

Green Paper "Confronting demographic change: a new solidarity between the generations"

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Please specify the name of your organisation or institution European Association of public sector pension institutions (EAPSPI) (www.eapspi.org)	
Country where your organisation is based DE - Germany	
Explanation	
<ul style="list-style-type: none"> • Do you take the view that the discussion of demographic trends and managing their impact should take place at European level? • If so, what should be the objectives, and which policy areas are concerned? <p>EAPSPI believes that the described demographic change will concern a wide range of aspects of the daily life and thus be a major challenge for all EU Member States. This defy is not to be underestimated since each demographic change with its consequences is a result of a long-term evolution which is difficult to influence within a short or mid-term horizon. Since EAPSPI represents pension institutions of the public sector, statements are only given to aspects dealing with the pension area. Thus, EAPSPI mainly refers to experience gathered in the pension schemes of its members.</p>	
1. The challenges of European demography	
1.1. The challenge of a low birth rate	
<p><i>Over many years, the Union has been making considerable efforts to achieve equality between men and women and has coordinated national social protection policies.</i></p> <ul style="list-style-type: none"> • How can a better work/life balance help to tackle the problems associated with demographic ageing? • How can a more balanced distribution of household and family tasks between 	

men and women be encouraged?

- Should the award of certain benefits or advantages (leave, etc.) be linked to an equal distribution of tasks between the sexes? How best to ensure an adequate income for both parents on parental leave?
- How can the availability of child care structures (crèches, nursery schools, etc.) and elderly care structures be improved by the public and private sectors?
- Can a reduced rate of VAT contribute to the development of care services?
- How can parents, in particular young parents, be encouraged to enter the labour market, have the career that they want and the number of children they want?

1.2. The possible contribution of immigration

The Thessaloniki European Council in June 2003 declared that an EU integration policy for immigrants should help to meet the new demographic and economic challenges currently facing the EU. This is the debate initiated by the Green Paper adopted last January.

- To what extent can immigration mitigate certain negative effects of demographic ageing?
- What policies should be developed for better integrating these migrants, in particular young people?
- How could Community instruments, in particular the legislative framework to combat discrimination, the structural funds and the Employment Strategy, contribute?

2. A new solidarity between the generations

2.1. Better integration of young people

European objectives have been laid down for the prevention of long-term youth unemployment, combating early school leaving and raising the level of initial training. The structural funds help to attain them at grass roots level.

- How can initial training and adult training schemes be improved? What can non-formal education and voluntary activities contribute? How can the structural funds and the instruments for achieving better access to the knowledge society contribute?
- How can the bridges between school and working life and the quality of young people's employment be improved? What role should social dialogue play? What can dialogue with civil society, in particular youth organisations, contribute?

- How can Community policies contribute more to combating child poverty and poverty among single-parent families and to reducing the risk of poverty and exclusion among young people?
- What forms of solidarity can be fostered between young people and elderly people?

2.2. A global approach to the "working life cycle"

In order to foster the transition to a knowledge society, EU policies promote the

modernisation of work organisation, the definition of lifelong learning strategies, the quality of the working environment and “active ageing”, in particular raising the average retirement age. Demographic changes reinforce the importance of these policies, whilst raising new questions:

- How can the organisation of work be modernised, to take into account the specific needs of each age group?
- How can young couples' integration in working life be facilitated and how can we help them to find a balance between flexibility and security to bring up their children, to train and update their skills to meet the demands of the labour market? How can we enable older people to work more?

- How can work organisation best be adapted to a new distribution between the generations, with fewer young people and more older workers?
- How can the various stakeholders in the Union contribute, in particular by way of social dialogue and civil society?

2.3. A new place for “elderly people”

The European coordination of retirement scheme reforms is promoting more flexible bridges between work and retirement.

- Should there be a statutory retirement age, or should flexible, gradual retirement be permitted?
- How can elderly people participate in economic and social life, e.g. through a combination of wages and pensions, new forms of employment (part-time, temporary) or other forms of financial incentive?
- How can activities employing elderly people in the voluntary sector and the social economy be developed?
- What should be the response to pensioner mobility between Member States, in particular with regard to social protection and health care?
- How should we be investing in health promotion and prevention so that the people of Europe continue to benefit from longer healthy life expectancy?

Should there be a statutory retirement age, or should flexible, gradual retirement be permitted? Bearing in mind the principle of sustainable pensions in a context of sound public finances, as set up in the open method of coordination, any rules of flexible or gradual retirement should not have any negative effect on the financial situation of the concerned pension scheme. Thus, measures have to be found in order to keep the balance between the financial sustainability of the concerned scheme and more flexibility as to the retirement age. EAPSPI believes that flexible and / or gradual retirement rules can principally be considered as an adequate tool to deal with the demographic challenges as described in the Green paper. In this context, the Finnish legislator has undertaken a reform of the pension scheme, coming into force at the beginning of this year. Old-age pensions can now be claimed on one's own initiative between 62 and 68. If a person retires between 63 and 68 he / she receives the accrued pension without any abatement for early retirement. For persons aged 62 to 63, there is an abatement of 0.6 % for each month that the pension is taken early. If a person continues to work after reaching the age of 68, the pension will be increased by 0.4 % for each month that the pension is taken at a later moment. Since the Finnish reform came into force only from the beginning of this year, there are no reliable data available, whether this new possibility to choose one's own retirement age will postpone the average age of retirement. The current experience is that there are many people who want to retire at the age of 63. But there are also employees who want to continue to work a little bit longer than their earlier retirement age was. After this reform, pension accrues 1.5 % per year between 18 and 53 years, 1.9 % per year from 53 to 62 and after 63 even 4.5 % per year without any ceiling for the pension. Thus a longer work-period will increase the amount of the later pension. In Finland, it has been possible already for several years to go to the part-time pension after reaching the age of 58. The aim of this pension was that when a person decreases gradually its working time, it would work longer. In the recent years, the part-time pension has been very popular. Yet this possibility has not, at least until now, postponed the average retirement age for the old-age pension.

2.4 Solidarity with the very elderly

The coordination of national social protection policies is due to be extended to long-term care for the elderly in 2006. How can this help to manage demographic change?

- The coordination of national social protection policies is due to be extended to long-term care for the elderly in 2006. How can this help to manage demographic change?
- In particular, should a distinction be drawn between retirement pensions and dependency allowances?
- How do we train the human resources needed and provide them with good quality jobs in a sector which is often characterised by low salaries and low qualifications?
- How do we arrive at a balanced distribution of care for the very old between families, social services and institutions? What can be done to help families? What can be done to support local care networks?
- And what can be done to reduce inequality between men and women when they reach retirement age?

- How can new technologies support older people?

1. Should a distinction be drawn between retirement pensions and dependency allowances? EAPSPI is in the opinion that such a distinction has to be maintained. Retirement pensions and dependency allowances are different kinds of benefits. Retirement pensions are generally paid during the whole remaining lifetime of the beneficiary as a "result" of former contributions during working life, mostly related to the income. Thus, retirement pensions are considered as a "continuation of salary".

Dependency allowances, however, are quite often temporally limited and are paid in cases of means test, mostly independently of former contributions. Therefore, dependency allowances are deemed to cover the necessary costs in a certain situation. Experience for instance in Finland shows that this distinction is generally accepted. 2. What can be done to reduce inequality between men and women when they reach retirement age? Generally speaking, admitting the same circumstances (i. e. career, salary, age) the pension benefit should be the same regardless of gender. This principle has been adopted by European law, such as Art. 141 EU-Treaty or the directive 86/378 EEC. Yet, on the average, the total amount paid to women as retirement pension is often lower than the pension claim of men. This is often due to the fact that women spend more time in bringing up children, shorting their working careers. Usually, first pillar provision take care of rules on children rearing. With the spreading of defined contribution pension schemes, replacing defined benefit ones, there is an arising risk that the gap in benefits between man and women will deepen. However, in some countries, the legislator has taken account this less favourable situation of women regarding their future pension rights. In Finland, for example, it is possible to have a maternity leave and parenthood leave which are together about 11 months. A parent (independent of the gender) can also stay at home and take care of his/her child younger than three years. During this time he/she receives a so-called basic-rate care allowance. Though both parents may claim for it, usually the mother stays at home to take care of the children. As a result of it, women usually have a lower level of pension. In order to improve the situation of women, the Finnish legislator has introduced a rule, stipulating that the pension is calculated during the maternity and parenthood leave according to the earnings the daily allowance is based on. The similar calculation method is used during a care leave of a child under three years. In this case, the future pension is based on a notional salary, which is normally lower than the earnings from work. Similar rules exist as well in the basic pension scheme for public employees in many pension schemes. However, it should be taken into account that in all over Europe, the average life expectancy of women is higher than of men. Thus, the average expenditure for retirement pension is higher for women than for men under the condition that there is no unequal treatment between men and women in calculating the future pension rights. In order to assure this equal treatment, the European legislator has adopted several rules as set up for example in Art. 6 § 1 lit. h) of the Directive 86/378 for occupational pension schemes.

3. Conclusion: what should the European Union's role be?

- Should the European Union be promoting exchanges and regular (e.g. annual) analysis of demographic change and its impact on societies and all the policies concerned?
- Should the Union's financial instruments – particularly the structural funds – take better account of these changes? If so, how?
- How could European coordination of employment and social protection policies better take on board demographic change?
- How can European social dialogue contribute to the better management of demographic change? What role can civil society and civil dialogue with young people play?
- How can demographic change be made an integral part of all the Union's internal and external policies?

The Questionnaire

How did you perceive this questionnaire? Expectations met