



ETUC POSITION PAPER

White Paper on Pensions :

« Guaranteeing retirement pension : making no mistake about the objectives, or the funding »¹

1. On 16 February 2012 the Commission published its White Paper on pensions, entitled : « A strategy for adequate, safe and viable pensions » (COM (2012) 55 final). Its appearance coincided with the start of «2012, European Year of Active Ageing and Intergenerational Solidarity ». But it also appears in a time of crisis, exacerbated by pressure on financial markets and the strong impact on pension systems with sharp reductions in pensions.
2. In general terms the ETUC welcomes the analysis developed in the White Paper regarding the impact of economic dependence on the future of pension systems, but deplores the overall approach focusing on the macroeconomic aspect of pensions and ignoring their social purpose in the establishment of an inclusive society, by proposing only two solutions :
 - Putting back the legal pension age without taking into account length of activity or difficulty of profession ;
 - Enforcing subscription to private pension schemes.
3. As far as legal age goes, we must remember that this question is the exclusive competence of member states. Bearing in mind that the Commission's recommendations will serve as a handy pretext, for those who are tempted, to push back the legal age with no other considerations than to pretend to ease public finances. But above all, this question is closely linked to employment policies implemented in member states and thus to the existence or not of jobs.
4. The ETUC is clearly opposed to the pushing back the legal pension age in such a vague manner without taking into account long careers, hardship of certain jobs and professions, as well as agreements signed in this vein by the social partners, in favour of early retirement. It is also turning a blind eye to another truth, that is that employees, depending on the type and hardship of the job carried out during their professional life. With this in mind, 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. The White Paper does not recognize the arduous character of these professions, which should enable the opening of a right to earlier retirement.
5. The ETUC welcomes the fact that special attention is given to the huge differences in pension benefits between men and women. The concern is shared by the ETUC but the only concrete solution proposed in the White Paper is the rise in the female retirement age to bring it in line with the male retirement age. An answer which is neither adequate nor convincing.

¹ This position completes those adopted on the Green Paper and active ageing.

6. For the ETUC, the contents of the White Paper and the initiatives proposed do not meet the expectations raised in the title nor, especially, do they address the challenges which pensions systems are facing, in the current climate of austerity.
7. 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. ETUC does not take it as given that a further shift away from public provisions is necessary. That is why the ETUC 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.
8. 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.
9. For the ETUC, guaranteeing quality pension systems implies accountability, not only of workers – mentioned at length in the White Paper – but also of employers and member states. All this requires, from the employers as well as from the Member States, appropriate measures throughout the duration of a career to allow workers to complete their working life in good health.
10. Employers must show responsibility, in their intention and implementation of measures (right and access to lifelong learning, flexibility of hours and jobs for older workers, progressive retirement, etc.) – particularly through social dialogue at all levels – allowing workers to remain in employment, without jeopardizing conventional early retirement measures or those justified by difficult working conditions.
11. Member states must also be responsible, in concert with trade unions, on the definition of an « adequate » pension with fixed objectives to achieve them and indicators showing the level of progress achieved. But also on reforms to be undertaken, and their implementation, here again by associating social partners and particularly the trade unions. And in order to guarantee security and viability criteria foreseen in the White Paper, the ETUC demands that regulations be put in place to prevent interference by member states designed to reduce the existing level of public pensions as well as diminishing spending power. The ETUC also demands that, with the agreement of the trade unions, instruments be put in place for annual indexation of pensions.
12. The ETUC denounces the way in which the European Union intends to intervene in this area, via the Treaty on Economic Governance, putting in place sanctions for member states who do not implement quickly and radically enough the reforms aimed at reducing the pensions burden (i.e. their amount) in public budgets.

13. As for the revision of the IORP Directive, the Commission expresses a wish to ensure equality of treatment with insurance companies, to apply to them solvability rules foreseen in the Solvency II Directive. The ETUC is convinced that the increased costs involved in applying these requirements will be disproportionately high and will reduce the possibility to obtain adequate pensions at a reasonable price.
14. Finally, for the ETUC, for these reforms to succeed they must be brought in over time which, as we wrote in our response to the Green Paper, is a condition of their social acceptability. But again, trade unions and their proposals cannot be ignored. They must be heard and listened to both at national and at European level.

Annex 1

Explanatory memorandum

15. The first of the challenges identified by the Commission is to ensure the 'financial sustainability' of the pensions systems. And the solution it suggests, over and above measures of support (studies, research, seminars, etc...) which can be offered to member states who have chosen the pensions reform option, is that the only way to maintain an 'adequate pension' level is for :
- the legal retirement age and the contributory period to be increased;
 - and for member states to be encouraged to develop second pillar regimes (private "professional pension"/complementary/"pension fund") or even "third pillar" (individual savings).

The increase in the legal pension age

16. In order to justify its insistence on wanting to push back the legal pension age, the Commission once again comes back to the demographic question and increased life expectancy, basing itself on long-term demographic projections, which have already been denounced by the ETUC and the arguments of which have also been contested in the joint report of the Social Protection working group and the Economic & Employment Committee in 2009.
17. Indeed, the increased life expectancy is a reality – happily so – which should not be ignored, as well as the impact of demography on pensions. However, the Commission pretends to believe that decreeing a longer working life is enough to conjure jobs into existence.
18. But here again, we must not enter into the wrong debate. In effect, when the question of pension financing is looked at from the demographic angle, what is important, as the ETUC pointed out in its response to the consultation on the Green Paper, is not the ratio between the number of under-65s and over-65s, young people and old people, but the ratio of economic dependence – mentioned in the White Paper, but quickly forgotten – that is to say, the number of employed who are contributing, against the number of those who are not working. This brings us back to employment policies implemented in each member state.
19. Apart from the fact that competence for this proposal about age does not fall at European level but that of its member states, this proposal does 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: what is the significance of having to work longer than the legal pension age, which they are already not achieving when in employment, or for the youngest workers who do not have access ?

20. To sum up, to reduce the debate on pensions and their sustainability to the single question of prolonging active life is not the right answer from the ETUC's point of view. We plan to use the "European Year of Active Ageing and Intergenerational Solidarity" and the conference that we are organizing in Cyprus in October on this theme to propose to our member organizations a trade union action plan to deal with the entire subject.

The development of private pensions and also third pillar regimes

21. 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 a certain number of realities.
22. First of all, we note that professional pension regimes which are being developed today are essentially « defined contribution » regimes, purely financial, and thus subject to the vagaries of financial crises, and which offer no guarantees as to the amount of future pension. What is worse, they often aggravate disparities between men and women, since at the moment of the transformation of the capital into an income, at the moment of retirement, the great majority of these defined contribution regimes take into account the actuarial life expectancy of different people. This translates concretely by a smaller income for women than for men, for the same capital accumulated by contributions.
23. As for the development of third pillar systems to guarantee future pensions, it is a pure fiction and the ETUC is very critical of such an approach for several reasons.
24. First of all, they are not « pension » systems, aiming to ensure an income to retired people, but systems based on individual savings, purely financial, which can be limited in duration, like life-insurance systems, and the finalities of which are manifold: yes they can constitute an extra income at retirement, but they can also, for example, permit the purchase of a home, paying children's studies or covering a temporary personal difficulty. What will be left, then, at the moment of retirement?
25. But above all, 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. Above all, if they should constitute a supplementary income at retirement, the amount of savings must be big enough, but also to resist over time the evolution/fluctuations of financial markets.
26. Their recommendation and/or their development will result in the worsening of already existing inequalities.
27. In this debate on professional pensions, the ETUC recalls its constant position : 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 investment strategies of these organisms, on which the amount of income will depend.

No new legislative measures in the proposals

28. Whilst recognizing that it has no legislative power to intervene in the organisation and working of national pension systems, the Commission recalls that it can legislate on subjects which affect the working of the Internal Market.
29. And if in this White Paper there are no new legislative measures, two are nevertheless announced, which are :
 - either, the revision of the existing directive on the activities and surveillance of professional pension systems (2003/41/CE), IORP Directive
 - or, the reprise of the old directive, aiming to improve the portability of rights to a professional pension (proposal COM(2005) 507, modified in 2007) ;
30. Another Commission initiative envisaged aims to make the protection of workers' rights more effective, particularly their pension rights, in the framework of article 8 of Directive 2008/94/EC, but without precisely spelling out how. The ETUC has constantly argued, particularly in the Pensions Forum, for a revision of this article which fixes the principle of the guarantee, but without fixing a defined percentage of guaranteed rights.
31. Moreover, the Commission announces its intention to develop several initiatives in the form of studies, consultations, including with the social partners, exchanges of good practices, etc., particularly aimed at member states who are already developing reforms or are planning to. Depending on the subjects and requests received, the ETUC will be involved, in concert with its member organizations, on its own bases and remaining vigilant on the proposals made.