

*18<sup>th</sup> January 2023***Report on AEIP's Annual Conference 2022**

AEIP's Annual Conference for 2022 which took place on 3<sup>rd</sup> November brought together decision makers and experts from various policy fields for a reflection on the crucial role of paritarian institutions of social protection in the transformation of the welfare models of the 21st century. The debates were aimed to fit in within the important policy initiatives which the European institutions are now launching in the context of pensions, healthcare and sustainable finance.

The first panel discussion focused on some of the trends with major impact on the design and delivery of social protection as demographic trends, the new world of work, including the increase of the non-standard forms of employment and digitalization. The debate offered a deep reflection on how the European social protection systems could remain relevant in the current environment and the role that paritarian funds can play in this process. The discussions touched upon the effects the Covid-19 pandemic, and how the traditional welfare state models in Europe have been under pressure to adapt to multiple new challenges coming from globalization and demographic trends and the overall transformation of the European labour markets.

The second panel discussion focused on the topic of the social aspects of sustainable finance as paritarian social protection funds are also long-term investors. The current debate at the European level on the topic of sustainable finance focused also on the important role of occupational funds as promoters and enablers for the much-needed green transition. The discussions offered different perspectives on the next steps in developing a European social taxonomy and its added value for the green and sustainable transition.

**Panel 1**

The first panel aimed to address the role of social protection institutions and of the paritarian model in the transformation of the welfare state. Panelists commented on how current "mega-trends" are affecting the welfare state. This included an overview of the High-Level Group on the Future of the Welfare State's work, which will be officially presented by the European Commission in a public event on 7 February 2022.

From the discussion emerged that the solutions to favor the functioning of the welfare state is to support inter-generational solidarity. In doing this, it is important to make sure that the European model and solidarity is a value that is carried also by the younger generations. For this reason, investing in education and educating children to be part of a welfare state is crucial.

The aging of society and increasing longevity should encourage thinking about late retirement. This needs to be based on a fair pension system, which involves social partners and ensures an early retirement for those who are unable to work.

A welfare state approach based on solidarity and late retirement would also benefit its financing, which should in any case be supported by wealth and environmental taxations. These are very ambitious goals and stakeholders such as paritarian institutions, social security institutions, and Mutuals can play a key role in supporting EU and national policymakers in the way forward.

#### MEP Gabriele Bischoff, Member of the European Parliament, S&D Group (DE)

MEP Gabriele Bischoff provided the audience with an overview on the transformation of welfare state and the future of social protection. She highlighted that the European welfare state demonstrated itself to be strong and resilient during the COVID-19 pandemic. Despite the crisis, this period has been characterized by a new wave of EU integration and solidarity with the Next Generation EU. Nonetheless, the effects of the pandemic, together with the war in Ukraine and the energy crisis increased poverty and inequalities in Europe. Therefore, it is crucial to address properly megatrends.

The EU is currently working to address these challenges through several initiatives. This includes the Directive on Minimum Wages, which aims also to collective bargaining, the Strengthening Social Dialogue Directive, to improve social dialogue both at EU and Member State's level, and the Directive on Platform Workers, to ensure social protection coverage to all non-standard forms of employment.

#### Maxime Cerutti, Director Social Affairs, Business Europe

Mr. Cerutti shared reflections on the financing of social protection. He stressed that the social partners play a key role as they contribute to the balancing of policies in terms of competitiveness, employment and social protection. Furthermore, it should be remembered that a large part of our social protection is financed through social contributions paid by employers. However, even if the social partners have a key role to play in terms of resource management and priority, when it comes to social protection, a bipartite dialogue is not enough and a tripartite or paritarian approach is needed. In order to support tripartite social protection institutions, Business Europe proposes to create two new tripartite advisory committees at European level on employment and social protection. When it comes to funding social protection, the Social Protection Advisory Committee would play a key role as this would be made up of representatives of national governments, national employers' federations and national trade union federations and the purpose would be to provide the point. view of national actors, but also the contribution of employers and workers in terms of how the commission is setting the agenda.

#### Marina Monaco, Senior Advisor, European Trade Union Confederation, ETUC

Marina Monaco emphasised the important role of social partners at national and European level to address societal challenges. Social partners have a crucial role to play in the welfare state transformation and they shall be consulted on the design and implementation of economic, employment and social policies due to their on-ground knowledge. According to the social partners to enhance the sustainability of our social protection systems and to drive a fair and inclusive green and digital transition for all it is

necessary to rightfully implement [Principle 12 of the EPSR](#). Precisely, regardless of the type and duration of the employment relationship all workers (and the self-employed) should have access to adequate social protection. This can lead to benefits for the employers and the employees and to the society as a whole.

**Ben Allen, Executive Director of the Institute for European Environmental Policy & Co-rapporteur on the EU's Platform on Sustainable Finance**

Ben Allen explained that investing in our environmental future can play an integral part not only in mitigating climate and social risks but as well as minimizing costs and expenditures. For example, the cost of inaction of sustainability activities could reach to 4% of our GDP (approx. 164 billion EUR) in Europe by the end of the century or the cost from flooding could rise from 5 billion EUR to 20 billion EUR a year, consequently the cost of doing nothing does have a financial implication. In this context, urgent action is needed during the next 10 years to address the alarming rate of biodiversity loss, the increasing impacts of climate change and the overconsumption of natural resources. To best address this, shifting financial flows is necessary to achieve large-scale investments to significantly reduce emissions and significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate. The presentation underlined that the EU taxonomy is an effective tool to providing a directional framework for financial market participants in ensuring sustainable investment and the do-not significant harm principle and safeguarding human rights and social safeguards.

## Panel 2

In panel 2 the exchange focused on constructing a robust EU social taxonomy: the importance of 'S' in ESG and the role of paritarian funds. During the panel it was underlined that the added value of the social taxonomy for pension funds is that it is linked to societal perspectives. For instance, it is a valuable tool contributing to social goals such as fair working conditions, creating jobs, education, or diversity at the workplace. Additionally, social taxonomy will allow paritarian pension funds to take into account most of the social challenges they are facing and could potentially lead to standardisation since social initiatives are based on international charters or principles that are already widely accepted by the society. Nevertheless, a challenge for paritarian pension funds is that taxonomies create expectations about taxonomy-compliant investments and as a result diversification of investments is becoming more limited. Even though it is fundamental for pension funds to have clarities on investments the lack of diversification might impact the long-term ability of pension funds to pay pensions; which is their primary aim. The panel also explained that whereas the environmental taxonomy has been designed as a reporting framework, with quantitative thresholds and minimum safeguards it could be more complex to calculate the impact of the social taxonomy. Still, measuring the impact of social taxonomy could be possible by counting either the amount of an investment to reduce or address harmful consequences of certain economic activities or by counting additional costs or expenses of an investor who aims to make their investment more social (i.e. enhancing an already established social service to make it accessible to more individuals).

## Sirpa Pietikäinen, Member of the European Parliament, EPP (FI)

Sirpa Pietikäinen emphasised that this is the right time for paritarian pension funds and other relevant stakeholders to push forward the European sustainable finance agenda. In this context, political will is a key aspect to make sustainability considerations an integral part of financial policies to enhance green transition. Moreover, she explained that the EU taxonomy is a key tool as it provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. This alongside other EU rules and regulations such as the [Corporate Sustainability Reporting Directive](#), [Corporate Sustainability Due Diligence Directive](#) and the [Sustainable Financial Disclosure Regulation](#) create a coherent framework to help companies to become more climate-friendly, mitigate market fragmentation and help shift investments where they are most needed to promote ESG.

### AEIP Disclaimer



AEIP represents the European Paritarian Institutions of Social Protection in Brussels since 1997. The Association gathers 29 leading large and medium-sized social protection providers, which are managed on the basis of joint governance and equal representation by both employees and employers' organizations (the social partners) in 12 EU Member States.

AEIP represents its members' values and interests at the level of both European and international institutions. In particular, AEIP - through its working groups - deals with EU coordinated pension schemes and pension funds, healthcare, unemployment, provident and paid-holiday schemes.

Owing to the quality of its members and to the delegation of powers conferred to its Board, AEIP aims at becoming the leading body for the promotion of balanced paritarian social protection systems in Europe. AEIP promotes and develops programs and orientations aiming at the sustainability of paritarian social protection systems at local level taking into account the national specificities aiming at ensuring social cohesion in Europe.

Based thereon, AEIP prepares recommendations, proposes local programs and influences European decisions to safeguard and promote the interests of its members. AEIP thinks ahead and anticipate modern paritarian social protection systems that take into account changing economic and societal pattern. It furthermore seeks to find a new balance between and across generations.

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