Employers entrusted to deliver
Sustainability Growth Innovation

Position Paper

Response to the Public Consultation on Green Paper on Ageing

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SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**
Registered stakeholder
ID Nr 59513031434-92

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SGI Europe and HOSPEEM welcome the Green Paper on Ageing. This paper raises relevant questions for Europe's ageing society.

SGI Europe is one of the three general cross-sectoral EU Social Partners. It gathers public and private providers of services of general interest from across Europe. SGI Europe members contribute to more than 26% of EU GDP and employ 30% of the EU workforce. Modern public services, or services of general interest (SGIs), serve the fundamental goals of the EU, supporting business, social and territorial cohesion, economic and social solidarity and a better quality of life for all.SGI Europe members are enterprises and associations providing Services of General Interest (SGIs) from across Europe both public and private at national, regional and local level, whatever their legal ownership status.

The European Hospital and Healthcare Employers' Association (HOSPEEM) represent the interests of national hospital employers' organisations that have the powers to negotiate on pay and terms and conditions of service at the European level. HOSPEEM is a sectoral member of SGI Europe and a recognised European sectoral social partner in the hospital and healthcare sector. HOSPEEM has members across the EU both in the state or regionally controlled hospital sector and in the private health sector.

Our key aspects are that European citizens will receive the best possible healthcare and long-term care and can rely on adequate and sustainable pensions in the decades to come to live in dignity throughout their retirement. (This target is also enshrined in principle 15 of the European Pillar of Social Rights.) Therefore, we concentrated on the questions related to these goals/targets.

SGI europe

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Position

Our leading ideas:

Support multi-pillar systems

SGI Europe supports the idea of multi-pillar pension systems able to provide adequate and sustainable pensions to the citizens of Europe. Pensions and health care systems mustn't leave anyone behind. However, this is not the case today. Due to the changing world of work, many are not adequately covered.

Sound pension systems rely on pay-as-you-go elements (often the first pillar) and funded elements (usually the second and third pillar). This mix ensures risk diversification and provides protection against demographic changes (which impact the pay-as-you-go elements) and adverse capital market developments (which impact the funded elements). The [2020 Mercer CFA Institute Global Pension Index] shows that the highest-ranking countries rely on a mix of the two financing mechanisms.

We underline that the continuing low-interest-rate environment makes funded pension provision more expensive. In this context, we stress that any attempt to balance the burden of old-age provision between the contribution level and the pension level must fail if it does not consider the working life in relation to the life pension period. The low-interest-rate phase does not create this problem, but it is exacerbated by it.

Respect diversity

The design, structure and management of pension and health care systems is a Member State (MS) competence. Therefore, it varies across the EU, as it depends on the national specificities, e.g., the economic and social situation, social and labour laws, cultural context, only to name a few. Any action at the EU level should recognise and respect this diversity.

Support a collective approach

Collective pension systems allow for sharing risks such as longevity, interest rate, invalidity, and others. Economic theory shows that sharing risks with different generations in pension arrangements could improve welfare.

Especially occupational pension provision is in most Member States often designed and cared for by the social partners. Medium to high supplementary pension coverage is mostly found in countries characterised by social partners' active role and collective bargaining. In line with the findings of the High-Level Group of Experts on Pensions' final report (2019), we emphasise that MS should provide financial and regulatory incentives encouraging social partners to set up collective pension plans, ensuring risk-sharing between participants, while respecting the autonomy of the social partners and the sponsoring companies.[1]
Regarding these advantages of workplace pensions, the EU should foster social partners' initiatives to establish occupational pension schemes.

Regarding the legal environment, pension policies can influence people's behaviour toward pension savings for better or worse. The legal and prudential environment should not prevent employers and employees from contributing to occupational pension plans. Therefore, it is essential to create or keep a pension-friendly legal environment (social and labour law, tax law, prudential law)[2].

[1] See Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 7 and p. 17ff
[2] See Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 30

Consultation Questions

How can healthy and active ageing policies be promoted from an early age and throughout the life span for everyone? How can children and young people be better equipped for the prospect of a longer life expectancy? What kind of support can the EU provide to the Member States?

SGI Europe believes that healthy and active ageing can be promoted through strengthening holistic prevention policies and programmes aimed at a horizontal lifecycle approach. These programmes should focus on primary, secondary, and tertiary prevention (primary referring to as preventing disease or injury before it ever occurs; secondary as reducing the impact of a disease or injury that has already happened; tertiary as softening the effects of an ongoing illness or injury that has lasting effects) rather than a curative procedure.

To ensure their successful implementation of prevention programmes and sensibilisation from early age, governments, particularly the Ministry of Health, need to work with a wide range of stakeholders, including social partners from various sectors, such as health, education, and transport, to tackle existing obesogenic environments in the EU. Initiatives such as the European Beating Cancer Plan and the EU Farm to Fork Strategy will support the Member States for the implementation, going beyond pilot studies.

Regarding healthy and active ageing policies at the workplace, it is necessary to rethink the security of work from a purely physical approach, focusing on the workforce's mental health. Collective bargaining agreements between social partners can also play a role in reinforcing the prevention of occupational safety and health at work and working conditions. If implemented properly, the upcoming EU Strategic Framework on Occupational Health 2021 – 2027 will support the Member States and social partners with guidance.

What are the most significant obstacles to life-long learning across the life cycle? At what stage in life could addressing those obstacles make the most difference? How should this be tackled specifically in rural and remote areas?

SGI Europe is convinced that the most significant obstacles to life-long learning across the life cycle is the preconception of what is considered learning as such. Continuing professional development (CPD) and life-long learning (LLL) is often considered purely formal training. However, one must consider learning and development as a continuous part of one's professional career: When looking at in which setting workers gain the most knowledge, it becomes clear that most CPD takes place in the work setting, in the form of everyday learning (70%). Approximately 20% of learning comes from a worker's colleagues, and only around 10% is related to formal learning programmes.

Considering the above, one of the main obstacles could be the lack of sufficient colleagues to allow CPD to be an integral part of professionals' career. From a financial perspective, it needs to be ensured that elements of formal training can take place through earmarked budgets provided by employers: In the public sector, national governments need to agree on an earmarked budget for the employers, while in the private sector, this has to be included in collective bargaining agreements.

What innovative policy measures to improve participation in the labour market, in particular by older workers, should be considered more closely?

The decision to leave the labour market depends on two factors: whether the expected pension is sufficient and in regards to health, the physical and mental well-being of the individual.

The introduction of flexible contracts and retirement schemes would improve participation in the labour market. Policy initiatives need to be linked to individuals' workers needs to allow them to have a flexible transition from work into retirement.

Now, national labour market systems are at the majority, based on retirement age. Therefore, employers send workers to retirement, while some workers may like to work longer, creating many bureaucratic difficulties for employers. Policies that would allow a flexible definition of retirement age are needed.

The challenge seen by SGI Europe is that the many Member States see pension income as a collective good rather than a responsibility of the individual workers. Social partners can play a significant role to ensure that workers see their pension as an opportunity for their future and take individual responsibility to shape and strengthen their pension. Instead of extending the official retirement age collectively, Member States should provide financial incentives for professional to work beyond their official retirement age. In some EU Member States, each day, workers work beyond the official retirement age. Their pension gets smaller. Financial compensation from the government for working beyond the official retirement age will allow workers to decide for themselves to work longer, receiving additional compensation or retire "on time".

While flexible contracts are one way to improve labour market participation, the actual content of a professional's work needs to be revisited. For the ageing workforce, knowledge sharing and educating less experienced professionals at the workplace is key. This way, in sectors requiring a specific set of skills, workers either close to retirement age or even after their official retirement age can still contribute to their place of work, society and economy as a whole.

Which services and enabling environment would need to be put in place or improved in order to ensure the autonomy, independence and rights of older people and enable their participation in society?

If 'older people' is to be understood as retired, it has to be considered that financial autonomy is a key prerequisite for participation in society (although not the only one).

Old-age poverty is likely to be a growing concern as demographic change continues. Today, most retired people have an income from pensions that enables them to maintain their living standard and protect them against old-age poverty. But this does not mean that old-age poverty has been eradicated among people above the age of 64. An older Europe with a smaller workforce will likely increase pressure on public budgets[3], and old-age poverty is likely to increase the burden on the social security system.

For older people, financial autonomy is generally provided by multi-pillar pension systems. Occupational pensions can and should play an important role in providing the financial means for participation, independence and autonomy. As outlined in the Final Report of the High-Level Group of Experts on Pensions (2019), medium

[3] European Commision Report on the Impact of Demographic Change, p.19

to high supplementary pension coverage is mostly found in countries characterised by social partners' active roles and collective bargaining.[4]

How can the EU support vulnerable older persons who are not in a position to protect their own financial and personal interests, in particular in cross-border situations?

From our perspective, the protection of older vulnerable people starts many decades before retirement by providing pension systems – especially occupational pension systems – they can or have to join to avoid financial problems later.

Older people may be especially vulnerable when living abroad. They partly depend on the social security and health care systems in their home country and partly on the services in the country of their residence. The EU can help mitigate the risks for individuals by actively providing information (e.g. through the European Labour Authority).

SGI Europe welcomes the European Tracking Service (ETS) set-up, which might help those close to retirement age or younger (vulnerable) to find their pension and plan their retirement.

How can the EU support Member States' efforts to ensure more fairness in the social protection systems across generations, gender, age and income groups, ensuring that they remain fiscally sound?

The Member States take decisions regarding the retirement systems. While the existing structures across the EU differ to a great extent and keeping in mind that retirement systems have a very long time horizon, we consider two possibilities for the EU:

- In line with the High-level Group of Experts on Pensions' final report (2019), we emphasise the need to establish a multi-stakeholder forum. The forum, organised by the European Commission, should allow for structured exchange between social partners, pension providers, beneficiary representatives, independent experts and EU authorities on pensions.
- A different view on the ageing challenge might help to find more possibilities to meet the challenge. The basic idea is to change from the indicator' old-age dependency ratio' to an 'economic dependency ratio'. In more detail, this could be lined out as follows:

For solving the ageing challenge concerning social security systems, many adjustments are necessary. The labour market is key by raising employment levels – this essentially affects social partners' fields of actions. Today, the problem and challenge of ageing are mostly described by the indicator' Old-age dependency ratio' (=People aged 65 and over divided by people aged 20-64).

On the other hand, it appears a more appropriate presentation to address the challenge of ageing using the "economic dependency ratio" (defined as unemployed and pensioners divided by the number of all employees). Since the actual key question concerning the financing of social security systems and the economy's functioning, in general, is the question of how many employed people in an economy have to support the non-working population.[5]

[4] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 7

[5] The EU Commission also described this indicator as a key parameter in 2012: "The aging challenge is often illustrated by the doubling of the old age dependency ratio (population 65+ to population 15-64) from 26% in 2010 to 50% in 2050. Yet the real issue is the economic dependency ratio, defined as the unemployed and pensioners as a percentage of the employed. If Europe achieves the employment goal of the Europe 2020 strategy of 75% employment rate in the age group 20-64 and further progress is made in the period 2020-2050 the

Switching from “old-age dependency ratio” to “economic dependency ratio” expands the discussion about possible measures. As already emphasised in the White Paper of the European Commission (2012), the economic dependency ratio is expected to increase less strongly than the old-age dependency ratio.

On the one hand, this changes the debate about the economic challenge of ageing. But the consequence of the question of the possible measures triggered by the description of the problem is far more relevant. Suppose the level of the old-age dependency ratio is seen or defined as the central problem indicator. In that case, the necessary adjustment screw for curbing the demographic increase with a view to the pension discussion is usually to increase the statutory retirement age and the contribution rates and to reduce the benefit levels (or combinations thereof). In the background of this narrow view is the questionable assumption that the relationship between transfer persons and employed persons can essentially only be influenced by shifting the statutory age limit between retirement and working age.

If, however, the economic dependency ratio is taken as an indicator and this variable is to be influenced, then at least a number of other measures to promote the labour market also come into focus, which increase the scope for action and also essentially affects the fields of action of the social partners and also lead to an increased labour supply: The main goal is to utilise the existing employment potential in terms of employment rates in full-time equivalents to a larger extent by improving the integration into employment or by increasing the employment rate in all age groups and by reducing the number of people who are dependent on transfer payments for lack of sufficient employment opportunities. Developing strategies that focus on (re)integration of the unemployed, improved training and continuing professional development for employees, effective (company) health protection, better integration of precarious workers, the establishment of age-appropriate jobs, to name a few.

Consequently, labour market conditions (not just retirement age) determine the extent to which the future increase in the old-age dependency ratio will also increase the economic dependency ratio.[6]

More abstractly, the change of perspective means that more measures and fields of action can be identified to tackle the challenge of ageing, which reduces the dependence on the field of action “ageing” in the narrower sense.

How can the risks of poverty in old age be reduced and addressed?

One of the first measures is making people aware of their pension perspectives and the possible need for supplementary saving for retirement - an important challenge. Another challenge is the low level of financial literacy and behavioural patterns. Pension awareness and financial literacy, even with its limits, are key topics. In many Member States, actions have been taken to increase awareness about the possible need for supplementary saving for retirement and provide information on future pension entitlements.[7] Hence, it should be clear that considering the topic of information, there are two aspects to be taken into account. First, it means that a good and proper understanding of the relevant pension systems is a reasonable goal regarding the

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economic dependency ratio will only increase from the current level of 65% to 79 % in 2050. “(European Commission White Paper 2012,“ An Agenda for Adequate, Safe and Sustainable Pensions ”(COM (2102) 55), page 6).

[6] The Commission's “Report on the Impact of Demographic Change” from June 2020 also explains about strengthening the labor market (see Chapter 3.1 people, work and skills) and thus (indirectly) addressed a little bit the improvement of the economic dependency ratio. The inclusion of groups in the labor market is emphasized a little more here (see Chapter 3.1.1 on female employment rate, reconciling work and family life, older workers, low-skilled, people with disabilities, non-EU citizens).

[7] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 19f

individual. However, it is important not to overestimate the impact of information. There is a trade-off between the precision of pension information and its clarity.

Too, occupational pensions can help to address the risks of poverty in old age. Employers and social partners can organise provision collectively and, e.g. automatically enrol employees when joining the company. In this way, they can achieve lifelong security in old age, especially for low-income employees, at low cost and with well-balanced standards for security and return, and provide collective coverage for the elementary risks of death and disability. Therefore, in contrast to individual pension provision - risk equalisation can occur without individual risk assessment based on gender-neutral tariffs. There is essentially no exclusion of “uninsurable” risks.

Some Member States have introduced mandatory automatic enrolment in occupational pension schemes with an opt-out option to increase coverage. For example, in the UK, auto-enrolment in 2012 has led to an increase in occupational pensions coverage and is expected to reduce the gender gap in pensions.

Other Member States have introduced or are considering introducing automatic enrolment, for example, Ireland or Lithuania.[8] Hence, this option is not suitable for all situations. For instance, In the Netherlands, under the „Act on Obligatory Participation in an Occupational Pension Fund“ (Wet verplichte deelneming in een bedrijfstakpensioenfonds 2000) and at the request of the social partners, collective pension fund agreements can be made mandatory for the entire sector by the Minister of Social Affairs and Employment, making occupational pension schemes obligatory for the whole sector.[9] In Germany, social partners are at the core of occupational pension provision. Collective agreements often include provisions on occupational pensions and are an important driver of coverage and quality.[10]

Therefore, in line with the findings of the HLG on Pensions, Member States should carefully consider introducing automatic enrollment mechanisms into occupational pension schemes. Such introduction should be broad and inclusive, seeking to ensure equal access for men and women, with well-designed opting-out possibilities and without undermining the national solidarity mechanisms.[11]

Furthermore, collective occupational pensions have the advantage to be less complex than individual pension products. This lower degree of complexity entails less need for advice and hence generates lower costs.

Regarding the advantages of occupational pensions, we doubt whether the PEPP as an individual saving product will help address old-age poverty risks.

How can we ensure adequate pensions for those (mainly women) who spend large periods of their working life in unremunerated work (often care provision)?

The financial situation in retirement often mirrors the position in the labour market, which lasts several decades. The gender pay gap and the gender pensions gap have several causes, including more women working in specific sectors than men (such as health and care), discrimination, and the reduction of formal work to provide care, including child care and informal care elderly relatives).

[8] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 12
[9] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 18
[10] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 18
[11] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 22

Childcare and care of relatives are socially important tasks that must be adequately rewarded. Member States and occupational pension providers should ensure that occupational pensions provide pension credits for career breaks linked to child care or other caring responsibilities, protecting the accrual of pension rights and encouraging equal sharing of care responsibilities between women and men. Such credits may be financed from various sources.[12]

For example, in Germany, attempts are made to recognise care work in the pension system. Periods of child care are taken into account in the first pillar; this compensation is tax-financed. There is no uniform regulation in occupational pension schemes. Collective agreements – such as in the supplementary pension plan for the public sector in Germany with nearly 6 million insured employees - can stipulate that compensation is made and that the costs are either borne by the collective or that the employer makes special payments in this case. This question can also be clarified at the company level between social partners.

An alternative way of dealing with missing contribution periods or reducing their effects is to make the funding framework more flexible. For example, the Betriebsrentenstärkungsgesetz of 2017 makes it possible in Germany to "catch up" on contributions tax-free under certain conditions.

What role could supplementary pensions play in ensuring adequate retirement incomes? How could they be extended throughout the EU, and what would be the EU's role in this process?

Supplementary pensions are important today – and will gain importance over the decades to come. How exactly that role looks like depends on the overall pension system, determined at the national level. Different MS might choose different approaches, e.g., how (and how much) risk is run in the various pillars and how it is shared between the state, employers / social partners, and beneficiaries. What is important is that the overall system provides an adequate level of protection.

We emphasise that a collective approach to occupational pensions supported by the social partners from our perspective has the most potential to rise to the challenges to come. In particular, the supervisory board of occupational pensions is often composed of both employers and employees' representatives. This paritarian representation ensures that the interests of all parties are taken into account. However, any collective approach can only be successfully implemented at the national or the sectoral level to consider the specific situation.

What matters from our perspective is whether it provides protection against biometric risks. For example, in some Member States (for example, Germany), covering biometric risk is a precondition for an occupational pension (if this aspect is missing, the scheme does not attract tax relief for occupational pensions).

Regarding the second question, it has to be underlined that supplementary pensions differ significantly across the EU. Depending on the historical developments, the situation on the labour market, cultural preferences, and financial possibilities, the Member States' pension systems are structured differently. The EU should consider this diversity when legislating and, more generally, when being active in this area. The European Labour Authority (ELA) could play an important role by providing the EU with objective information on the individual Member States's comprehensive system of pensions (both Government pensions and occupational pensions) provision to be used in both regulatory and non-regulatory initiatives by the EU.

[12] Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 5

As stated above, collective occupational pensions have the advantage to be less complex than individual pension products. This lower degree of complexity entails less need for advice and hence generates lower costs. However, increasing regulation means that occupational pensions become more complex, potentially jeopardising their efficiency. Regarding supervision, the supervisors request more and more information from pension institutions. Even if that aims at a worthy target, we have to realise that 100% security or control is a myth and high costs minimise the benefits. In addition, employers and social partners are likely to shy away from occupational pensions if they are too complex. This aspect tackles especially medium and small enterprises. If they feel the regulatory framework is too strong a burden, they could easily stay away. This leads to the conclusion that pension policies can influence people's behaviour toward pension savings for better or worse regarding the legal environment. The legal and prudential environment should not prevent employers and employees from making contributions to occupational pension plans. Therefore, it is essential to create or keep a pension-friendly legal environment (social and labour law, tax law, prudential law).[13]

How can the EU support Member States' efforts to reconcile adequate and affordable healthcare and long-term care coverage with fiscal and financial sustainability?

SGI Europe stresses that society's demographic change drives the demand in healthcare and long-term care (LTC). The demand will only continue to grow if the EU and the Member States do not fundamentally change how to approach healthcare.

Member States must increase their investments in early prevention programmes in reducing the future potential need in healthcare and LTC. This is particularly apparent when looking at population groups by social-economic status (SES). The differences in life expectancy between low-SES and high-SES are 10 - 15 years. Therefore, we believe that SES is a good prediction of the consumption of healthcare. Thus, the European Commission and the Member States need to focus on the healthcare "consumption challenge", such as part of the European Economic Governance.

[13]Final Report of the High-Level Group of Experts on Pensions, December 2019, p. 30