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The European Commission consultation on reinforcing Social Europe:

New action plan to implement the European Pillar of Social Rights

The Finnish Pension Alliance TELA looks after the interests of insurers providing statutory earnings-related pensions in Finland. Our mission is to strengthen the earnings-related pension system and to influence the sector's general operating environment also at the EU level. Our members are responsible for the implementation of statutory pension provision and they operate only domestically under EU social security coordination rules (EC no 883/2004).

The European Union has always had a social dimension embedded into its DNA and the way it operates as a competitive social market economy. The proclamation of European Pillar of Social Rights (EPRS) in 2017 was a landmark of the Juncker Commission and a contribution to the strengthening of the social dimension in the European Union.

The European Pillar of Social Rights was embraced by all Member States and it was not limited to only eurozone countries. The EPRS must remain a joint effort of the whole union in the coming years. Social rights cannot be a luxury of the few and the fundamental idea of Europe's social model needs to be preserved. It is necessary to have a horizontal approach across the Member States in order to avoid competition distortions at the internal markets.

Von Der Leyen's Commission is currently fighting the COVID-19 crisis. Risk management at domestic level and enacted confinement measures will have serious implications for vulnerable groups in labour markets, depending also on how unequal labour markets have become in different Member States. Efforts targeted at reducing youth unemployment rates should be emphasized, as well as prevention of cyclical unemployment turning into structural unemployment.

COVID-19 reaction at the EU level has postponed many of Commission's initiatives to year 2021 and maybe even forwards. We recognize the importance of The European Pillar of Social Rights as the main tool designed to build a stronger social Europe for just transitions regarding climate-neutrality, digitalisation and demographic change.

Social acquis and new legislative initiatives regarding pensions

The EPSR has since 2017 acted as a compass pointing into important social goals in the European union. Although, it was originally presented as a non-legislative declaration, legislation based on pillar's principles has since followed, one of the examples being the Work-life Balance Directive. The main question is what type of new legislative initiatives will be needed to achieve EPSR's goals in the long-term?

Taking into consideration pension principle included in EPSR and in general pension policies at the EU level, we remain adamant that pension design and characteristics of I-pillar social security pensions must remain in the competency of the Member States. The Pillar of Social rights can include principles dealing with social security pension issues, but all legislative measures in this sector should be left to Member States themselves according to EU treaties.

TELA acknowledges the European Semester as the main process at the EU level for guiding Member States towards more social Europe. It is worth to consider, whether the EPSR should be even

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more integrally connected to the Semester's perpetual routines. Overall, EU Semester should be the main instrument used to implement EPSR's pension objectives.

Vulnerable groups in labour markets and pension adequacy

Polarization of labour markets is expected to widen. The shares of middle-income and routine jobs have proven to be susceptible to computerization and globalization. Technological change can in the other hand offer new job opportunities. This puts pressure on different pension schemes and systems in recognizing different earning strategies.

Constant appetite for developing of new skills through whole life-course should be promoted in the social pillar. Professional mobility may sometimes need tailored economic incentives at the individual level, but different pension schemes also need to keep up with labour market transformation, especially when new jobs are created by self-employed persons.

Access to social protection is probably most critical in case of pensions because of inherent and short-sighted human behavior models related to personal pension savings. Sharing best practises of auto-enrolment into supplementary pension schemes has recently been discussed in Commission's Capital Markets Union policy initiative.

We want to emphasize the importance of statutory social insurance (I-pillar) as successful way to ensure wide pension coverage in society for all types of work, irrespective of gender and socio-economic status. At the same time, we advocate strong national discretion over the design of pension systems. The European Semester should be the main instrument in guiding Member States towards socially and economically sustainable pension models.

Pension adequacy and social indicators

The European Pillar of Social rights is already accompanied by social scoreboard which is one of the main monitoring tools of social progress across member states. Pension adequacy should always be discussed side by side with financial sustainability when commission is planning and executing pension policy and giving country specific recommendations on the subject.

This means that social indicators (scoreboard, SPPM etc.) and social reporting in general should have more weight when Commission is formulating its annual country specific recommendations to Member States. Nevertheless, recent focus on measurement of social performance shouldn't lead to overlapping and excessive volume of indicators in relation to already existing social indicators. We expect the collected information to always have a concrete and transparent usage.

Putting more focus on causes of demographic ageing

There is not a single Member State in EU with a sufficient fertility rate to keep their population from declining in the future without substantial net immigration levels. From 2021 onwards (Ageing report 2018) both employment and working-age population are predicted to decline for the next 50 years, all other things being equal.

The Commission is planning to launch a wide debate on long-term effects of population ageing on pension systems, health care etc. We have high hopes for the forthcoming Green Paper on ageing and discussion on how Europe's social protection systems can adequately address the

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needs of an ageing population. The Commission's Demography Report published in June 2020 presents the main drivers of demographic change and the impact they are having across Europe.

We want to highlight the need to look beyond statistical exercise and Commission's focus should also be at the root causes of demographic ageing. Considering the profound effects of ageing on labour markets and social security systems, it is simply not enough to analyse how societies should adjust for example their pension systems. There is without a doubt also room for recommendations and best practises that strive to influence Member States' fertility rates and immigration policies.

We recommend that the Commission should concentrate especially on issues of sub-replacement fertility in Member States and find common solutions on how social security systems and labour markets could support families in reaching the ideal number of children they want to have. All in all, labour mobility between Member States is a zero-sum game from the point of view of population. Labour mobility in the internal markets has effects on both the homeland and host country.

Spotlight on mid- and late-career work ability

If we look at the country specific recommendations made in the EU Semester, there has recently been more emphasis on recommendations that consider social impact of different reforms. Even though some progress has been made, Commission's pension policy is still too heavily tilted towards "end of career" and pensionable age-related reforms. Closing early exit routes from the labour market is given a lot of attention, but we can see a clear demand for more diverse mid-career-oriented solutions.

Political priorities of VDL's Commission as well as The EPSR principles (skills, education) stress the importance of continuous learning process and educational needs throughout the life-course. Disruption of labour markets stemming from digitalization raise the demand for more highly educated workforce. View of disabled citizens is also presented in the Commission's communication (2020/14), but what is missing is the view of persons with partial workability at work.

Employability of persons with partial workability should be at the center of lengthening of working careers. It would otherwise be difficult to achieve substantially positive development on effective retirement age at Member States. In addition to medical rehabilitation, vocational rehabilitation services can help to close the gap between legislative pensionable age and effective retirement age. The key challenge is to pre-empt illnesses from transforming into long sick leave periods and disability pensions.

A policy turn should be made at the EU level into fostering the concept of rehabilitation in a way which promotes incentives to enter employment. We would like to highlight that the view of social investment into vocational rehabilitation (education, courses, guidance, shaping work etc.) is at present very limited in the social pillar and in social dimension of EU in general.