The trade union position towards the European Commission’s White paper on pensions
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In February 2012 the European Commission published a White Paper on pensions called ‘A strategy for adequate, safe and viable pensions’ that aimed to contribute to a more European approach to tackling challenges to pension systems, in line with successive conclusions of the European Council which have called for closer economic policy co-ordination. Although Member States have the primary responsibility for designing their pension systems according to their circumstances, the Treaty on the Functioning of the European Union requires the EU to support and complement the activities of the Member States on social protection (Article 153) and to take into account adequate social protection in defining and implementing its policies (Article 9). While respecting the responsibilities of the Member States the EC aims ‘to gear EU policy instruments towards offering better support to pension reform efforts in the Member States.’ The EC proposes a set of mutually reinforcing initiatives, ranging from legislation over financial incentives to policy coordination and monitoring progress towards shared objectives within the integrated and comprehensive Europe 2020 framework.

The ETUC welcomed the analysis developed in the White Paper regarding the impact of economic dependence on the future of pension systems. However, the European confederation of trade unions deplored the overall approach focusing on the macroeconomic aspect of pensions and ignoring their social purpose in the establishment of an inclusive society. The ETUC was especially critical about the solutions that the European Commission relied on, namely putting back the legal pension age without taking into account length of activity or difficulty of profession and enforcing subscription to private pension schemes. In this contribution a short description of the main controversies.
The increase of the legal retirement age
The European Commission focusses strongly on the need to keep older workers longer on the labour market, notably by increasing the pensionable age and linking it to gains in life expectancy. The ageing population is said to present a major challenge to pension systems in all Member States. The number of people of prime working age (20-59) will fall every year over the coming decades, whilst there will be an annual increase of around two million people aged 60+, almost twice as high as in the late 1990s and early 2000s. Unless women and men, as they live longer, also stay longer in employment and save more for their retirement, the adequacy of pensions cannot be guaranteed as the required increase in expenditure would be unsustainable. Sustainable and adequate pension systems depend on the degree to which they are underpinned by contributions, taxes and savings from people in employment. According to the EC the combination of longevity growth and of the transition into retirement of the generation of baby-boomers will have far-reaching economic and budgetary consequences in the EU, reducing the economic growth potential and exercising pressure on public finances. Reforms of pension systems and retirement practices are said to be essential for improving Europe’s growth prospects.

In the analysis of the EC the ageing challenge was often illustrated by the doubling of the old age dependency ratio (population 65+ to population 15-64) from 26% in 2010 to 50% in 2050. In the White Paper the economic dependency ratio as developed by the Austrian Federal Chamber of Labour has been applied (see the article of Wöss in this issue). According to the EC many countries have considerable scope for improving the future adequacy and sustainability of their pension systems by raising employment rates, and this not just in the higher age groups, but also for groups with lower employment rates such as women, migrants and youths. This would have a direct on the economic dependency ratio, defined as the unemployed and pensioners as a percentage of the employed.
The European Commission therefore favours a policy that links the retirement age with increases in life expectancy; restricts access to early retirement schemes and other early exit pathways; supports longer working lives by providing better access to life-long learning, adapting work places to a more diverse workforce, developing employment opportunities for older workers and supporting active and healthy ageing; equalises the pensionable age between men and women.

**Encouraging private pension schemes**

The second building block of the EC approach is the support for the development of complementary retirement savings to enhance retirement incomes. According to the EC Member States will have to find ways of improving the cost-effectiveness, safety and equitable access to supplementary pension schemes. The solution is sought in complementary private retirement savings. Improving consumer information and protection is necessary to enhance workers' and investors' confidence in financial products for retirement savings. The White Paper talks about the need to improve the quality of financial products for individual retirement savings not linked to employment, such as third pillar schemes and other financial products used to supplement the incomes of the elderly. In addition it is necessary to adopt measures that prevent supplementary pension schemes from being obstacles to professional mobility and labour market flexibility. And finally the EC recommends the establishment of pension tracking services across the EU similar to those that already exist in some Member States. These services can provide citizens with accurate and up-to-date information about pension entitlements, as well as projections of their income after retirement from statutory and occupational pension schemes. Thus they can demonstrate the benefits of working longer and of making complementary retirement savings so as to maintain an adequate income after retirement.

Although the European Commission sees opportunities for complementary retirement savings through second-pillar col-
lective occupational systems and third-pillar private arrangements it becomes clear in the annex that the EC is first and for all pinpointing private pension saving, including better targeting of incentives on individuals who would otherwise not build up adequate pensions. By 2013, the European Commission wants to present an initiative aimed at raising the quality of third-pillar retirement products for women and men and improving consumer information and protection standards via voluntary codes and possibly an EU certification scheme for such products, building, where appropriate, on measures to improve information for consumers planned for 2012. For occupational pension schemes (second-pillar) the Commission will develop a code of good practice, addressing issues such as better coverage of employee, the pay-out phase, risk-sharing and mitigation, cost-effectiveness and shock absorption.

**The ETUC comments**

In its position paper the ETUC is clearly opposed to the pushing back of the legal pension age in a vague manner without taking into account long careers, hardship of certain jobs and professions, as well as agreements signed by the social partners, in favour of early retirement. The ETUC has serious question marks with regard to the long-term demographic projections. Other indicators should be taken into account as well as the increase in life expectancy, to wit ‘life in good health’ expectancy at the age of retirement. According to the ETUC the White Paper does not recognise the arduous character of certain jobs and professions, which should enable the opening of a right to earlier retirement. And, although the White Paper pays lip service to the ratio of economic dependence – that is to say, the number of employed who are contributing, against the number of those who are not working – this is quickly forgotten in the rest of the analysis.

The ETUC reiterates its conviction that the best way of guaranteeing ‘adequate, safe and viable’ pensions is not just by developing pensions in the second, or even third pillar, but by strengthening and improving first-pillar pension regimes
(paid by the social security), based on inter- but also intra-generational solidarity. The ETUC does not take it as given that a further shift away from public provisions is necessary and calls for more solidarity in pension systems rather than favouring private and individual solutions which present a greater burden for different categories of workers and which compromise principles of solidarity. The EC proposals do not take into account the reality of 50% of workers excluded from the labour market at 55 (or earlier) – these early departures have the direct effect of curtailing the amount of pension, especially in social insurance systems. Rhetorically the ETUC poses the question what the significance is of having to work longer than the legal pension age, which workers are already not achieving when in employment, or for the youngest workers who do not have access.

Finally the ETUC reiterates that strengthening public pension systems must be achieved by active labour market policies aiming at full employment and decent salaries and by finding financial means to ensure the sustainability of public pensions at the highest possible level through taxation in particular and by tracking down tax evasion or tax loopholes which only benefit those who already have high incomes, and also by combating the ‘grey’ or underground economy, i.e. against undeclared work. Encouraging the development of private pensions as an answer to the guaranteeing of adequate pensions is an inadequate proposal, since it does not take into account the reality of these schemes that offer no guarantees as to the amount of future pensions. Besides, these systems are not accessible to everyone: they favour only those who have sufficiently large salaries to build up savings, which in the current context of growing austerity and increasing job insecurity is far from being the case. Therefore, preference should be given to collective systems, for example those negotiated at professional branch level or at company level, and with the involvement of trade unions who represent both future beneficiaries and retired people, especially at the level of control of management organisms but also as regards in-
vestment strategies of these organisms, on which the amount of income will depend.