

FINANCIAL SUSTAINABILITY OF PENSION PROVISION DURING THE COVID-19 PANDEMIC

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The article is devoted to the study of indicators of financial stability of the pension systems of different countries of the world in the times of Covid-19. The recommendations regarding the improvement of the nowadays financial condition of pension provision in the coming years were proposed. Based on the analysis of literature sources, it was found that the main reason for the decrease in demand and rise of unemployment was the decision of governments to block Covid-19.

The economic downturn caused by the coronavirus pandemic entails weakening the demand for labor. Despite the efforts of states to preserve jobs, for now it leads not only to a decrease in the employment, but also to a decrease in the activity. Older workers, who are more vulnerable to the coronavirus, have fairly substantial retirement entitlements and are often less likely to return to work. In addition to the potential increase in the number of pension recipients, states are introducing tax breaks or tax reductions, which lead to a decrease in the collection of pension contributions to the pension funds.

The situation like this affects both the sustainability and the adequacy of pension provision, and consequently this may lead to an increase in the overall burden on the budget. Accumulative pension systems are suffering from the crisis, since in the face of falling yields, asset values fall, and low yields on government debt instruments increase the present value of their liabilities. This can create explicit fiscal risks in the case of government guarantees, as well as latent fiscal risks arising from a reduction in private pensions or an increased financial burden on employers who sponsor pension plans.

The coronavirus pandemic could trigger the collapse of pension system. The amount of funds, which are going into the pension system depends on the economic situation in every country. The budget of the pension fund is replenished with the help of pension contributions, the number of which depends on the condition of the labor market. The amount of pension contributions depends as well on the level of wages and unemployment in the country. The average salaries around the world during the quarantine dropped significantly, which has a negative impact on the financial sustainability of pension provision.

Three main channels of transmission of economic shocks are identified and three scenarios of the GDP growth development were proposed. Measures taken by governments to prevent pressure on the financial stability of pension provision were identified and the dynamics of employment in the age group 55-64 for the chosen ten countries for this research during the period 2018-2020 was considered.

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