



Social partners' involvement in pension reform in the EU

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This report is available in electronic format only.

The reform of pension systems is arguably one of the key challenges for social policy in Europe in the context of demographic change. In recent years, the issue has been very high on the policy agenda across all EU Member States and in Norway. While several countries have introduced pension reforms over a decade ago, the economic crisis and the ensuing debt crisis have prompted a further wave of reform. These have largely concentrated on the sustainability of public pensions and on increasing the effective retirement age, with some changes proving very controversial. This report provides an overview of the involvement of social partners in pension reforms adopted since 2008 across the EU27, as well as in Norway. It focuses particularly on the influences of the social partners on the outcomes of reform processes. This report distinguishes between reforms of statutory 'pay-as-you go' pensions and other funded schemes (such as statutory funded schemes, occupational pensions and other private schemes).

Introduction

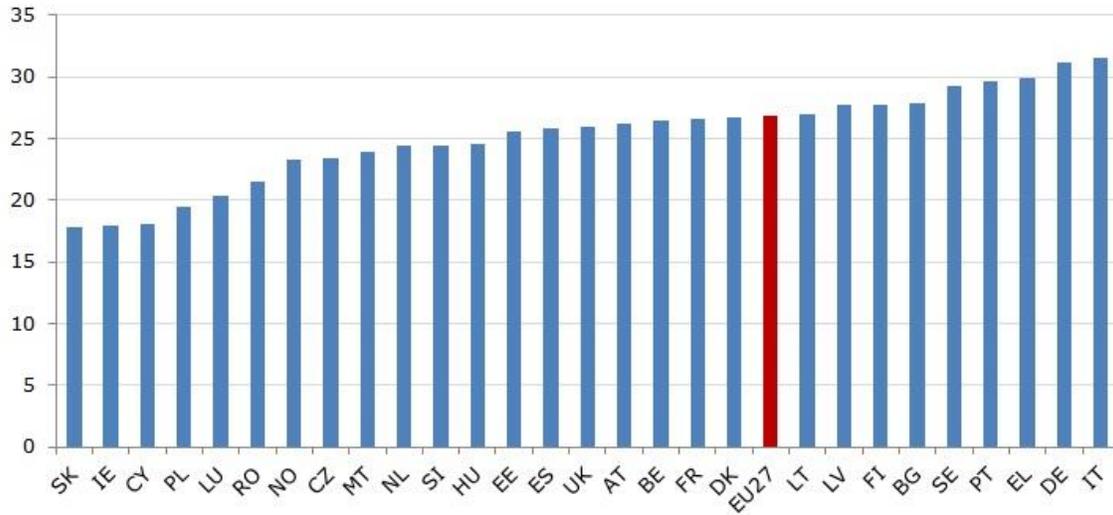
This report provides an overview of the involvement of social partners in pension reforms adopted since 2008 across the EU27, as well as in Norway, with a special emphasis on the impact of the crisis on social dialogue on this area, and on the content of pension reforms. It should be noted that more details can be found in the national contributions published as part of this report. The information and views presented here are based on the contributions provided by Eurofound's network of national correspondents in the spring of 2013.

Reasons for pension reform and policy context

Pension reform is one of the key challenges for Member States in the field of social policy, on account of demographic change. Pension systems aim to deliver adequate retirement incomes and to allow older people to enjoy a decent living standard and economic independence. However, pension systems in Europe are facing significant challenges in terms of financial sustainability, due to the increase in the number of pensioners and the decline in young people paying into the system. As shown in Figure 1, the old age dependency ratio – the ratio between the total number of elderly persons (aged 65 and over) and the number of persons of working age (from 15 to 64) – has already reached more than 25% as an EU average, and more than 30% in Germany and Italy.

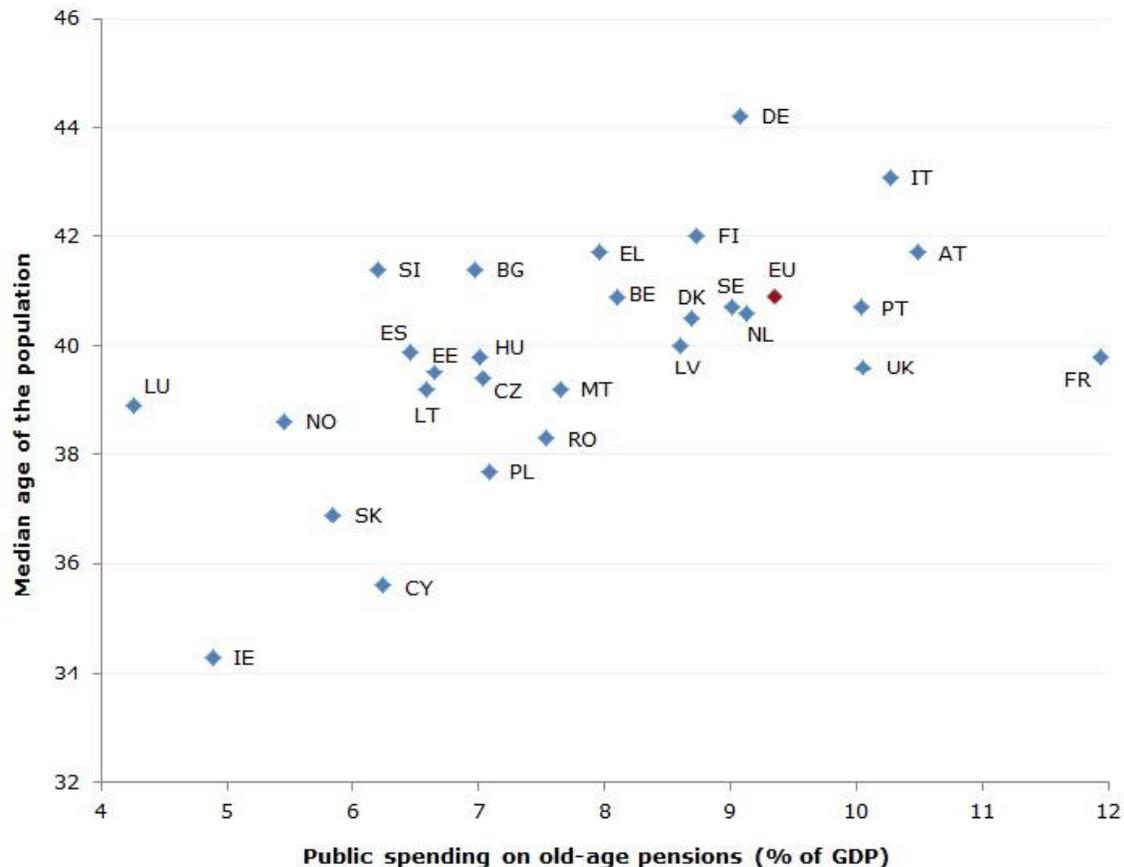
A comparison between European countries shows that, generally speaking, Member States with a higher median age in their population have, on average, higher public spending on pensions, as illustrated in Figure 2. Public spending on old-age pensions already accounts for around 10% of GDP in the EU27 on average, with significant variations across countries, from 4% to 6% of GDP in Luxembourg, Ireland, Norway, and Slovakia, to more than 10% in Portugal, the UK, Italy, Austria and France.

Figure 1: Old age dependency ratio in EU Member States and Norway, 2012



Source: Eurostat, [Old-age dependency ratio](#). Note: preliminary data for AT, BE, CZ, ES, FI, LT, LV, MT, NL, NO, PL, SI, SK and EU27.

Figure 2: Public spending on old-age pensions and median age of the population in 2010



Source: Eurostat, [Pensions](#) and [Structural indicators](#).

In order to adapt to changing demographic and financial perspectives, most European pensions systems have been reformed through a series of gradual changes over the last few decades – a process which has been encouraged by the EU to anticipate the impact of demographic change. Indeed, the main lines of a strategy to address the challenges raised by an ageing population were defined at the Stockholm European Council in 2001. A more recent milestone in this policy field is the European Commission’s [White Paper on adequate, safe and sustainable pensions \(308KB PDF\)](#), adopted in February 2012, which aims at guiding reforms of pension systems in the EU. Key recommendations from the White Paper are essentially two-pronged. The first recommendation is to balance time spent in work and retirement through measures restricting access to early retirement, as well as encouraging and supporting working longer, such as:

- linking the retirement age with increases in life expectancy;
- equalising the pensionable age between men and women;
- restricting access to early retirement schemes and other early exit pathways;
- providing better access to life-long learning;
- adapting work places to a more diverse workforce, and
- creating employment opportunities for older workers.

The second recommendation is to support the development of complementary retirement savings to enhance retirement incomes.

The White Paper emphasises that:

genuine dialogue in the Member States, bringing together governments, social partners and other stakeholders [...] will be essential to secure the future adequacy and sustainability of pensions

It adds that social partners can – along with governments – play an important role in promoting the take-up of complementary savings.

Indeed, as highlighted by the European Commission's 2013 report [Industrial Relations in Europe 2012 \(4.45MB PDF\)](#), the involvement of social partners in the design of pension reform is essential if balanced reforms are to be achieved on such politically sensitive issues which require long-term commitment from stakeholders. At the same time, the involvement of social partners could also result in the adoption of more limited reforms, due to difficulties in overcoming vested interests on each side.

Different pensions systems prevalent in Europe

Member States are facing different challenges in relation to the scale and type of pension reforms required, which is linked to different demographic trends and the existence of a wide variety of pension systems in Europe. This section draws on information provided by national correspondents, as well as that contained in the annexes to the European Commission's [2012 Ageing Report \(2.4MB PDF\)](#), as well as their 2008 report [Privately managed funded pension provision and their contribution to adequate and sustainable pensions \(514 KB PDF\)](#). Currently, pension provision typically relies on a mix of legislation (mandatory schemes run by the state), sectoral schemes governed by collective agreements and pension schemes set up by individual employers, as well as private provision and can therefore combine statutory mandatory, quasi-mandatory and voluntary schemes. A distinction between three pension pillars is generally used in order to describe the functioning of pension systems.

The **first pillar** (present in all European countries) includes statutory pension schemes. Usually, they are funded via social security contributions and/or general taxation. Public pensions can consist of minimum, guaranteed pensions (flat-rate basic pensions), earnings-related pensions, or a combination of the two. The first pillar can also be divided in different tiers (although not in all countries):

- a first 'public' tier, financed on a pay-as-you go basis, where workers contribute to finance the pension payments of retired workers;
- a second, funded tier (where current contributions are invested in a fund with a view to pay future benefits), generally taking the form of defined contributions schemes (where the level of the final pension, as well as investment risks and rewards are assumed by the individual subscriber).

Statutory funded schemes can be found in many countries in central and eastern Europe, as summarised in Table 1.

The **second pillar** (or occupational schemes) is linked to an employment relationship with the scheme provider. Traditionally, occupational schemes are funded schemes and consist of defined benefits schemes, where benefits are set in advance and investment risks and rewards are assumed by the scheme provider. However, recent years have seen a move to defined contributions schemes in many countries. The role and nature of the second pillar varies to a significant extent across countries; pension schemes can be run by private sector pension funds, insurance companies or the sponsoring companies themselves. They are generally established as a result of collective agreements or individual employer schemes for their employees. Occupational pension schemes have a long history and are mandatory and quasi-mandatory in some countries in northern Europe but only have a (very) partial coverage, limited to some sectors and professions in many countries.

The **third pillar** or private pensions (funded schemes) consist of savings plans based on individual insurance contracts between the individual and the private pension scheme provider, usually an insurance company or a pension fund insurance plan. Access to such a scheme typically does not require an employment relationship and is voluntary, although governments can also play a role in encouraging individuals to set up provision for themselves and in regulating the parameters for this market. In addition, in a few countries (for example in Germany) the state or employers may, in some cases, contribute to the plans. The coverage of private schemes is generally low as take-up is voluntary, but it is estimated to be above 15% in the Czech Republic, Germany, Ireland and the UK.

Table 1: Overview of funded pension schemes in the EU27 and Norway

Funded tier of statutory schemes, voluntary or mandatory individual funded schemes	Occupational schemes
In place in AT, CZ, BG, EE, LT, LV, PL, RO, SK, SE, IT In place as separate schemes in AT, DK	Mandatory in some sectors (collective agreements): BE, DK, PT, NL, NO, SE, DE Mandatory only in the public sector: IE, CY Contractual or unilateral by employers: AT, DE, EL, FR, IE, CY, FI, UK
Very high coverage (over 90%): SE High coverage (70%–90%): DK, LV, PL Medium coverage (40%–70%): AT, BG, EE, LT, RO, SK	Very high coverage (over 90%): SE, NL, NO High coverage (70%–90%) : DK Medium coverage (40%–70%): BE, DE, IE, IT, CY, SI, UK

Source: Social Protection Committee (2008), updated based on reports from national correspondents.

Note: information on coverage of funded schemes is not available for all countries covered by this report.

Bearing in mind the distinction between the three pension pillars, in theory, as described by David Natali in his 2011 working paper for ETUI, [Pensions after the financial and economic crisis: a comparative analysis of recent reforms in Europe \(500KB PDF\)](#), there are basically two pension models in Europe.

- A ‘multi-pillar’ system, where there is a greater distribution between pillars in ensuring pension provision. While the objective of public pensions is to ensure basic protection (not necessarily earnings-related) and general coverage, occupational schemes or funded schemes are mandatory or quasi-mandatory.
- A social insurance pension model (originating in continental Europe), where public pensions are earnings-based and aim to retain workers’ living standards during retirement. Public pensions are typically considered to be the cornerstone of pension systems, while privately managed, funded pension schemes are often voluntary or play a limited role in pension provision.

In practice, it is hard to classify European countries into these categories as many have already initiated a transition towards a multi-pillar set-up in the last few decades, as the role of occupational schemes has grown, or as funded schemes and/or private individual schemes have also been introduced alongside existing pension pay-as-you-go schemes. Such change is typically

slow and incremental. However, the most recently developed multi-pillar systems, which are found in central eastern European countries, have emerged in the context of the transition from a planned economy to a market one, due to the need to revamp existing pension schemes.

The present report focuses on reforms affecting public pensions or statutory pay-as-you-go pensions – still at the core of pension provision in most Member States – as well as other funded pension schemes, including statutory, funded schemes and various types of occupational pensions.

After looking at the institutional framework and formal role of social partners in relation to pension systems in European countries in the next section, this report explores the national policy context and the scope of recent pension reforms, the influence of social partners on reforms of public pensions and on reforms of funded pension schemes. It concludes with the views of employers and trade unions on what further reforms are needed.

Institutional framework and role of the social partners

Due to the heterogeneity of pension systems across Europe, the differentiated evolution of industrial relations systems and the role of the social partners more generally, there is a significant level of variation among European countries in relation to the role of social partners in the design and administration of pension systems. Evidence collected for this report suggests that their formal role, however, has not evolved significantly in recent years.

This section describes the role of social partners in relation to public pensions and in relation to other types of pension schemes.

Social partners' role in public pensions

Social partners play an advisory role in most countries with regard to the design and administration of public pensions, as such schemes largely fall under the responsibility of governments and central level public bodies.

Formal role

Two types of situation can be found across Member States with regard to the formal role of social partners in pension schemes:

- countries where social partners have a formal role in the governance and administration public pension schemes through tripartite bodies;
- countries where the social partners have no formal role in the administration of public pension schemes but are involved in consultations on pension reforms, either through permanent or ad hoc tripartite or bipartite consultative bodies, or simply processes of informal consultation.

Countries where social partners are represented on the boards of bodies administering public pensions include Belgium, Bulgaria, Finland, France, Germany, the Netherlands, Norway, Poland and Slovenia. For example, in Belgium the social partners are jointly managing the National Pension Office ([ONP/RVP](#)); in addition, social partners are also represented in the organisation in charge of the pensions for self-employed workers. In France, social partners actually supervise the day-to-day management of the national pension fund in the private sector ([CNAV](#)).

In other countries, which have no equivalent bipartite or tripartite governance mechanisms in place, social partners can play an advisory role and contribute to relevant legislative proposals by preparing advisory statements in permanent or ad-hoc tripartite bodies. For instance, in Italy, although social partners have a limited formal role in the design of first pillar pensions, they have traditionally been very engaged in pension policy-making.

According to the evidence collected for this report, countries where the formal role of social partners in the design and administration of public pensions is limited (although they can be

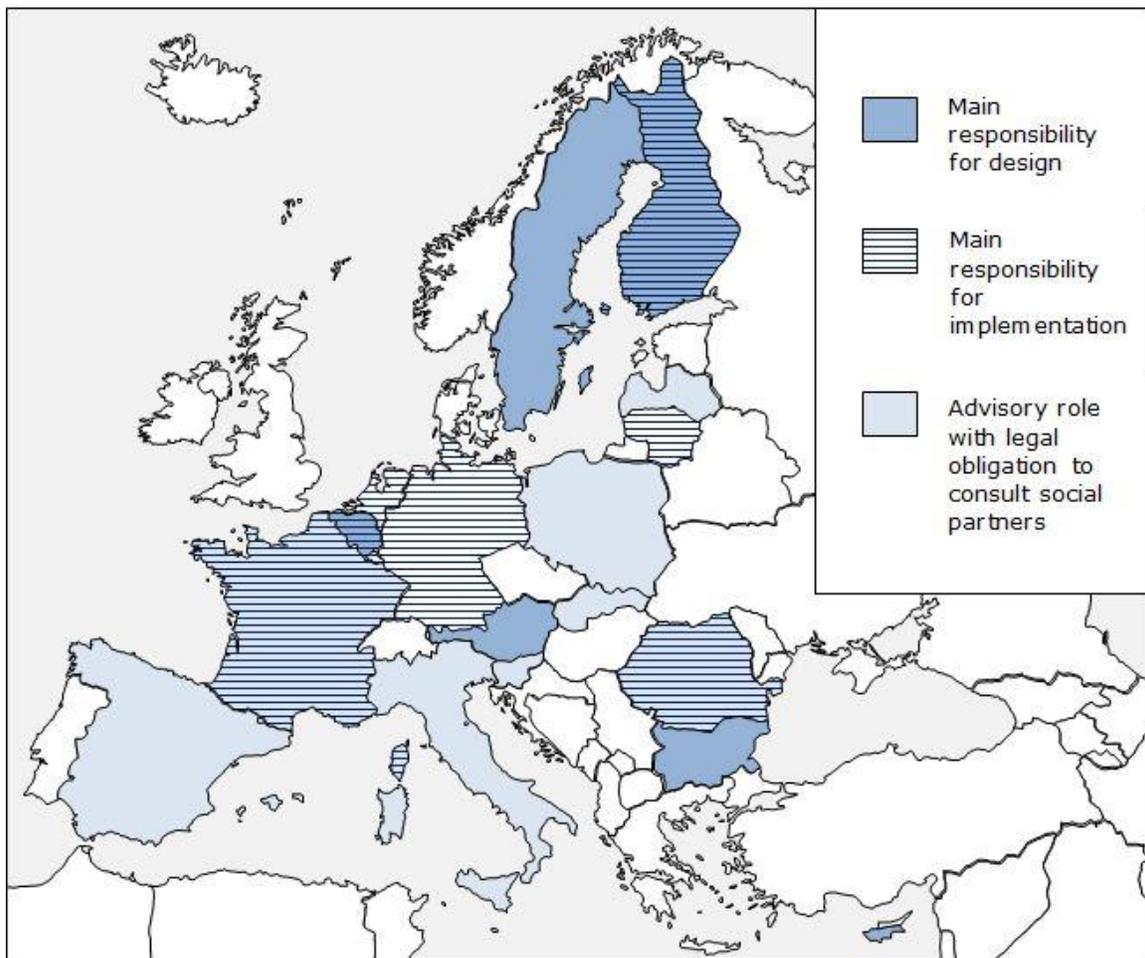
consulted by governments) include Cyprus, the Czech Republic, Denmark, Hungary, Ireland, Malta and the UK. This can also be linked with different traditions of industrial relations and to the existence of well-developed occupational pension schemes. For example, in Denmark, the limited role of cross-sectoral partners on public pension and statutory civil servants' pensions (state schemes) contrast with their strong involvement in occupational schemes, as explored in the next section. Similarly, there can also be distinct differences between the involvement of social partners in the design and administration of public and private sector pension schemes.

The traditionally more limited role of social partner organisations in tripartite decision-making may be seen in Cyprus, the Czech Republic, Malta and the UK. In Ireland, tripartite consultation has been strong in the past, but the economic crisis has led to the breakdown of broad, national-level accords on key policies.

In some countries, such as France, Italy, Latvia, Spain, Poland, Slovenia or Slovakia, the government is legally required to consult social partners via established bodies. For example, in Slovakia, although the main role is played by the Government, social partners have to be consulted in line with [Act No. 103/2007 on tripartism \(120KB PDF\)](#).

It is important to note that, according to the evidence collected for this report, there is no country in Europe where social partners have a formally recognised right of veto concerning changes made to public pension schemes (although they can, in practice, have a strong lobbying role and de facto veto power). It is also found that, in practice, social partner involvement often depends on the political orientation of the government.

Figure 3: Role of social partners in shaping public pensions



Source: Authors' data based on national contributions prepared by EIRO correspondents

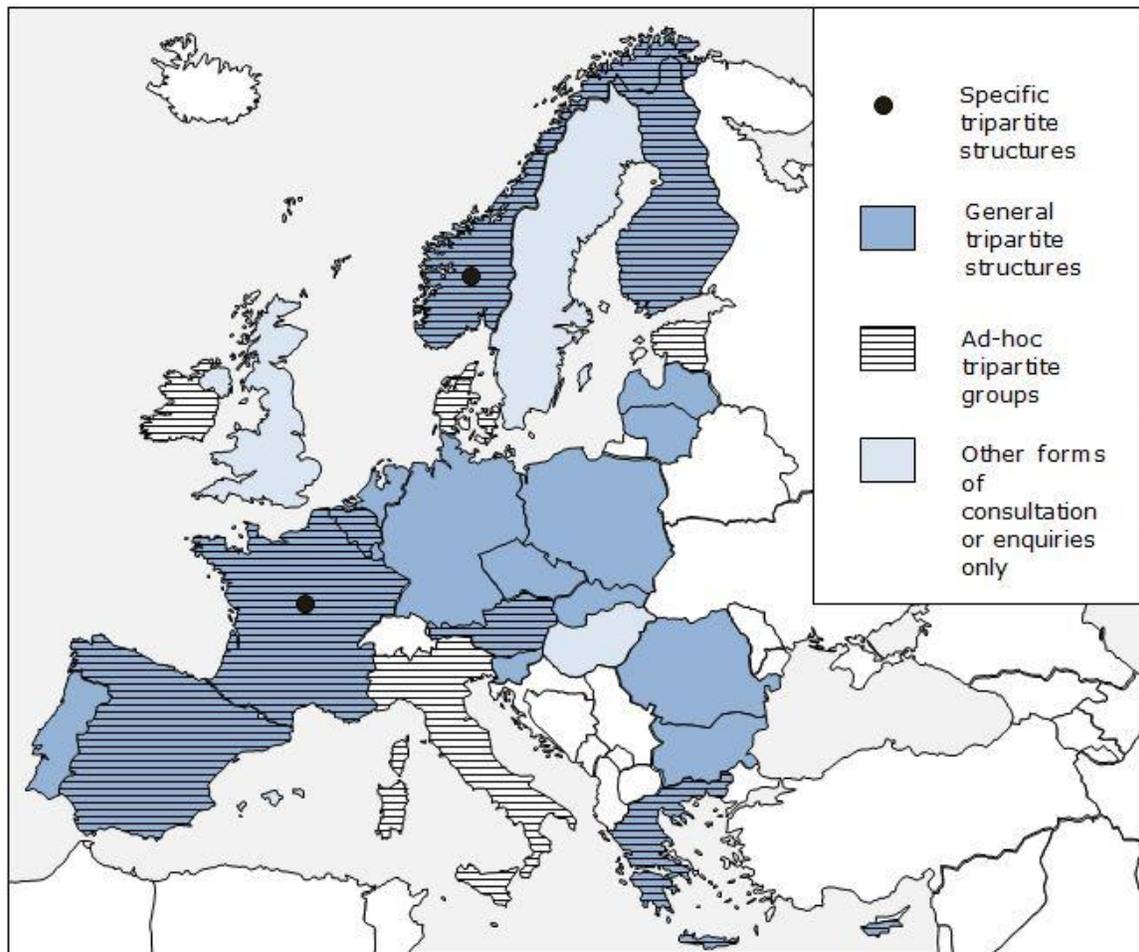
Channels for consultation of social partners

Social partners' organisations at the cross-sectoral level are typically consulted when important aspects of public pension reforms are discussed (in addition to other relevant institutions such as pension institutions and non-governmental organisations (NGOs). Consultation takes place via different channels.

- **Governing boards of social security institutions:** when these have a tripartite or bipartite composition, as mentioned above. Where such tripartite administrative bodies exist, consultation on proposed changes of the public pension system are exclusively channelled through these bodies in a limited number of countries, and generally also take place in other fora.
- **General permanent tripartite advisory structures:** these gather representatives of social partners at the national level (such as economic and social committees or councils, national tripartite cooperation councils) or bipartite structures such as the [Labour Foundation \(182KB PDF\)](#) in the Netherlands.
- **Specific permanent tripartite structures:** these are related to pension schemes, such as Norway's permanent committee on pensions and labour market issues [Arbeidslivs- og pensjonspolitisk råd \(in Norwegian\)](#) or the [Pension Advisory Council \(in French\)](#) (*Conseil d'orientation des retraites*) in France.

- **Government enquiries:** (as in Sweden) and consultations at national level on government papers (as in the UK).
- **Expert groups or ad-hoc temporary structures:** such as [the National Conference on Pensions in Belgium \(456KB PDF\)](#), the tripartite [Pension Commission in the UK](#), or the newly created Commission on the Future of Pensions in France ([FR13060211](#)).

Figure 4: Forum for dialogue with social partners in relation to public pensions



Source: Authors' data based on national contributions prepared by EIRO correspondents

Social partners' role in occupational schemes

In comparison with their role in shaping public pensions, social partners typically play a more important role in the governance of the second pension pillar, as occupational schemes are set up on the initiative of social partners or of individual employers. The role of social partners in relation to the second pillar, however, differs depending on the specific nature of second pillar schemes and national industrial relations traditions. Indeed, occupational schemes can be established in different ways.

- **By collective agreement:** whereby membership is mandatory for a sector or across several sectors. Occupational schemes in Denmark, France, Germany, the Netherlands and Norway are, for instance, fully bipartite and self-administrated by social partners, without a directing

role played by the State. For example, in the Netherlands, sectoral pension funds are governed jointly by employers and trade unions.

- **By company-level agreements:** in many countries (including Austria, Belgium, Ireland, Italy, the Netherlands, Norway, Sweden and the UK), individual employers and trade unions at company level are involved in the development of company-specific occupational schemes.
- **As a result of individual contracts or of a unilateral initiative of the employer:** in which case pensions entitlements can be based on book reserves, group insurance contracts, or contracts with pension providers. In the UK and Ireland, the creation of such schemes is largely left to the discretion of the employers. However, in the UK, employers are legally obliged to consult with pension scheme members or their representatives before making significant changes to pension arrangements. In Ireland, trade unions negotiate pension scheme restructuring at company level.

Social partners' role in other types of funded schemes

Social partners' responsibilities in relation to privately funded schemes are generally limited, although they can also attempt to lobby national policy and influence the take-up of this type of scheme. They can also play a formal advisory role in some cases; for example, in Romania, national representatives of employers and trade union confederations are represented in the Private Pension System Supervisory Commission ([CSSPP](#)); in Germany, however, social partners are not represented on the board of the Federal Financial Authority ([BaFin](#)) that supervises and controls the pension providers and funds.

Social partners can also play a more direct role in the management of complementary funded pension schemes. In Poland, trade unions and employers' organisations can be shareholders of companies which manage 'open pension funds'.

National policy context

As indicated above, since 2008, pension reform has been very high on the policy agenda across all EU Member States and in Norway, with all countries adopting at least one reform affecting their pension system with the vast majority of countries adopting more than one reform. In Malta, a major reform was adopted in 2006–2007, but some of its provisions concerning the creation of a mandatory second pillar and of a third pillar have not yet been implemented. No less than five pension reforms have been introduced in Hungary. In some countries such as Austria, Germany, Latvia and Sweden, recent reforms have been minor, either because more significant reforms had been introduced previously, or because plans for reforms are still being discussed.

This section provides an overview of the place of pension reform on the agenda and the main focus on pension debates. It also summarises the reforms affecting statutory pay-as-you-go pensions, and other types of pension schemes.

Pension reform on the political agenda

According to the information collected for this report, pension reform has been a core priority for all governments across Europe since 2008: it has been very high on the policy agenda in the vast majority of European countries (20 countries) and rather high in another seven Member States.

Social partners have also devoted a lot of attention to the topic in recent years and pension reform has been rather high or very high in their agendas in seven and 17 countries, respectively.

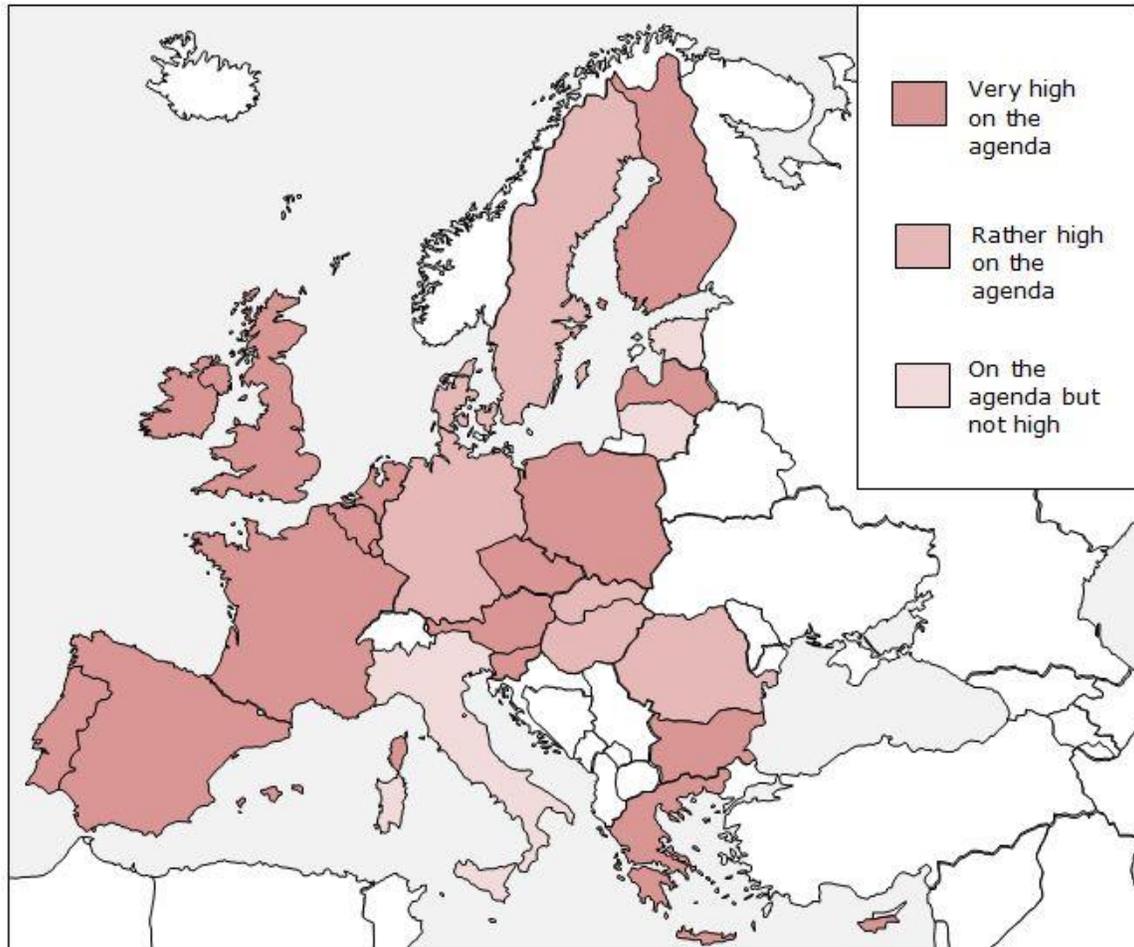
In addition, in another three countries (Estonia, Italy and Lithuania), pension reform also featured on the social partners' agenda but did not constitute a significant area of activity, while it was very high or relatively high on the government agenda. In Malta, pension reform has not been a

top priority with either the social partners or the government since 2008, probably due to the fact that a major reform was introduced in 2007.

According to the available evidence, therefore, three key factors affect the extent to which the issue was hotly debated at country level in the past five years:

- demographic trends and the timing and speed of demographic change;
- the extent to which significant pension reforms have been carried out prior to 2008;
- the economic and subsequent budgetary crisis at national level.

Figure 5: The place of pension reform in the agenda of social partners since 2008



Source: Authors' data based on national contributions prepared by EIRO correspondents

Obviously, growing awareness of the impact of demographic trends, such as the ageing of the workforce and the increase in the number of pensioners, has had a major impact on debates on pension reforms in all countries. Generally, governments and social partners agree that ageing is a challenge that requires reforms to ensure solidarity between generations. As can be seen from the Eurofound report, [Role of governments and social partners in keeping older workers in the labour market \(759KB PDF\)](#), although trade unions are concerned about delaying retirement, especially for workers in strenuous jobs, they generally acknowledge the need to extend working life. Increasing the effective age of retirement is generally a shared goal, although there are very diverging views on the means to achieve this, and on the pace of reforms.

Impact of the crisis

Furthermore, in the majority of countries, the financial and economic crisis and the subsequent debt crisis have strongly affected both debates on pensions and actual pension reforms. In Ireland, a main concern for the future of pension systems was the collapse of private-sector pension schemes due to the financial crisis.

In addition, public budget restrictions have fuelled debates on pension reforms, especially in those Member States hit hardest by the recession. In many countries, especially in southern and central eastern Europe, pension reform was seen as increasingly necessary due to structural reasons. Budgetary pressures have either prompted the need for (additional) pension reforms, or have significantly accelerated the pace of reform debates. In the overwhelming majority of countries, budgetary restrictions featured in the debates and greatly affected actual pension reforms. In Cyprus, Greece, Hungary, Italy, Portugal, Romania, Slovenia and Spain, strong external pressures, such as explicit economic guidelines from the EU prompting countries to reduce public spending on pensions, or requirements from Framework Loan Agreements with the EU, IMF and the World Bank, have accelerated the pace of the adoption of pension reforms.

In contrast, in those countries which have been less affected by the crisis, such as Scandinavian countries, and Austria, Germany or Luxembourg, debates on pension reforms were essentially driven by demographic change, rather than by austerity measures.

Financial sustainability of pension systems

In all European countries, however, most of the debates on pension reform have revolved around the financial sustainability of the pension system and especially of public pay-as-you-go pensions, largely leaving aside the question of addressing gaps in pension provisions and coverage. There are several key aspects to the debate on pensions' financial sustainability.

There is a need to increase the effective retirement age in order to maintain current pension levels; in France, for example, increases in the number of contributions and in the statutory retirement age have been presented by the government as inevitable. In this respect, the existence of different types of incentives to retire early has been widely debated in many countries; for example, in Norway, the collectively agreed early retirement scheme (AFP), gradually introduced in the late 1990s and allowing employees to retire at 62 with the same pension rights as if they had retired at 67, was seen as a strong disincentive to longer careers. In Finland and in Austria, it has also been found that many older workers use disability allowance, temporary invalidity or invalidity pensions or unemployment benefits as a disguised form of early retirement.

There is also a need to improve the employment levels of specific groups of older workers, such as women, for instance in Austria, Malta and Italy. However, debates on pension reforms have generally not focused on job quality aspects or strategies to improve the working conditions of older workers, as discussed in [the Eurofound report, *Role of governments and social partners in keeping older workers in the labour market* \(759KB PDF\)](#).

The levels of pensions (and especially high ratios between pension and wages) have been the object of discussions in countries such as Slovenia and Luxembourg, as well as the marked differences between the lowest and the highest public pensions in Romania.

There have also been discussions, for example in Belgium and the UK, about the fact that many people in the public sector get more generous pension provisions than those in the private sector.

Another aspect of the debate is the way pensions are funded: in Bulgaria, it has been argued that the financial sustainability of the pension system has been undermined by previous governments adopting policies to reduce contributions to pension funds.

Recent debates on pension reforms have also been affected by other country-specific factors. For example, in Belgium, the debate on pensions has also been influenced by the political context and

a discussion about the institutional role of regions and the transfer of some pension responsibilities (currently set at the federal level) to regions. A [2008 ruling by the EU Court of Justice \(82KB PDF\)](#) stated that the retirement regime for civil servants in Italy was discriminatory because women could retire five years earlier, at age 60. The court recommended eliminating this anomaly, both in the public and private sector.

Overview of recent reforms of public pensions

As summarised in Table 2, the scope of recent public pension reforms have pursued different objectives, although most measures focused on balancing time spent at work and in retirement.

A large number of reforms have sought to delay retirement age; as many as 22 countries have increased the statutory retirement age since 2008, and 12 countries have recently equalised retirement ages for men and women. In addition, 12 countries have linked the pension age with life expectancy gains. Furthermore, a majority of countries have restricted access to early retirement and increased the number of contributions required.

Other types of reforms have focused on reducing or containing the levels of pension expenditure; most countries have changed the mechanisms for the indexation of pensions to wage growth or to the Consumer Price Index, while 11 countries have also introduced a link between benefits levels and the financial situation of the pension scheme (or demographic developments).

Reforms related to the adequacy/coverage of pensions have been less widespread, according to the information collected for this report. Eight countries have recently increased the coverage of pension schemes in order to include groups not previously covered. These can include, for example, some part-time workers in Germany, domestic servants and farm workers in Spain and workers who earn their income via other employment relationships (such as liberal professions) in Romania. In addition, some reforms aiming to improve the adequacy of pensions have been taken in six countries. For example in Estonia, a parental supplement for pensioners who have raised children was introduced, in order to compensate for career breaks.

Table 2: Public pension reforms since 2008 in the EU27 and Norway
A.

	Increase in statutory retirement age	Change in the indexation system	Restrict access to early retirement	Increase in number of contributions required	Promotion of higher pension by working longer	Equalise male /female statutory retirement
AT			X			X
BE	X		X	X		
BG	X	X	X	X	X	X
CY	X	X	X	X	X	
CZ	X	X	X	X		X
DE		X	X			
DK	X		X			
EE	X	X			X	X
EL	X		X	X		X
ES	X		X	X		

	Increase in statutory retirement age	Change in the indexation system	Restrict access to early retirement	Increase in number of contributions required	Promotion of higher pension by working longer	Equalise male /female statutory retirement
FI						
FR	X		X	X	X	
HU	X	X	X	X	X	
IE	X	X			X	
IT	X	X	X	X	X	X
LT	X					X
LU		X		X		
LV	X	X				
MT	X	X		X	X	X
NL	X		X		X	
NO		X		X	X	
PL	X	X	X	X	X	X
PT	X	X	X		X	
RO	X	X	X	X	X	X
SE		X				
SI	X	X	X	X	X	X
SK	X	X	X			
UK	X	X	X		X	X

B.

	Link between pension age and life expectancy gains	Link between benefits levels/financial balance of the pension schemes and demographic ratio	Changes in the groups of workers covered	Improving the adequacy of pensions	Changes in the way contributions are calculated
AT					
BE					X
BG	X				
CY	X				
CZ	X			X	

DE			X	X	X
DK	X	X			
EE	X			X	
EL		X			
ES		X	X		X
FI					
FR				X	
HU		X			
IE		X			
IT	X	X			
LT			X		
LU	X				
LV					
MT				X	
NL					
NO	X	X			
PL	X	X	X		
PT	X	X			
RO		X	X		X
SE					
SI				X	
SK	X		X		
UK	X		X		

Source: National contributions prepared by EIRO correspondents.

Note: This table focuses on the main aspects of reforms and does not provide a comprehensive overview.

Recent developments affecting other pension schemes

Compared with the large range of recent reforms of statutory public pensions, initiatives aimed at developing complementary pension provision have, overall, been less widespread in Europe, according to evidence collected for this report. This is also due to the fact that funded pension schemes still do not play a major role in pension provision in all European countries.

In the Czech Republic and Malta, recent reforms have supported the trend towards the development of additional, funded provision, as governments have introduced, by way of legislation, a new funded pension pillar. A couple of other reforms introduced by national governments have, however, gone in the opposite direction. In Hungary, the government decided to discontinue the statutory funded scheme and reintegrate pension assets into the first pension pillar while, in Slovakia, levels of contributions to the funded pillar have been reduced.

As for occupational schemes, recent developments seem to have followed similar trends to reforms affecting public pensions, in the sense that while they have focused primarily on ensuring sustainability they also aimed at improved coverage (in order to ensure greater adequacy). The main developments are:

- Amendments made to early retirement occupational schemes in Norway aim at delaying retirement and reducing incentives to retire early.
- Reduced increases of occupational pensions in France and changes to the indexation system in the UK aim at containing pension levels.
- Increases in contributions in France, and new funding standards in Ireland aim at improving the financial situation of occupational schemes.
- In the UK, the Pensions Act 2008 will also contribute to a better coverage of occupational schemes by introducing automatic enrolment in workplace pension schemes of all employees of companies employing more than five workers.

Contributions of the social partners to recent reforms of public pensions

Since 2008, reforms of public pensions (statutory pay-as-you-go schemes) in Europe have been widespread and also controversial. This section analyses and compares the influence of social partners on these reforms across countries, while investigating the key factors behind social partners' involvement. Recent reforms of statutory pay-as-you-go pension schemes can be sorted into four types:

- reforms adopted without the involvement of social partners;
- reforms where social partners have been consulted, but had no impact on final outcomes (which account for most of the recent reforms);
- reforms that social partners have been able to shape, at least in part;
- reforms directly emanating from consultation with social partners.

Reforms adopted with limited or no involvement of THE social partners

External pressures for pension reform have meant that social partners in Cyprus, Greece, Portugal and Romania, were hardly consulted at all before the implementation of some public pension reforms aiming to delay retirement age or to contain public spending on pensions.

- In Cyprus, the government adopted reforms without any substantive process of consultation and social dialogue.
- In Greece, several reforms (such as reductions in pension levels, an increase in the statutory retirement age and minimum contributions) were taken between 2010 and 2012 to comply with the requirements of the Framework Loan Agreement with the International Monetary Fund, the European Commission and the World Bank.
- Similarly in Romania, the 2010 Unitary State Pension Act resulted in a gradual increase of retirement age to 65 (by 2030 for women and by 2015 for men) although workers in the national defence, public order, and national security sectors can still retire at 60. It also introduced stricter criteria for early retirement and demanded that workers contributed for longer before becoming eligible to claim a pension. These measures were also all adopted as a requirement of a Framework Loan Agreement.

- In Portugal, temporary pension freezes, penalising early retirement and a surcharge on pensions over a certain amount were adopted by the government in line with the 2011 Troika Memorandum of Understanding.

Such reforms were, unsurprisingly, met with strong opposition from trade unions, while employers have been less straightforward about their views.

Reforms not influenced – or only marginally – by social partners’ involvement in negotiations

According to the evidence collected for this report, the bulk of public pension reforms in Europe (in countries such as Belgium, Bulgaria, the Czech Republic, Estonia, France, Hungary, Luxembourg, Ireland, Italy, Poland and Sweden) have been pushed through by governments following relatively unsuccessful processes of consultation with social partners.

In most cases, the governments in these countries have used existing channels for consulting social partners on public pension reforms (as described earlier). However, in Sweden, Belgium and Italy, the adoption of reforms has been fast-tracked and social partners may have not had sufficient time to express their opinions.

- In Sweden, the government decided in 2009, based on the agreement between the so-called ‘Pension Group’ of political parties, to adjust the automatic self-balancing mechanism for pensions introduced by the 1998 reform (resulting in a longer period of reduced pension growth). The Confederation of Swedish Enterprise ([Svenskt Näringsliv](#)) was opposed to such sudden changes, while the trade unions were not formally consulted.
- In Belgium, while social partners had been able to express their positions at a tripartite national conference on pensions in 2010, the government’s announcement of a reform of public pensions in 2011 (covering pension benefits within the public sector, early retirement, survival pensions and special pension schemes) was made without formally consulting social partners, which led to trade unions organising a general strike.
- In Italy, recent pension reforms were passed at very short notice, leaving no room for discussion with the social partners, although most of the changes were in line with proposals of the Italian employers’ association [Cofindustria](#).

Conversely, in other countries, special ad-hoc procedures have been put in place to facilitate consultation with social partners, but these have not managed to reach consensus. For example, in France, a special forum for discussion and social summit took place in 2011 to discuss the increase of the statutory age from 60 to 62, but when no agreement was reached, the reform was pushed through anyway by the government.

The main reason for the failure of negotiations with social partners is the fact that most of the recent public pension reforms focus on the increase in the statutory retirement age and/or the reform of early retirement schemes. These two aspects are strongly opposed by trade unions although they are generally accepted by employers, with some employers’ organisations even arguing that reforms could have gone further.

In Poland for example, the government’s proposals for the reduction of eligibility to ‘bridging pensions’ (early retirement schemes) was discussed for six months within the Polish Tripartite Commission for Social and Economic Affairs, but no consensus was reached as the government refused to make any of the concessions requested by trade unions. Negotiations on the retirement age (increased to 67 by the government) were also very controversial and largely unsuccessful, with trade union NSZZ ‘Solidarity’ organising protests and demonstrations against the reform. A petition for a national referendum on the topic, signed by more than two million people, was rejected in April 2012 by parliament.

In many other countries, trade unions have voiced their opposition to government-led reforms by taking industrial action, for example in Bulgaria, Luxembourg, Estonia, Hungary and Romania.

The strong pressure to adopt pension reform, due to the economic crisis and the need to reduce public spending, has limited the ability of trade unions to influence decision-making leading, in some countries, to the failure of negotiations or the breakdown of social dialogue. For example, in Bulgaria, consultation on the reform of the statutory retirement age began in 2010. The government had initially made concessions following a strike of the two main trade unions CITUB and [Podkrepa](#). However, in late 2011, faced with financial constraints, the government declared its decision to speed up the pension reform, which led to the trade unions pulling out of the National Council for Tripartite Cooperation and organising a national strike. After the protest, urgent negotiations with social partners did not lead to a mutually acceptable solution and the government's plans were eventually adopted.

Table 3: Recent reforms of public pensions implemented by governments, with social partners having little impact

	Scope	Social partners' positions
Bulgaria, 2011	Increase in retirement age Restriction in access to early retirement	Trade unions argued that the increase in retirement age aggravated the situation of workers. Their intervention led to changes being introduced more gradually and maintained the regime for early retirement of workers for another four years. Employers argued that the access to early retirement and disability pensions should be more restricted.
Czech Republic, 2011	Increase in retirement age (accelerated parity of retirement age for men and women) Tightened rules for early retirement Changes in replacement ratios (the percentage of a worker's pre-retirement income that is paid out by a pension scheme on retirement), increase of the reference period for the calculation of pensions	The Czech-Moravian Confederation of Trade Unions (ČMKOS) did not agree with the change made to replacement ratios and other changes, such as the increase of the statutory retirement age.
Denmark, 2011	Increase in the statutory retirement age from 60 to 62 and up to 64 by 2018 Restricted access to 'voluntary early retirement scheme'	The trade union confederations LO and FTF were not satisfied with changes in the terms and conditions of access to the voluntary early retirement scheme; they argued that, as the existing scheme will be phased out, there is no need to deny further access to those who qualify according to original criteria.

	Scope	Social partners' positions
Estonia, 2010	Increase in the statutory retirement age	The main trade unions EAHK and TALO pointed out that the reform should include measures to help prevent health problems and improve employees' current working conditions in order to prolong the ability to work longer and they organised industrial action. The Estonian Employers' Confederation (ETTK) approved the reform.
France, 2008 (rolled out from 2009)	Increase in the number of contributions required (to 41 years) Restricted access to early retirement	Trade unions strongly opposed to the principle of increasing the number of years of contributions. Employers accepted and supported the reform.
France, 2010 (rolled out, 2011–2018)	Increase in the statutory retirement age from 60 to 62 (full pension from 65 to 67 and 41.5 years of contributions) Increase in pension contributions for civil servants	All trade unions adopted a common position against the increase in retirement age (from 60 to 62) in July 2013.
Hungary, 2011 (with retroactive effects)	Phasing-out of early-retirement schemes	Various trade unions criticised this, calling for a negotiated plan of action that excludes any retrospective measures. There has been a series of protests including a petition.
Ireland, 2012	New pension scheme for public servants recruited after January 2013	The trade union IMPACT says this constitutes a worsening of the terms and conditions for new entrants to the public service.
Italy, 2010	Parity of pensionable age for men and women (Sacconi 1 Reform)	Unions protested about the time over which changes were to be phased in and its application to the private sector.
Luxembourg, 2012	Increase in the number of years of contributions Gradual increase in social contributions Change in method of indexation	Trade unions say the reform is unfair on young people, and does not take into account the situation of older workers in strenuous or stressful jobs. Employers' organisations consider that the reform is not sufficient to guarantee the sustainability of the pension system.
Malta, 2006–2008	Increase of retirement age and parity for male and female retirement ages	Trade unions generally opposed to the increase in retirement age.

	Scope	Social partners' positions
Poland, 2008	Reduction of eligibility to bridging pensions	Trade unions strongly opposed to limiting the eligibility to groups of workers employed in special conditions or in a special capacity, and therefore excluding professions such as teachers, railwaymen, and truck drivers.
Poland, 2012	Increase in retirement age (until age 67)	Trade unions expressed disagreement, while employers' organisations accepted the increase, in principle.
Romania, 2010	Increase in statutory retirement age and number of contribution years required (parity of statutory retirement age for men and women) Restricted access to early retirement Change in the indexation system Promotion of higher pensions by working longer	The unions wanted the standard retirement age to be 63 years, compared to the age of 65 favoured by the government. There was also disagreement on the provisions governing employees with special working conditions, such as miners; with unions arguing that longer careers are not realistic due to the strenuous nature of the work and because life expectancy in these occupations is about 10 years less than the EU average. Provisions related to the indexation mechanism were highly controversial. The trade unions of the military, police workers, and the organisations of retired military and police workers protested against integration in the new unitary state pension scheme.

Source: National contributions prepared by EIRO correspondents.

Reforms partly influenced by social partners' involvement in negotiations

In some countries, although the reforms of public pensions introduced by governments have been quite controversial, trade unions have been able to negotiate some concessions, typically in exchange for their acceptance of an increase in the statutory retirement age. Reforms in the Netherlands, Lithuania, Slovenia and Slovakia and Spain could be ranked within this category. The process of adoption of these reforms has met with significant difficulties, due to disagreements between trade unions and governments on the increase of the standard retirement age and/or on the timing of reforms.

- In the Netherlands, although the social partners had initially agreed on a gradual increase in the pension age, major differences of opinion within the largest trade union federation ([NL1205029I](#)) emerged. Ultimately, the reform applicable since January 2013 was adopted unilaterally by the government.
- In Lithuania, trade unions agreed in principle with the government's proposal to increase retirement age. However, they criticised the timing of the reform in the context of the economic crisis and organised protests in 2011.

- In Slovenia, government proposals were initially discussed in the Economic and Social Council in 2009. As external pressures led the government to accelerate drastically the reform agenda, industrial action initiated by trade unions as well as the rejection of the proposed Act in a referendum led to the resignation of the government. After a one-year moratorium, a new round of consultation started in September 2012, leading to the adoption of the new Pension and Disability Insurance Act which was negotiated and partly influenced by social partners.
- In Spain, the government made a unilateral proposal for pension reform in 2010 which sparked several protests by unions, including a general strike in September 2010, although employers had welcomed the reform. In late 2010, the government initiated a new round of tripartite dialogue – covering pension reform among other subjects- and a tripartite agreement was finally reached, leading to the 2011 reform.

Table 4 below summarises the scope of these reforms and aspects which have been influenced or negotiated by social partners.

Table 4: Recent public pension reforms partly shaped by social partners

	Scope of the reform	Aspects influenced or negotiated by social partners	Trade union positions
Netherlands (applicable since 2013)	Increase in the pension age to 66 years in 2018, and to 67 in 2022 Changes in the pre-pension system	The social partners had initially agreed on increasing the pension age, however major splits appeared within the federation of trade unions.	For unions, the most controversial issues were the consequences of the reform for employees in strenuous work, and the lack of transition measures as the changes in the pre-pension system which will result in a loss of income for some pensioners.
Lithuania (2012)	Increase in retirement age to 65 by 2026 for men and women Lowering rates on incomes on which state social insurance contributions are payable	Social partners contributed to define the main aspects of the reform.	Social partners agreed on the need to reform public pensions, but unions argued that an increase in the retirement age, in the context of the economic crisis, has a negative impact.
Slovakia (2012)	Increase in the retirement age (from 2017) linked to life expectancy, increase in the maximum assessment base, decrease in contributions to	The trade union KOZ managed to negotiate a gradual increase of the retirement age and secured the extension of old-age insurance to workers with non-standard employment contracts. Employers have successfully	The government pushed through the redistribution of benefits between higher and lower pensions in the public pensions (opposed by the trade unions), the increase in contributions from higher wages and the reduction of the contribution rates into the funded pillar

	Scope of the reform	Aspects influenced or negotiated by social partners	Trade union positions
	the funded third pillar	negotiated an increase in the retirement age and restricted access to early retirement.	(opposed by employers).
Slovenia (2012, in force since 2013)	Increase in the retirement age (up to 65) and of the years of contributions required (up to 40)	Trade unions prevented the introduction of compulsory-funded pension insurance, encouraged the adoption of incentives for delaying retirement and maintained the ability of the unemployed who are about to meet retirement conditions to retire upon the expiry of unemployment benefit. Employers' associations managed to include tax allowances for employing older workers.	Trade unions argued that many older workers are forced to exit the labour market earlier due to the lack of established practice among employers of adapting job conditions to older workers. There was no unanimous agreement among trade unions, as the Public Sector Union Confederation (KSJS) refused to sign the agreement. Employer organisations supported the reform for fiscal sustainability reasons but expressed concern about the increase in labour costs.
Spain (2011)	Increase in retirement age Increase in the number of years of contributions required	Aspects negotiated by trade unions include the coverage of the scheme (inclusion of domestic servants and farm workers), flexibility in the way the contributions period is calculated (including periods spent caring for children, paid traineeships); maintaining the minimum period of contribution at 15 years, maintaining early retirement under 61 years for those engaged in strenuous work. Employers defended the need to adjust the relationship between contributions and benefits under the	Trade unions believe that the reform has been more stringent than necessary, especially concerning the increase in retirement age, although they valued the fact that the public pensions have kept their importance as the main pillar within the pension system. Employers agreed with the reform

	Scope of the reform	Aspects influenced or negotiated by social partners	Trade union positions
		special scheme for the self-employed.	

Source: National contributions prepared by EIRO correspondents

Reforms issued following consultation with social partners

According to evidence collected for this report, relatively few of the recent public pension reforms have been influenced by social partners to any significant extent. The only ones that could fall into this category are:

- the major pension reform adopted in Norway in 2011;
- three (minor) reforms in Austria;
- one reform implemented in Finland on partial retirement.

As mentioned above, the Dutch government had also initially planned to adopt a reform following an agreement made by social partners, but major divergences of opinion within the main federation of trade unions resulted in the unilateral adoption of the government's original reform measure.

Unsurprisingly, the countries where social partners have been most influential in shaping pension reform, are among those with a strong tradition of social dialogue and with an established role of social partners influencing labour and social policies as well as, more specifically, pension policy. In Austria, trade unions and employers have been proactive in identifying areas for pension reform as there was a general consensus among social partners on the need to extend working lives.

Similarly, in Norway, the major role played by social partners in the recent reforms of statutory pensions can be attributed to the country's long tradition of tripartite negotiation, and the importance accorded by the government to getting support from the labour movement. The 2011 reform was carefully planned and discussed with social partners as part of a long consultation process. The discussion started in 2001 as part of a 'pension commission' (public ad hoc committee) and advisory group, including representatives from the main employer and employee organisations.

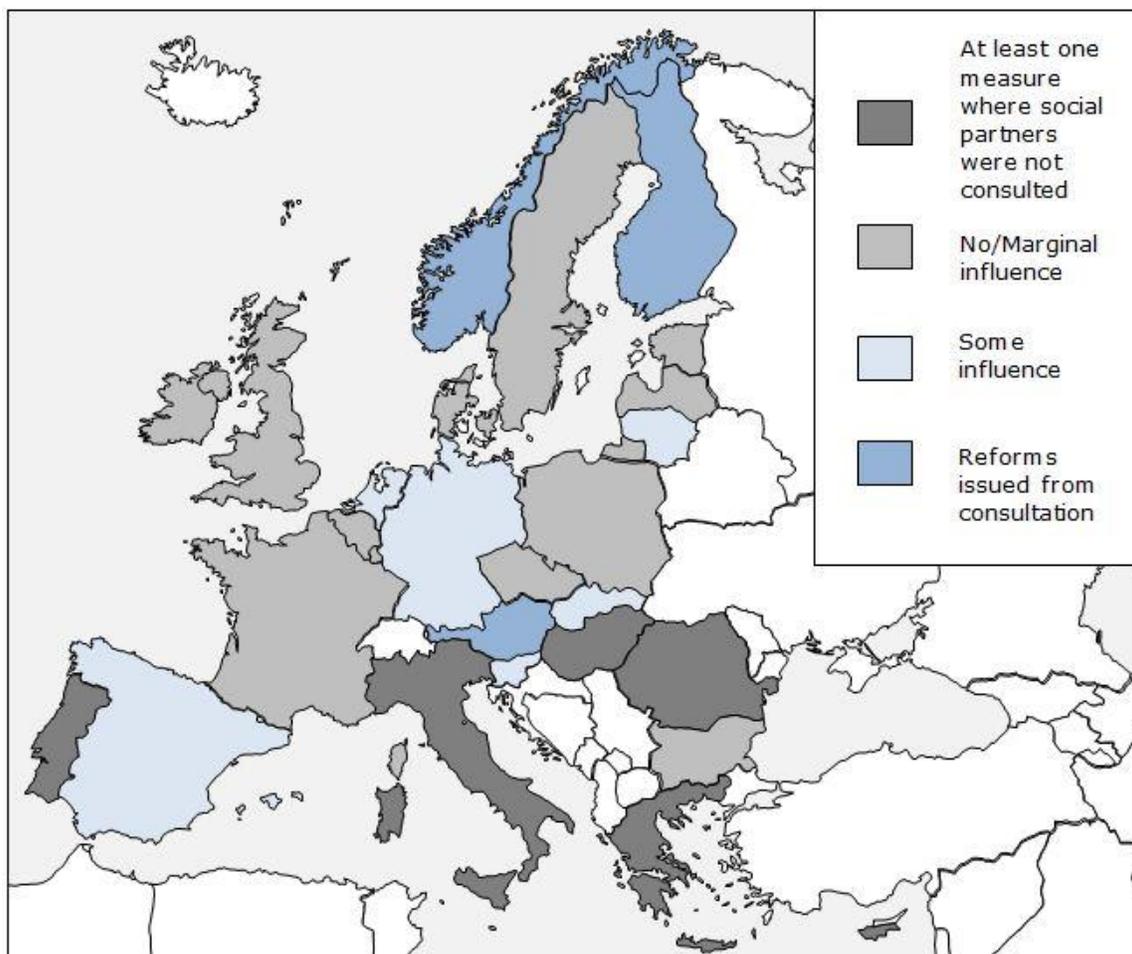
In Finland, the last major pension reform, introducing a 'flexible' retirement age of between 63 and 68 years, had been agreed following tripartite negotiations in 2005. In recent years, Finland has been the only country in Europe where early opposition from trade unions has actually halted plans to increase the statutory retirement age. After the government announced in February 2009 that it planned to increase the retirement age from 63 to 65 years, trade union opposition was such that the government withdrew its plans. The government announced no increase would take place during its current electoral term, after a tripartite working group launched later in 2009 failed to reach consensus on the matter. While the Finnish trade unions have managed to avoid, at least temporarily, an increase in the statutory retirement age, they have drafted proposals for a reform of the minimum age limit for partial retirement and agreed to increase pension contributions in the mid-term. At the same time, a set of measures to improve occupational health was agreed to support the work ability of older workers.

It should be noted that, in those three countries, pressure for pension reform has not been as strong as in other European countries more affected by the crisis, and the lack of immediate budget constraints has left more room for social partners to negotiate.

Table 5: Examples of social partners' involvement and influence on pension reform

	Scope	Social partners' positions
Austria 2011 (some changes applicable in 2014)	Restricted access to early retirement scheme for workers who have contributed to pension schemes for at least 45 years	General consensus on both sides on the need to extend working lives (reform prepared in cooperation with social partners). Employers wished to reduce further early retirement, whereas trade unions wished to maintain at least the option for those that have been working for a very long period.
Austria, 2012	Invalidity pensions	Social partners were required by the federal government in 2010 to develop proposals to increase effective retirement age. One of their proposals, to reform invalidity pensions, was used as a basis for the draft reform passed in late 2012.
Austria (effective from 2013 onwards)	Partial retirement	Social partners have been able to re-introduce the so-called 'block model' (working half of the period full time and not working for the other half) if the employer hires a worker to substitute the person who will retire.
Finland, 2011	Increase of the minimum age limit for partial retirement Increase in contributions (in 2015 and 2016) Reforms also include a set of measures to improve occupational health in relation to older workers	General support for the reform (based on an agreement between social partners).
Norway, 2011	Introduction of a 'life expectancy adjustment ratio' Indexation Flexible retirement (full or partial) from 62–75 years	General support for the reform. Consensus with trade unions was reached under the condition that pension levels were made higher for lower and medium income levels than in comparison with the original government proposal.

Figure 6: Level of influence of social partners in recent reforms of public pensions



Source: Authors' data based on national contributions prepared by EIRO correspondents

Social partners' involvement in changes to funded pension schemes

This section explores the involvement and influence of social partners on changes made to funded pension schemes since 2008. The influence of social partners differs significantly across types of funded schemes; indeed, they have not played a significant role in the adoption of reforms of mandatory schemes, while they had a greater influence on shaping the development of occupational schemes.

Involvement in reforms of mandatory funded schemes

In recent years, evidence collected from national reports suggests that reforms linked to new and existing, mandatory-funded, schemes have been taken only on the initiative of governments, and that none of them was initially proposed by the social partners. In Hungary, the reform reintegrating the funded pillar into public pension funds was adopted without consulting the social partners, while in the Czech Republic and Malta the social partners were consulted, but were not able to influence the outcomes of the reforms in any significant way. In Slovakia, the reduction of contributions to the funded private pillar, decided by the government in 2012, received a positive response from trade unions but a negative one from employers.

Table 6: Reforms of mandatory funded schemes, with social partners having little involvement or impact

	Scope of the reform	Social partners' positions
Czech Republic, (2011, in force since January 2013)	Introduction of mandatory, funded schemes	Trade unions are opposed to the mandatory private scheme as it is considered to have a negative impact on the sustainability of public basic pension insurance (transfer of contributions). Employers were also opposed as it requires additional contributions.
Malta, 2006-2007 (not yet into force)	Introduction of private schemes (second pillar and third pillar)	The creation of the funded pillar was supported by the second largest trade union, UHM, but opposed by the main trade union GWU, because it creates a heavy burden for employees and employers. The employers' organisation is, generally in favour and called for further discussions with all stakeholders in order to evaluate the overall effect of introducing such a scheme.
Hungary, 2010	Reintegration of the mandatory private pension funds into public pension funds	The Federation of Trade Unions of the Chemical, Energy and Allied Workers (VDSZ) has protested in various ways, and has asked the President to send the law to the Constitutional Court for investigation. Other trade unions, the Democratic League of Independent Trade Unions (Liga) and MSZOSZ criticised the government's rushed decision-making and said the change will not contribute to a sounder budgetary policy, in the long-term. Employers have been less engaged in the debate on pension reform but have also expressed concerns on the dismantling of the tripartite institutional framework.
Slovakia, 2012	Reduction of contributions to funded private pillar (from 9% to 4%)	Trade unions supported the change. Representatives of employers opposed the lowering of contributions to the funded private pillar.

Involvement in changes affecting occupational schemes

As one could expect in relation to occupational schemes, social partners have played a much stronger role in adapting such schemes to the changing economic and demographic situation. In Norway and France, social partners have, for instance, introduced some changes in occupational schemes via collective bargaining.

In Norway, social partners have jointly reformed the occupational schemes for early retirement, known as AFP, via cross-sectoral collective bargaining (the AFP scheme in the private sector was negotiated in 2008 and the AFP in the public sector was negotiated as part of wage bargaining in 2009). Trade unions have successfully managed to maintain early retirement schemes and also avoided major changes concerning such schemes in the public sector.

In France, a national cross-sectoral collective agreement adopted in March 2013 (after four months of negotiations between trade unions and employers) has agreed an increase of contribution rates, as well as reduced pension increases, until 2016. The agreement was, however, not unanimously supported by social partners. The trade union, the General Confederation of Labour ([CGT](#)) refused to sign the agreement; the employers' organisation, the French Confederation of Management - General Confederation of Executives ([CFE-CGC](#)) expressed concerns at the fact that managers will contribute more than other categories of employees.

In addition, in Germany and the UK, social partners have contributed to making the case for further development of occupational schemes. In the UK, for example, where coverage of such schemes is still incomplete, the Pensions Act 2008, foreseeing the automatic enrolment for all employees in workplace pension schemes in the private sector (in companies of more than five employees) was adopted after being proposed by the social partners, as one of the recommendations from the 2005 tripartite Pension Commission. The Trades Union Congress, ([TUC](#)) however, later expressed concerns about the level at which the earnings threshold is being set for the increase in contributions to workplace pension schemes.

While the social partners have indeed played a role in adjusting occupational schemes, their autonomy is also constrained by the current economic context and developments affecting the sustainability of pension systems as a whole. In the UK and Ireland for instance, changes aiming to improve the sustainability of occupational pension schemes have been quite controversially adopted, despite the social partners' views:

In Ireland, [The Pensions Board](#), a statutory body, has issued new funding standards for defined benefit occupational pension schemes in 2012 (for example, a risk reserve will be required with effect from 1 January 2016). Although there was consensus among social partners on the need for minimum funding standards, social partners have criticised the final outcomes, and the Irish Business and Employers' Confederation ([IBEC](#)) considers that the current funding standard is 'draconian'.

In the UK in 2011, the government unilaterally adopted, as an austerity measure, a change of indexation in occupational pension schemes from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Trade unions have opposed this and, in October 2011, the Fire Brigades' Union ([FBU](#)), the teachers' union ([NASUWT](#)), the Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers ([POA](#)), the Public and Commercial Services Union ([PCS](#)), [Unison](#) and [Unite](#) secured a judicial review of whether the government could change the index basis without any consultation or negotiation. However, the High Court ruled in the government's favour.

At the time of drafting of this report, another reform of occupational pensions in the public sector is taking place in the UK. The Public Service Pensions Bill (expected to become law in 2013) forms part of the government spending review and its austerity measures. It is expected to increase contributions and to base the calculation of pensions on a person's average earnings over their career (as opposed to their final salary). The Confederation of British Industry ([CBI](#)) has largely welcomed the changes as a way of making schemes affordable and sustainable. However, trade union opposition has been very strong, with widespread industrial action. In response, the government has announced some concessions on the accrual rate – the percentage of salary earned as a pension every year – and will delay the full implementation of the reform by seven years.

Social partners' views on recent and future reform

As mentioned above, many of the recent pension reforms have been controversial and in most, if not all, European countries, social partners have expressed the view that recent reforms are short-sighted and will not solve the challenges faced by pension systems in the mid to long-term. The

following section explores the social partners' views on the sustainability and adequacy of pension systems after the recent series of reforms and provides examples of proposals from social partners for further reforms.

Sustainability of pension systems

The financial sustainability of pension systems obviously remains a much debated issue in Europe and is a concern for both trade unions and employers' organisations, although the latter have generally been the most active in voicing their concerns on the viability of pension schemes. In Cyprus and Greece, social partners find that the viability of pension funds is not guaranteed, especially in the light of current high unemployment rates. In Spain, employers have also argued that the deterioration of the economic context since the last pension reform (2010) requires additional reforms, while trade unions considered the last reform as going too far. In Poland, both employers and trade unions have claimed that recent pension reforms made by the government will not increase the efficiency of the pension system in the long term; employers' organisations and trade unions agree on the need to develop comprehensive pension reforms, although they hold different views on the issue of the retirement age and the scope of eligibility for early retirement.

In some countries, it has been reported that the incomplete collection of social contributions also undermines the viability of public pension systems. In Lithuania, according to the Lithuanian Confederation of Industrialists [LPK](#), some employers evade paying some of their social insurance contributions, which worsens the financial situation of the state social insurance fund. In Bulgaria, the weight of the informal economy is also considered as a significant challenge by trade unions who have argued for a criminalisation of the non-payment of employers' contributions, a proposal strongly rejected by employers' organisations.

Adequacy of pension systems

In a range of countries representing a variety of pension systems, trade unions have also stressed that pension levels remain an outstanding issue:

- In Greece, trade unions have warned that recent pension reforms will mainly result in old-age poverty.
- In Germany, the Confederation of German Trade Unions ([DGB](#)) has argued that the second and third pillar will not compensate for the decrease of the public pension levels. Social partners disagree about the means to provide an adequate pension level for all workers. The coalition government set up an ad hoc consultation (*Regierungsdialog Rente*) to debate reforms to secure adequate pension incomes, involving social partners, NGOs and insurers. However, neither trade unions nor employer organisations supported the ministry's final plans for reform, and these were later blocked due to opposition from coalition partners. While the DGB advocates a minimum pension scheme calculated using median earnings, the Confederation of Employers Associations ([BDA](#)) supports a tax-based minimum guarantee, taking into account only workers at risk of old-age poverty.
- In the UK, according to the TUC, an increasing number of people are expected to face inadequate pensions due to gaps in provision in the state pension system. Recent reforms, including the simplification of the state pension, will not address the issue of pensioner poverty. The TUC has also attracted attention on the difference between defined benefit and defined contribution schemes and, among the latter, between 'trust-based' defined contribution schemes where trustees have a duty to look after the interests of all scheme members and 'contract-based' defined contribution schemes provided by a private company.

- In Ireland, both [IBEC](#) and the Irish Congress of Trade Unions ([ICTU](#)) have expressed concern regarding the situation of some groups of workers who are retiring after January 2014 and who will not be eligible to a state pension.
- In Romania, the National Trade Union Confederation [Cartel Alfa](#) warned that the formula for calculating the value of a pension point has drastically cut the purchasing power of pensioners, already affected by austerity measures such as the increase of VAT and the contribution to health services and medications.

Views on pension reforms and labour market policies for older workers

As discussed in the recent Eurofound report, [Role of governments and social partners in keeping older workers in the labour market \(759KB PDF\)](#), trade unions and employers' associations generally agree that improving working conditions is essential to extending careers, although trade unions tend to put greater emphasis on enhancing work quality, while employers tend to highlight issues that affect the employment opportunities for older workers.

Social partners from various countries (and, in fact, trade unions from virtually all countries) have argued that, in order to support the increase of effective retirement ages, it is necessary to adopt labour market measures to facilitate longer careers (focusing on aspects such as working conditions, work ability, reduction of working hours and flexible working, promotion of lifelong learning, conciliation between work and family life) or measures to stimulate employment opportunities for older workers, including active labour market policies.

For example, in Austria, trade unions advocate the introduction of a 'bonus–malus' system penalising employers that dismiss older workers/long-term employees and rewarding those that hire workers above the age of 50. The federal organisation of social partners also proposed bonus payments for workers aged 60 and above who carry on working despite being eligible for early retirement.

In Slovenia, the employers' organisations [GZS](#), as well as [ZDS](#), have expressed concerns about the capacity of the economy to absorb large numbers of older workers and have called for greater stimuli, in the form of tax incentives, for companies to hire or retain older workers, as well as subsidies for continuous training.

Trade unions have also argued that, in addition to labour market policies, demographic policies are needed to counteract the long-term effect of low fertility rates (for instance in Poland and Malta) and emigration (in Latvia).

Views on further reforms of public pensions

Debates and proposals on further reforms of public pensions focus on the ways to raise the effective retirement age, the levels of pensions and the financing of public pensions through contributions. Trade unions tend to favour a status quo while employers have suggested more substantial reforms.

Raising the age of retirement

Views on how to raise the effective retirement age, and if this needs to be done through legislation, are generally mixed.

- In Germany, according to the Confederation of German Employers' Associations ([BDA](#)), retirement age should stay at 67 years (or should be extended to 70 years) while the Confederation of German Trade Unions ([DGB](#)) has argued that the pension age should be lowered to 65, provided that measures to improve the sustainability of public pensions are taken.

- In Belgium, the Federation of Belgian Enterprises ([FEB/VBO](#)) support the view that the effective minimum age to get pension benefits should be gradually raised, while trade unions will only agree if this is counterbalanced by adequate incentives for workers, and by company-level measures linked with work ability. To encourage longer careers, FEB/VBO want a different way of calculating years worked towards a pension to be introduced, with a bonus for years worked after the age of 60.
- In Finland, trade union representatives, unlike employers, have shown strong opposition to any increase in the current statutory age of retirement (63 years). However, since the Central Organisation of Finnish Trade Unions ([SAK](#)), agreed in February 2012 to discuss the topic with other social partners, the adoption of a tripartite pension has been back on the agenda (with its implementation planned by 2017). In this context, social partners have committed to carrying out a high-level survey on the earnings-related pension scheme.
- In Sweden, the Swedish Trade Union Confederation ([LO](#)) and the Confederation of Swedish Enterprises ([Svenskt Näringsliv](#)) agree that it is necessary to raise the pension age, but that simply raising the statutory retirement age will not solve the issue; improved working conditions are highlighted by both parties as a requirement for encouraging longer careers.
- In Austria, employers and trade unions agree that the effective retirement age needs to be increased and in order to achieve longer working lives it is necessary to adapt working conditions to workers' needs.

Early retirement

As for early retirement, trade unions advocate preserving existing schemes especially when these benefit employees engaged in strenuous work, while employers are more keen on limiting access to early retirement. In Belgium, for example, employers support the introduction of penalties for early retirement (and of bonuses that would encourage workers to extend their careers). In Bulgaria, employers' organisations call for the introduction of new and stricter criteria to regulate the use of early retirement rights.

Level of social contributions

Another controversial issue for social partners is the level of social contributions required to ensure the sustainability of the public pensions. For instance, in Belgium and Luxembourg, both sides have formulated opposing suggestions for further reforms; in Slovenia employers have argued that the contributions they pay to the statutory pension and disability insurance (10.55% of gross salary) are too high. In Germany, the Confederation of German Trade Unions ([DGB](#)) is highly critical of reductions in contributions and is campaigning for a continuous increase in contributions to a maximum of 22% to enrich the contingency reserve, while the the Confederation of German Employers' Associations ([BDA](#)) would prefer to see them lowered and argues that they should not exceed 22% until 2020.

In France, most of the trade union confederations (opposed to structural reforms of public pensions) argue for considering other sources of funding for pensions rather than social contributions shared between employers and employees. The level of pension contributions and their allocation between employees and employers is also much debated in Bulgaria; unions consider that the worsening financial conditions of the pension system are caused by low rates of social insurance contributions.

Level of pensions

Another controversial issue is the level of pensions:

- In Luxembourg, the Union of Luxembourg Enterprises ([UEL](#)), a leading employers' organisation, has suggested that excessively high pensions allocated to current pensioners should be reviewed.
- In Spain, employers suggest extending the reference period for calculating pensions over an entire career (rather than basing it on the final salary), which would, in practice, lead to lower compensation rates.
- In France, employers' organisations are calling for indexation freezes, which are opposed by trade unions.
- In Bulgaria, trade unions have suggested improving the adequacy of public pensions by guaranteeing a replacement rate of at least 65% and by re-establishing the 'Golden Swiss rule' (or indexation formula based on 50% of the Consumer Price Increase and 50% of the insurance income growth), suspended by the last government.
- In Estonia, the employers' organisations are arguing for a change in pension indexation systems in order to be able to reduce pension levels when the Consumer Price Index increases and social tax revenues decrease.

In some countries, such as France, Belgium and the UK, pension provisions for workers in the public sector are being debated among social partners and could be the subject of further reforms. For example in Belgium, employers' organisations consider that civil servants should have a similar pension regime to private sector employees, while trade unions suggest that the (more generous) regime applicable to civil servants should become the norm.

Views on the development of funded pensions

In those countries where governments have introduced a new pension pillar, social partners have often reacted with caution.

- In the Czech Republic social partners have pointed out the additional burden for employers and employees.
- In Romania, when the Minister of Labour recently said the government was preparing for a bill on occupational pensions, trade unions proposed abolishing compulsory private pension funds created in 2004.
- In Malta, there is an uneven level of support among social partners for the development of complementary pension provision

However in Lithuania, the development of private schemes is supported by social partners and, in this context, employers have called for a more extensive analysis of funded pension schemes and raising awareness among the general public on the pros and cons of different forms of pension schemes.

Views on further reforms of occupational schemes

Future development of occupational pensions is on the agenda of social partners in various countries in Europe. In those countries such as Norway, Germany and Ireland, where occupational schemes already play a very important role, social partners are pointing out different issues linked to these schemes (in terms of coverage, compatibility between schemes, and how to share the 'burden of risk' among employers, pensioners and scheme members) and call for different types of improvements:

- In Norway, employers' organisation, the Confederation of Norwegian Enterprise ([NHO](#)) has stated that past reforms of occupational schemes for employees in the public sector have been too limited. They argued that these schemes should be altered to create stronger incentives for longer careers; they also pointed out that occupational schemes in the public sector, which are

defined benefit schemes, are not very compatible with the private sector arrangements (defined contribution schemes), impeding mobility between sectors. Changes to public sector pensions are also opposed by trade unions. Such issues may arise on the bargaining and political agenda in the next years the Norwegian Confederation of Trade Unions ([LO](#)) wants to put occupational pensions on the bargaining agenda in 2014 for sector-wide collective agreements, whereas NHO argues that it should be dealt with at the company level, especially as the current early retirement scheme is to be renegotiated in 2018.

- In Germany, occupational pension schemes are seen as a success at the company level, while trade unions criticise the fact that they are not available equally in all occupations and that a social gap can be noted. The Confederation of German Trade Unions ([DGB](#)) wants employers' contributions to the occupational schemes to be mandatory, while employers suggest that the government should set up an interest group for occupational schemes with the Federal Finance Authority.
- In Ireland, social partners are arguing for a revision of the new funding rules and minimum funding standards for occupational pensions set by the Pension Board. In January 2013, the Irish Business and Employers' Confederation ([IBEC](#)), the Irish Congress of Trade Unions ([ICTU](#)) and the pensions industry jointly wrote to the Minister for Social Protection, to express the view that while priority should be given to the provision of a minimum level of pension to those who are retired, current workers and former workers who are not yet retired bear a 'disproportionate burden' of risk. IBEC had also separately called for an overhaul of funding standards for pension funds as they consider that these are too strict and might cause otherwise viable schemes to close.
- In the Netherlands, it is expected that the occupational pension system will change. While social partners should play a key role in shaping such changes as they own the sectoral pension funds, reaching an agreement could be difficult due to different expectations from stakeholders. Currently, sectoral pension funds offer defined benefits. Employers may therefore intend to shift risks to employees as pension funds have suffered losses in the context of the crisis, while trade unions attach more importance to guaranteed benefits, although they are increasingly aware of the tension between defined benefits and the long-term financial results of pension funds.

In countries where occupational schemes have limited coverage such as Belgium and Slovenia, proposals have also been made by social partners to strengthen their role.

- In Slovenia, cross-sectoral trade unions [ZSSS](#), [Alternativa](#), [Pergam](#) and [KSJS](#) and sectoral trade unions have stressed the necessity of a state guarantee for payments from mandatory occupational schemes, while the employers' organisation [GZS](#) and [ZDS](#) have highlighted the need to establish commissions to examine which professions should be included into these schemes.
- In Belgium, both sides agree to the need to develop further complementary pension provision. Several employers' organisations and some trade unions including the Belgium Confederation of Christian Trade Unions ([CSC/ACV](#)) support the extension of the second pillar pension to a larger number of workers. Employers' organisations advocate a reinforcement of the second pillar with respect to the first pillar, and propose developing a voluntary scheme while unions favour sectoral bipartite schemes.

Views on further reforms of individual private schemes

Trade unions and employers' organisations generally hold contrasting views on whether the third pension pillar should be further developed with a view to achieving sustainability and making pension systems adequate. Employers' organisations tend to support the further development of private pension schemes with a view to easing the burden on public pensions as well as filling

gaps in state pension provision. For example in Spain, employers propose developing private pension schemes, which currently play a limited role in pension provision, further, as a complement to the public pensions; in Belgium, employers support the introduction of further tax incentives for private pension scheme (while trade unions suggest dropping existing incentives) and similar debates are taking place in Italy. In Ireland, the Irish Business and Employers' Confederation ([IBEC](#)) has also warned of the lack of meaningful incentives for employees to save for retirement, while in Bulgaria, employers have stressed that it is necessary to create the conditions for competition between pension funds.

Meanwhile, in many countries, trade unions have argued that priority should still be given to public pensions. In Portugal, trade unions have strongly opposed the recent reforms which have led to a decline in the importance of the public pension system and complained that these changes broke with the compromise reached in the tripartite 2007 pension reform. In Slovenia, for example, the Association of Free Trade Unions of Slovenia ([ZSSS](#)) argued that many workers cannot afford to invest in secondary schemes and an erosion of state pensions at the expense of such schemes would thus weaken their pension protection.

In Sweden, the role of funded pensions and the number of national private pension funds is a controversial issue among social partners. While the Swedish Trade Union Confederation ([LO](#)) suggest a reduction in the number of national pension funds, the Confederation of Swedish Enterprise ([Svenskt Näringsliv](#)) consider this would make the system more sensitive to political interference.

Evidence collected for this report also suggests that some trade unions are also calling for some improvements to the functioning of private pension funds. In the Czech Republic, trade unions propose reforming the supplementary individual savings scheme so that state support can be granted for pension purposes. In Germany, the Confederation of German Trade Unions ([DGB](#)) stresses that:

- the pick-up rates of private pension schemes have stayed far behind initial expectations (and that low-wage earners particularly are hesitant to invest in private pension schemes);
- the administration and regulation of private pension funds is not sufficiently transparent;
- guaranteed interest rates are low.

Conclusions

In recent years, pension reform has, without doubt, been a hot topic for both governments and social partners throughout Europe. All European countries have experienced at least some form of change in their pension systems since 2008. The crisis has prompted a wave of pension reforms largely focusing on the sustainability of statutory pensions and on increasing the effective retirement age.

Employer organisations have generally been less engaged in debates on pension reform and forward about their views, but tended to support the principle of reforms in order to improve the financial sustainability of the pension systems. Trade unions, however, have generally shown strong opposition to pension reform, particularly in the absence of special protection for vulnerable groups of workers (such as those with strenuous jobs or individuals who started working at a young age) or accompanying measures to support the extension of working lives and combat age discrimination in the workplace. Across Europe, trade unions have generally resisted any proposal to increase the statutory retirement age. One of the key arguments made by trade unions against increasing statutory retirement age and the required length of contributions, discussed in more detail in the recent Eurofound report [Role of governments and social partners in keeping older workers in the labour market \(759KB PDF\)](#), are the difficulties faced by employees in remaining at work longer due to:

- unsatisfactory health conditions;
- poor working conditions;
- age discrimination;
- lower employability.

In addition, trade unions have also expressed concerns about pension levels and the move by many countries to freeze the indexation on pensions.

Although there has been no major change in the formal role of social partners in relation to pension systems in recent years, the influence of social partners (especially of trade unions) on actual reforms has definitely decreased during the crisis and recession. In respect of occupational schemes, where social partners necessarily play a more significant role, social partners have been more influential, but their autonomy is also constrained by the current economic context, which strongly conditions the performance of funded schemes and has a direct impact on the bargaining agenda. The vast majority of pension reforms taken in recent years concerned, however, statutory pay-as-you-go pensions. Such reforms have been adopted on the initiative of governments, while social partners had a marginal or relatively limited impact on final outcomes, except in a few countries where the crisis had less impact and where there is a strong tradition of tripartite negotiations. In Norway, Austria and Finland, social partners have been engaged in defining and negotiating proposals for reform.

The loss of influence of social partners can be linked to:

- the pressure for immediate reform;
- the fast pace of consultation;
- weakened ties between trade unions and political parties;
- more diffuse paths towards influence in (coalition) governments;
- the radicalisation (to a certain extent) of trade union positions in a difficult economic and social context.

Social partners, in general, have been quite critical of recent reforms (albeit for different reasons), which they considered ‘quick fixes’, and they have called for further improvements, not only in relation to the sustainability of pensions, but also to their adequacy, and often with opposing suggestions.

Commentary

Pension reform is likely to remain on the agenda in many European countries and could have serious negative consequences for the future of European social models.

Evidence collected for this CAR suggests that there is scope for much more significant involvement of the social partners in pension reforms in relation to the two main recommendations from the Commission’s [White Paper on Pensions \(303KB, PDF\)](#): balancing time spent in work and retirement and developing complementary pension provision.

Concerning the first objective, evidence collected for this report suggests Member States should adopt a much more comprehensive approach to ‘active ageing’ and ensure that the discussion and implementation of pension reforms take place in the wider framework of measures to encourage the extension of working lives. As evidenced in the Eurofound report, [‘Role of governments and social partners in keeping older workers in the labour market \(759KB PDF\)](#), while social partners in some countries (particularly Scandinavian ones), participate actively in implementing comprehensive strategies to encourage longer working lives, there is no well-established tradition of ‘active ageing’ policies in other parts of Europe (especially in central, eastern and southern

European countries). If they do exist, they have developed in a piecemeal fashion. In addition, these measures have typically not been directly connected to, or negotiated within, the framework of pension reforms. In most countries, debates on pension reforms launched by governments have actually paid little attention to the issue, resulting in fierce opposition from trade unions. Indeed, the main argument for trade unions to reject pension reforms is the lack of consideration for the working conditions of older workers. Reforms focusing exclusively on delaying the statutory retirement age beyond reasonable limits may not only fail to increase the average retirement age, but may also trigger a breakdown in social dialogue.

As for the second priority outlined in the Commission's white paper, evidence from this report shows there is still universal consensus for the development of statutory funded schemes and private individual pensions, in countries such as the Czech Republic, Romania and Malta. Furthermore, bipartite self-administered occupational schemes with a large coverage exist in only a few countries in Europe.

The Commission's report [Industrial relations in Europe 2012 \(4.4MB PDF\)](#) has pointed out that, in respect to the future involvement of social partners in pension reforms, the key question is, 'How far it is possible for the social partners to assume a self-regulatory role by means of negotiating occupational pensions', which calls for a genuine debate at national level.

Evidence collected for this report suggests that the following factors could encourage good practice in pension reform, and could contribute to make change more acceptable for all parties:

- adopting a holistic perspective, taking into account a variety of factors and possible solutions, going beyond simple 'parametric' reforms of statutory pensions;
- focusing on long-term goals, achieved through consensus and gradual change, while avoiding drastic or retroactive changes which do not allow employees and employers to adjust;
- ensuring sufficient flexibility of pension systems, taking into account the specific needs and situations of some groups of workers and professions.

An example of good practice in this area is Norway, where social partners have played a significant role in shaping the 2011 reform of statutory pensions, and have also renegotiated occupational pension schemes. The 2011 reform, which aimed at making the pension system more flexible and encouraging older employees to continue working after retirement age, for example by combining employment and part-time retirement, is closely interrelated with the development of 'senior policies' to encourage longer careers.

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