



25 years of AEIP in Brussels

25

# **The future of social protection – the role of supplementary social protection institutions**

**The added-value of the paritarian model to deliver solutions in a changing context**

**2nd December 2021**

**CONFERENCE REPORT**

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**Retirement Week**

  
GLOBAL BENEFITS VISION

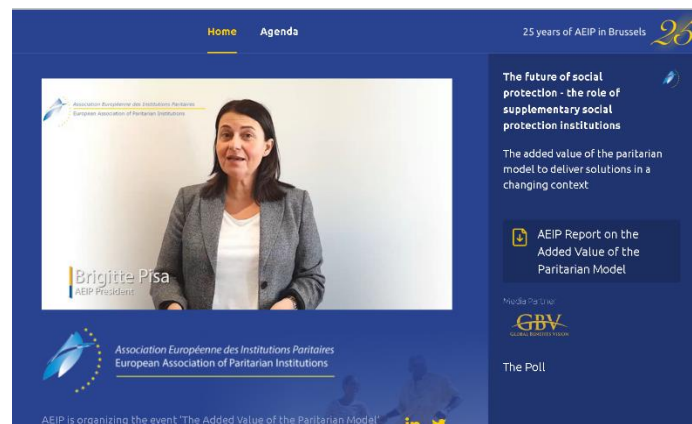


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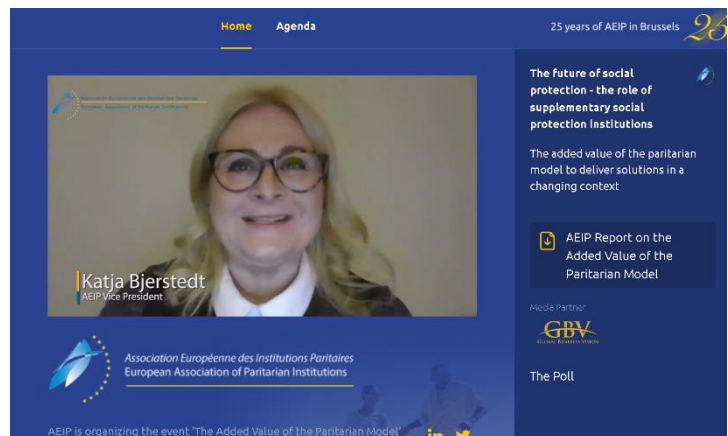
## Opening

**Ms. Brigitte Pisa**, *AEIP President* opened the event on the morning of 2<sup>nd</sup> December 2021 highlighting the role of the AEIP members – the European paritarian institutions of social protection. She stressed that these institutions have proven to be important stakeholders in the context of the European social model, providing quality social protection services to the European citizens. The current AEIP members, varying in structure and scope of operation, continue sharing the same perspective in their founding values and core purpose at national level.



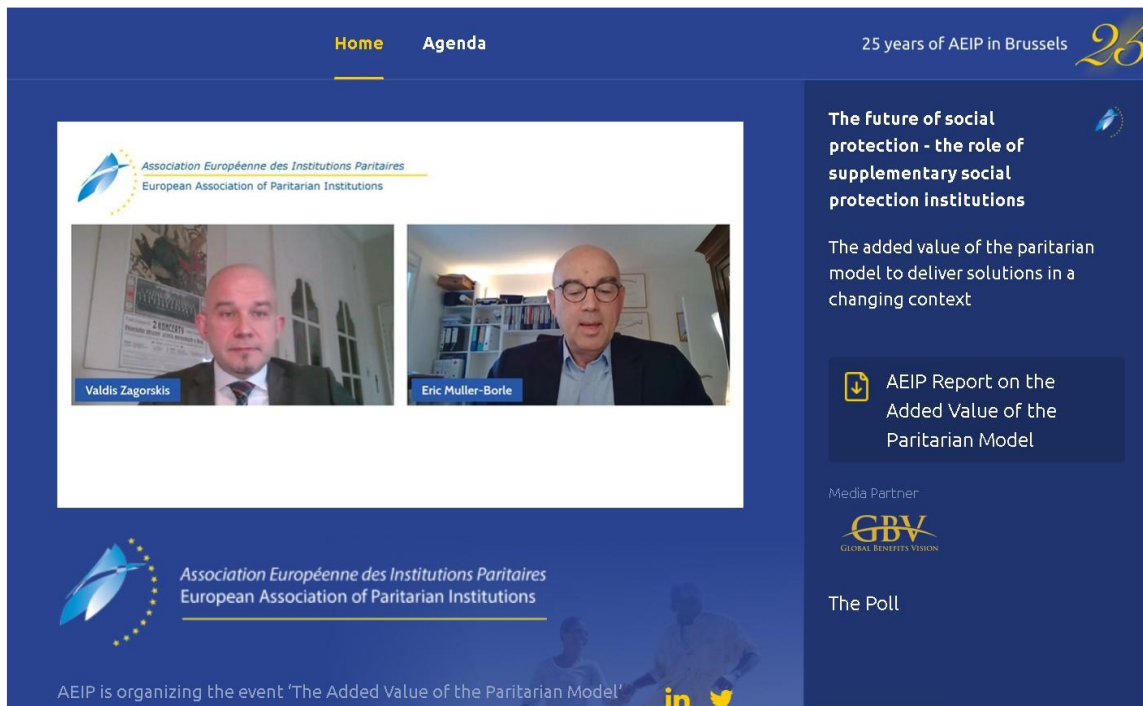
Ms Pisa stated that looking back at 25 years of activity in Brussels, AEIP considers that its mission has been carried out successfully. She referred to the various challenges ahead in the context of the recovery process and stressed that AEIP's work remains extremely relevant, as the pandemic has accentuated the need for inclusive, transparent, and solidarity-based social protection across Europe. Ms Pisa concluded with the purpose of AEIP's event - to reflect on the important role of paritarian institutions in the future enforcement of the European social model.

**Ms. Katja Bjerstedt**, *AEIP Vice President* stated that for more than two decades, AEIP and its members have continuously demonstrated the added value of the paritarian model in driving social policy debates and in promoting inclusiveness, transparency, and representation for EU citizens. She added that a sustainable and inclusive future of social protection cannot be achieved without the contribution of paritarian institutions, especially after the COVID-19 pandemic has accentuated the existing long-term trends in relation to demographics, changing labour markets, digitalisation, and green growth. Considering these new challenges, AEIP and its members will continue to adhere to their vision for long-term oriented, sustainable and adequate social protection and to also promote complementary social institutions in an inclusive and transparent manner.



## Pension adequacy and the paritarian model in the EU

**Mr. Valdis Zagorskis**, Deputy Head of Unit at the European Commission's Directorate General for Employment, Social Affairs and Inclusion provided the audience with an overview of the European Commission's (EC) recent Pension Adequacy Report and its relevance for the development of the paritarian model in the EU.



The EC uses a three-dimensional definition to measure pensions adequacy. First, by its ability to protect older people from poverty; secondly, the income replacement level in retirement and thirdly, the duration of retirement, which consists in what share of their life people can spend in retirement and how their living standards evolve.

Mr. Zagorskis presented to the audience the main takeaways from two important reports published by the European Commission in the last two years, namely, the 2021 Pension Adequacy Report and the final report of the High-Level Group on Pensions.

The Pension Adequacy Report is prepared by the EC and the Social Protection Committee every three years, therefore because of the pandemic the year of reference with more complete data is 2019. The report shows that the rate of poverty or social exclusion for older people in the EU increased since 2016 due to the countercyclical nature of pension income, relative to the income of the working population. The report also highlights that maintaining adequate living standards throughout the period of retirement remains a challenge. This is because at EU level the duration of retirement is decreased over the past decade, as retirement ages have been rising faster than life expectancy.

In addition, a very clear gender dimension to the adequate living standards challenge emerges from the report. Gender inequalities are more pronounced in old age than in working age as a result of the different gaps observed in the labour market as wage gap, duration of career, earlier retirement for women, part time work and career breaks linked to care duties. For this reason, women's pensions are still almost 30% lower than men's pensions.

Income inequalities among older people remain significantly lower than income inequalities in working age because pension and tax systems together redistribute income in old age to a larger extent. Nevertheless, the report shows that depth of poverty in old age is gradually increasing. In this situation, minimum old age benefits remain an important adequacy safeguard for those with short careers, or low incomes. Mr Zagorskis stated that from the EC's perspective this situation can be resolved with longer working lives and by keeping workers in an active in old age.

The report also highlights that in most countries, the age of entering the labour market brings less benefits for future pension than late retirement. Therefore, people who start their career earlier will generally see less increase on their pension level, compared to people who retire after the pensionable age. Moreover, early start of employment is more typical for lower skilled and lower income workers. This situation rises equity challenges and how pension systems must treat different categories of workers. Mr. Zagorskis explained that for this reason some EU countries have reversed previous reforms on increasing pensionable age to improve the income maintenance capacity and also to include non-standard jobs and self-employments in pension systems.

Mr. Zagorskis also presented the report of the High-Level Group on Supplementary Pensions created by the European Commission in 2019. The Group looked at the role of supplementary pensions in old age income provision in the EU and how supplementary pensions can better contribute to old age income adequacy, but also to promote sustainable investment. The report observed that the role of supplementary and occupational pensions has been increasing since the start of the century across Europe. But the relative role and the importance of supplementary pensions remains linked to the pension system design, which varies a lot between different national systems in different parts of the EU. Some of the key recommendations in this respect were for national decision makers to provide financial and regulatory incentives to encourage social partners for setting up collective pension plans with risk sharing mechanisms.

Another recommendation for national legislators and social partners is to ensure that occupational pensions provide credits during breaks linked to childcare or other care forms, making sure that such credits are financed in a sustainable and cost-effective way. The report observed that women have less access and save less in supplementary pensions than men. Therefore, occupational supplementary pensions can contribute to the gender pension gap in those countries where income replacement in old age largely depends on occupational pensions. Last but not the least, the High-Level Group on Supplementary Pensions recommended to reserve tax and financial incentives to those supplementary ventures that meet minimum quality requirements.

## Challenges and opportunities of current and future reforms on social protection: How is the paritarian model of social protection evolving?

The event proceeded with the first panel discussion led by three AEIP members from France, the Netherlands and Belgium, respectively Agirc-Arrco, the Dutch Federation of Pension Funds and PensioPlus, who discussed the challenges and opportunities of current and future reforms on social protection and the role of the paritarian model.

**Mr. François-Xavier Selleret**, *CEO of Fédération Agirc-Arrco (France)* explained that Agirc-Arrco provides pensions for all private sector employees in France, managed by the social partners. Agirc-Arrco is covering more than 50 million workers in France throughout their working life, paying out around 80 billion euros each year to more than 3 million pensioners.

Mr Selleret stressed that the priority for the paritarian model in France is the protection of employees and the provision of services over the long-term. Therefore, Agirc-Arrco is aimed at providing services in an innovative and digital way. Furthermore, in addition to its long-term approach to social protection, based on the values of the paritarian model, Agirc-Arrco aims to contribute to the creation of a decarbonized economy and society through green investments.

Mr. Selleret concluded by explaining that Agirc-Arrco has also created a series of services to help elderly people in a need of care. At the same time, these services aim to support family members of elderly people in organizing long-term care strategies in such a way that they do not impact the working and personal life of workers.

**Ms. Ann Verlinden**, *Secretary General of PensioPlus (Belgium)* introduced her organisation, which represents the Belgian institutions for occupational retirement provision. PensioPlus is a centre of expertise on second pillar pensions, linked to an economic activity either organised by a company, an industry or a public institution.

She explained that in Belgium the pension sector is very heterogeneous as there are several actors organised on a territorial basis such as pension plans companies, industry wide pension plans, pension plans linked to the public sector, all workplace pensions including self-employed and pan-European pension schemes.

Ms. Verlinden highlighted that the paritarian model was crucial during the pandemic in Belgium as from the start of the pandemic, social partners worked together, taking the necessary measures to guarantee the efficient provision of social protection benefits and the continuation of services. Even during the instalment of temporary unemployment schemes during the pandemic, it was allowed that employers postpone their contributions. In addition, the social partners played an important informative role as they kept the plan members up to date regarding the change in accumulated benefits. She explained that the

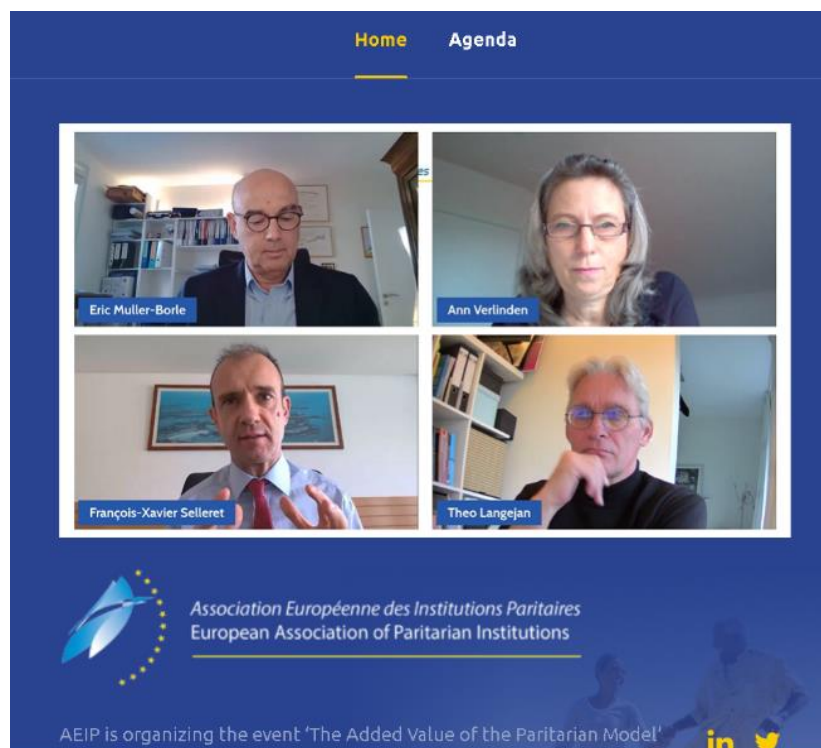
paritarian institutions also play an important role, ensuring that the pension funds provided old-age income even during the pandemic and that such benefits were used for that purpose.

Ms. Verlinden concluded that the COVID-19 pandemic created a momentum for sustainability, an opportunity to align every sector with the sustainability goals. She stressed that the Belgian pension funds are actively participating in this transition.

**Mr. Theo Langejan**, *Special Advisor to the Board of the Dutch Federation of Pension Funds* explained that in the Netherlands every citizen is entitled to a first pillar pension, which is provided by the government. The Dutch Federation of Pension Funds represents second pillar pensions funds, which are characterised by industry-wide funded pensions.

Mr. Langejan underlined that 90% of the employees in the Netherlands are covered by the second pillar pension system, which is currently being redesigned from a DB to a DC system due to the changing labour market trends. He added that the main advantage of the paritarian model of social protection is that it provides a broad societal support for the system, as it is based on the balanced representation of both employers and employees.

In relation to sustainable finance, the Dutch Federation of Pension Funds fully supports the European initiatives towards the development of a green European economy. At the same time, Mr. Langejan stressed that the primary goal of pension funds is to provide adequate old age retirement benefits to their beneficiaries and therefore freedom of investment choice is an important aspect of their operation.



## Integration of non-standard forms of employment – best practices and state of play from the perspective of paritarian institutions?

The second panel discussion was led by two AEIP members from Finland and Germany, namely the Finnish Pension Alliance - TELA and SOKA BAU, who discussed the integration and coverage of workers in non-standard forms of employment in social protection systems.

**Suvi-Anne Siimes**, *Managing Director of the Finnish Pension Alliance – TELA* introduced her organization as an Association of the statutory earnings-related pension providers in Finland. She highlighted that the Finnish statutory earnings-related pension plans belong to the first pillar of social protection and have a strong territorial nature, while they allow private actors to get involved in the provision of benefits.

In this framework, social partners play a big role in reforming pension plans, which have been modernised in the last 60 years to be in accordance with the evolution of the concept of working life. For this reason, the Finnish model covers also non-standard forms of employment and part-time work. The inclusiveness of this plan is possible as the threshold for coverage is a little over 60 euros a month. Social partners are currently working on the revision of pension schemes for self-employed workers, as for those schemes the thresholds are much higher.

Ms. Siimes explained that with the platform economy, the problem of self-employed has increased. This category of workers is also in a disadvantaged position because they are not represented by any kind of trade unions advocating for their rights at the policy level. Finland is trying to revamp its legislation which is affecting self-employed workers in order to ensure their coverage and participation in pension plans.

Ms. Siimes also explained that the COVID-19 pandemic and remote work standards have highlighted cross-border competition in the world of work is becoming a problem in all sectors. This has increased the urgency to regulate non-standard forms of work. Ms. Siimes concluded her intervention by stressing that given the aging of the European population, even older retirees should be able to choose to work part-time if they have the capacity to do so.

**Thorsten Guthke**, *Head of the European Office of SOKA-BAU (Germany)* explained that SOKA - BAU is the social fund of the German construction industry, providing benefits and services to any construction company and to any construction worker active in Germany. SOKA-BAU takes care of the occupational pensions of 1.5 million insured workers, manages the holiday payments for German and European posted workers and finances vocational trainings in the construction sector. It has been jointly created by the German social partners. SOKA BAU is based on collective agreements, which are declared generally applicable by the German Federal Ministry of Labour and Social Affairs, applying also to those companies and workers not members of an association or a trade union.

Mr. Guthke highlighted that a high number of workers in non-standard forms of employment are emerging and that there are serious and urgent issues related to them. For example, self-employed workers often



cannot afford to contribute towards adequate pensions as they are not covered by the labour law, nor by social insurance, and in addition they do not have a claim on a minimum wage. In the construction industry 43% of all self-employed are solo self-employed and in Germany those workers number around 190,000 people only in the construction sector.

Mr. Guthke also stressed that there is a political and a legal dimension of this problem as the number of solo self-employed is growing and at the same time, the number of regular commercial workers is declining. This trend is threatening the balance the social and labour law as basis to the collective bargaining process. Therefore, he urged European Institutions to amend the regulatory framework with the goal to create an environment of social protection for workers in non-standard forms of employment.

Mr. Guthke cited proposals presented in a report by MEP Sylvie Brunet, Renew Europe that would give platform workers access to adequate and transparent social protection, as well as their right to organize, join and be represented by trade unions and negotiate collective agreements. As for the ongoing pandemic, there has been a substantial negative effect on self-employed workers, who have experienced decreases in turnover of more than three quarters.

The screenshot shows a virtual event interface with a dark blue background. At the top, there are navigation links for 'Home' and 'Agenda'. On the right, it says '25 years of AEIP in Brussels' with a large '25' logo. The main content area features three video feeds of speakers: Thorsten GUTHKE, Eric Muller-Borle, and Suvi-Anne Siimes. To the right of the video feeds, there is a section titled 'The future of social protection - the role of supplementary social protection Institutions' with a subtext 'The added value of the paritarian model to deliver solutions in a changing context'. Below this, there is a download icon and the text 'AEIP Report on the Added Value of the Paritarian Model'. Further down, it says 'Media Partner' followed by the GBV logo and the text 'GLOBAL BENEFITS VISION'. At the bottom right, there is a section titled 'The Poll'. The bottom of the interface features the AEIP logo and the text 'Association Européenne des Institutions Paritaires European Association of Paritarian Institutions'. At the very bottom, it says 'AEIP is organizing the event "The Added Value of the Paritarian Model"' with social media icons for LinkedIn and Twitter.

## Social partners and social dialogue in the context of the EU decision making on social protection. The added-value of paritarism.

**Professor Yves Stevens**, *KU Leuven University* provided the audience with an historical overview of social dialogue and the paritarian model in the context of social protection, which found their roots in the French Revolution, with the concepts of equality, brotherhood and freedom and more specifically, the freedom to enterprise. This created social mobility, but it was with Napoleon and the effort to create a stable and organized economy which led to the concept of equality between all citizens.

The industrial revolution and the process of urbanization created a gap between social classes and destroyed the ideal of equality. In order to cope with this situation workers identified as a solution the dialogue between workers' representatives and employers. The failure of this process would later give rise to the socialist revolutions, as happened in Russia in 1917. Following these negotiations with the workers' representatives and in the wake of the socialist ideas that took hold, at the end of the 19<sup>th</sup> century some employers accepted the idea of installing sickness funds or unemployment funds.

The first who thought about the paritarian model was Otto von Bismarck in Germany, who had the idea of providing a social insurance based on mutual understanding between employers and employees. This model, despite seeing the interference of the state in the liberal system, has created stability and a long-term vision based on the dialogue and consensus of the social partners. The downsides of this model are that it takes time to reach a consensus and that social partners tend to prefer the status quo to protect acquired rights. However, when employers and workers find an agreement, their political weight is strong in terms of financial leverage and because both parties have an interest in keeping the welfare state running. Despite various crises and threats, the paritarian model has proven to be efficient and resilient, reinventing itself over the past 100 years.

The screenshot shows the homepage of the AEIP website for the event 'The Added Value of the Paritarian Model'. The header includes 'Home' and 'Agenda' links, and a banner for '25 years of AEIP in Brussels'. The main content area features a video player with the title 'Added value' and the subtitle 'reinvention and resilience', showing Professor Yves Stevens speaking. To the right, there is a sidebar with the title 'The future of social protection - the role of supplementary social protection Institutions' and a link to 'The added value of the paritarian model to deliver solutions in a changing context'. Below this, there is a link to 'AEIP Report on the Added Value of the Paritarian Model' and a 'Media Partner' section featuring the GBV logo. At the bottom, there is a 'The Poll' section. The footer includes the AEIP logo and the text 'AEIP is organizing the event 'The Added Value of the Paritarian Model''.

## Conclusions

**Alexandra Kaydzhyska**, *Executive Director at the European Association of paritarian Institutions – AEIP* closed the event, stressing on its double purpose.

On one had the AEIP event aimed to contribute to the first ever edition of the European Retirement Week. Its second purpose was to mark the occasion of 25th anniversary of activities of AEIP at the European level. For this reason the event focused on the topic of the added value of the paritarian model and aimed also to showcase the significance of the work of the AEIP's members.

Ms. Kaydzhyska concluded by presenting the AEIP paper on the added value of the paritarian model and thanking the panellists, the moderator and participants for their participation in the last AEIP event for 2021.

