Pension Poor and Housing rich in Greece? A generational perspective argues for policy entrepreneurship

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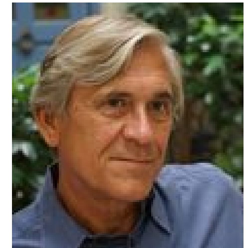

The Greek crisis can be framed as an ageing narrative. Greece confronted dilemmas that all ageing societies are bound to face. For example, it was forced in June 2015 to choose between discharging a *legal* obligation – repaying the IMF– and an *ethical* obligation – paying pensions; ethics won out. Pensions crop up in every juncture of the crisis – most recently during the third bailout. Future ageing issues have been telescoped forward.

Yet, Greece also surprises. The PM held self-evident that "*you may not cut grandmothers' pensions, as they use them for pocket money to their unemployed grandchildren"*. This valiant venture into second-best policy rests on more than ignorance of the economics of pensions. It could be a statement about preserving generational ties – albeit at the expense of young people's independence. Similarly, some were surprised when a 2013 ECB survey found the average Greek pensioner wealthier than the average German; 4 out of 5 poor pensioners in Greece own their home, and quite a few own a second one.

So, the intergenerational contract contains more than pensions. It encompasses housing, and the provision and finance of care services. This arrangement is due to a costly, fragmented and unequal pension system. It focused on within-generation privileges, rather than between-generation solidarity. The hijacking of pensions by clientelism meant that old-age solidarity had to be sought elsewhere: Gender aspects of pensions and the labour market predispose women to act as informal carers. Housing *gifts inter vivos* were going in one direction, balanced by care services going in the other.

The crisis places the operation of this 'system' in doubt. On the one hand, when income per head has fallen by a quarter, there is an issue of how the population and pensioners share the common burden. On the other hand, 2015 marks a point of rapid ageing acceleration– as the baby boom enters retirement; demographics are likely to play a more active role.

However, the bailout period replaced *'discussion without action'*, with *'action without discussion'*. Though there have been ample reforms since 2010, there is still little understanding of what they add up to, or of the shape of the post crisis environment.

In pensions, some changes were by design, some were forced by circumstances. In terms of redistribution, persistent attempt to protect the baby boom generation led to redistribution towards those with vested rights, both from the young and from the old. The abruptness of the changes mean that those who lose out most are those caught unawares who have no time to adjust: current 40 year-olds and especially women.

To retain the existing confrontational paradigm, i.e. to safeguard the role of the State, is probably infeasible. The country needs structures to favour cooperation, so that different kinds of solidarity – of the State, of occupations, of the family – can home in on the ageing challenge. Multi-pillar pension systems can work this way; that logic could be extended elsewhere.

Changing paradigm requires preparation and discussion –policy entrepreneurship. To take a concrete example, today's 40-year olds will be *'pension poor but housing rich'*. Reverse mortgages can add illiquid housing capital to liquid pension wealth. However, *prima facie* advantages are difficult to realise, and even more difficult to adapt to a particular country.

From that particular example comes a general conclusion: Unless pension discussion can adapt to encompass and make use of research on such issues, it is likely that policy will be stuck in a permanent second- or even n^{th} -best.

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