in 1997   | - Basic scheme (AOW): maximum contribution threshold set at 18.25% (17.9% in 2000) and deficits in the scheme made up by a State subsidy   | 1997   | 7   | 1.75%         |
| Portugal       | 1993                  | - General scheme: statutory age of 65 for men and 62 for women   | - General scheme: statutory age raised progressively to 65 for women between 1994 and 1999   | 2000   | 3.1   | 2.66%         |
|                | 1999-2000             |  | - Early retirement pension: entitlement extended to workers aged at least 55 having contributed for 30 years<br>- Deferred pension: retirement at 65 is no longer compulsory; credits are added to the pensions of beneficiaries who remain in work between 65 and 70                              |  |   |               |
| Finland        | 1993-1996             | - Employers' contributions only<br>- Civil service scheme: statutory age of 63<br>- Calculation basis: last 4 years' salary  | - Contributions from employers and employees<br>- Civil service scheme: statutory age raised progressively to 65<br>- Calculation basis: last 4 years increased progressively to last 10 years between 1996 and 2005<br>- Civil service scheme: progressive alignment with private sector pensions | 1995   | 65.9  | 50.6%         |
|                | 2000                  | - Early retirement pension: statutory age of 55<br>- Early retirement pension: statutory age of 58   | - Early retirement pension: statutory age raised to 58<br>- Early retirement pension: statutory age raised to 60   |  |   |               |
| Sweden         | 1999                  | - Two-stage pay-as-you-go system: a universal pension and a defined-benefit pay-as-you-go scheme(2)  | - Creation of two contributory schemes :<br>a defined-contribution pay-as-you-go pension scheme <sup>(2)</sup> operating by the technique of individual notional accounts <sup>(1)</sup><br>* a system of funded individual pension savings accounts   | The six previous funds created in 1960 (1-3), 1974 (4) 1988 (5) and 1996 (6) were reorganised into five funds in 2000. | 86.9  | 33.41%        |
| United Kingdom | 1995                  | - Standard pension: statutory age of 65 for men and 60 for women<br>- State earnings-related pension scheme (SERPS): calculations based on 20 best years and 25% of earnings   | - Standard pension: statutory age for women raised progressively to 65 between 2010 and 2020<br>- SERPS: calculations based on whole of active life and reduction to 20% of earnings for persons reaching the age of retirement between 1999 and 2010  |  |   |               |
|                | 1999                  |  | - Creation of the Minimum Income Guarantee (MIG)   |  |   |               |

<sup>(1)</sup> Actuarial calculation of the pension depending on contributions and length of service of the pension

<sup>(2)</sup> In a defined-benefit scheme, the employer guarantees the payment of a given level of benefits; in a defined-contribution scheme, the benefits vary according to the returns on the funds invested.

Source : MISSOC (European Commission) - Pensions (Caisse des dépôts et consignations, France)

The reforms continued in 2001 and 2002 (Germany, Ireland, Italy, Austria and the United Kingdom) and others are being drafted in Greece and France, for example.

The desire to achieve financial equilibrium leads to action on a number of fronts: the number of pensioners, the amount of pensions, financing per se.

Measures aimed at reducing the number of pensioners come in several forms: raising the official age of both normal and early retirement, increasing the number of years required to gain entitlement to a full pension, financial incentives to those who continue to work beyond the statutory age of retirement, or making it possible to draw a pension and continue working.

Adjustments to the amounts paid out in pensions can be made by using less advantageous calculation or indexation rules or switching over from a defined benefits scheme to a defined contributions scheme.

Another method of seeking financial equilibrium is to increase the resources in the schemes by raising the State's contributions, by promoting the development of professional and private pension schemes or, finally, by creating reserve funds to cover current and future deficits in the pension schemes.

**Table 5 : Old age dependency ratios <sup>(1)</sup>**

|               | 1990        | 1995        | 2000        | 2005 <sup>(2)</sup> | 2010 <sup>(2)</sup> |
|---------------|-------------|-------------|-------------|---------------------|---------------------|
| <b>EU-15</b>  | <b>36.3</b> | <b>37.2</b> | <b>39.2</b> | <b>40.9</b>         | <b>43.9</b>         |
| <b>EUR-12</b> | <b>35.6</b> | <b>37.0</b> | <b>39.5</b> | <b>41.4</b>         | <b>44.2</b>         |
| B             | 37.3        | 39.0        | 40.2        | 40.1                | 43.4                |
| DK            | 36.9        | 35.2        | 34.8        | 38.0                | 43.3                |
| D             | 35.1        | 35.8        | 41.3        | 45.4                | 45.6                |
| EL            | 36.9        | 39.8        | 42.0        | 42.8                | 45.3                |
| E             | 35.7        | 38.0        | 38.1        | 38.8                | 41.4                |
| F             | 35.8        | 37.3        | 38.3        | 38.3                | 42.4                |
| IRL           | 31.7        | 29.9        | 27.9        | 27.8                | 30.8                |
| I             | 37.1        | 39.5        | 42.5        | 45.2                | 49.6                |
| L             | 32.7        | 33.5        | 33.8        | 36.1                | 38.3                |
| NL            | 30.3        | 30.5        | 31.6        | 33.6                | 38.8                |
| A             | 36.3        | 34.7        | 35.9        | 39.7                | 41.9                |
| P             | 35.5        | 37.0        | 38.8        | 37.3                | 39.5                |
| FIN           | 32.7        | 34.0        | 35.8        | 37.9                | 46.2                |
| S             | 43.4        | 41.4        | 41.3        | 45.0                | 49.1                |
| UK            | 38.9        | 37.9        | 37.6        | 38.1                | 41.4                |
| IS            | 27.8        | 28.6        | 28.0        | 28.3                | 31.3                |
| NO            | 40.0        | 37.1        | 35.3        | 35.9                | 39.9                |
| <b>EEA</b>    | <b>36.3</b> | <b>37.2</b> | <b>39.1</b> | <b>40.8</b>         | <b>43.8</b>         |
| CH            | 34.1        | 34.1        | 35.6        | 38.2                | 41.6                |
| SK            | :           | :           | 27.2        | :                   | :                   |
| SI            | :           | :           | 33.3        | :                   | :                   |

<sup>(1)</sup> Ratio of the population aged 60 and over to the population aged 20-59

<sup>(2)</sup> National forecasts

Source : Eurostat - Demography

#### Methods and concepts

The expenditure on pensions presented in this publication is calculated according to the methodology of the European System of Integrated Social Protection Statistics, "ESSPROS Manual 1996".

Definition of **social protection** in the ESSPROS Manual: "Social protection encompasses interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved. The list of risks or needs that may give rise to social protection is fixed by convention as follows: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion not elsewhere classified."

The ESSPROS methodology comprises basic and supplementary schemes, sometimes known as first-pillar and second-pillar schemes, with a third pillar consisting of private arrangements that are not part of social protection in the definition of the ESSPROS.

The ESSPROS methodology distinguishes between cash benefits and benefits in kind. Cash benefits may be periodic or lump sum.

The "pensions" aggregate comprises only part of periodic cash benefits under the disability, old age, survivors and unemployment functions. It is defined in this publication as the sum of the following social benefits (followed by the function to which the category of benefits belongs):

- 1) Disability pension (disability function)
- 2) Early-retirement benefit due to reduced capacity to work (disability function)
- 3) Old-age pension (old-age function)
- 4) Anticipated old-age pension (old-age function)
- 5) Partial pension (old-age function)
- 6) Survivors' pension (survivors' function)
- 7) Early-retirement benefit for labour market reasons (unemployment function).

These benefits may be means-tested or non-means-tested.

The value of the "pensions" aggregate has been calculated for all countries according to the above definition, regardless of differences between countries in the institutional organisation of social-protection schemes.

Some benefits classed as "pensions" (such as disability pension) may be paid to persons not yet having reached the statutory retirement age.

The various categories of social protection are defined in the ESSPROS Manual 1996.

Under ESSPROS, pensions are recorded without deduction of tax or other compulsory contributions payable by beneficiaries on benefits. They do not, on the other hand, include the social contributions paid by pension schemes on behalf of their pensioners to other social-protection schemes (such as health schemes). ESSPROS records such payments under the heading of "re-routed social contributions".

#### Notes on the data

The Euro zone (EUR-12) comprises Belgium (B), Germany (D), Greece (EL), Spain (E), France (F), Ireland (IRL), Italy (I), Luxembourg (L), the Netherlands (NL), Austria (A), Portugal (P) and Finland (FIN).

The European Union (EU-15) comprises the Euro zone countries plus Denmark (DK), Sweden (S) and the United Kingdom (UK).

Eurostat has estimated EU-15 values where necessary (missing data for Sweden for 1990-1992).

Data on pensions are taken from the publication "European Social Statistics - Social Protection - Expenditure and Receipts 1991-2000".

The 2000 values for B, D, EL, E, F, I, NL, P, FIN, S, UK, SK are provisional.

#### Calculation of indices in Figures 3 and 4 and Table 3

The large annual variations from year to year in the conversion rates between the ECU/Euro and the national currencies imposed the use of something other than an ECU/Euro index in these figures and table.

1) For each country and for the EUR-12, the indices are in national currencies (Euro for the EUR-12).

2) For the EU-15 the indices have been obtained by weighting each country's index in national currency by that country's respective share in the expenditure in ECU/Euro in 1995 of the countries in the EU-15.

# Further information:

## ➤ Reference publications

Title European social statistics: Social protection 1991-2000  
 Catalogue No KS-DC-03-001-EN-C Price EUR 45

## ➤ Databases

NewCronos, Domain SESPROS

To obtain information or to order publications, databases and special sets of data, please contact the **Data Shop** network:

| BELGIQUE/BELGIË   | DANMARK   | DEUTSCHLAND  | ESPAÑA  | FRANCE   | ITALIA – Roma  |
|---|---|--|---|--|--|
| <b>Eurostat Data Shop</b><br>Bruxelles/Brussel<br>Planistat Belgique<br>Rue du Commerce 124<br>Handelsstraat 124<br>B-1000 BRUXELLES / BRUSSEL<br>Tel. (32-2) 234 67 50<br>Fax (32-2) 234 67 51<br>E-mail: datashop@planistat.be<br>URL: http://www.datashop.org/   | <b>DANMARKS STATISTIK</b><br>Bibliotek og Information<br>Eurostat Data Shop<br>Sejrogade 11<br>DK-2100 KØBENHAVN Ø<br>Tlf. (45) 39 17 30 30<br>Fax (45) 39 17 30 03<br>E-mail: <a href="mailto:lib@dst.dk">lib@dst.dk</a><br>URL: http://www.dst.dk/bibliotek   | <b>STATISTISCHES BUNDESAMT</b><br>Eurostat Data Shop Berlin<br>Otto-Braun-Straße 70-72<br>(Eingang: Karl-Marx-Allee)<br>D-10178 BERLIN<br>Tel. (49) 1888-644 94 27/28<br>(49) 611 75 94 27<br>Fax (49) 1888-644 94 30<br>E-Mail: <a href="mailto:datashop@destatis.de">datashop@destatis.de</a><br>URL: http://www.eu-datashop.de/ | <b>INE Eurostat Data Shop</b><br>Paseo de la Castellana, 183<br>Despacho 011B<br>Entrada por Estébanez Calderón<br>E-28046 MADRID<br>Tel. (34) 915 839 167/ 915 839 500<br>Fax (34) 915 830 357<br>E-mail: <a href="mailto:datashop.eurostat@ine.es">datashop.eurostat@ine.es</a><br>URL: http://www.ine.es/prodysser/datashop/index.html | <b>INSEE Info Service</b><br>Eurostat Data Shop<br>195, rue de Bercy<br>Tour Gamma A<br>F-75582 PARIS CEDEX 12<br>Tél. (33) 1 53 17 88 44<br>Fax (33) 1 53 17 88 22<br>E-mail: <a href="mailto:datashop@insee.fr">datashop@insee.fr</a>  | <b>ISTAT</b><br>Centro di Informazione Statistica<br>Sede di Roma, Eurostat Data Shop<br>Via Cesare Balbo, 11a<br>I-00184 ROMA<br>Tel. (39) 06 46 73 32 28<br>Fax (39) 06 46 73 31 01/07<br>E-mail: <a href="mailto:datashop@istat.it">datashop@istat.it</a><br>URL: http://www.istat.it/Prodotti/Allegati/Eurostatdatashop.html |
| ITALIA – Milano   | LUXEMBOURG  | NEDERLAND  | NORGE   | PORTUGAL   | SCHWEIZ/SUISSE/SVIZZERA  |
| <b>ISTAT</b><br>Ufficio Regionale per la Lombardia<br>Eurostat Data Shop<br>Via Fieno 3<br>I-20123 MILANO<br>Tel. (39) 02 80 61 32 460<br>Fax (39) 02 80 61 32 304<br>E-mail: <a href="mailto:mileuro@tin.it">mileuro@tin.it</a><br>URL: http://www.istat.it/Prodotti/Allegati/Eurostatdatashop.html                                | <b>Eurostat Data Shop Luxembourg</b><br>46A, avenue J.F. Kennedy<br>BP 1452<br>L-1014 LUXEMBOURG<br>Tél. (352) 43 35-2251<br>Fax (352) 43 35-22221<br>E-mail: <a href="mailto:dslux@eurostat.datashop.lu">dslux@eurostat.datashop.lu</a><br>URL: http://www.datashop.org/                                     | <b>Centraal Bureau voor de Statistiek</b><br>Eurostat Data Shop-Voorburg<br>Postbus 4000<br>2270 JM VOORBURG<br>Nederland<br>Tel. (31-70) 337 49 00<br>Fax (31-70) 337 59 84<br>E-mail: <a href="mailto:datashop@cbs.nl">datashop@cbs.nl</a><br>URL: www.cbs.nl/eurodatashop   | <b>Statistics Norway</b><br>Library and Information Centre<br>Eurostat Data Shop<br>Kongens gate 6<br>Boks 8131 Dep.<br>N-0033 OSLO<br>Tel. (47) 21 09 46 42/43<br>Fax (47) 21 09 45 04<br>E-mail: <a href="mailto:Datashop@ssb.no">Datashop@ssb.no</a><br>URL: http://www.ssb.no/biblioteket/datashop/                                   | <b>Eurostat Data Shop Lisboa</b><br>INE/Serviço de Difusão<br>Av. António José de Almeida, 2<br>P-1000-043 LISBOA<br>Tel. (351) 21 842 61 00<br>Fax (351) 21 842 63 64<br>E-mail: <a href="mailto:data.shop@ine.pt">data.shop@ine.pt</a> | <b>Statistisches Amt des Kantons Zürich, Eurostat Data Shop</b><br>Bleicherweg 5<br>CH-8090 Zürich<br>Tel. (41) 1 225 12 12<br>Fax (41) 1 225 12 99<br>E-mail: <a href="mailto:datashop@statistik.zh.ch">datashop@statistik.zh.ch</a><br>URL: http://www.statistik.zh.ch   |
| SUOMI/FINLAND   | SVERIGE   | UNITED KINGDOM   | UNITED STATES OF AMERICA  |  |  |
| <b>STATISTICS FINLAND</b><br>Eurostat Data Shop Helsinki<br>Tilastokirjasto<br>PL 2B<br>FIN-00022 Tilastokeskus<br>Työpajakatu 13 B, 2. kerros, Helsinki<br>P. (358-9) 17 34 22 21<br>F. (358-9) 17 34 22 79<br>Sähköposti: <a href="mailto:datashop@stat.fi">datashop@stat.fi</a><br>URL: http://tilastokeskus.fi/til/kk/datashop/ | <b>STATISTICS SWEDEN</b><br>Information service<br>Eurostat Data Shop<br>Karlavägen 100 - Box 24 300<br>S-104 51 STOCKHOLM<br>Tfn (46-8) 50 69 48 01<br>Fax (46-8) 50 69 48 99<br>E-post: <a href="mailto:infoservice@scb.se">infoservice@scb.se</a><br>URL: http://www.scb.se/tjanster/datashop/datashop.asp | <b>Eurostat Data Shop</b><br>Office for National Statistics<br>Room 1.015<br>Karlavägen 100 - Box 24 300<br>Newport NP10 8XG<br>South Wales<br>United Kingdom<br>Tel. (44-1633) 81 33 69<br>Fax (44-1633) 81 33 33<br>E-mail: <a href="mailto:eurostat.datashop@ons.gov.uk">eurostat.datashop@ons.gov.uk</a>                       | <b>HAVER ANALYTICS</b><br>Eurostat Data Shop<br>60 East 42nd Street<br>Suite 3310<br>NEW YORK, NY 10165<br>USA<br>Tel. (1-212) 986 93 00<br>Fax (1-212) 986 69 81<br>E-mail: <a href="mailto:eurodata@haver.com">eurodata@haver.com</a><br>URL: http://www.haver.com/   |  |  |

Media Support Eurostat (for professional journalists only):

Bech Building Office A4/017 • L-2920 Luxembourg • Tel. (352) 4301 33408 • Fax (352) 4301 35349 • e-mail: [eurostat-mediasupport@cec.eu.int](mailto:eurostat-mediasupport@cec.eu.int)

## For information on methodology

Responsible: **Gérard ABRAMOVICI, Eurostat/E4, L-2920 Luxembourg,**

Tel. (352) 4301 33824, Fax (352) 4301 35979,

ORIGINAL: French

Co-authors: **Flavio BIANCONI, Monica BERGAMINI**

Database: **Carlo CADOLINO**

Layout: **Madeleine LARUE**

Please visit our web site at [www.europa.eu.int/comm/eurostat/](http://www.europa.eu.int/comm/eurostat/) for further information!

A list of worldwide sales outlets is available at the **Office for Official Publications of the European Communities.**

2 rue Mercier – L-2985 Luxembourg  
 Tel. (352) 2929 42118 Fax (352) 2929 42709  
 URL: <http://publications.eu.int>  
 E-mail: [info-info-opoce@cec.eu.int](mailto:info-info-opoce@cec.eu.int)

BELGIQUE/BELGIË – DANMARK – DEUTSCHLAND – GREECE/ELLADA – ESPAÑA – FRANCE – IRELAND – ITALIA – LUXEMBOURG – NEDERLAND – ÖSTERREICH  
 PORTUGAL – SUOMI/FINLAND – SVERIGE – UNITED KINGDOM – ISLAND – NORGE – SCHWEIZ/SUISSE/SVIZZERA – BALGARUA – ČESKÁ REPUBLIKA – CYPRUS  
 EESTI – HRVATSKA – MAGYARORSZÁG – MALTA – POLSKA – ROMÂNIA – RUSSIA – SLOVAKIA – SLOVENIA – TÜRKIYE – AUSTRALIA – CANADA – EGYPT – INDIA  
 ISRAËL – JAPAN – MALAYSIA – PHILIPPINES – SOUTH KOREA – THAILAND – UNITED STATES OF AMERICA

## Order form

I would like to subscribe to Statistics in focus (from 1.1.2003 to 31.12.2003):

(for the Data Shop and sales office addresses see above)

All 9 themes (approximately 200 issues)

Paper: EUR 240

Language required:  DE  EN  FR

Statistics in focus can be downloaded (pdf file) free of charge from the Eurostat web site. You only need to register. For other solutions, contact your Data Shop.

Please send me a free copy of 'Eurostat mini-guide' (catalogue containing a selection of Eurostat products and services)

Language required:  DE  EN  FR

I would like a free subscription to 'Statistical References', the information letter on Eurostat products and services

Language required:  DE  EN  FR

Mr  Mrs  Ms

(Please use block capitals)

Surname: \_\_\_\_\_ Forename: \_\_\_\_\_

Company: \_\_\_\_\_ Department: \_\_\_\_\_

Function: \_\_\_\_\_

Address: \_\_\_\_\_

Post code: \_\_\_\_\_ Town: \_\_\_\_\_

Country: \_\_\_\_\_

Tel.: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Payment on receipt of invoice, preferably by:

Bank transfer

Visa  Eurocard

Card No: \_\_\_\_\_ Expires on: \_\_\_\_/\_\_\_\_/\_\_\_\_

Please confirm your intra-Community VAT number:

If no number is entered, VAT will be automatically applied. Subsequent reimbursement will not be possible.