



EFN POSITION STATEMENT ON PENSION SYSTEMS IN THE EUROPEAN UNION

European countries with pension systems are under great pressure. The nursing profession is the largest occupational group in the health sector and consists of a majority of female workers with variations in career paths poses due to family/social commitments which challenges the building pensions funds. The increase in mobility also affects the build up of pensions and employees are confronted with incompatible and complex pension systems at European level.

National Nursing Associations play a pivotal role in initiating changes and developing pension schemes for nurses and sharing best practice with each other. Involving nurses in these developments is essential. Professional Nursing associations and pension funds can build strong alliances in collective agreements.

The European Federation of Nurses Associations (EFN) supports the resolution adopted by EPSU.

Resolution R3 on Pensions adopted by the European Federation of Public Service Unions (EPSU)

Pensions top the European agenda. The Council, European Commission, the Social Protection and the Economic Policy Committees of the EU have, since 2000, produced a series of papers, Communications and Joint Reports on adequate and sustainable pensions. There are national strategy reports detailing how governments aim to secure future pensions and the open method of coordination is being used to define the objectives to be achieved by Member States.

The increase of the older part of the EU population and its impact on public finances and pension schemes are also a preoccupation for trade unions, but the current focus on financial and short-term perspectives clouds the broader picture in which pensions also fulfil social objectives.

So far EPSU has not seen sufficient evidence to justify the need for radical changes in public pension schemes. 2002-2003 saw pension funds face a difficult time: investment decisions have been sharply criticized and this has demonstrated that pension fund systems also carry risks that can have significant consequences for workers. Pensions are therefore a priority for Europe's trade unions. It is not acceptable that in some cases solutions are being imposed without consultation and negotiations with trade unions.

The 3 pillar model is often used as a reference for describing national pension systems in Europe. This model has three components:

- Public pensions and social protection systems.
- Occupational pension schemes.
- Individual pension savings.

Public pensions are in most cases financed by taxes or by contributions from the current generation of workers and employers (pay- as-you go schemes).

In some countries, occupational pension schemes are also financed as pay-as-you go schemes. In others, occupational pension schemes are financed through collective or individual savings (capitalisation schemes).

Each of the various forms of financing has its advantages and its disadvantages:

- The pay-as-you go principle secures the degree of income redistribution that is politically acceptable. This means that there is always a risk that new political decisions may change the "social contract between generations" which is the basis for financing pensions in a pay-as-you-go system.
- In capitalisation schemes it is also possible to secure a degree of redistribution that is acceptable for the group of workers concerned if these schemes are based on sectoral collective agreements. Individual saving accounts are only one of many options for constructing capitalisation pension schemes. The principle of capitalisation means that workers and/or employers save for (their own) future pensions. The savings are normally invested in stocks and bonds. The amount of money available for pensions is thus dependant on the investment results and the duration of the accumulation period.
- In defined-benefit schemes it is the employer who takes this investment risk. In defined contribution schemes, the workers benefit from good investment results but are penalised when investment results are poor.

EPSU recognizes the diversity of national pension systems, which have developed over a long period of time, and their constant evolution. This resolution does not imply a harmonization of national pensions systems.

EPSU is firmly committed to quality, well-funded and sustainable public pension schemes that, through mechanisms of redistribution, represent an important means of achieving social inclusion and social cohesion in Europe.

Quality public pensions allow employees to have a decent standard of living and good protection based on a guaranteed income indexed in relation to earnings.

As pension entitlement is primarily built up over the course of a working life it is only right that the pensions should be indexed in line with earnings rather than prices. Otherwise pensioners become relatively worse off than others in society despite having made their contributions throughout their working lives.

Guaranteeing the viability of public pension schemes, based on solidarity between and within generations, requires coordination at European and national levels of macro-economic, employment, social protection and fiscal policies. European governments should do more to achieve the Lisbon objective of 70% employment for men and 60% for women. Economic growth and increased productivity will contribute to stable pension systems.

Reforms in pension schemes should focus on taking account of changing working and family patterns and growing demands for flexible working time and care-leave arrangements and more opportunities for life-long learning. Reforms should be used to close the gender pension gap and be evaluated as to their gender impact.

The European Commission gives a high priority to pension issues. It launched the formal second phase of consultation of the social partners on the portability of occupational pension rights to tackle the problem of supplementary pension rules which obstruct the mobility of workers when they go to another Member State to work, or even when they change jobs within their own Member State in September 2003. The European Commission proposes that the social partners negotiate a framework agreement.

EPSU will strive to remove all kinds of obstacles preventing the portability of occupational pension rights. EPSU underlines the importance of the free movement of workers in the EU. To allow workers to work in another country the issue of pension rights is to be addressed. What is needed are rules guaranteeing on the one hand that the value of the established pension rights is protected and on the other hand that the pension is paid out when the worker retires regardless of the country he or she lives in.

Occupational pension schemes are supplementary schemes developed in the framework of a professional activity. They exist to supplement public pension schemes, not to undermine or replace them. They should be based on collective agreements covering sectors rather than individual companies to ensure security and independence from a single employer, as well as allowing for solidarity between workers. Companies should not be allowed to opt out of sectoral pension schemes.

EPSU is concerned by attempts by employers to shift the risks of pension provision onto individuals. Defined-benefit schemes are one way to respond to these attempts. Likewise, mechanisms of indexation must be integrated into these schemes to maintain a decent standard of living upon retirement.

Since occupational pensions are deferred wages, EPSU affiliates (at sectoral and/or company level) must be actively involved in the setting up, implementation and control of occupational pension schemes, as well as in the monitoring and strategic management of pension funds.

Occupational pension schemes should be accessible to all workers, regardless of age, seniority and type of employment contract (full-time/part-time, open-ended/fixed-term contracts). The principle of equal treatment between men and women must be applied. Non-discriminatory "unisex" rates are a way of achieving this.

Biometrical risks (linked to longevity, surviving partners or dependents,...) should be covered by occupational pension schemes.

Occupational pension rights should be preserved during periods of ill health and career breaks, such as different forms of leave like parental and maternity leave and education and training leave periods. This is possible in occupational pension schemes based on solidarity, which take social policy objectives into account.

Socially responsible investments should be ensured. Pension funds should not invest in companies using child or forced labour, producing goods and services that are harmful to the environment or which produce weapons, or are anti-union, for example. Prudent management principles must be applied in the management of funds, thus also preventing purely speculative investments. Investment decisions must not endanger the security of payment of current and future pensions. EPSU rejects schemes where only employers control the board. Corporate governance principles should apply to these boards. Unions should provide training to their trustees/board members.

EPSU and its affiliates will monitor the application of the above as well as the funding levels of pension funds. EPSU supports the work of PSI regarding the monitoring of investment behaviour of pension funds, and the introduction of binding codes regarding socially responsible investment. Appropriate action should be taken to prevent and counteract management decisions that endanger the security of payment of current and future pensions and which are not socially responsible (e.g. scheme under-funding).

Several transnational companies have established savings and share option schemes for all their workers. A possible next step is European/ Transnational pension plans. If European/transnational pension funds are to be established in companies in sectors represented by EPSU, their setting-up must be negotiated with an EPSU delegation comprising the unions concerned. Further, representatives of EPSU affiliated unions must be members of the board of these transnational pension funds.

In the European sectoral social dialogue, EPSU and the representative employers' organisations should discuss and find a way to guarantee the acquisition, maintenance and transferability of occupational pension rights for migrant workers. Vesting periods required before the acquisition of occupational pension rights should be abolished.

The position of seconded workers and exemptions to the rule of compulsory membership of occupational pension scheme will also be discussed in the European sectoral social dialogue.

Pension protection should be guaranteed to workers who are transferred from public to private employment, e.g. through outsourcing. EPSU notes that privatisation and contracting-out have undermined existing occupational pension schemes. They have given rise to workers losing pension entitlements in some countries and led to workers in the same company having different pension schemes. EPSU affiliates will fight for workers to remain in good public service pension schemes, or to have access to schemes offering comparable or better provisions. Such schemes should also be open to new employees. As private companies providing public services are failing and concessions are taken back by the public sector, workers transfer back to the public sector. The same guarantees should apply to these workers.

Action points:

- EPSU will continue to work on pension issues in the next Congress period and will contribute to the development of social convergence objectives and indicators at EU level (open method of coordination) with the aim of guaranteeing sustainable and quality pensions and to achieve upward convergence, taking a gender perspective into account.
- Specific attention will be given to following developments in the new EU member states.

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