

List of Indicators¹

Financial Sustainability

Commitment 4: “Adjusting Social Protection Systems in Response to Demographic Changes and their Social and Economic Consequences”

Group	RIS Main policy objectives	RIS Measures to be adopted	Suggested Indicators	Type ²
SUS01	<i>(par. 25)</i> “Functioning of social protection systems and	Social protections systems - protect people from risks of unemployment, health setbacks, poverty, etc. during life cycle		
		- contribute to adequate income maintenance	SUS01a: (Individual) replacement rates by gender (and possibly by wage profiles, current and prospective)	Core
			SUS01b: (Individual) overall replacement ratio, for early retirees	I
			SUS01c: Aggregate replacement ratios (average monthly pensions as a percentage of average monthly earnings)	I
SUS02		- reflect social justice and place limits on inequality or social deprivation	SUS02a: Generosity towards the poor: replacement ratio of the bottom quintile divided by the replacement ratio of the top quintile	Core
			SUS02b: Ratio minimum pension/average pension	
			SUS02c: Gini pensions compared to Gini employment income	II
			SUS02d: Intergenerational generosity: overall liability of the State with respect to future generations (<i>secondary indicator</i>)	
SUS03	<i>ensuring financial sustainability”</i> <i>(par. 25)</i>	Steps to ensure financial sustainability of social protection systems in the face of demographic ageing	SUS03a: Total pension debt (TPD) by pension schemes a) defined as present value of all future pension transfers over defined period of time. b) Resource Transfer Ratio (ratio of total pensions plus publicly funded long-term care and all health costs to GDP or GNP)	(I)
			SUS03b: Total pensions assets (TPA) by pension schemes, incl. a) financial assets (non-public), b) public explicit liabilities (explicit debt), c) contribution assets – present value of future contribution flow over defined period of time	(I)
			SUS03c: Balance ratio: BR = TPD/TPA	I

¹ The suggested indicators should ideally be disaggregated by sex.

² I: Primary; II: Secondary.



			SUS03d: change in TPD due to changes in life expectancy (<i>secondary indicator</i>)	II
			SUS03e: Total pension spending as % of GDP	I
			a) Projected for defined period of time (70 years plus).	II
			b) Pension spending not covered by contributions as % of GDP	I
			c) Total pensions spending in % of all social expenditures ³	Core
			d) Decomposition of pension spending by changes in: dependency; employment; eligibility; benefits (<i>secondary indicator</i>)	II
			e) Sensitivity test: increased retirement age; increased participation rate; actuarial adjustment reform, “benefit accrual” calculations (<i>secondary indicator; check also document D. Wise</i>)	II
			SUS03f: Sustainability gap indicators	II
			SUS03g: Macroeconomic long-term projections, incl. projected expenditure in % GDP on: a) old-age pensions:	II ?
			b) other pensions (disability and survivor)	II ?
			c) health care	II
			d) long-term care	II
			SUS04a: Projected expenditure on long-term care	I
			SUS04b: Decomposition of pension spending by changes in: dependency (<i>secondary indicator</i>)	II
			SUS04c: Cohort dependency ratio (CDR) = pension reciprocity duration / employment duration, per each cohort (<i>desirable; if unfeasible, at a given point in time</i>)	I
			SUS04d: Simulating various demographic scenarios (<i>secondary indicator</i>)	II
SUS03	<i>ensuring financial sustainability” (par. 25)</i>			
SUS04	(Par. 26) “Adapting social security systems;	to changes in - family structure - age profile of populations		

³ Also takes into account possible decreasing expenditures in other areas, e.g. education, unemployment (projected expenditures education, unemployment in % GDP see EPC 2003, 29f).



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SUS05		-emergence of more unstable work patterns	SUS05a: Decomposition of pension spending by changes in: employment (<i>secondary indicator</i>)	II
			SUS05b: Sensitivity test: increased participation rate (<i>secondary indicator</i>)	II
			SUS05c: System dependency ratio (SDR) a) SDR = number of pensioners / number of insured workers b) difference between SDR and old-age dependency ratio as a measure of the system's efficiency	Core
			c) Drop-out-ratio in working age (total number of benefit years of persons younger than 65 vs. total number of labour years of persons older than 15)	I
			SUS05d: Simulating various employment scenarios (<i>secondary indicator</i>)	II
SUS06	Incentives,	Various types of benefit systems	SUS06a: Decomposition of pension spending by changes in: employment, eligibility, benefits (<i>secondary indicator</i>)	II
SUS07		- social insurance (financed from but not directly related to contributions)	SUS07a: Sensitivity test: increased retirement age, increased participation rate, actuarial adjustment reform ("benefit accrual" calculations D. Wise) (<i>secondary indicator</i>)	II
	SUS07b: contributions: a) Necessary contribution level / alt. necessary pensions adjustment ("implicit contribution rate") to balance pensions expenditure	Core		
	b) Required contribution period in earnings-related old-age pension system in order to get the minimum (guaranteed) pension (Rürup 2004, 8)	I		
	c) Implicit / notional rate of return on social security-pension contributions (Rürup 2004, 9) (<i>secondary indicator</i>)	II?		
	SUS07c: System dependency ratio (SDR)	I		

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Group	RIS Main policy objectives	RIS Measures to be adopted	Suggested Indicators	Type ⁵
SUS08	<i>Incentives,</i>	- universal benefits - means-tested benefits	SUS08a: Decomposition of pension spending by changes in: eligibility, benefits (<i>secondary indicator</i>)	II
			SUS08b: Social exclusion: coverage of older persons (% benefiting from pension schemes)	I
SUS09		-to participate in labour force	SUS09a: System dependency ratio (SDR)	
			SUS09b: Cohort dependency ratio (CDR) = pension reciprocity duration / employment duration, per each cohort	
			SUS09c: Replacement ratio for early retirees	
			SUS09d: Exploring the incentive to retire (comparing early retirement figures with these replacement rates - see “benefit accrual” method).	
			<p>a. Accrual: change in social security wealth by postponing retirement for 1 year</p> <p>b. Accrual rate: the accrual divided by the current level of social security wealth</p> <p>c. Tax rate: the accrual divided by the (potential) gross earnings, during the year of postponement</p> <p>d. Peak value (anticipates more than 1 year): difference between the social security wealth in the year for which the social security wealth would be maximised and the current social security wealth (Peters et al. 2004, 189/201f).</p>	II
SUS10	<i>Protecting</i> (par. 26)	- weakest groups	SUS10a: Generosity towards the poor: replacement ratio of the bottom quintile divided by the replacement ratio of the top quintile	I

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Group	RIS Main policy objectives	RIS Measures to be adopted	Suggested Indicators	Type ⁶
SUS11	(Par. 27) “Support of social protection systems;” basic functions (Par. 27)	by - high level of employment - comprehensive health services - educational systems - active labour market policies	SUS11a: projected expenditure on health care, long-term care SUS11b: % of age group in secondary education (<i>secondary indicator</i>)	II
SUS12		covering those who are at risk (prevent poverty and provide adequate benefit levels for all)	SUS12a: Generosity towards the poor: replacement ratio of the bottom quintile divided by the replacement ratio of the top quintile SUS12b: overall replacement ratio	
SUS13	<i>Protection for young to very old</i> <i>Social inclusion</i> (Par. 28)	Promoting standard of living for disabled and old	SUS13a: Replacement rates by gender and possibly by wage profiles, current and prospective SUS13b: Overall replacement rate, replacement rate for persons with disability pensions	
		through participation in labour force	see indicators objective 26, participation in labour force	
SUS14	<i>Growing relevance of private provision</i> (Par. 29)	Establish regulatory framework for occupational and private pension provision	SUS14a: Total pension debt (TPD) private schemes SUS14b: Total pension assets (TPA) private schemes SUS14c: Balance ratio: BR=TPD/TPA private schemes	
SUS15		Reduce negative impacts of market failures and improve income security in old age	SUS15a: Replacement rates: overall and for early retirement SUS15b: Exploring incentives to retire incl. Accrual, tax rate, peak value	
SUS16	<i>Additional need of older persons</i> (Par. 30)	variety of social and health services, incl. sheltered housing, long term care	SUS16a: Projected expenditure on health care, long-term care	
SUS17	<i>“Equal treatment of men and women in social protection systems; reconciliation of work and family responsibilities over life cycle”</i> (par. 31)	Special attention to those who interrupt or give up employment to rear children or to care for family members	SUS17a: Share amount old age pensions for women in old age pensions for men	Core
		(reduction in pension entitlement, precarious situation in old age)	SUS17b: <u>Instrumental</u> indicator: contribution base for child caring times (how child care does / does not count for pension benefit calculations)	Core
			SUS17c: Replacement rates by gender	Core
SUS18		Policies: - special leave arrangements for working parents and other caregivers - other supportive measures, e.g. respite care services	SUS18: <u>Instrumental</u> indicator: parental leave schemes, etc.	

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