



# Retirement Pension Financing to Guarantee Older Workers' Rights

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New socioeconomic scenarios are more committed to social sustainability and people's well-being, as stated in the United Nations Sustainable Development Goals (SDGs, <https://daccess-ods.un.org/access.nsf/Get?OpenAgent&DS=A/RES/70/1&Lang=E>). In this context, the problems of retirement pension systems are at the centre of the social debate and need to be addressed with new tools and methodologies. (Ebbinghaus, *Social Policy & Administration*, 2021). Moreover, the ageing of the population and successive crises, starting with the financial crisis of 2008 and the health, economic and social crisis caused by the COVID 19 pandemic, and the latest economic downturn due to the Russian-Ukrainian war, put this issue at the centre of the political agenda. (Ronald et al., *Annual Review of Gerontology and Geriatrics*, 2020). Policymakers are claiming to seek sustainable solutions. This work focuses on the Spanish legal framework as representative of countries that have suffered the most from the financial and health crises. The note's main contribution is assuming the unsustainability of the existing system and identifying the key points to work on to achieve future sustainability. The Spanish situation is easily extrapolated to other countries, particularly those in Southern Europe, due to the similarity of their systems.

The large public debt, deficit, and high unemployment rates are reflected in forecasting economic growth with downward estimates (<https://www.imf.org/media/Files/Publications/WEO/2022/April/English/text.ashx>). Support of the European Union (EU) and inclusive policies, with the goal of leaving no one behind, is key to addressing the situation. The Next Generation EU funds to repair the economic and social damage caused by the coronavirus pandemic (<https://ec.europa>.

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[eu/info/strategy/recovery-plan-europe\\_en](#)) have given financial breathing space to states, reinforced the commitment to social resilience and advocated for more inclusive societies in line with the SDGs (<https://daccess-ods.un.org/access.nsf/Get?OpenAgent&DS=A/RES/70/1&Lang=E>). However, the future of the contributory pensions system, which is dominant in Southern Europe, undoubtedly needs revision (López Cumbre, *Introduction - Tratado de jubilación*, 2007).

Globalization requires new social and economic policies (Coldron et al., *Policy & Politics*, 2009). Social security systems are affected by social policy, the economics of public finance, sociology, legal theories and political science. In short, using an interdisciplinary process is mandatory. Moreover, social security systems must guarantee each individual's rights as a person and worker, which play a vital role in this issue (Gross, *Workers' rights as human rights*, 2003).

The contributory pension system in Spain is based on the distribution principle (the core of the system), where working people at any specific moment finance either workers at retirement or the unemployed. Four, other principles are also specified. The universality principle guarantees access to the system for all persons, regardless of their Social Security contributions. The proportionality principle states that the expected benefit should be proportional to the contribution made. The public management principle indicates that public entities are in charge of the social security system. The sufficiency of benefits principle ensures that the amount received by the pensioner is suitable to cover basic needs (Hoz, *Revista de Treball Social*, 1985). The right to a pension is documented in article 41 of the Spanish Constitution ([https://www.boe.es/legislacion/documentos/Constitucion INGLES.pdf](https://www.boe.es/legislacion/documentos/Constitucion_INGLES.pdf)).

The existing system is unsustainable for reasons similar to those affecting the sufficiency principle (impossible to achieve with the state's financial situation), the decreasing birth rates, and those which could harm workers' rights, like the high number of years worked required to obtain a pension (incompatible with late entry of young people into the labour market). In countries like Spain, the shadow economy and tax evasion are additional issues affecting pensions (Monereo, *Revista General del Derecho del Trabajo y de la Seguridad Social*, 2012) because the amount of the old-age pensions is calculated from the number of years worked and total earnings. The shadow economy hides these real values. Rising longevity will increase pension expenses and require reinforcement of social and health services related to population ageing, which will require an increase in the budget (Blázquez Agudo, *Lan harremanak: Revista de Relaciones Laborales*, 2017).

The crucial factors are ageing and the birth rates (Serrano et al., *International Labour Review*, 2011). In Spain, higher unemployment rates, the weak financial situation, and cautious economic growth forecasts are becoming a structural problem that urgently needs a solution. All parties must become aware of this structural problem in Spain, put aside partisan interests, and seek consensus on the best possible solution, considering the severe demographic crisis and the current and future employment situation.

New scenarios are emerging with respect to retirement pensions. Revenue growth is essential to cope with expenditure growth. Increasing productivity will raise gross domestic product and state revenues and facilitate the payment of retirement pensions. The solution must include reform of the financing mechanism

so that the burden does not fall solely and exclusively on active workers. The state must also be involved through the general state budget. Only in this way is it possible to guarantee the human and constitutional rights of older workers now and in the future.

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