SWEDISH PARLIAMENT

ADMINISTRATIVE OFFICE OF THE SWEDISH PARLIAMENT

SECRETARY GENERAL OF THE SWEDISH PARLIAMENT

18 November 2010

To the European Commission
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The Swedish Parliament has referred the Commission's *Green Paper towards adequate, sustainable and safe European pension systems,* (SEC(2010) 365), to the Social Insurance Committee for review.

The Committee reported on its review of the Green Paper to the Chamber in its statement 2010/11:SfU5. A decision on the statement was taken on 17 November 2010.

The statement is attached.

Kathrin Flossing
Secretary General
of the Swedish
Parliament

Statement of the Social Insurance Committee 2010/11:SfU5

Green Paper towards adequate, sustainable and safe European pension systems

Summary

In this statement the Committee responds to the European Commission's Green Paper towards adequate, sustainable and safe European pension systems (SEC(2010) 365).

The Green Paper states that the demographic trend of an increasingly old population in Europe combined with the financial crisis has proven the importance of adequate, sustainable and safe pension systems in the EU. The purpose of the Green Paper is to initiate a European debate about the structure of pensions of the future in order that these objectives be achieved. The purpose is also to investigate how the EU can support Member States in their work to achieve the objectives.

The Commission has asked all parties concerned to respond to the questions posed in the Green Paper and to submit any supplementary comments by 15 November 2010 at the latest.

In its review of the Green Paper, the Committee has found that the Commission's analysis of the consequences for pension systems of the economic and financial crisis and the demographic trend represents a valuable contribution with a view to initiating a European debate on pensions of the future. The Committee shares the Commission's perception that the current trend, which includes an ageing population and early retirements, is untenable and that Member States must do more to achieve more effective, safer pension systems. The Committee believes, however, that it is absolutely each Member State's responsibility to structure and define the content of its own pension system that the open method of coordination is an instrument that is both suitable and fully adequate to support Member States in their work to reform their pension systems. According to the Committee it is, however, appropriate for the EU to work actively via the sharing of knowledge and experiences within this framework to support Member States' efforts to achieve pension systems that are sustainable in the long term and, equally importantly, adequate.

This case includes a special statement (Left Party).

Contents

The Committee’s proposal for Parliament’s Decision

Green Paper on pensions

The Swedish Parliament adds the statement to the documents.

Stockholm, 4 November 2010

On behalf of the Social Insurance Committee

Gunnar Axén

The following members were involved in the decision: Gunnar Axén (Moderate), Mikael Ceder-bratt (Moderate), Fredrik Lundh Sammeli (Social Democrat), Lars-Arne Staxäng (Moderate), Eva-Lena Jansson (Social Democrat), Finn Bengtsson (Moderate), Kurt Kvarnström (Social Democrat), Ulf Nilsson (Liberal), Shadiye Heydari (Social Democrat), Jasenko Omanovic (Social Democrat), Saila Quicklund (Moderate), Gunvor G Ericson (Green), Emma Henriksson (Christian Democrat), Annelie Karlsson (Social Democrat), Per Ramhorn (Sweden Democrats), Christina Höj Larsen (Left) and Abir Al-Sahlani (Centre).

Account of the case

In accordance with chapter 10, Section 4 of the Swedish Riksdag Act, the Commission’s *Green Paper towards adequate, sustainable and safe European pension systems*, (SEC(2010) 365), has been referred to the Social Insurance Committee for review and a written statement.

In the Green Paper the Commission asks parties concerned to respond to a number of questions and to submit any supplementary comments by 15 November at the latest.

The memo entitled Green Paper on pensions (2009/10:FPM116) was sent to the Swedish Parliament from the Government Offices of Sweden.

The Government, which consulted with employees’ organisations and pensioners’ organisations about the Green Paper on 20 and 21 October 2010 respectively, intends to submit a statement to the Commission on 15 November 2010.

The Committee's considerations

Existing arrangements

The social insurance benefits that a State offers its citizens, together with the level of these benefits, is a national matter. The EU does not therefore have the competence to harmonise the social insurance systems of Member States. This is regulated in the Treaty of Lisbon, which entered into force on 1 December 2009, in Article 153 of the TFEU, see also below.

There are, however, EU rules that coordinate national social insurance systems in order that people who move between Member States are not adversely affected in terms of their right to social security, and also to prevent these people from accruing duplicate benefits.

Article 48 of the TFEU contains the fundamental principles on the merging and exportability of social benefits, and thus forms the basis of secondary legislation in the area of social insurance. A decision to coordinate the national social insurance systems has been made by the European Parliament and the Council in accordance with the ordinary legislative procedure, i.e. by a qualified majority of the Council. The rules on coordination at Community level are contained in Regulation (EC) No 883/2004 on the coordination of social security systems and in Implementing Regulation (EC) No 987/2009. These regulations replaced two previous regulations on 1 May 2010. The new Regulation No 883/2004 covers all EU citizens who are resident in a Member State and are subject to or have been subject to the legislation in one or more Member States (Article 2). This also means that people who are not in work are now covered by the regulation. As before, the regulation also covers stateless persons, family members and surviving dependents.

In addition to the rules on coordination of national social security systems, there is a basis in the Treaty for cooperation by Member States in the social area. Article 151 of the TFEU states that it shall be an objective of the Union and Member States, *inter alia*, to achieve proper social protection and to combat social exclusion.

According to Article 153, in order to achieve the objectives of Article 151 the Union shall support and supplement the activities of Member States in areas such as social security and social protection for employees, as well as efforts to combat exclusion and the modernisation of systems of social protection. To this end, *the European Parliament and the Council* can decide on measures that are intended to promote cooperation between Member States by means of initiatives that aim to increase knowledge, develop the sharing of information and tried and tested experiences, promote innovative approaches and evaluate experiences, with the exception of measures involving the harmonisation of Member States' laws or other constitutions. The European Parliament and the Council make decisions on this in accordance with the ordinary legislative procedure except in the case of matters such as social security and social protection for employees, where the Council shall decide unanimously after having heard the European Parliament and others. It is also stated that the provisions adopted under this article shall not affect the acknowledged right of Member States to define the fundamental principles of their social security systems, shall not significantly affect the financial equilibrium in them and shall not prevent any Member State from retaining or introducing any more far-reaching protective measures that are compatible with the Treaty.

It is prescribed in Article 156 that *the Commission* shall promote cooperation between Member States and help them to coordinate their measures, especially in areas such as social security. To this end, the Commission shall, in close contact with Member States, conduct investigations, issue statements and organise consultation both with regard to problems that arise at a national level and with regard to problems that affect international organisations, especially by means of initiatives to define guidelines and indicators, to organise the sharing of best practice and to structure the elements required for regular monitoring and evaluation.

The main content of the Green Paper

Introduction

The Commission emphasises at the beginning that Member States are responsible for their own pension systems and that the Green Paper is not questioning Member States' prerogatives in pensions or the role of social partners.

Some common themes do, however, need to be addressed in a coordinated way such as the functioning of the internal market, the requirements of the Stability and Growth Pact, or ensuring that pension reforms are consistent with the Europe 2020 strategy. Sound and adequate pension systems, enabling individuals to maintain, to a reasonable degree, their living standard after retirement, are crucial for citizens and for social cohesion. Furthermore, the impact of public pension expenditure on public finances in one Member State may have serious repercussions in others. According to the Commission, the aim of the Europe 2020 strategy, which is to achieve an employment rate of 75%, requires employment rates significantly higher than the present levels in the 55 to 65 age group.

After 10 years of reforms that have changed the pension systems in most Member States, the Commission now believes that a thorough review is needed of the EU framework. The population has aged more quickly than expected, and the latest financial and economic crisis has had major consequences for budgets, the capital markets and companies. There have also been wide-ranging structural changes, e.g. new relations between different generations, the transition from distribution-based systems to funded pension systems and increased risks for individual persons.

The biggest challenges

Demographic ageing

Over the last 50 years the expected lifespan has increased by about five years in the EU. The latest population forecasts indicate that an additional increase of about seven years may take place by 2060. This, combined with low birth rates, may lead to a dramatic change in the age distribution in the population. As a consequence of this, the old-age dependency ratio will double. At present there are four people of working age for every person over 65. By 2060 there will be just two people of working-age for every person over 65.

Other long-term trends in the labour markets are that people are starting their full-time working lives later because of the increased need for education and retiring earlier due to the prevailing practice for various ages in the labour market and prevailing policies. Even if the trend towards early retirement has started to reverse, most people, women in particular, are still leaving the labour market well before the normal pensionable age of 65.

According to the Commission, the current trend is untenable. Unless people, as they live longer, also stay longer in employment, either pension adequacy is likely to suffer or an unsustainable rise in pension expenditure may occur. While reforms have already significantly reduced the impact of ageing on future pension costs, age-related public expenditure is still set to increase overall by almost five percentage points of GDP by 2060. According to the Commission, half of this increase is due to spending on pensions.

Funded pension systems could also be affected by demographic ageing. Ageing societies reduce the potential growth rate of the economy, implying lower real rates of return, which could also affect the value of financial assets. Such potentially lower returns on pension fund investments may lead to higher contributions, lower retirement benefits, increased capital outflows to emerging markets or greater risk taking.

Against the background of demographic ageing, the 2001 Stockholm European Council agreed a strategy for dealing with the impact on public budgets. The strategy is based on reducing debt rapidly, raising employment rates and productivity, and reforming pension, healthcare and long-term care systems. The 2001 Laeken European Council also agreed a set of common objectives for pensions, emphasising the need to make them adequate, sustainable and adaptable.

Changes in pension systems

While Member State systems differ markedly, a majority have been adapted so as to put them on a more sustainable footing over the past decades. According to the Commission, the reforms have led to an increase in effective retirement ages and paved the way for delivering adequate pensions in the long term. At the same time, they have given and will continue to give rise to greater individual responsibility for pension outcomes. Future pension adequacy will rest on a combination of returns in financial markets and labour markets delivering opportunities for longer and less broken contributory careers. To strengthen social cohesion, a number of Member States may want to address outstanding issues such as minimum pensions, coverage of atypical workers and crediting of some involuntary employment breaks, for example when caring for frail dependents.

The reformed pension systems increase adequacy risks for a considerable number of workers. Net replacement rates will decline in many Member States, though the starting position and the degree of reduction vary significantly. Delayed labour market exits may counteract such a decline.

Impact of the financial and economic crisis

According to the Commission, the financial and economic crisis has seriously aggravated the underlying ageing challenge. Higher unemployment, lower growth, higher national debt levels and financial market volatility have made it harder for all systems to deliver on pension promises. Private schemes can relieve some of the pressure on public pension provision. However, increasing reliance on private schemes has fiscal costs, given the widespread practice of providing tax incentives during the accumulation phase. The costs of tax relief can be considerable and its effectiveness and redistributive impacts questionable.

The scale of fiscal deterioration following the crisis is equivalent to offsetting 20 years of fiscal consolidation, implying that fiscal constraints will be very strong in the next decade. Estimates suggest that the crisis will put further pressure on public pension spending over the long-term because economic growth is set to be considerably lower and there is great uncertainty as to the timing of the full recovery. The crisis will also have a serious impact on future pensions as many workers will have lost their jobs and have been unemployed for a certain period and others might have had to accept lower earnings or shorter working hours.

Priorities for modernising pension policy in the EU

Adequate, sustainable pensions

Most reforms of pension systems so far have been aimed at improving sustainability. According to the Commission, further modernisation of pension systems will be needed to address adequacy gaps. As public pension replacement rates in most cases will decline, it is important to provide sufficient opportunities for complementary entitlements, e.g. enabling longer working lives and increasing access to supplementary pension schemes. The lack of compensatory crediting for periods of unemployment, sickness or caring duties can also lead to gaps, as can lack of coverage of vulnerable groups, such as short-term contract and atypical workers, or insufficient minimum pension guarantees or income provision for older people. This does, however, raise questions about financing.

Many pension reforms have contributed to limiting the increase in future public pension spending, but according to the Commission additional steps are urgently needed to put systems on a more sustainable footing, thereby contributing to the long-term sustainability of public finances, notably in countries where future public pension spending is projected to be high. Failing to take resolute policy action to enhance long-term sustainability will push the burden of adjustment forward, either to future workers or to future pensioners.

In the light of this, *the Commission asks* how the EU can support Member States' efforts to strengthen the adequacy of pension systems and whether the EU should seek to define better what an adequate retirement income might entail. The Commission also asks whether the existing pension framework is sufficient to ensure sustainable public finances.

Achieving a sustainable balance between time spent in work and in retirement

Currently, about one third of adult life is spent in retirement. According to the Commission, this share will increase substantially with future gains in life expectancy unless the length of working life increases and people retire later. Less than 50% of people are still in employment by the age of 60. This goes against Member State commitments at the Barcelona European Council, where agreement was reached to postpone the age at which people stop working by five years. It is also inconsistent with the objective of reaching the Europe 2020 strategy target of an employment rate of 75%, and impacts negatively on growth potential.

Key measures enabling older workers, both women and men, to remain longer in the labour market would include access for all, irrespective of age, gender and ethnicity, to labour markets, to training and disability adjustments. These measures could involve adapting social and financial incentives to work, including Member States examining the role of their tax rules. Other measures could include adjusting age management, working arrangements and attitudes in labour markets and at workplaces, and considering conditions for older self-employed workers. In order to achieve more sustainable and adequate pensions, it is important that workers, and very often younger ones, spend more time in jobs with wages and working hours entitling them to future pension rights.

The Commission asks how a higher effective retirement age may best be achieved and how an increase in the pensionable age could contribute. The Commission also asks whether automatic adjustment mechanisms related to demographic changes should be introduced in pension systems in order to balance the time spent in work and in retirement, and what role the EU level could play in this regard. The Commission also asks how the implementation of the Europe 2020 strategy can be used to promote longer employment, its benefits to business and to address age discrimination in the labour market.

Removing obstacles to mobility in the EU

The Commission states that policies and regulation need to facilitate the free movement of production factors, notably labour and capital, so as to utilise resources efficiently and create favourable conditions to maximise incomes. Greater flexibility in job mobility supports the adjustment capacity of the economy and at the same time strengthens the European social model. Unleashing the full potential of the single market could bring significant benefits for all citizens.

The adoption of the Directive on Institutions for Occupational Retirement Provision (IORP) in 2003 was a major achievement. But this Directive only covers those funded pensions that are occupational in nature and not even all occupational schemes fall under its scope (e.g. book reserve schemes are excluded). Initial experiences have shown that there are still considerable barriers to cross-border activity. These barriers prevent the full realisation of efficiency gains arising from economies of scale and competition, thereby raising the cost of pensions and restricting consumer choice.

EU regulations on the coordination of social security systems have been protecting pension rights of mobile EU citizens and their family members for the past 50 years. The new Regulations (EC) No 883/2004 and (EC) No 987/2009 are, however, limited to statutory and occupational pension schemes where rights are based on legislation. Recent national reforms as outlined above may thus require an extension of the coordination regulations and minimum standards to improve mobile workers' access to supplementary pension rights within and between Member States.

The Commission proposed a Directive in 2005 to set minimum standards for the acquisition, preservation and transferability of supplementary pension rights. The proposal was revised by the Commission in 2007 to drop the transferability element, which had been opposed by some as technically difficult and potentially burdensome or open to abuse. This left the emphasis on the timely acquisition of pension rights and their subsequent preservation. However, it has still not been possible to achieve the unanimity needed in the Council to pass the Directive.

The Commission asks how the IORP Directive should be amended to improve the conditions for cross-border activity, and also what the scope should be of schemes covered by EU level action to remove obstacles for mobility. The Commission also asks whether the EU should look again at the issue of transfers or whether minimum standards on acquisition and preservation plus a tracking service for all types of pension rights would be a better solution.

Safer, more transparent pensions with better awareness and information

As pension systems move from simple to complex pension packages, the fragmented and incomplete character of the present EU framework may no longer be sufficient. According to the Commission, reforms have led to some funded pension schemes, both public and private, being covered by EU regulation in some Member States but not in others, similar pension schemes being covered by different EU rules and the existence of unclear boundaries between social security schemes and private schemes, between occupational and individual schemes and between voluntary and mandatory schemes. The trend away from defined benefit schemes to defined contribution schemes is also continuing. Today, nearly 60 million Europeans are enrolled in defined contribution schemes. But a key implication is that they shift the investment, inflation and longevity risks to scheme members, who are less well placed to bear these risks individually. According to the Commission, international discussions raise the question whether current EU regulation is able to cope with the shift towards direct contribution schemes.

The IORP Directive's minimum prudential requirements include solvency rules for direct benefit schemes. With the entry into force of the Solvency II Directive in 2012, insurance undertakings will be able to benefit from a three-pillar, risk-based solvency regime. The question is whether this new regime should also apply to IORPs. There is little agreement among stakeholders, partly reflecting the difference in the ways occupational pensions are delivered.

According to the Directive on the protection of employees in the event of the insolvency of their employer, employees' rights in supplementary pension schemes shall be protected when an employer becomes insolvent. Member States are not, however, obliged to finance rights nor to provide complete guarantees, which means that there is tremendous scope for negotiation with regard to the scope and nature of the protection. The IORP is also not applicable to companies with pension plans that are based on provisions in their accounts to pay pension benefits to employees.

According to the Commission, the trend towards direct contribution schemes underlines the need for transparent and clear communication. Shifting choice and responsibility to the individual requires that people understand the information in order to make informed choices, especially as pensions have become more complex. For example, with the growing importance of direct contribution schemes, people need to make informed decisions about investments.

In the light of this, *the Commission asks* whether current EU legislation needs reviewing to ensure consistent regulation and supervision of funded (i.e. backed by a fund of assets) pension schemes and products, and also how EU legislation or a code of good practice could help Member States achieve a better balance for pension savers and pension providers between risks, safety and affordability. The Commission also asks what an equivalent solvency regime for pension funds should look like, and whether the protection provided by EU legislation in the case of the insolvency of pension sponsoring employers should be enhanced, and if so how. The Commission also asks whether there is a case for modernising the current minimum information disclosure requirements for pension products (e.g. in terms of comparability, standardisation and clarity), and whether the EU should develop a common approach for default options about participation and investment choice.

Enhancing governance of pension policy at EU level

Whilst Member States generally are responsible for the design and organisation of their pension systems, some specific areas relating to pensions fall directly within the EU's competencies. Member States have also recognised that acting together can be more effective and efficient and that the EU level can add value, not least since the challenges are similar across the EU and reform polices need to be consistent with existing frameworks such as the Stability and Growth Pact and the Europe 2020 strategy.

As part of this strategy, the EU contributes with measures such as surveillance, coordination and mutual learning. Examples include best practice sharing, peer reviews, agreeing objectives and indicators, and gathering comparable statistics. EU regulation covers social security coordination of public pensions, rules for occupational pension funds, portability and the protection of supplementary pension rights in the event of the insolvency of the employer, as well as rules for life assurance undertakings.

The Commission asks whether the policy coordination framework at EU level should be strengthened. If so, which elements would then need strengthening in order to improve the design and implementation of pension policy through an integrated approach? Would the creation of a platform for monitoring all aspects of pension policy in an integrated manner be part of the way forward?

Provisional Swedish position, etc.

The memo entitled Green Paper on pensions (2009/10:FPM116) states that the Government takes a positive view of the Commission presenting this Green Paper, which according to the Government highlights major challenges for the future. Many of the EU's Member States have implemented pension reforms, but additional pension reforms will be necessary, partly in the light of much weaker public finances and the demographic trend. The Government believes that the focus areas in the Green Paper are in line with Swedish pension systems and the discussion that has taken place here. In principle, however, the Government believes that it is important that the open method of coordination continue to apply for pensions and that national conditions govern how systems are structured. It is, however, important to have harmonised regulation of undertakings active in the pension market, as a stronger internal market has potential welfare gains. The Government would also like to underline the responsibility of social partners for the structure of Swedish occupational pension schemes.

The Government, which consulted with employees' organisations and pensioners' organisations on 20 and 21 October 2010 respectively, intends to submit a statement to the Commission on 15 November 2010.

The Committee's statement of position

The Committee would like to start by re-stating the fact that one of the purposes of committees' statements on, *inter alia*, green papers and whitepapers is to generate debate and to increase publicity surrounding the work of the EU. The purpose of the Committee's review of the Green Paper is thus not to make a statement to the Commission. The Committee therefore sees no reason to respond to the Commission's questions in detail.

As regards the Green Paper, the Committee would like to start by emphasising that the Commission's analysis of the consequences for pension systems of the economic and financial crisis and the demographic trend represents a valuable contribution to a European debate on pensions of the future. The Committee shares the Commission's perception that the current trend, with factors including an ageing population and early retirements, is untenable and that Member States must do more to achieve a more effective, safer pension system. The importance of pension systems for public finances and the internal market without frontiers with free mobility of goods, services, capital and people cannot be overstated. Sweden does, however, find itself in the favourable situation of having undertaken a fundamental reform of the pension system so that it has been made more adaptable to the socioeconomic and demographic trend. The reformed system, which is based on the lifetime income principle, is also a defined contribution system, in contrast to the previous ATP scheme, which was a defined benefit system, with the exception of basic cover that is financed by taxes. A small part of the pension is based on invested funds, which means that the nature of the investment is determined by the individual saver, who decides which funds are to manage the investment.

The Commission is not questioning the competencies of Member States as regards pensions, i.e. the structure and content of Member States' pension systems is a national matter. However, the way that certain questions are formulated indicates that the Commission is not opposed to a degree of reinforcement at EU level as regards the matter of pensions. The Committee's view on this question is clear, and in this respect there is unity among all parties in the Swedish Parliament, namely that it is absolutely each Member State's responsibility to structure and define the content of their own pension system. The Committee cannot therefore accept an extension to or reinforcement of the EU level. Any attempt by the EU to define in more detail, for example, what adequate pension income entails, cannot therefore by supported by the Committee.

The Committee has already set outs its position on this matter in its statement to the Committee on Constitutional and Foreign Affairs in response to the Government's communication 2003/04:13 European convention on the future of the EU. The Committee stated then (see 2003/04:SfU2y) that the principles of non-discrimination and equal treatment of EU citizens as well as requirements for the equal treatment of women and men definitely influence the structure of social insurance systems, but that the actual structure and content of Member States' social insurance systems is a national matter. It was the Committee's opinion that in certain parts of the EU there were tendencies to want to transfer matters relating to national social security systems to decision-makers within the Community. The Committee therefore emphasised that the matters relating to the social dimension when discussing a joint strategy to modernise social security involve cooperation between the individual Member States.

The Committee then re-stated that the matter of the structure of social insurance systems is a national matter, see *inter alia* the Committee's statement to the Committee on Foreign Affairs about the Treaty of Lisbon (2008/09:SfU2y) as well as the Committee's statement to the Committee on Finance about EU 2020 – A strategy for smart and sustainable growth for all (2009/10:SfU2y). In the latter statement the Committee stated that the overarching objectives of the Strategy must be relevant and voluntary, i.e. structured with respect for Member States' competencies in the area. The Committee considered, in line with the Government, that the open method of coordination, which is based on cooperation between states and thus involves no harmonisation of legislation, is a suitable method.

According to the Committee the open method of coordination, which is a method of increasing knowledge, developing the sharing of information and tried and tested experiences, promoting innovative approaches and evaluating experiences, is an instrument that is both suitable and fully adequate to support Member States in their work to reform their pension systems. The Committee is nevertheless of the opinion that it is appropriate that the EU work actively within this framework to support the efforts of Member States to achieve adequate, sustainable pension systems.

One of the starting points for this work should then be to increase the employment rate, which according to the content of the Green Paper is a long way from the target of 75% in the 55-65 age group. An increase in the employment rate is closely associated with the issue of gender equality. If women are given the same conditions as men in terms of full-time jobs and terms of payment, it would be possible to reduce the impact on the pension systems while at the same time giving pensioners a reasonable standard of living.

In other respects the Committee shares the Government's perception that it is important to have harmonised regulation of undertakings active in the pension market, as a stronger internal market has potential welfare gains. As is stated in the memo entitled 2009/10:FPM116, the Committee wishes to emphasise the responsibility that the social partners have for the Swedish occupational pension system.

Special statement

Green Paper on pensions (Left Party)

Christina Höj Larsen (Left) states:

We share in full the Committee's assessment that it is absolutely each Member State's responsibility to structure and define the content of their own pension system and that an extension to or reinforcement of the EU level cannot be accepted. We would like to add the following.

The Green Paper mentions that many countries have moved from a defined benefit system to a defined contribution system. The financial risks are thus transferred from the State to the individual. Sweden's experiences highlight the system's shortcomings, not least after the last financial crisis. Pensions have not been safe, indicated by the fact that they lost value. This also means that the financial crisis has been accentuated, as the pension system has not acted as a stabiliser. The crisis also caused changes in the calculation system, with the effect that the reduction in pensions was smaller during the election year 2010 than it would otherwise have been. The overall reduction remained, however, it was simply deferred for longer. The pension system therefore failed to cope with the first economic crisis to which it was exposed. The Swedish pension system also led to a reduction in public saving. The system also discriminates systematically against women in the way that it calculates the earning of pension rights. Lessons should be learned from these current experiences.

The Green Paper deals with various aspects of the labour market. There are problems that mean that many people may receive low pensions. These apply, for example, to various kinds of atypical jobs, temporary jobs and part time jobs. It is extremely important that the labour market be structured so that citizens have greater opportunities to earn pension rights. There should therefore be more opportunities for full time, permanent employment. Pension rights should apply from the first day of work, whatever the nature of employment. There should also be more opportunities for people to work by such means as providing access to childcare at different times and individual parental insurance. The conditions faced by women *de facto* at work and in life in general must form a starting point when structuring a pension system.

We believe that labour law and employment protection must be improved to provide, *inter alia*, adequate pensions. Any compromises to labour law must therefore be rejected and the free right to negotiation be secured for parties in the labour market. Social dumping should also be resisted and the effects of the so-called Laval Case nullified.

We also believe that agreed pensions should have unrestricted validity. The EU should therefore deal with the issue of the right to transfer pension capital.

Attention must also be paid to issues relating to the working environment for older people, e.g. the opportunity to work flexible hours. Many people over the age of 60 have chronic illnesses. If terms of employment are adapted and there is good work on the working environment, there can greater opportunities to continue in work. Life-long learning must be available to all. Proposals to facilitate redundancies, however, must be rejected. Furthermore, obstacles to jobs for people with functional impairments must be removed, and this may further increase mobility throughout the EU's labour market.

Finally, the central issue of general growth in employment should be considered. A proactive economic policy is needed to increase activity in the economy. Unutilised resources do not create growth and thereby sustainable, adequate pensions. Growth in employment must be the overarching objective of economic policy. The individual's job is crucial for his or her own pension, and employment and unemployment in the nation as a whole is crucial for the development of pension levels in the longer term.

ANNEX

List of proposals considered

Green Paper towards adequate, sustainable and safe European pension systems, SEC(2010) 365.

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