

STREAM: PENSION POLICIES

Convenor: Karl Hinrichs

Private pensions in Spain: scarce development and meagre public debate

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Spain established at the end of the 80s a system of voluntary private pensions which 20 years later has more than eight million participants, a number which represents around 45% of Social Security affiliated workers. But whereas Social Security pensioners amount nowadays to more than 40% of all affiliated workers, citizens getting private pension benefits are only 2% of all participants. Even though the financial crisis has affected the solvency and return of private pension funds, the saliency of this topic in the public debate has been rather scarce because of different factors: first of all, the assets of Spanish private pension funds are low in comparative terms, slightly below 80.000.000 million euros (the average annual contribution of participants amounting less than 750 euros, approx. 10% of the average yearly Social Security contribution); second, Spain is one of the European countries which has shown in the last decades more difficulties in pushing forward pension reform so that the debate on the Social Security system and its financial difficulties is continuously present in the public agenda and crowds out other discussions related with pensions; third, during the last 20 years neither policy-makers nor experts have managed to properly define the position of private pensions within the pension system. This ambiguity has reinforced the tendency of people to consider private pensions as a mechanism to reduce personal income taxes rather than as an effective mechanism to supplement public pensions in the future.

In my paper I will develop the former arguments and argue that these circumstances, which blur the public debate on private pensions, are encumbering the improvement of regulating conditions of pension funds as well as the development of this pension system pillar in Spain.

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