

12. Reports and updates vi White Paper on Pensions

A	<p>HISTORY OF THE DOCUMENT & POINTS FOR DECISION</p> <p>At its meeting in November 2010 the Executive Committee agreed a response to the European Commission's Green Paper consultation on pensions.</p> <p>The Executive Committee is invited to endorse this note which provides an overview of the Pensions White Paper, An Agenda for Adequate, Safe and Sustainable Pensions, published in January 2012 and the extent to which it address the issues raised by EPSU in its Green Paper response.</p> <p>In terms of future work EPSU will collaborate with the ETUC on monitoring and responding where necessary to the specific initiatives that emerge from the White Paper and in particular the impact of the country recommendations on pensions reform that are part of the European Semester.</p>
B	<p>BRIEF OUTLINE</p> <p>EPSU's response to Green Paper on Pensions highlighted a number of issues of concern some of which have been directly addressed in the White Paper. However, the White Paper proposes a broad range of measures, including further reports, exchanges of best practice and potentially some revision to legislation, and therefore it remains to be seen what the actual outcomes might be, The main issues include:</p> <ul style="list-style-type: none"> • EU competence on pension issues • The priority given to fiscal consolidation • The use of statistics and analysis of trends • The responsibilities of governments and employers and the shift to defined contribution pension schemes • Gender equality • Working time, work intensity and precarious employment • Transfer or preservation of pension rights <p>EU competence on pensions issues</p> <p>Strictly speaking, and as emphasized the EPSU response to the Green Paper, pensions are not an area of competence for the European Commission. This needs to be repeated in the light not just of the White Paper but also in respect of the way that the Commission's calls for fiscal consolidation has often focused on pensions reform.</p> <p>Priority given to fiscal consolidation</p> <p>Although the White Paper should be about adequacy, safety and sustainability, the emphasis is very much on sustainability and so pensions are seen very much in the context of fiscal consolidation. In effect, the White Paper has been pre-empted by the first two Annual Growth Surveys that included recommendations on pensions reform and these, more than any other issue, dominate the country specific recommendations approved by the European Council. If the provisions of the Memorandum of Understandings covering countries like Greece and Romania are</p>

included then 20 Member States are being urged to increase pension ages or restrict early retirement or take other measures to reduce pension costs. In only two cases do these recommendations refer to the adequacy of pensions. There is very little in the White Paper about what adequacy means and a major study on the question will not appear until later this year.

The use of statistics and analysis of trends

If there is to be a serious debate about pensions, then there has to be some agreement on and consistency in the data and projections used in order to assess what kind of reforms might be necessary. The White Paper continues the practice of the Green Paper in failing to keep the spotlight on the economic dependency ratio – the proportion of those in work to those in retirement – rather than the broader population trends. It begins with references to increased life expectancy (quoting the example of someone born in 2060!) and includes a graph indicating trends in age cohorts over the next 50 years. These need to be seen in the context of economic and employment trends and not as justifications in themselves for pensions reform.

Like the Green Paper, the White Paper acknowledges the trends, slow but steady, to later retirement and higher employment rates in the 55-64 age group. However, while quoting, without reservation population trends over the next 50 years, the Commission is reluctant to assume that recent actual trends will continue even in the near future. The White Paper does point out that its estimates for public spending on pensions in EU Member States are not fully up-to-date and don't take account all of the latest reforms. New figures are due to be published in May 2012 but this means that the urgent calls for further pension reform to reduce costs are on the basis of out-of-date statistics.

The responsibilities of governments and employers and the shift to defined contribution pension schemes

It is important that the White Paper concedes that: "The crisis has highlighted the vulnerability of funded pension schemes to financial crises and economic downturns." It specifically says that it will review the directive on the protection and supervision of Institutions for Occupational Retirement Provision (IORP) and legislation on insolvency as it relates to workers' occupational pension rights. These are both welcome moves and in relation to the IORP Directive a key element is getting trade union representation on the bodies running occupational pension schemes. However, there is nothing in the White Paper about the responsibility of employers and governments to assume their share of pension funding and provide some level of guarantee for employees, particularly those relying wholly on defined contribution pensions and so vulnerable to major fluctuations in investment returns.

Gender equality

As with the Green Paper, the White Paper rightly underlines the problem of the gender pensions gap as women not only have lower pay on average than men but with breaks in their careers they are also likely to accrue a lower level of pension benefits. The proposal is for a process "to identify and recommend best practice in reducing the gender pay gap in pensions." A welcome move as far as it goes. While more action is certainly required it is not surprising that nothing more concrete is being proposed as the Commission is also reluctant to take any further action on the gender pay gap.

Retirement age, working time, work intensity and precarious employment

In calling for later retirement the White Paper acknowledges that this requires policies

	<p>that address adaptation of the workplace and work organisation, lifelong learning, work-life balance and measures to tackle age and gender discrimination. It is also takes account of the fact that certain jobs are either dangerous or so arduous that later retirement would pose serious risks to the health and safety of workers. It suggests that “Workers in particularly arduous or hazardous jobs can be offered alternatives to early retirement, such as job mobility.” It also concedes that life expectancy and the quality of health varies significantly between workers. The White Paper essentially proposes an exchange of best practice and will “call on social partners to develop ways of adapting work place and labour market practices”. This is another area that will require further monitoring and action on the part of the trade unions to ensure that any such changes are properly negotiated.</p> <p>Transfer or preservation of pension rights</p> <p>The question of how to protect the supplementary pension rights of workers who move jobs and particularly who move across borders has proved difficult and the last attempt to draft a directive on transfer rights was abandoned. Work on a pension portability directive will be resumed where the focus will be on “setting minimum standards for the acquisition and preservation of supplementary pension rights.”</p> <p>Follow up</p> <p>These issues have also been raised by the ETUC in a draft document discussed at its April Steering Committee and as they are generally applicable and don’t just affect the public services EPSU’s work in this area will often be through the ETUC and contributions to its Working Group on Social Protection. This will be particularly important in relation to the national responses to the country recommendations and the response to these at national level. Reforms, including in particular any proposals to increase retirement ages, should be negotiated but the recommendations should be seen as such and not used by national governments as an excuse to impose changes because they are forced to do so.</p>
	<p>GENDER EQUALITY ASPECTS</p> <p>The gender pensions gap is a very important element of the pensions debate. The Pensions White Paper acknowledges the issue but recommends only a process of identifying and recommending best practice in order to tackle the problem.</p>
D	BUDGET IMPLICATION(S)
E	<p>LIST OF RELATED DOCUMENTS</p> <ul style="list-style-type: none"> • EPSU response to Pensions Green Paper as agreed at the Executive Committee of November 2010. • ETUC document prepared for April steering committee (EN, FR)
F	<p>RELEVANT FILE NUMBERS:</p> <p>Executive Committee</p>