

THE SPANISH PENSION SYSTEM AND GREAT RECESSION

DEPARTMENT
OF LAND
ECONOMY

Environment,
Law, and
Economics

{WHERE} Mill Lane Lecture Room 4

{WHEN} Wednesday 30 November, 4-5pm

{SPEAKER}

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the University of the
Basque Country,
Visiting Academic at
the Department of
Land Economy

{ABOUT THE SPEAKER}

Patricia Peinado is Assistant Professor at the University of the Basque Country, Visiting Academic at the Department of Land Economy and Visiting Fellow at Wolfson College, University of Cambridge. She is also member of different research groups; among them, there is the FESSUD project. She has made several contributions in journals such as the Journal of Pension Economics and Finance, Feminist Economics, Journal of Panoeconomicus on the effects of social security reforms on the welfare level of retired population. Recently she has concentrated on estimating the relationship between the rate of unemployment and pensions. Now, she is researching to estimate the effects that, through this relationship, the Great Recession may have on future cohorts of pensioners in Spain.

The Spanish Pension system is a PAYG social security system in which the different cohorts of pensioners are entitled a pension that is supported by the contributions of current working population. Before the Great Recession, the main concern for policy makers had been the threat of the ageing population process. At that time reforms were design to guarantee the sustainability of pension systems. However, after the Great Recession the problem of unemployment has become a major concern. Unemployment situations imply lower amount of contributions and, consequently, lower revenues to face the payment of the existing pensions. Reform proposals, however, do not take into account the existence of another relationship: the relationship between unemployment and pensions. Peinado and Serrano (forthcoming) show that there is a negative relationship between these two variables and, accordingly, future pensioners are likely to be entitled lower pension benefits. Under these circumstances, attention should be paid, not only to the lower revenues implied for the system, but also to the detrimental effects on the welfare level of future cohorts of pensioners that the higher rates of unemployment registered may have if reforms are not implemented. I am currently researching on this topic to estimate the dynamics of the welfare losses that the existence of a negative relationship between unemployment and pensions is likely to cause to future cohorts of pensioners. Policy makers should include these estimates in their reform proposals in order to guarantee an adequate level of welfare for the retired population.

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