Commission launches wide-ranging pensions consultation

On 7 July the European Commission launched a Europe-wide consultation on pensions. The Pensions Green Paper poses 14 broad questions that cover the social, economic and financial aspects of pensions systems across Europe.

Although the document does address the issue of the adequacy of pensions and the need to maintain living standards and social cohesion, the European Commission starts with assumptions about the impact of the current crisis and argues that: "The number of retired people in Europe compared to those financing their pensions is forecast to double by 2060 - the current situation is simply not sustainable. In addressing this challenge the balance between time spent in work and in retirement needs to be looked at carefully."

Commenting on the Green Paper, EPSU general secretary Carola Fischbach-Pyttel said: "It is ironic that at a time of widespread job cuts across the public sector, there is talk of the need to extend working lives. Many of our members who keep their jobs now have the stress of trying to maintain services with fewer workers and on lower pay and the possibility of staying at work longer to get a decent pension. Let us hope that the consultation exposes these kinds of contradictions and that it produces some balanced proposals for pensions reform, not ones focused narrowly on fiscal consolidation."

Increased individual risk

From a social perspective the Green Paper does acknowledges that there are some major issues to resolve. The continuing trend to individualise pension responsibility leaves many people exposed to financial risk for which they are not prepared and do not fully understand: "At the same time, reforms have given and will continue to give rise to greater individual responsibility for outcomes. While people have more choice, they are also exposed to more risk."

Gender pensions gap

The document also recognises the persistent problem of the gender pensions gap that is related to but often much wider than the gender pay gap as “women tend to predominate among those with atypical contracts, they tend to earn less than men and tend to take career breaks for caring responsibilities more often than men.”

Precarious employment

The Green Paper argues that sustainability would be improved if younger workers had a longer period to build up pension entitlement. However, it does not then go on to highlight the fact that the trend to more precarious employment means that millions of workers seeing greater breaks in employment or periods when they are not building up pension rights.

Some reforms have backfired

Some EU Member States have reformed their pensions systems to reduce the level of state provision but the Green Paper indicates that this is not an easy option when tax relief is used as an incentive: “The costs of tax relief can be considerable and its effectiveness and redistributive impacts questionable. With public budgets under heavy pressure, some Member States are now reconsidering the efficiency of this spending.”

ETUC response

The ETUC’s initial response has highlighted the contradiction in the pressure to keep workers employed longer at the same as employers are showing little enthusiasm or initiative to do this. As ETUC general secretary John Monks points out: “We know the life expectation is rising but see no evidence that a higher age of retirement would be matched by employers developing workplaces which encourage older workers to remain at work.” Read more at > ETUC and here

EPSU will be considering its response and will contribute to the debate within the ETUC.

Further information

The consultation period will run for four months (ending 15 November 2010) and responses can be submitted here and the consultation and background paper are

available here.

The European Commission will analyse all responses and consider the course of future actions to address these issues at EU level.

Questions

The 14 questions in the consultation are:

(1) How can the EU support Member States' efforts to strengthen the adequacy of pension systems? Should the EU seek to define better what an adequate retirement income might entail?

(2) Is the existing pension framework at the EU level sufficient to ensure sustainable public finances?

(3) How can higher effective retirement ages best be achieved and how could increases in pensionable ages contribute? Should automatic adjustment mechanisms related to demographic changes be introduced in pension systems in order to balance the time spent in work and in retirement? What role could the EU level play in this regard?

(4) How can the implementation of the Europe 2020 strategy be used to promote longer employment, its benefits to business and to address age discrimination in the labour market?

(5) In which way should the Directive on Institutions for Occupational Retirement Provision be amended to improve the conditions for cross-border activity?

(6) What should be the scope of schemes covered by EU level action on removing obstacles for mobility?

(7) Should the EU look again at the issue of transfers or would minimum standards on acquisition and preservation plus a tracking service for all types of pension rights be a better solution?

(8) Does current EU legislation need reviewing to ensure a consistent regulation and supervision of funded (i.e. backed by a fund of assets) pension schemes and products? If so, which elements?

(9) How could European regulation or a code of good practice help Member States achieve a better balance for pension savers and pension providers between risks, security and affordability?

(10) What should an equivalent solvency regime for pension funds look like?

(11) Should the protection provided by EU legislation in the case of the insolvency of pension sponsoring employers be enhanced and if so how?

(12) Is there a case for modernising the current minimum information disclosure requirements for pension products (e.g. in terms of comparability, standardisation and clarity)?

(13) Should the EU develop a common approach for default options about participation and investment choice?

(14) Should the policy coordination framework at EU level be strengthened? If so, which elements need strengthening in order to improve the design and implementation of pension policy through an integrated approach? Would the creation of a platform for monitoring all aspects of pension policy in an integrated manner be part of the way forward?

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