



"The social impact of the Crisis" ...in the CEE Countries

European Parliament

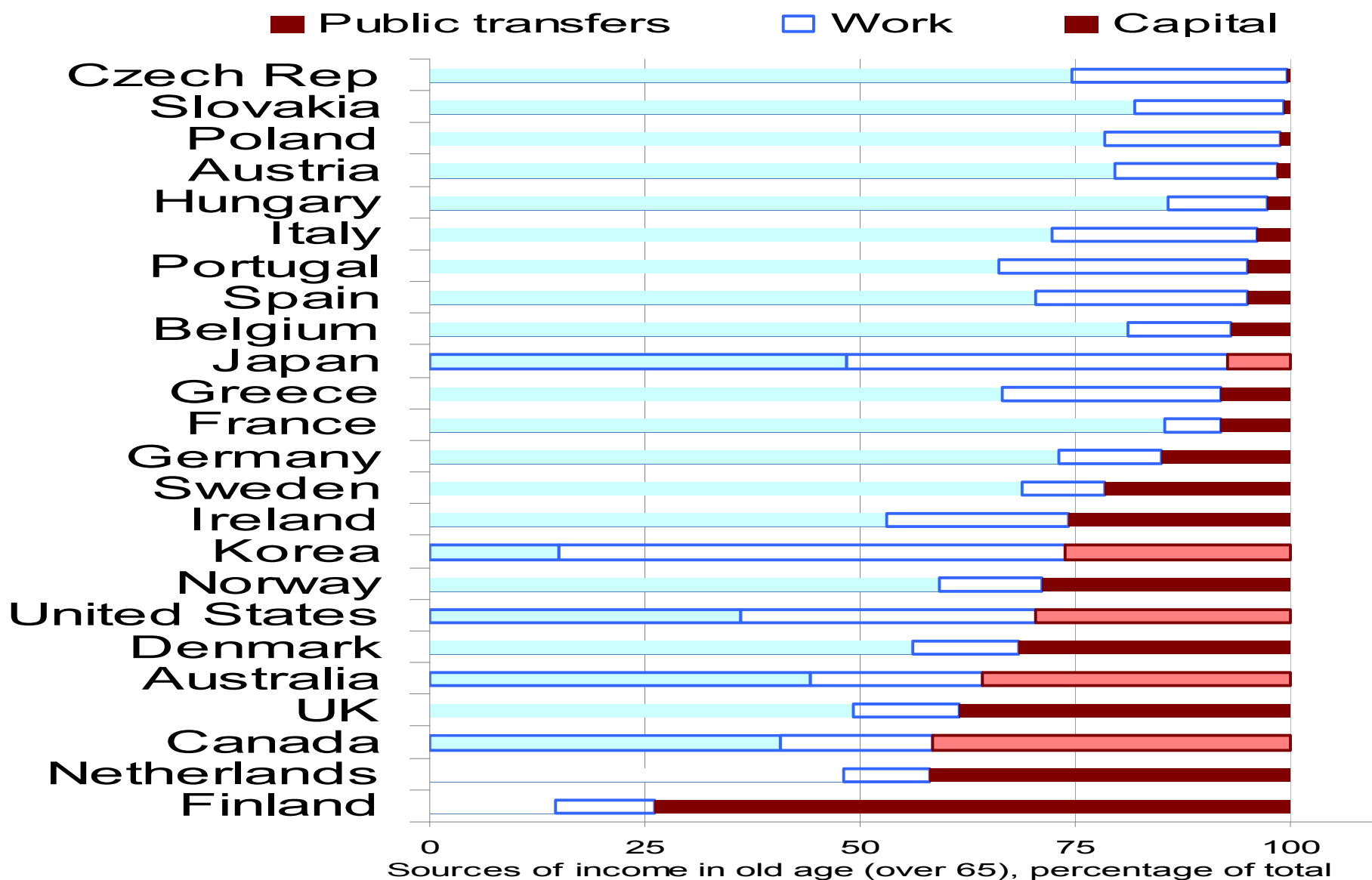
Special Committee on the Financial, Economic and Social Crisis

Brussels, Thursday, 28th January 2010

Dr. Vít Samek

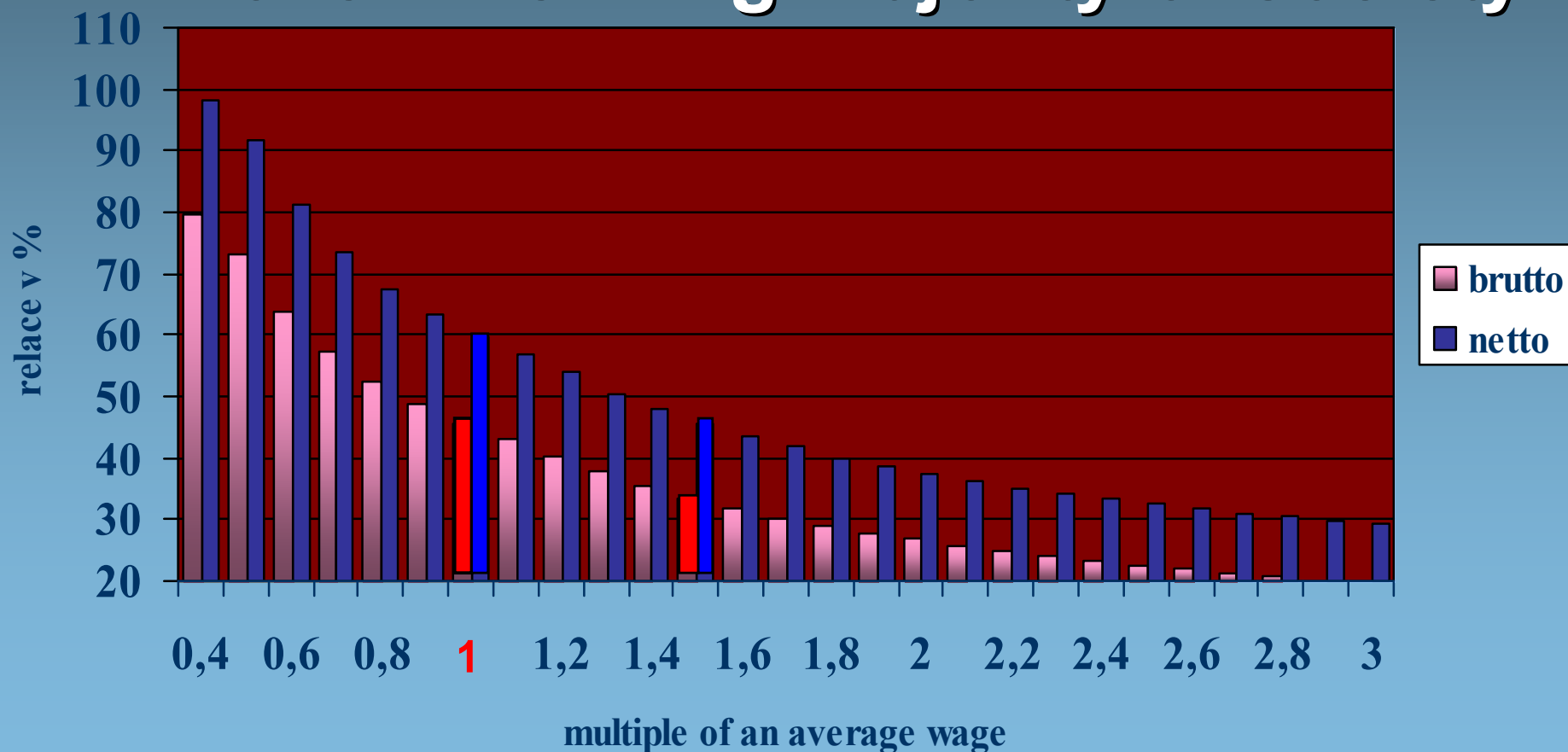
**Czech-Moravian Confederation of Trade Unions
Acting Vicepresident**

Sources of income in old age (over 65)



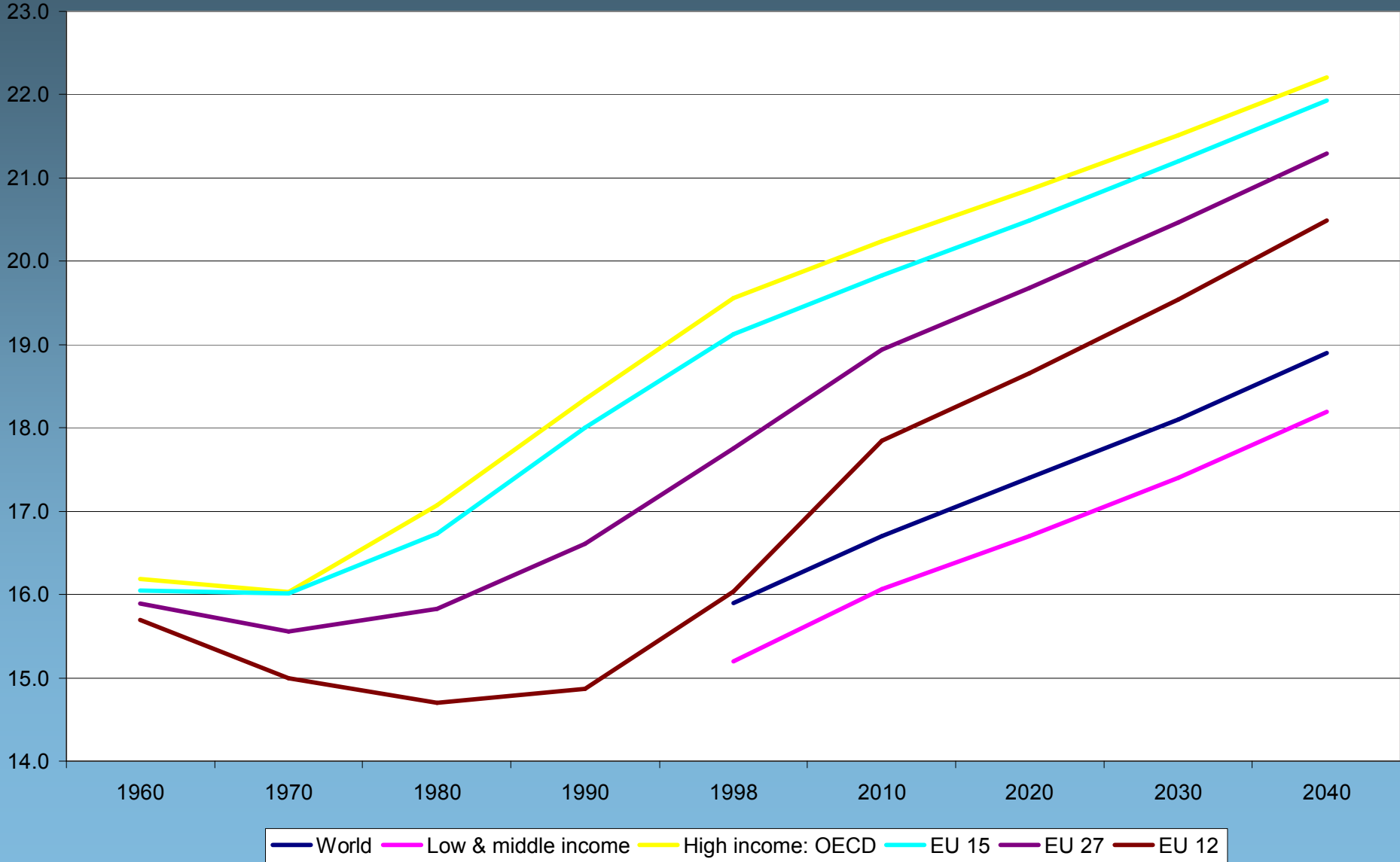


I. pillar (PAYG): social security for overwhelming majority of society



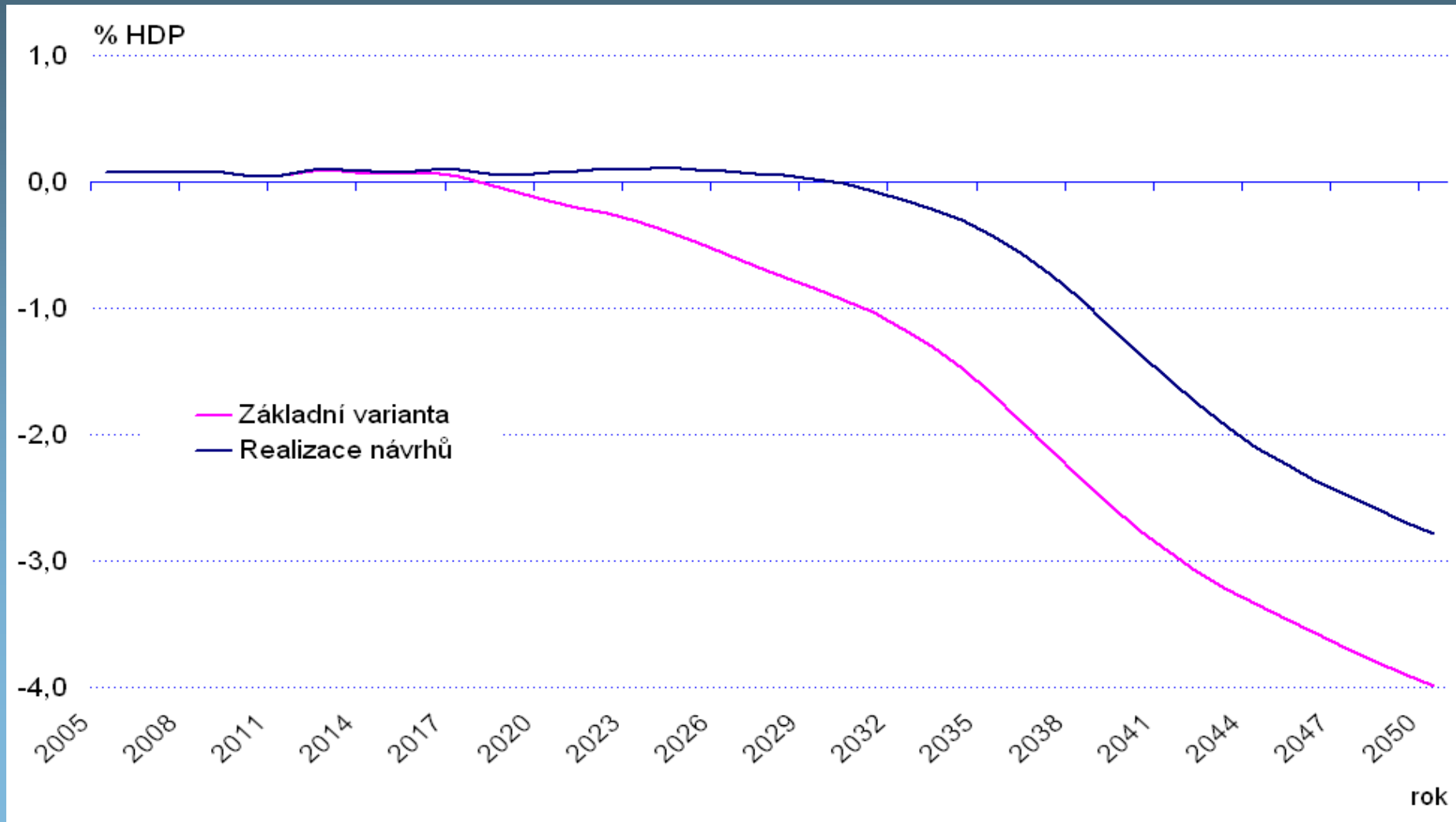
Ageing – predictable risk (PAYG, FF)

Life Expectancy at Age 60



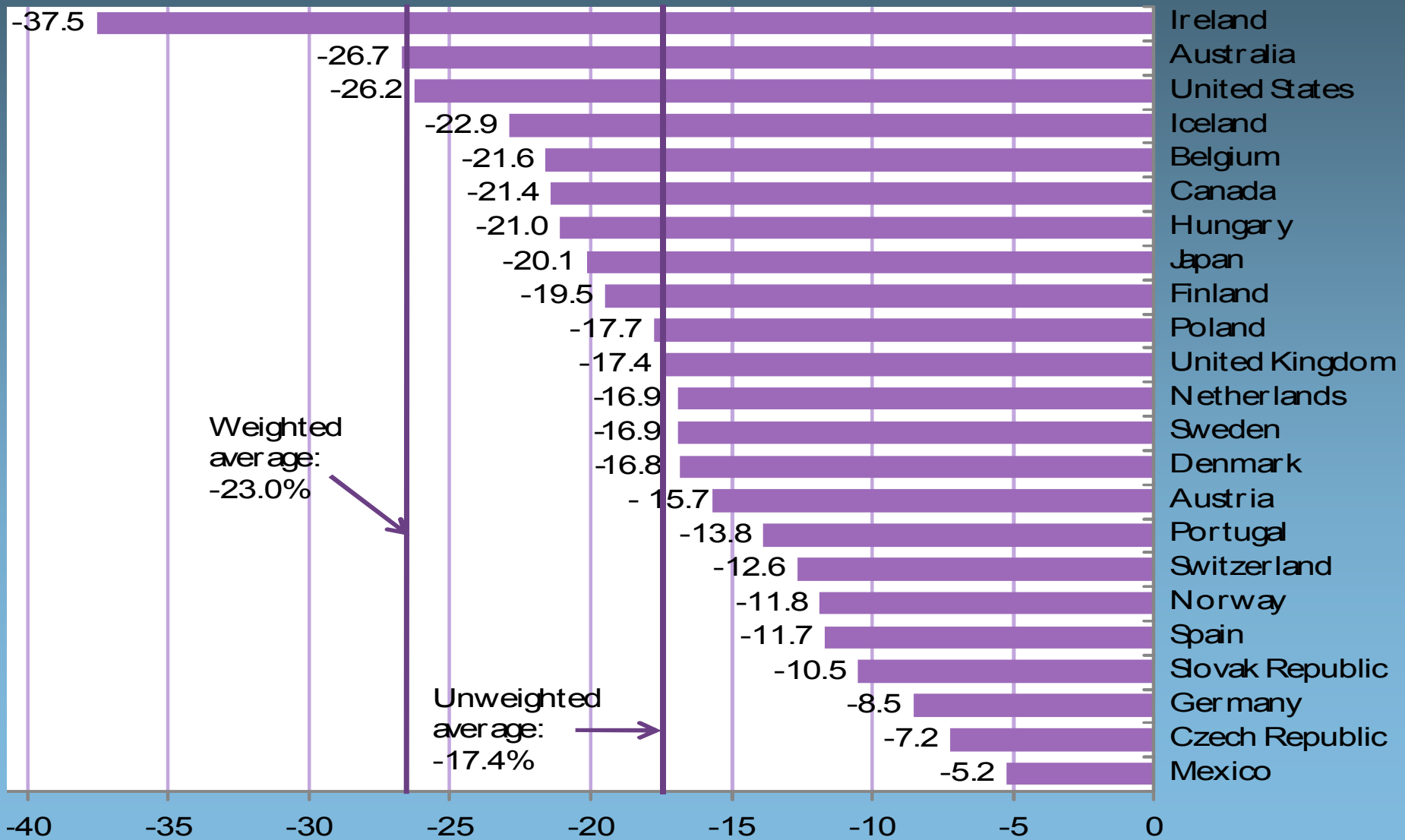
Solution: Parametric PAYG Reforms

CZ Case: old age from 63 to 65 etc.



Crisis: – unpredictable risk (PAYG, FF)

Pension funds: real return in 2008 *OECD*



Bernhard Ebbinghaus:

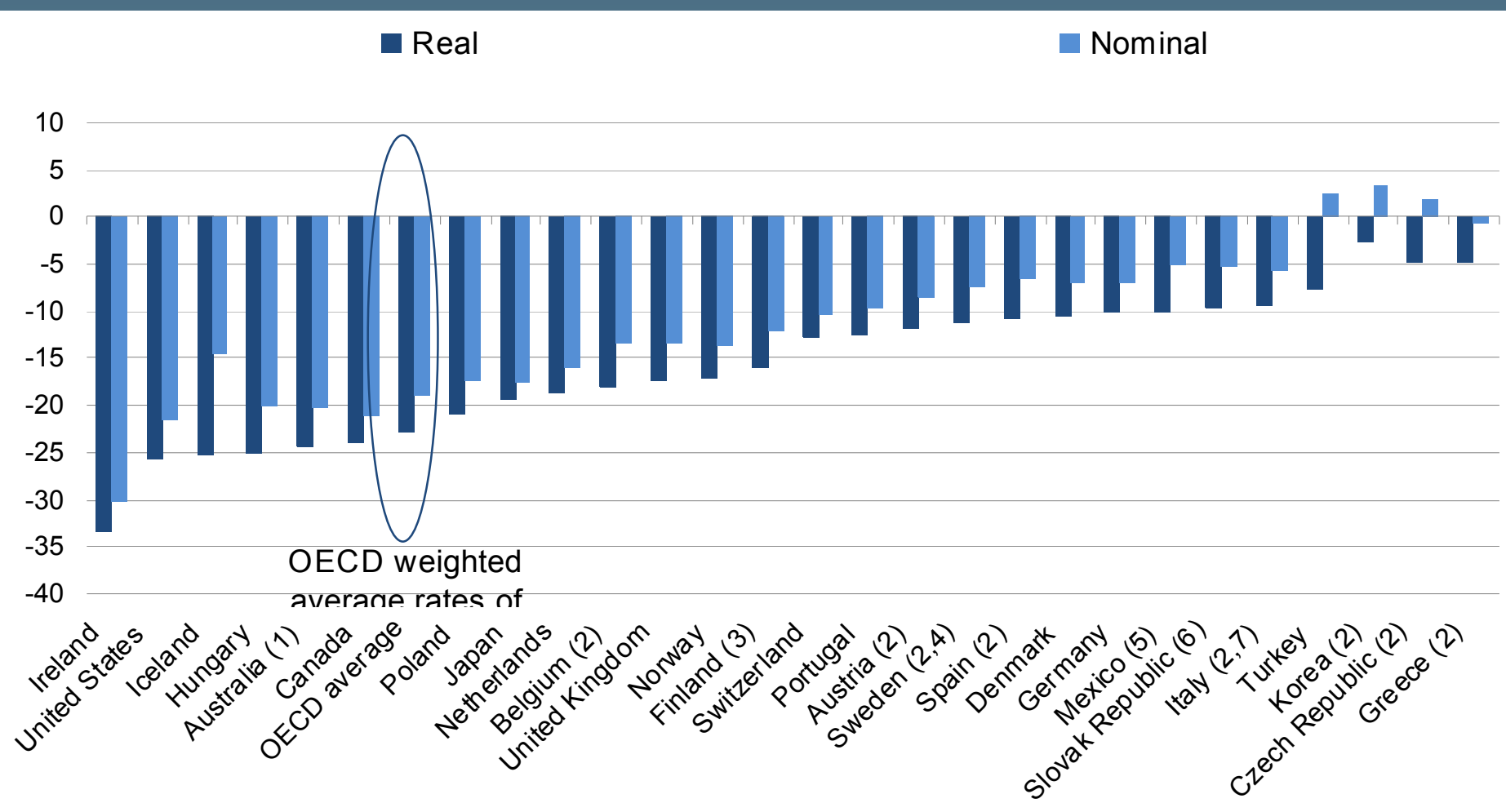
Varieties of Pension Governance, GOSPE Project, MZES Mannheim



Michael Cichon (ILO)

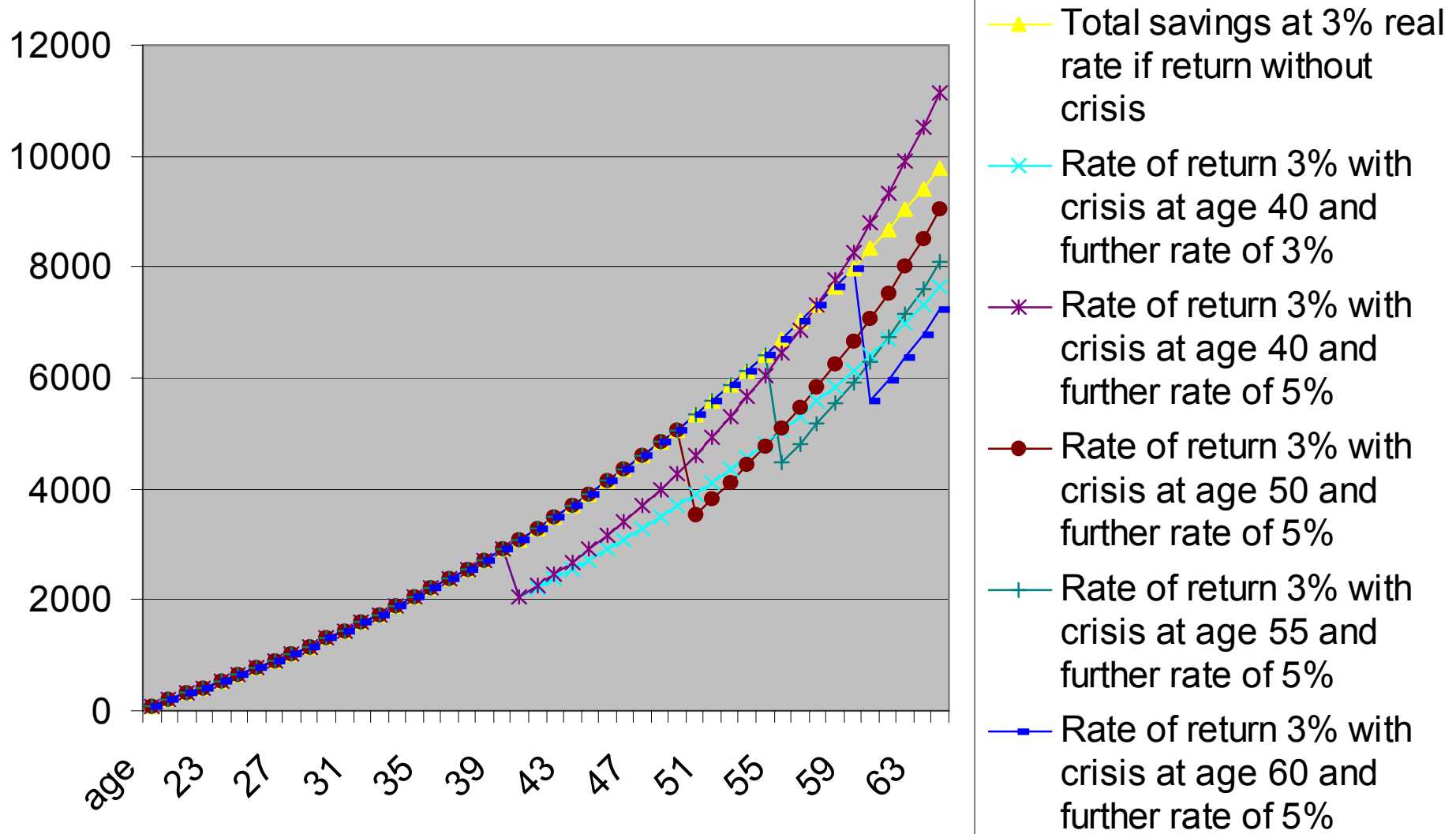
Social Security Department Geneva, May 2009

Effect of the crisis: what we see in funded pension schemes – pension fund returns (Jan - Oct 2008)



Michael Cichon

Effects of crisis on the individual pension saver (DC schemes in relation to the age of participant)



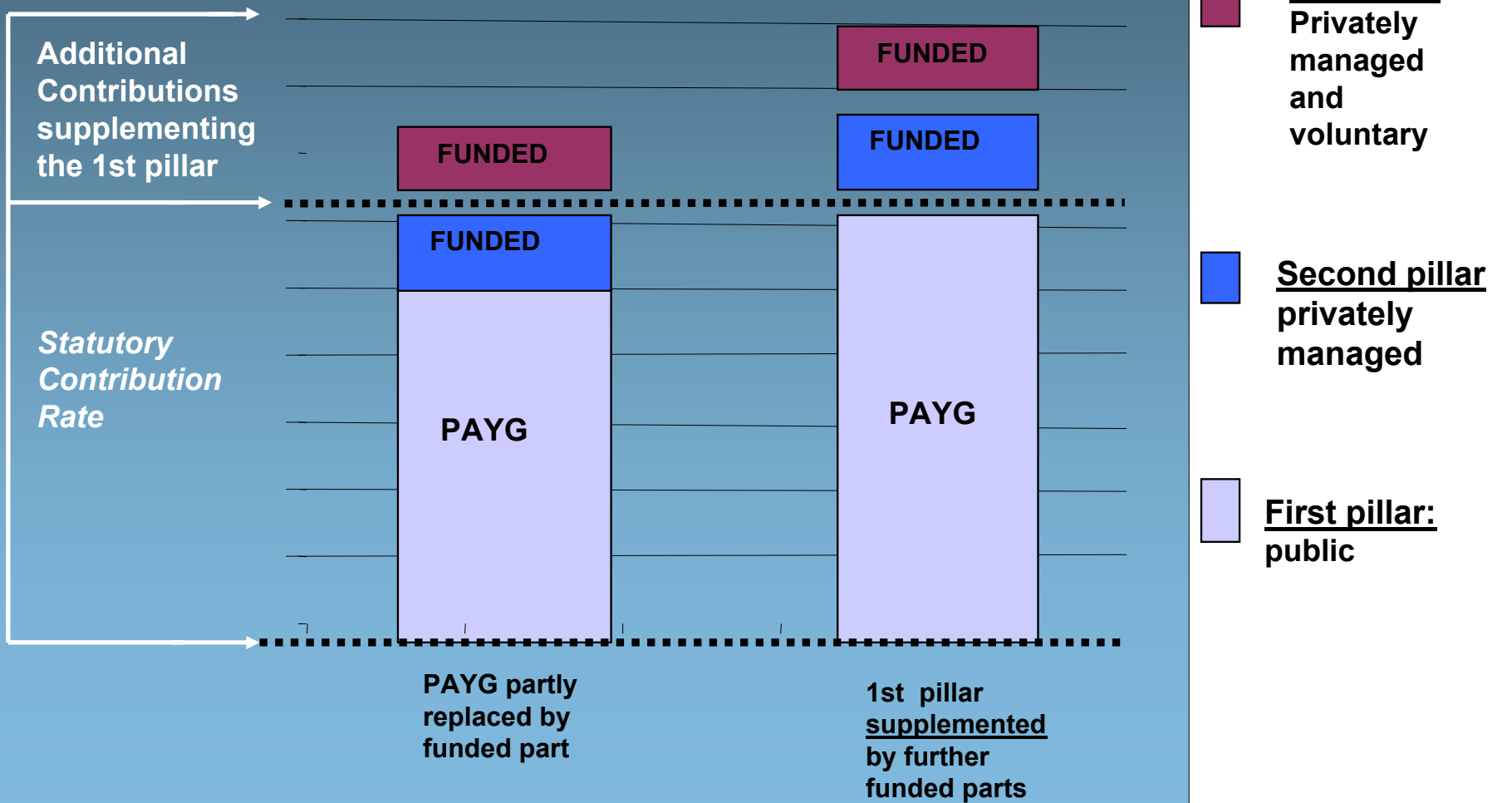
Policy responses: Private Pensions

- **Flexible timing of annuity purchase** (e.g. Ireland)
- **Temporarily relax funding regulations for private DB schemes** (e.g. Netherlands, US)
- **Temporary access for individuals to DC accounts** (e.g. Australia, Iceland, US) - But risk of lack of resources in retirement
- **Temporary reduction in contribution by employers or governments** (e.g. US –corporate / Estonia – public) - But again risk of lack of resources in retirement
- **Bail out of DC accounts** (e.g., Israel) - But problems of cost, equity, moral hazard
- **Move from private accounts to pay-as-you go public scheme** (e.g. Argentina, Slovakia)

Source: Clara Severinson, OECD



Pension reforms (CEE, EU – 15)



Opt – out: too risky pension reform

	I. pillar	II. pillar	Total contrib. (% from wages)	II. pillar/ pension system (%)
Bulgaria	21,5	5	26,5	18,9
Estonia	16	6	22	27,3
Croatia	15	5	20	25
Czech Republic	28	0	28	0
Lithuania	20,5	5,5	26	21,2
Latvia	19	8	27	29,6
Hungary	25,5	8	33,5	23,9
Poland	18,22	7,3	25,52	28,6
Slovakia	19,75	9	28,75	31,3

Slovak Case: II. Pillar (funded)

Deficit caused by opt-out (in mil. Sk)

	2005	2006	2007	2008	2009	2010
Sick benefit insurance	8 867	5 698	6 492	5 041	9 941	14 954
Old Age Insurance	-30 016	-22 048	-22 694	-18 359	-54 584	-98 843
Disabled insurance	1 258	1 404	1 128	-343	-747	-1 597
Accident insurance	5 756	3 420	3 409	2 797	5 221	7 712
Guarantee insurance	3 167	1 490	549	381	183	-60
Unemployment insurance	5 565	5 920	6 568	5 620	11 139	16 960
Buffer fund of Solidarity	16 919	18 525	19 288	19 072	20 252	21 202
Administrative fund	316	243	0	0	0	0
Total	11 832	14 652	14 740	14 209	-8 595	-39 672



The best pension reform scenario is



Thank you for your attention