



Athens, February 3rd, 2022

Press release

«Occupational insurance in Greece: Challenges and prospects»

The Foundation for Economic and Industrial Research (IOBE), supported by the **Hellenic Union of Institutions for Occupational Retirement Provision (HUIORP)**, has published a new study titled “**Occupational insurance in Greece: challenges and prospects**”. The study examines the course of occupational insurance in Greece, the challenges it faces, and policies which can enhance its development.

The study reveals that occupational insurance in Greece, despite its systematic growth in recent years, is significantly underdeveloped compared to other European countries. From 2004-2021 the number of Occupational Pension Funds (OPF) in Greece increased more than sixfold; their prevalence, however, remains low and their size is small compared to other Eurozone countries. Total OPF assets correspond to only 0.1% of GDP, which is significantly lower than for the rest of the Euro Area (Figure 1).

One of the obstacles limiting the development of the institution in Greece, has been the historically generous 1st public insurance pillar. It offered high replacement rates (before the financial crisis), financed its deficits from the state budget, and created low trust in supplementary insurance institutions. Another obstacle is the very structure of the Greek economy, which is characterized by small businesses, high rates of self-employment, low savings rates, high tax burdens on labor, and low trust in the financial sector.

In order to alleviate these problems and to maximize the prospects of further developing occupational insurance, the study makes policy recommendations in four main axes of OPF:

- (a) Licensing and supervision; create a single supervisory body which exclusively deals with OPF optional insurance, simplify operating and licensing procedures.
- (b) Organization and operation; allow for a more flexible organizational structure and remove legal barriers, aiming towards more "open", multi-employer OPFs.
- (c) Incentives and benefits; provide strong tax incentives to insureds and employers within a stable and transparent tax framework, maintain strong tax incentives for lump-sum benefits, but in conjunction with the application of universal limits on incentives, in line with best international practices.
- (d) Broader recommendations; increase the complementarity between pillars, enhance the domestic capital market.

Effectiveness of the measures depends on the high degree of interdependence between them. For this reason, the proposed interventions should be implemented in a synchronized rather than a piecemeal manner.

One of the study's main conclusions is that occupational insurance can benefit the Greek economy by enhancing the prospects for sustainable growth, providing incentives to boost the retirement savings culture of households, improving labor market participation incentives, and contributing to better dispersion of insurance risk. Enhancing retirement savings through occupational insurance will lead to an improvement of the productive infrastructure of the economy and an increase in productivity and GDP. According to several scenarios included in the analysis, new capital reserves will exceed €20 billion in the long run (in 2019 prices). Accordingly, it is estimated that GDP may be higher by an average of, approximately, €1 billion per year over a 40-year period, in real terms (Figure 2). These direct effects are expected to be greater the higher the occupational insurance coverage of the workforce is and the longer its duration.

Interventions are also expected to have secondary macroeconomic benefits, through the enhancement of domestic savings, domestic capital markets, and the broader financial services sector. In addition, the reform is expected to have a positive effect on (formal) labor market participation incentives. The tangible link of contributions with accumulated capital in a personal account can also enhance employees' incentives to extend their formal working life, promote financial literacy, and boost employees' trust in the insurance system.

The study was presented at a special event held today at the Athens Stock Exchange. At the event, the President of HUIORP, Mr. **Christos Nounis**, underlined the role of the Union in the development of the institution and the wide range of actions that are currently taken in that direction. He emphasized the rapid development of the institution in the last 5 years and the need for substantial, targeted interventions for its further development. Moreover, he stressed that a fully-funded social security system is now a necessity for Greece, given the demographic pressures and significant fiscal constraints. Therefore, the establishment of "multi-employer" OPFs and the provision of strong incentives for long-term savings, proposed in the study, seem like steps in the right direction.

Afterwards, IOBE's general director, professor **Nikos Vettas**, and Mr. **Georgios Gatopoulos** presented the main findings of the study. In the discussion that followed, the Deputy Minister of Labor and Social Affairs, Mr. **Panos Tsakloglou**, noted the important role of the 2nd pillar and mentioned priorities for the overall development of the insurance system. He referred to, among other things, the low levels of savings in the country and the lack of competitiveness in the previous decade. He underlined the development prospects of OPF, the significant reduction of insurance contributions in the 1st pillar (which have already declined by 3.9 ppts) and the huge positive effect that transitioning from a pay-as-you-go auxiliary insurance system to a fully-funded one would have. He noted that some of the study's policy recommendations are already a subject of discussion at the Ministry of Labor.

The Chair of the Hellenic Capital Market Commission, Ms. **Vasiliki Lazarakou**, mostly touched on issues related to supervision, the development of the capital market, and the codification of legislation. She noted that understaffing is a key problem regardless of whether the supervision structure will retain its current tripartite form, or be replaced by a new supervisory authority. Adequate staffing with highly qualified individuals should be a key priority of the state, as should be the provision of appropriate technical means for supervision. A crucial next step must be the improvement of institutional cooperation between the three supervisory authorities and alignment with European legislation.

The Managing Director of the Athens Stock Exchange Group, Mr. **Socratis Lazaridis**, referred to, among other things, the experience of the Athens Stock Exchange's OPF, the need for interventions in the

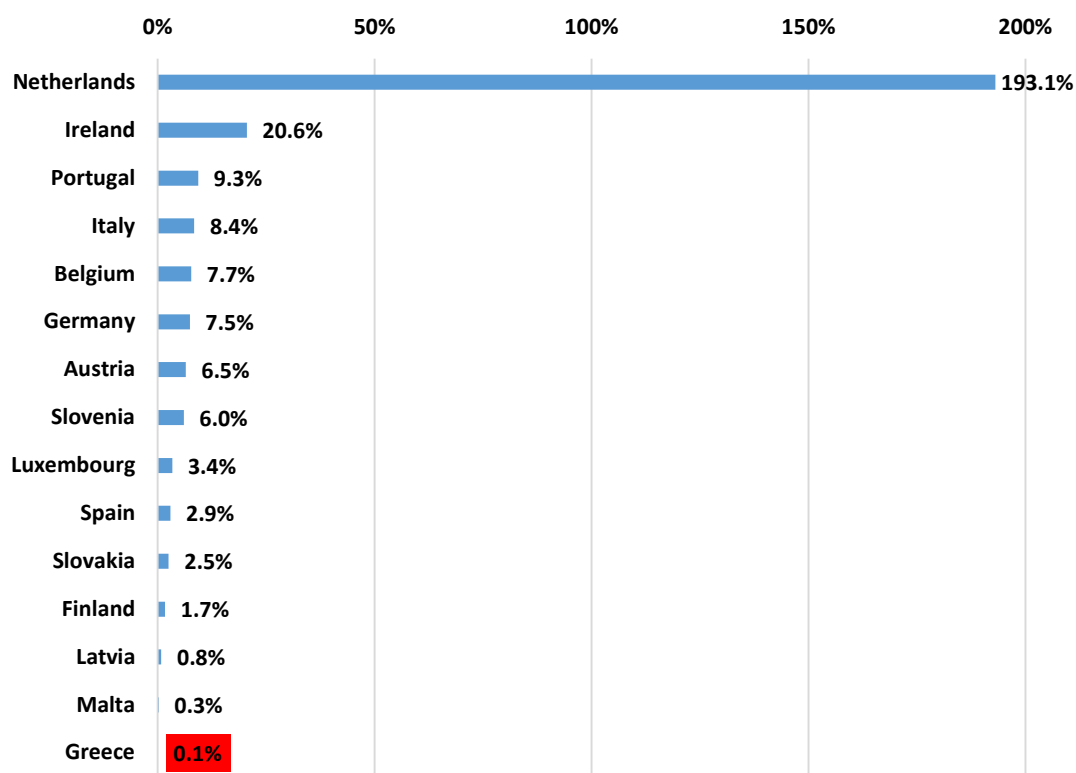
supervisory framework, and the importance of simplifying OPF establishment procedures. He stressed the significance of cultivating a savings culture and emphasizing the relationship between investment risk and return, proposing the use of digital technology to allow for the appropriate risk profile selection by employees. He also said that for interventions such as the annual contributions cap (with respect to income level) to work, transfer of retirement savings from other programs is required.

The President of the Hellenic Fund and Asset Management Association (ETHE), Mr. **Chris Aisopos**, remarked that the members of the Association endorsed the study, as OPFs can meet the optional insurance needs of Greeks. He also mentioned that ETHE has shown its trust in the OPF institution, having been the first body to establish a multi-employer OPF branch for persons employed by its members. Finally, he noted that Greek managers have the necessary experience to understand OPF management needs, a skill which is underscored by their achievement of significant positive returns in all sub-categories of UCITS in 2021.

The event and discussion were coordinated by “Kathimerini” and “Money Review” journalist, Ms. **Eugenia Tzortzi**.

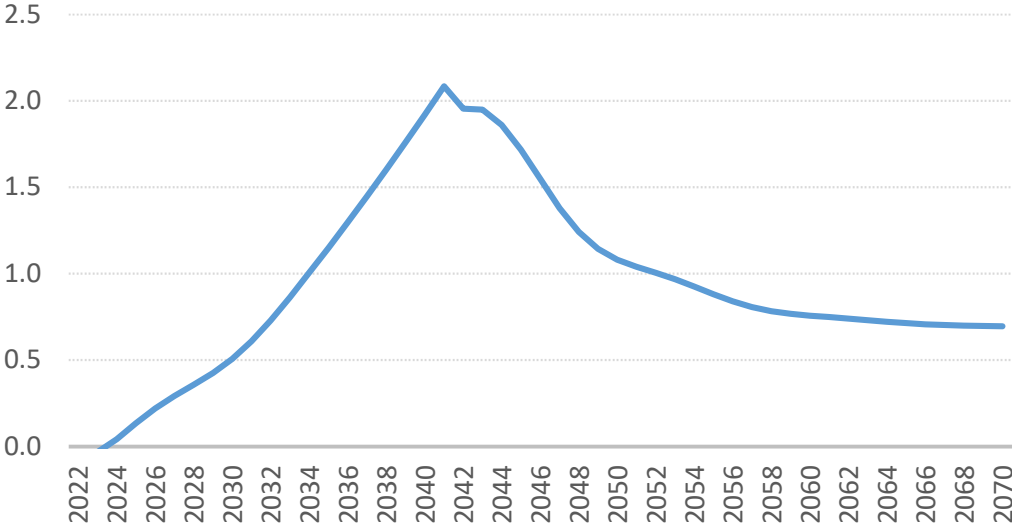
The study is available on IOBE’s website (www.iobe.gr).

Figure 1. Total OPF assets over GDP, per Euro Area country, 2019



Source: EIOPA, data for Greece excludes four funds of compulsory occupational insurance. **Data processing:** IOBE.

Figure 2: Impact on real annual GDP if Greece’s occupational insurance gradually converges with the rest of Europe, in € million, 2019 prices



Source: IOBE estimates. **Note:** In this scenario, occupational pension funds are assumed to converge with the Euro Area average, in terms of total assets over GDP, within 15 years.