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Industrial Relations in Europe 2012

Chapter 6: Social partner involvement in unemployment benefit and pensions systems in the EU

The social partners are involved in the shaping and running of unemployment benefit and pensions systems to varying degrees across the EU. However, social partners in all countries are facing challenges and opportunities linked to the crisis. On the one hand, governments are tending to take rapid and unilateral action in order to accelerate reforms to welfare and pensions systems as part of austerity and cost-cutting measures. On the other hand, the growth of occupational and private pension schemes as a way of plugging the gap left by dwindling state provision offers the social partners a real opportunity to help shape these schemes.

Based on a draft by Andrea Broughton, Institute for Employment Studies

6.1 Introduction

This chapter examines social partner involvement in the unemployment benefit and pensions systems of the EU Member States. One of the effects of the crisis on public sector industrial relation relations, as examined in previous chapters, has been the introduction of changes to national welfare and pensions systems, as governments try to cut public spending and implement austerity measures. This is turn is having an impact on the role of the social partners, as they seek involvement in and influence over these major reforms. This chapter therefore attempts to explore the role of the social partners in this regard, looking in particular at instances when they typically support and oppose reform, and how they have fared in their attempts to influence government policy.

For policymakers, there are many advantages to involving the social partners in the formulation of social policy. However, there are also a number of potential challenges. This chapter explores both the positive aspects of social partner involvement in benefit and pension reforms and the potential challenges and barriers. Specifically in terms of pensions, one key question concerns how far it is possible for the social partners to assume a self-regulatory role by means of negotiating occupational pensions, which are beginning to fill the gap left by dwindling state provision. These are difficult questions to answer, but this chapter explores some of the main issues, with the aim of contributing to the debate.

This chapter focuses on the following areas:

- The extent to which the social partners are involved in the formulation of social policy, using governance and involvement models to categorise country-specific traditions.
- The interaction between industrial relations and social policy in terms of the strength and influence of collective bargaining and what this means in terms of the influence of the social partners on unemployment and benefit policy.

- The range of unemployment benefit systems in existence, the main challenges, and the extent of social partner involvement in these systems.
- The main trends and challenges relating to pensions policy, and the extent of social partner involvement in moves to reform pensions.
- The particular effects of the crisis on unemployment benefit and pension systems and the actions of the social partners in terms of trying to work with the government in modifying unemployment benefit and pension systems in the context of the crisis.
- Conclusions and future developments.

6.2 Social partner involvement in social policy: involvement and governance models

This section of the chapter attempts to categorise the diverse governance systems in place in EU Member States into four main clusters. It also examines the main reasons for and the potential problems of social partnership involvement in unemployment benefit and pensions systems, the differences in terms of employer and union interests in unemployment benefit and pension policy, and summarises views on the value of social partner involvement in social policy overall.

The EU Member States exhibit a great diversity of histories and traditions in relation to the management of welfare and benefits. Despite this diversity, however, it is possible to categorise these different systems to a certain extent. For example, Ebbinghaus (2010a) defines four general social governance models for sharing responsibilities between the state and the social partners, noting that "depending on country-specific historic traditions of sharing public space, the social partners have very different degrees of influence on policy outcomes". These four governance models are:

- Institutionalised consultation, in which the state may consult the social partners, but does not necessarily act on their opinions.
- Voluntary social concertation, in which an agreement or social pact is entered into between the government and the social partners. This will usually involve some concessions on the part of the government.
- Delegated self-administration, under which some decision-making authority and power of implementation is delegated to an independent self-administered agency, which may be more or less autonomous of the state. In this case, the influence of the social partners would tend to be lower if this self-administration is decentralised, made up of representatives elected from open lists, tripartite, and with no minority veto; it would be higher if this self-administration is centralised, if social partners can nominate representatives, composition is bipartite and each side has a right of veto.
- Autonomous self-regulation, under which the social partners operate under a voluntary agreement, without state interference. This may apply, for example, to the negotiation of occupational welfare provision outside of the public welfare system. The state can only indirectly affect outcomes in this case by, for example, refusing *erga omnes* extension of collective agreements.

It is helpful to bear this classification framework in mind when examining the level and nature of involvement of the social partners in the unemployment benefit and pension systems

of their countries. It is worth noting that examples from all four governance models can often be found in the same country in different areas of social policy, depending on the particular point in time and the reform processes that are undertaken.

Accordingly, examples of institutionalised consultation exist in Germany to some extent – here, social partnership has been institutionalised through autonomous collective bargaining and codetermination in the area of industrial relations (Ebbinghaus 2010a). Nevertheless, the tripartite Alliance for Jobs initiatives since the 1990s have not lead to successful institutionalised consultation on social policy in Germany. In the Netherlands, institutionalised consultation takes place through the tripartite Social and Economic Council (SER). For an overview of the history and functions of the SER, see box 6.3. Consultation in the Netherlands also takes place through the Labour Foundation (Stichting van de Arbeid), which was set up in 1945 and comprises representatives of the social partners only. Twice a year, in spring and in autumn, the Labour Foundation consults with the government on policy. Other examples of countries with institutionalised consultation arrangements include Italy and Spain, although here, the role of the advisory councils that exist tends to be more symbolic than influential (Ebbinghaus 2010a).

6.2.1 Advantages of social partner involvement

There are differing views on the value of social partner involvement in unemployment benefit and pension reforms. The social partners themselves would of course argue that their involvement is a force for the good, and Watt (2009) also found that where unions had an influence in drawing up Member States' fiscal reform packages, the incorporation of social and equity concerns was more likely. In countries where there is a history of social partnership and good relationships between government and the social partners, social partner involvement can certainly be beneficial in terms of achieving buy-in to reforms, both among the social partners and the wider population, thus avoiding conflict and protest.

In this context, Ebbinghaus (2010a) discusses the social partners' power of veto and the extent to which it depends on the options of voice versus exit in the case of disagreement (ie whether the social partners decide to influence policy by participating and engaging, or whether they try to exert influence by withdrawing and protesting). In the cases of consultation and self-administration as noted above, voice, not exit, is the main option. In the cases of concertation and self-regulation, however, as these options are based on voluntary agreement, exit is a viable option, although there is a high risk of defection where there are rival union and employer organisations.

The social partners themselves have many incentives for being involved in social policy reform, not least as this is a way of avoiding the imposition of more severe welfare entrenchment (Ebbinghaus 2011). Further, cooperation in reform plans means that the social partners are at the centre of debate rather than being marginalised or even subject to social governance reforms on the part of governments seeking to curtail their opposing voice. Trade unions have an interest in fulfilling their mandate to represent and protect their members to the best of their ability. Employer organisations also have members' interests to represent and while they may have different views on some aspects of social and economic policy, they also have an interest in being seen as partners in debate about reform, as this increases their visibility and validity to their membership.

6.2.2 Disadvantages of social partner involvement

There is a converse argument that social partner involvement in reform and change can result in more limited change than would be the case if policymakers acted unilaterally (Marier 2008). For example, where there is formal social partner involvement in pension reform, this can lead to a more limited reform, resulting in a situation much nearer to the status quo, as a social partner-agreed structure is likely to have more built-in points of veto.

The nature of the relationship between the government and the social partners is also likely to have an effect on implementation of social reforms. Marier looks at whether social partner involvement in welfare reform is more successful in the case of a cooperative relationship with the government (as in Belgium), than a conflictual relationship (as in France). He finds that France has actually been more successful in implementing reforms than Belgium, even though French unions tend to be "outsiders" (opposing rather than participating in reform). One reason for this may be that Belgian pension reforms in 1996 tended to be less effective than similar French reforms, as they included many social compensations, such as exemptions or payments to compensate for losses incurred as a result of the reform, and were lesser in scope to start with.

Industrial relations and social policy are intertwined to a considerable degree, in the context of the social partners' continuing influence on welfare reform in many countries, and there would seem to be scope in the future for more social partner influence in the reforms that will be needed in the future. For example, in the context of the restructuring of the welfare state, there is increased scope for the conclusion of social pacts involving the social partners, and for the creation of more private occupational welfare arrangements such as private pension provision (Ebbinghaus 2010b) – see the section below on pensions for more details.

Further evidence of the interconnection between industrial relations and social policy is the fact that social contributions can be seen as reducing net wages for workers and increasing non-wage labour costs for employers (Ebbinghaus 2010b). Any changes, ie increases, in these social contributions will therefore reduce wages and raise overall labour costs, thus making it logical to class wage negotiations and social policy reforms as interdependent activities.

This section has sketched some of the key issues relating to the debate about social partner involvement in social policy development more widely and unemployment benefit and pension systems in particular. Although there is a wide difference between national systems, some categorisation is possible. Common to all national systems are issues surrounding the perceived advantages and disadvantages of social partner involvement in policy formulation, although the precise nature of this depends on issues such as the relationship between the social partners and policymakers, and the exact role that they play. The involvement of the social partners in social policy development sits at the interaction between industrial relations and social policy, as many outcomes of social policy, such as social charges, have a direct effect on net pay. This therefore binds the social partners more tightly into discussions on social policy and benefit reform. In the past, there has been an exchange between wage moderation and social rights (ie lower wage increases in exchange for improvements in social rights), but today's international economic competition and limits on state welfare spending no longer permit such an exchange (Ebbinghaus 2010b). A balanced view of the role of employers and unions therefore needs to be developed in order to understand the ongoing challenges facing employers and unions, shifts in responsibility between state and non-state actors, and the repercussions of this for income inequality and social security.

6.3 Unemployment benefit systems

This section of the chapter examines the main characteristics of unemployment benefit systems in the EU Member States, highlighting the differences and the similarities, and also examining their degree of embeddedness. It also analyses the degree of social partner involvement in the establishment and organisation of unemployment benefit systems, which can range from no involvement to a high degree of involvement. The latter is the case particularly in countries that operate the Ghent system, under which the main responsibility for unemployment benefit is held by trade unions, in their role as administrators of government-subsidised unemployment insurance funds. Main trends are also examined, including the impact of institutional changes, and issues such as lack of consensus between the parties. This section also considers the changing face of unemployment benefit systems and what this means for social partnership.

6.3.1 Main characteristics

The unemployment benefit systems of the EU Member States differ significantly in terms of their basic characteristics and the degree of involvement of the social partners. This is due to factors such as the history and culture of industrial relations, the nature of social dialogue, and tripartism and culture concerning the nature of the state, including whether or not it acts autonomously with regard to the unemployment benefit system, or whether decisions are based on tripartite consensus.

The degree of embeddedness of unemployment benefit systems – ie how long they have been in operation – also plays a defining role. Schaapman and van het Kaar (2007) note that in the Nordic countries (Denmark, Finland, Norway and Sweden), the origins of present social security systems date back to the end of the 19th or beginning of the 20th century. The welfare state in most of the oldest EU Member States was established after World War II, while countries such as Greece, Cyprus and Malta began to develop a social security system in the second half of the 1950s. The basis for a welfare state in Spain was created in the mid- to late-1970s, while the creation of comprehensive social security systems in some of the new Member States only took place following the 1989 transition.

Further, in some countries, a system operates under which individuals may qualify for partial unemployment benefits if they are looking for full-time work and have accepted a part-time job. Some studies have looked into the role of partial unemployment benefits in terms of providing a stepping stone into full employment. For example, Kyyrä (2008) explores this issue in Finland, finding evidence to support this. Partial unemployment benefit was used extensively by governments in some countries, such as Germany, Italy and Austria, during the crisis in order to support short-time working. For more details, see Mandl *et al* (2010).

Notwithstanding these differences, however, there are core similarities between the unemployment benefit systems of Member States: some common characteristics are as follows (Schaapman and van het Kaar 2007):

- the dual character of the systems (ie comprising insurance and assistance);
- means of funding and calculating unemployment benefits;
- basic qualifying conditions (eligibility criteria);

- the development of active labour market policies to complement the unemployment benefit system;
- certain administrative characteristics, such as the fact that unemployment insurance systems may be administered by government departments or take the form of self-governing institutions that are usually managed by representatives of insured workers, employers and the government;
- certain general aspects of the coordination of social partner involvement (despite major differences in the actual participation of social partners in unemployment benefit systems within the different countries).

Table 6.1 below sets out the main characteristics of unemployment benefit systems in EU Member States.

Table 6.1: Unemployment benefit systems in Europe

	Countries	Funding	Main qualifying conditions	Benefits
Unemployment insurance	All	Contributions from employer and, in most cases (18 countries), also employee, often (in 14 countries) topped up by government payments.	Involuntary unemployment - employment record - actively looking for work	Earnings-related
Unemployment assistance	AT, DE, FI, FR, EL, ES, IE, NL*, SE, SI, UK	Contributions from employer and employee and/or government payments.	Unemployment insurance expired or not eligible for it - (often) a short employment record - actively looking for work	Social minimum, partly means-tested
Social assistance	All except EL and IT	Taxes	Unemployment insurance expired or not eligible for it - (for most categories of claimants) actively looking for work	Social minimum; comprehensively means-tested

Source: Social Partners and Social Security Systems, Schaapman M and van het Kaar R 2007.

** In the Netherlands, the UA arrangement is expiring as the so-called follow-up benefit was abolished for persons becoming unemployed after 11 August 2003.*

6.3.2 Social partner involvement in unemployment benefit systems

The social partners play a distinctive role in the formulation and operation of unemployment benefit systems in many EU countries, although the precise nature of the role differs widely according to country (for more details see Eurofound 2012). In addition, even though formal involvement and cooperation may be in place, the degree of actual influence of social partner involvement can also differ: in some countries, the social partners commonly complain that although they are asked for their opinions and input, governments do not act on their advice.

There are significant differences between social partner involvement in the *preparation and establishment*, ie the *creation*, of unemployment benefit systems by country. For example, at

one end of the scale, countries such as Austria and Finland have systems that are based on well-established tripartite cooperation. In other countries, such as Belgium, the Netherlands and France, the preparation and establishment of unemployment benefit systems is dominated by bipartite consultation.

At the other end of the scale, the new EU Member States have only recently developed tripartite concertation and social dialogue as a whole does not have a long history. Further, in countries such as the UK, Germany and Greece, there is an absence of tripartite consultation on unemployment benefits (Schaapman M and van het Kaar R 2007).

Similarly, the role of the social partners in the *administration* of unemployment benefit systems ranges from high levels of formal involvement and participation to countries where the social partners have no role at all. Schaapman M and van het Kaar R (2007) have summarised the involvement of the social partners in the administration of unemployment benefit schemes and unemployment benefit services, highlighting national differences. For example, although the French social partners play a formal role in decision-making, their actual influence is reported to be minimal. In Greece, although efforts have been made to include the social partners more fully in the administration of benefits, their influence is reported to remain minimal in practical terms. This is also reported to be the case in Spain, where, although there are high levels of involvement, actual influence is not reported to be high. Conversely, in countries such as Cyprus, Ireland, Italy, Norway, Slovakia and the UK, the social partners have no formal role in the administration of the unemployment benefits system.

Countries where there are high levels of formal involvement and influence include Austria, Belgium, Denmark, Finland, France, Slovenia and Sweden, where the social partners play an important role in the administration of unemployment benefit systems. This list includes the countries in which the Ghent system operates (see below).

The most recent comparative research examining social partner involvement in unemployment benefit systems (Eurofound 2012) groups the involvement of the social partners in these systems into five categories:

- institutional involvement in stable tripartite institutions connected to the policy-making process. This is the case in a large number of continental and Nordic countries, such as AT, DE, LU, NL, DK, PT, BG, CY, CZ, EE, EL, HU, LV, LT, PL, RO, SK, SI;
- institutional involvement in stable bipartite bodies associated to the process, such as BE and FR;
- involvement in ad hoc committees established by public authorities when needed, as in FI;
- Non-formal involvement in information and consultation practices within policy-making process, such as in IT, NO, SE, UK; and
- participation without (at least explicit) involvement on the part of the state, as in IE, MT, ES.

Under this classification, Eurofound notes that in almost all countries, the social partners are, to some extent or another, involved by public authorities in the design or readjustment of unemployment benefit systems. However, it is important to stress that the form that involvement takes does not necessarily predict the actual role of the social partners in the decision-making process.

6.3.3 Union involvement in unemployment insurance – the Ghent system

Under the so-called Ghent system, the main responsibility for unemployment benefit is held by trade unions, which administer government-subsidised unemployment insurance funds. This system is in place in Denmark, Finland, Iceland and Sweden and to some extent Belgium, which is deemed (Böckerman and Uusitalo 2006) to have a hybrid system, under which the government also has a role in the distribution of benefits.

In countries operating the Ghent system, workers often need to belong to a union to receive these benefits, which means that union membership tends to be higher in these countries. Theoretically, it is possible to become a member of a union-administered fund without joining the relevant trade union, although in practice this has traditionally rarely been the case.

Trade unions involved in Ghent systems arguably have an interest in maintaining these systems, as this gives them an active role and involvement in unemployment benefit policy, raises their profile and visibility in a wider sense and may therefore result in higher membership rates. Involvement in the operation of unemployment benefit funds also means that trade unions can be insulated to some extent from the widespread membership decline due to economic and social trends that has been felt by trade unions in countries that do not operate this system.

There have been a number of studies of trade union involvement in the administration of unemployment benefit systems under the Ghent system in Denmark, Finland, Iceland, Sweden and to some extent Belgium, and what this means for trade union membership. For example, Blaschke (2000) looks at trade union density trends in Europe, concluding that there is no general trend. Rather, two groups of countries can be distinguished that show a common union density trend: those operating the Ghent system (which tend to have comparatively high trade union density rates) and those that do not. This study concludes that "The Ghent system is the most important institution on the national level which determines the development of union density". For more discussion of trends in trade union density and membership, see chapters 1 and 3 of this report.

However, the Ghent system is not infallible in terms of ensuring high membership levels for trade unions. Ebbinghaus (2002) notes that although trade union membership in countries operating the Ghent system grew until the early 1990s, it then stagnated and even declined, although the pace of decline has varied in the different Member States. He concludes that "union-led unemployment insurance seems no longer to protect union movements from decline, while improved labour market conditions and increased partnership initiatives have not (yet) facilitated the hoped turn around in unionisation".

In Finland, for example, the Ghent system began to come under pressure from 1992 due to the establishment of an independent fund, YTK. Research found that the link between union membership and the entitlement to earnings-related unemployment benefits was being increasingly eroded by the success of YTK, the membership of which reached 10% of the Finnish labour force by 2005 (Kuusisto 2005). Union density rates fell simultaneously, from 85% in 1993 to 79% by 2000, although density increased back up to 83% by 2004 due to reactions to the crash of the IT sector. Böckerman and Uusitalo (2006) also examine the functioning of the Ghent system in Finland, noting that union density declined by more than 10 percentage points in fewer than 10 years (from 84% in 1993 to 73% in 2002), and conclude that this decline is mostly due to the erosion of the Ghent system caused by the creation of the YTK fund.

Further, in Sweden, the Ghent system was also eroded during the second half of the past decade, due to reforms to unemployment benefit insurance introduced by the government. In this case, it would appear that the funds were a battleground on which the government sought to influence wage policy. Kjellberg (2009) notes that increases in the fees of union unemployment funds, aimed at pressuring unions to moderate their wage claims, resulted in significant losses in the membership of trade unions and of the funds: "In 2007, union unemployment funds lost almost twice as many members as the unions did. In a period of one year, union density declined by 4 percentage points, which is unique in modern Swedish history and remarkable also from an international perspective … by changing the Swedish Ghent system the government caused a fall in union density with no parallel in modern Swedish history."

6.4 Main trends in social partner involvement in unemployment benefit

The context within which unemployment benefit systems operate has changed radically since many of these systems were first created. Clasen and Clegg (2011) note that many of these benefit systems were designed in economies that were predominantly industrial and characterised by employment relationships that were largely standardised and followed a stable career path. Over the past 20 years or so, this scenario has changed significantly, as the result of a move towards predominantly service-based economies and demand for more flexibility in terms of wages and employment terms and conditions. These types of changes in circumstance and context have had an influence on the level and influence of the social partners, although it would seem that the degree of change depends to a large extent on the national context.

Schaapman and van het Kaar (2007) note that social partner influence is likely to be stable and undisputed in countries with a strong and continuing tradition of social partnership (such as Finland and Sweden), where there is a strong tradition of state leadership in social security (such as in Hungary), or where there is little social partner influence in the area of social security, and no debate on changing the situation (eg in the UK). In countries such as Slovenia and Malta, although influence is stable, the social partners are demanding more influence in the area of social benefits.

Institutional changes are deemed to have had a negative impact on the influence of the social partners on unemployment benefit systems in some countries, such as Denmark and Germany. Further, lack of consensus among the social partners themselves in some countries, such as France, was also identified to have a negative impact on social partner influence in the area of social benefits.

Some trends can also have positive influences on social partner involvement and influence. These include institutional changes to the advantage of the social partners, and proactive social partner approaches. This has been the case in Ireland where, although the welfare system is not generous, social partner influence has increased since 1987 due to the growth of social partnership (although this has now come under severe pressure as a result of the financial crisis). On occasion, trade union action has resulted in policy influence – this has been the case in recent years in countries such as Austria, the Netherlands and Spain.

Most recently, the pressures affecting the operation of unemployment benefit systems are likely to have been exacerbated by the crisis, as governments implement austerity measures and cost-cutting plans (see also chapter 4 of this report). Social partners are being involved to

a greater or lesser extent in this process – for more details, see the section below on the effects of the crisis.

Another issue relevant to the formulation of unemployment benefit policy and the social partners' involvement in this is that of the reservation wage – the lowest level of income that would be acceptable to a worker for a particular type of job. There have been a number of studies devoted to assessing whether this reservation wage changes if a person remains unemployed, as this would have an impact on the setting of the level of unemployment benefit, something on which the social partners would have a view. Research has found some elasticity, although on the whole this is not deemed to be significant. For example, Addison et al (2010) examined whether an individual's reservation wage declined over the course of a period of joblessness. They found that this was the case, but that this elasticity is quite small. They also found that there was well-determined direct association between completed duration of a period of unemployment and reservation wages, which is to be construed as higher reservation wages lead to higher jobless duration. Krueger and Mueller (2011) have also examined the reservation wage and the role it plays in job search. They found that the self-reported reservation wage predicts whether a job offer is accepted or rejected and that the reservation wage is basically stable over the course of unemployment for most workers, with the notable exception of workers who are over age 50 and those who had substantial savings at the start of the study. They also found that many workers who are looking for full-time work will accept a part-time job that offers a wage below their reservation wage. Further, they found that the amount of time devoted to job search and the reservation wage help to predict early exits from receiving unemployment benefits. This issue is of direct relevance to the social partners as it has a direct impact on the lives and income of benefit recipients and will therefore influence any positions that they take with regard to benefit changes or reform.

This section has examined social partner involvement in and influence over unemployment benefit systems, which is characterised by high levels of diversity. Nevertheless, there are some common trends and challenges, such as meeting the challenge of adapting to the labour market and economic developments of the past 20 years or so, and the reaction of the social partners to this. Most recently, the economic crisis has posed a huge challenge to unemployment benefit systems, and this issue is examined later in this chapter.

6.5 Pension systems: key issues and challenges

This section examines the key issues and challenges facing national pension systems in the EU Member States. Most specifically, it looks at pension reform as the main challenge for the future that is common to all EU Member States, in the context of changing demographics. It highlights the main national pension reform plans in the context of EU guidance, and considers the reasons why social partner involvement in pension policy can make a significant contribution. In particular, it examines trends such as the development of second and third-tier pension provision and the opportunity that this presents for greater social partner involvement in policy development.

Pension reform is one of the key issues facing European policymakers and is likely to become ever more pressing over the coming decades, due to changing EU demographics. Pay-as-you-go (PAYG) pension systems, which rely on those in work to fund the pensions of those who are retired, are facing increasing strain as the number of those in retirement grows in relation to those in work. This is a major issue in EU countries which rely on such systems: it is recognised that there is a need to move away from these PAYG systems, towards alternative

forms of provision, such as occupational and privately-funded schemes. However, this path is fraught with difficulties and often encounters high levels of protest from trade unions.

Overall in the EU, the proportion of those who are over 65 and dependent on those in the labour force has increased from almost 21% of the population in 1990 to almost 26% in 2010, according to Eurostat, and is predicted by Eurostat to reach just over 34% by 2025 and over 53% by 2060. Further, according to the most recent Eurostat data on this subject, which relates to 2009, no EU Member State had reached the replacement fertility rate of 2.1 (ie each woman needs to have an average of 2.1 children over her lifetime in order to keep the population constant). France and Ireland came closest (2.0 each in 2009), but Germany, Hungary, Italy, Latvia, Malta and Portugal had fertility rates of less than 1.5, which are among the lowest in the world. The EU average fertility rate in 2009 was 1.59, according to Eurostat data

Special mention should be made of the Member States in central and eastern Europe, which faced the challenge of pension reform as part of their move away from a planned to a market economy at the beginning of the 1990s. One of the key issues in these countries during the 1990s was the use of early retirement to absorb the high number of people made redundant due to enterprise restructuring. This in turn created a large number of retired people in relation to the working population. Hirose (2011) notes that many of these countries decided during the 1990s and 2000s to create second pillar pension provision as part of structural reform. As social dialogue was relatively weak in these countries (see also chapter 2 of this report), influence on national pension policy was limited. The most recent reforms have concentrated on increasing the retirement age, reducing the deficit in the state pension system, freezing indexation mechanisms, modifying qualifying conditions and eliminating privileged rights for special groups of workers such as military personnel and the police force.

At European level, the European Commission issued in February 2012 a White Paper entitled *An Agenda for Adequate, Safe and Sustainable Pensions*[1], in which it addresses the key issues facing pensions in the EU and puts forward a number of proposals to support EU Member States in reform of their pension systems. Reinforcing the role that the social partners can play in pension reform, the White Paper states that: "*Member States, European institutions and all stakeholders, in particular social partners, need to respond together and within their respective roles, to the challenges that population ageing represents*" (p.15). For details of the White Paper, see box 6.1 below.

Box 6.1: Main points of the European Commission's 2012 White Paper: An Agenda for Adequate, Safe and Sustainable Pensions.

The main challenges for EU Member State pension systems, as identified in the White Paper are:

- Financial sustainability. Despite reforms, EU pension systems still face financial difficulties relating to demographic changes (the number of those in work shrinking in relation to the number of retired people) and so further reforms are needed.

[1] European Commission: An Agenda for Adequate, Safe and Sustainable Pensions. COM (2012) 55 final. 16 February 2012.

- Maintaining the adequacy of pension benefits. Although most schemes in the EU allow older people to enjoy decent living standards and economic independence, the Commission highlights a number of gaps, such as women over the age of 75. Further, recent pension reforms will result in lower income replacement rates.
- Raising the labour market participation of women and older workers. The Commission states that the trend in recent decades towards earlier retirement has been reversed, although more needs to be done. Labour force participation is currently still too low in the age groups just below the retirement age and progress too limited. Further, the success of reforms aimed at increasing pension eligibility ages depends on better opportunities for older women and men to stay in the labour market.

Key actions to support Member States in pension reform include the following:

Balancing time spent in work and retirement

- Monitoring of and support for Member State actions, awareness-raising, support for policy coordination and joint work on enabling and encouraging older workers, women in particular, to stay longer in the labour market, primarily through the Europe 2020 Strategy.
- Within the framework of the European social dialogue, consulting the EU social partners to develop ways of adapting work place and labour market practices, including career management notably regarding strenuous jobs, so as to facilitate longer working lives.
- Consultation of the social partners on how unwarranted mandatory retirement ages could be revised in collective agreements and national legislation.

Developing second pillar (occupational) and third pillar (private) arrangements

- A review of the IORP directive on activities and supervision of institutions for occupational retirement provision. The aim of this is to promote more cross-border activity in this field and to help improve overall pension provision in the EU.
- Initiatives to increase protection of workers' occupational pension rights in the event of employer insolvency.
- The development of a pension portability Directive setting minimum standards for the acquisition and preservation of supplementary pension rights and pursue on-going work on a pan-European pension fund for researchers.
- The development of a code of good practice for occupational pension schemes, addressing issues such as better coverage of employees, payouts, risk-sharing and mitigation, cost effectiveness and shock absorption.
- In the case of third pillar products, by 2013, the Commission will present an initiative aimed at raising the quality of these products and improving consumer information and protection standards via voluntary codes and possibly an EU certification scheme.

6.5.1 Social partner involvement in pension systems

As with unemployment benefit systems, there is significant diversity in the way in which the social partners are involvement in pension policy in EU Member States. Social concertation plays an important role in pension reforms where public policy is traditionally shared or when governments do not have the capacity to push through unilateral reforms due to union opposition. This is particularly the case in Bismarckian pension systems, where attempts at

significant reform can provoke opposition from workers and their representatives. For more information on Bismarckian and Beveridge pension systems, see box 6.2.

An example of social concertation is the pension pact negotiated in 1995 in Italy by the government and trade unions, with the government making concessions in order to reach agreement with the unions. A similar type of agreement was reached on pensions more recently between the government and the social partners in Spain (see below).

Box 6.2: Bismarckian and Beveridge pension systems

Pension systems can broadly be classified into two types: Bismarckian and Beveridge. Under the Bismarck model, pensions are social insurance-based and contributions to social insurance funds are divided between employer and employee. These systems provide earning-related pension benefits aimed at maintaining economic status during old age. Countries with Bismarckian systems traditionally include Austria, Germany, France and Italy. In countries with the Bismarck system, state first pillar provision is strong and supplementary occupational and private provision is comparatively weak.

Sweden, Finland and Norway moved towards the Bismarckian system in the late 1950s and 1960s by introducing a second public pillar of pension provision in order to supplement the first pillar of state provision. This second pillar of public provision is based on a pay-as-you-go principle and provides for income-related benefits. Since the introduction of this second pillar, the first pillar of public provision has declined.

Under the Beveridge model, the pension system is aimed mainly at poverty prevention, and typically provides universal flat-rate means-tested benefits. Countries operating the Beveridge model are typically the Anglo-Saxon countries such as the UK. In the UK and also the Netherlands, state provision is basic and occupational and private pension schemes are well-developed.

Examples of self-administration and self-regulation can be found in Bismarckian social insurance systems. Here, for example, the social partners are elected into the administration bodies of pension funds at different levels. In France and the Netherlands, the social partners play a more direct role in social insurance, with French union and employer representatives sitting on the boards of national, regional and local social insurance funds. In the Netherlands, the social partners are involved in the administration of both the first pillar state pension and second pillar occupational pensions. In the Nordic countries, social partner involvement in drafting legislation, including in the area of welfare, is well-embedded in the national system of governance.

In terms of the first pillar of pension provision (state provision), the formal involvement of the social partners varies from strong involvement, as in France, to more or less no involvement, as in the UK. The precise role that the social partners play reflects historical variations in the development of welfare states, for example the Bismarckian social insurance or the Beveridge-type welfare state models (Natali 2009). In countries with a strong consultative tradition, such as the Netherlands, tripartite bodies such as the SER and bipartite bodies such as the Labour Foundation exist to advise the government. For an overview of the SER and its recent input into pensions policy, see box 6.3 below.

Van het Kaar (2004) notes that often, the social partners have an advisory or consultative status, sometimes without formal basis. Further, although in several countries the social partners have no formal influence on first pillar provision, their role in practice can be

significant. For example, in Finland, state pension provision is based on law, but its principles are mainly agreed in negotiations between the social partners.

Box 6.3: The Social and Economic Council of the Netherlands

The Social and Economic Council of the Netherlands (De Sociaal-Economische Raad, SER) is an advisory and consultative body made up of employer and union representatives and independent experts. Its aim is to help create social consensus on national and international socio-economic issues. It was established in 1950 by the Industrial Organisation Act (Wet op de bedrijfsorganisatie) and is the main advisory body to the Dutch government and the parliament on national and international social and economic policy. The SER is financed by employers and acts wholly independently from government. It represents the interests of trade unions and employers, advising the government (upon request or at its own initiative) on all major social and economic issues, including social security and benefits. It is funded by a mandatory tax levied by the Chambers of Commerce.

The SER's three key objectives are:

- Balanced economic growth and sustainable development
- The highest possible employment rate
- A fair distribution of income

In terms of the weight that the SER's advice carries, the SER itself notes that the effectiveness of its advice is not easy to quantify: it cannot be measured purely by the extent to which it is incorporated into legislation and regulations, as not all advice is given for the purpose of developing a legislative proposal. In most cases, the advice given concerns the SER's response or views on a policy document. Often, parts of a SER advisory report are eventually included in legislation and regulations, although as it takes a long time for policy to be implemented, it may be some time before the effects of the advice become apparent.

The influence of the SER has arguably waned over the past two decades. Ebbinghaus (2006) notes that in the early 1990s, the SER failed to find solutions to the disability pension problem, and its slow decision-making process has also been widely criticised. In 1994, when a new left-liberal government came to power in the Netherlands, it abolished the obligation to consult the SER, later often bypassing the SER on legislative projects in social and economic policy matters.

In June 2010, the SER concluded an agreement on pensions in which it sets out the adjustments it believes are necessary for the stability of state pensions and of occupational pensions, for which the social partners represented in the SER bear particular responsibility. It made a number of recommendations for changes to the Dutch system, in order to introduce more flexibility and in response to an ageing population. Proposals included changes to the pension system that do not increase contributions in occupational provision, but secure the system against increases in life expectancy and negative developments on financial markets, changes to make the state system more solid as a basis for pension provision, more leeway for individual choice, and the introduction of new measures to ensure long-term employability and improve labour market mobility for older employees. In terms of implementation, the accord states that the signatory parties trust that the government will facilitate the accord; if not, further consultations will be held. An agreement on pension reform was reached in June 2011 between the government and the social partners.

In addition, trade unions play an important role in representing pensioners in some countries. In Italy, for example, pensioners' trade unions represent a significant proportion of Italian trade unions, accounting for around half of their membership and taking on a significant role in social policy and collective bargaining on welfare issues more widely (Pedersini 2000). Given the ageing of Europe's population, this is likely to continue over the coming decades.

6.5.2 Second and third pillar pension provision

One key aspect of pension provision, and the main area of development in terms of pension policy, has been the growth in recent years in second pillar (occupational) and third pillar (private and supplementary) pension schemes, mostly as a supplement to dwindling state provision. In many countries, the growth of these additional pillars has increased social partner involvement in the formulation and implementation of pension provision. Involvement of the social partners in these additional pillars is important in terms of long-term sustainable and secure policy formulation, as these additional schemes are intended to plug the gap left by the reduction of state pension provision.

In some national systems, such as those in Sweden and France, the social partners have a long tradition of involvement in second pillar pension provision, and so their involvement is well established. In Sweden, occupational pension schemes date back to the 1970s and the social partners were involved in the late 1990s in negotiating changes to the funding of occupational pension schemes, alongside reforms in the state pension scheme (Ebbinghaus 2002). In France also, the social partners jointly run the two national supplementary pension schemes - Agirc for managerial/professional staff and Arrco for other employees.

The social partners also play a role in savings schemes that contribute to pension funds in France and Italy (Natali 2009). In France, these are company-level schemes such as employee savings plans and profit-sharing schemes, while in Italy, the social partners play an important role in managing the shifting of resources from severance pay schemes (the end of service allowance - *trattamento di fine rapporto*, Tfr) into pension funds. However, problems can arise, due to a lack of expertise and knowledge if, for example, board members are appointed on the basis of their trade union status rather than on the basis of their pension knowledge and expertise. This issue is also relevant to recent debate in the Netherlands, where the Minister of Social Affairs stated that management of pension funds should be carried out by relevant experts rather than the social partners (Grünell 2011).

Social partner involvement in the negotiation and running of second-pillar occupational pension schemes demonstrates the intersection of industrial relations and social security policy, as occupational pensions take the form of deferred wages for employees in a given sector. However, the presence of well-developed social partners is a prerequisite for this to be successful: in order to be able to engage meaningfully in discussions on the development of occupational pensions, unions and employers need to have a certain level of strength and support. Further, the strength of collective bargaining machinery and institutions is also vital to the coverage, financing and benefits of these schemes. Negotiated and funded occupational pension schemes are arguably the next best thing to PAYG state schemes, from the point of view of trade unions, as they provide a degree of security to employees, particularly if unions are actively involved in co-managing these schemes. In countries such as Italy (see box 6.4) and Germany (see box 6.5), the social partners have successfully become involved in the negotiation of occupational pensions systems.

Box 6.4: Occupational pension funds in Italy

In Italy, supplementary occupational pension schemes for companies or specific categories of employees only were typical until the mid-1990s reform of the public pension system, which aimed to create a homogeneous system which could potentially provide all workers, both employees and self-employed, with supplementary pension coverage.

Today, under a legal framework, pension funds are financed by both employer and employee contributions, as agreed in industry-wide collective bargaining. Sectoral pension funds at national level have since been created by the social partners in sectors such as metalworking, chemicals, utilities and the food sector.

Most recently, trade unions and employers representing the temporary work sector launched a sectoral pension fund for this sector in July 2011. The fund, Fontemp, was created under the framework of a renewal of the collective agreement for this sector in 2008 and has been set up by the employers' organsation Assolavoro and the trade unions Felsa-Cisl, Nidil-Cgil and Uiltemp. The fund is financed on the basis of contributions from employees, employers and the end of service allowance (*trattamento di fine rapporto*). It is a defined contribution scheme, with employee contributions tax deductible up to a ceiling (currently €5,164). Employees may remain members of the fund even if they leave the temporary work sector upon gaining an open-ended employment contract. After two years of contributions, they may also transfer their capital to another supplementary pension fund.

Sources: Planet Labour (2011d), EIRO.

In Germany, the social partners have not traditionally been involved in the formulation of pension policy. However, employers and unions were involved a decade ago in the innovative creation of voluntary sectoral private defined contribution sectoral pension funds in metalworking and chemicals. These funds were based on collective agreements and were concluded after a pension reform law required employees to invest up to 4% of gross income in company or private schemes in order to supplement state provision (Behrens 2001; Bispinck 2002). It should be noted that these agreements were concluded during a time of industrial relations conflict, centring on working reduction (trade unions failed to achieve the introduction of the 35-hour week in metalworking in eastern Germany) and therefore were viewed as a renewal of social partnership. For more details, see box 6.5.

Box 6.5: Sectoral pension provision in the German metalworking and chemicals industries

In the autumn of 2001, employers and unions in the German metalworking and chemicals industries negotiated agreements providing for the creation of voluntary private defined contribution pension funds. The schemes were based on pension legislation enacted shortly before these agreements, which stipulated that workers should invest up to 4% of their income in private pension schemes.

Trade unions and employers were at the time keen to take the opportunity to create company-level and industry-level schemes (Behrens (2001). Among the first to set up a scheme was the management and works council at the German carmaker Volkswagen AG. This was followed by the creation of a joint industry-level fund in the construction industry and shortly afterwards schemes based on agreements for the metalworking and chemicals sectors, thus ensuring that labour-management sponsored private pension schemes were available for a large part of the German workforce. However, the two schemes in the metalworking and chemicals sectors go beyond this in that they provide workers with options to convert part of

their income into pension assets. The schemes also exempt investment from tax and social security contributions.

Chemicals sector

The chemicals sector fund offers a high level of flexibility in investment decisions and minimises administrative costs. Initially, the social partners had hoped to sign up about 300,000 workers out of the 590,000 who were covered by this collective agreement. Under the scheme, employees can convert up to 4% of their income directly into pension assets. These contributions are tax-exempt. Income includes pay, annual bonuses, holiday bonuses and capital formation payments. Employer contributions account for just over 28% of total investment. The chemicals agreement builds on an existing system of company-level supplementary pension schemes and was amended in 2008. According to the German chemicals trade union (IG Chemie) the main pension fund for the sector, ChemiePensionsfonds fund, covers more than 700 companies and almost 73,000 workers, who save on average €800 per year towards their pension. The social partners sit on the fund's board of directors and investment committee.

Metalworking sector

In the metalworking sector, employees may also save up to 4% of income into the new sectoral scheme (MetallRente), which is run jointly by employers and unions. In this case, income covers pay, annual bonuses, holiday bonuses and "other income". As there was no pre-existing company-level supplementary pension provision in the metalworking sector, this agreement means that many small and medium-sized companies were required for the first time to offer supplementary pensions to their employees.

Today, the metalworking sectoral fund covers over 21,000 companies and 450,000 workers and is the largest scheme in Germany. It has been extended to the steel, wood, plastics and textile sectors and is also open to companies outside the sector.

By contrast, the social partners in the UK and Ireland have been less involved in the negotiation of occupational pensions than their counterparts in some other EU Member States, as in these countries, occupational pensions remain largely a voluntary initiative on the part of the employer, with little involvement from the social partners.

There is a debate in some countries concerning the interests of those no longer in active employment, who are receiving occupational pensions. Where trade unions are involved in the governance of schemes, there is sometimes special provision for pensioners. In Sweden, for example, retired workers have the same rights of expression as active members of pension funds, as long as they remain trade union members. In Belgium there are no specific legislative provisions requiring the consultation of pensioners, but both main trade union confederations contain structures representing retired workers (van het Kaar 2004).

6.5.3 Social partner involvement in pension reform

Within the context sketched out above, pension reform in EU Member States is largely based on: increasing the statutory retirement age in phases over a defined period; restructuring and limiting access to early retirement schemes; and boosting incentives for individuals to remain in the labour market for longer at the end of their career. These are long-term policy decisions

and as such need to enjoy cross-party political support if they are to endure. Social partner involvement in decisions on these types of important reforms can therefore be seen as a way of creating and deepening political and societal consensus. Involving the social partners in these decisions can avoid reform blockage by means of vetos, and can also ensure that reform is largely equitable and widely accepted. Ebbinghaus (2011) notes that governments may actually actively seek social consensus with trade unions and employers as an explicit means of overcoming reform blockage in political decision-making: "Today governments need more than their own political majorities to provide sufficient momentum to overcome vested interests in reforming established pensions systems in an ageing society. The more responsibility for retirement income is divided between the state and society, the more possibilities there are for trade unions to influence political decision-making".

However, as set out at the beginning of this chapter, there can be difficulties and challenges as a result of seeking consensus. For example, political compromise between all stakeholders (ie the government, the political opposition and the social partners) can result in concessions that may delay reform or result in weaker reform that is actually needed, meaning that additional reform will need to take place in the future.

One of the most common actions of Member State governments is the raising of the state retirement age in order to meet the challenges of an ageing population. This type of change has generally been unopposed by employer representatives, but strongly challenged by trade unions. In some cases, unions have been successful in winning concessions from the government. In Spain, for example, the government issued in January 2010 proposals for a reform of the country's state pensions system, aimed at ensuring its sustainability in the medium and long term, notably in the face of demographic change (EER 2010a). The proposals centred on increasing the statutory retirement age from the current 65 years to 67. It was envisaged that the rise would be gradual and start from 2013, with the process being completed by 2026. The Spanish government indicated its willingness to engage with the social partners on this issue, and while the main national employers' organisation, CEOE, welcomed the initiative, the CCOO and UGT trade union confederations were opposed and staged protests. However, the social partners and the government began social dialogue at the beginning of 2011 which resulted in a tripartite agreement on guaranteed pensions. The agreement delays the full implementation of the increase in retirement age by one year, until 2027, contains extra protection for women and young workers and provides for a range of active labour market measures, some of which will increase the social protection of unemployed people. Commentators note that the government was under pressure to negotiate on pension reform from financial markets, and by the unions, which had threatened a general strike (Sanz de Miguel 2011).

Likewise in France, where the normal retirement age was increased from 60 to 62 by controversial legislation adopted in November 2010 (EER 2010b), the legislation followed a period of formal consultations with the social partners: trade unions were opposed to the plans and organised a series of industrial actions in the summer of 2010. In response, the government made some adjustments to changes for workers with long careers or performing arduous work, although the increase in the overall pension age went ahead: the retirement age is increased by four months per year from 1 July 2011, reaching 62 in 2018. In addition to the basic state pension, most people receive a supplementary pension under one of two national schemes - Agirc for managerial/professional staff and Arrco for other employees. These schemes are run jointly by trade unions and employers' organisations and although they are not directly affected by the increase in the statutory retirement age, the social partners are now expected to negotiate over aligning the supplementary schemes with the basic state scheme.

Commentators note that this conflict altered the relationship between the French President and the trade union CFDT (Tissandier 2011).

In other countries, trade unions have opposed government plans, but appear to have had little influence on the final outcome. In Ireland, for example, the government announced in March 2010 plans to increase the retirement age from 65 to 68 by 2028, and to require employers to enrol employees in a new supplementary pension scheme (EER 2010c). Further, in order to boost supplementary pension coverage, a state-administered 'auto-enrolment' scheme was to be introduced from 2014. Although the plan was supported by employer representatives, trade unions opposed it, and particularly the plans to widen supplementary pension coverage. Similarly, in April 2012 the Polish government passed legislation raising the retirement age to 67 by 2020 for men and by 2040 for women, despite fierce opposition from trade unions (Planet Labor 2012a). Further, in Denmark, pension reform was agreed by the government in May 2011, in the teeth of bitter opposition from trade unions. Under the reform, the statutory pension age will be raised to 67 by 2022 and the age at which voluntary early retirement can be taken will increase from 60 to 62 by 2017. Employers had been campaigning for the abolition of early retirement for some time (Planet Labor 2011a).

In the new Member States, pension provision has been completely overhauled over the past 20 years. New institutions, new processes and new systems have been created in an attempt to put into place pension provision for the workforce in the context of the shift from a planned to a market economy. Guardiancich has carried out a number of studies on developments in the pensions systems of new Member State countries over the past 20 years. For example, looking at Hungary and Croatia, he finds that the multi-pillar pension arrangements that both countries have put into place, broadly based on World Bank recommendations, did not involve a great deal of discussion with the social partners (Guardiancich 2009).

This section has focused on social partner involvement in pensions and pension reform, a policy area that, in the light of changing demographics, is deemed to be an extremely high priority for governments. There are clear advantages for governments to encourage the social partners to be involved in pension reform, linked to ensuring sustainable solutions to this key policy issue. However, there are also issues surrounding the possibility that the social partners may not be able to deliver the radical reforms that are needed in some cases. Certainly, the past few years have seen major opposition to pension reform plans on the part of trade unions in many EU Member States. In some cases, governments have taken on board social partner counter-proposals, but in some cases social partner influence has been negligible. Second and third tier pension provision is a clear growth area, filling the gap left by declining state provision, and this represents an opportunity for the social partners to become much more active in the formulation and management of provision, particularly in the case of occupational pensions. Key challenges remain, however, not least the ongoing impact of the crisis, which is discussed in the next section.

6.6 Effects of the current crisis

This section explores the effects of the economic crisis on unemployment and pension systems, examining the reactions of governments and the social partners, and any impacts in terms of the involvement of the social partners in reforms to unemployment benefit and pensions systems.

The severe and ongoing economic crisis in the EU that began in 2008 has had a major impact on the financing of pensions and social benefit systems, adding fuel to existing debate about

sustainability in the context of changing demographics and economic shifts in the EU. The level of influence and involvement of the social partners in these debates has varied across the EU.

Watt and Nikolova (2009) carried out an analysis of Member States' fiscal stimulus packages, looking amongst other things at social partner involvement in these packages, which typically contain public spending measures designed to boost employment and in turn kickstart the overall economy. They found that there was an even split between countries where unions have been supportive, critical or neutral. They note that "where unions have had a voice in designing the packages, governments have benefited from their political support for the package as a whole, even though they may be critical of specific measures or would have wanted a greater level of ambition". Social partner consultation and involvement has been more common in those countries with a relatively strong social partner tradition, ie in northern Europe, Austria, Belgium and Spain. However, no union has accepted national packages as being adequate in terms of the scale of the economic crisis. Particular concerns on the part of trade unions focus on the longer-term implications of spending cuts, and the attention given to the situation of low-income groups. They conclude that the involvement of the social partners, and particularly trade unions, in these packages, was "not satisfactory", although unions sometimes had some influence following protests.

6.6.1 Differing outcomes for social partner influence on unemployment benefit policy in the crisis

The crisis is having severe effects on social partner involvement in unemployment benefit systems: one effect is that a greater number of workers have lost their job, thus increasing overall reliance on unemployment benefits; at the same time, public finances are under pressure from the austerity demanded by the crisis in many countries (see chapter 4 for more details). In addition, as Eurofound (2012) notes, the decreasing flow of social contributions resulting from the growth in unemployment and reduced wages is threatening the financial sustainability of unemployment benefit schemes. Further, declining trends in trade union membership overall may contribute to a further weakening of the unemployment benefits system in those countries where trade unions play a role in these systems. The potential serious nature of this cannot be underestimated: Eurofound (2012) notes that future of the various welfare regimes as we know them and more generally the survival of the European Social Model are considered to be at stake.

Many governments are attempting to make changes to their unemployment benefit systems in the context of the pressures brought about by the crisis, essentially reducing the level and/or length of replacement income and increasing activation pressure. For example, in Sweden, the government is thinking of introducing a compulsory unemployment insurance scheme in response to the significant increase in the number of unaffiliated employees. However, this is being rejected by trade unions and employers on the grounds that contribution levels will be too high (Lefresne 2010). For trade unions, this also has wider potential repercussions: "The risk facing the trade unions managing these insurance funds is that they will suffer an erosion of their legitimacy, as the principle of voluntary membership has long been based on an individual undertaking to sign up to collective rules and regulations. The entire collective bargaining system might suffer as a result" (Lefresne 2010).

The influence of the social partners on changes to unemployment benefit regimes in the context of the crisis differs widely across the EU, depending on the starting point, the economic context, the institutional surroundings and the social partners themselves. The

social partners in some countries have not experienced any changes to their level of involvement – both in countries where the tradition is strong and in those where it is weak – while some social partners have felt marginalised. In a few countries, the social partners have gained a higher profile in the area of policy-making around benefits. Eurofound (2012) charts the main trends in terms of social partner involvement in unemployment benefit reform in the context of the crisis, revealing some wide differences around Europe. Table 6.2 offers a summary and classification of these in selected EU Member States.

Table 6.2: Trends in the involvement of the social partners in unemployment benefits during the crisis in selected EU Member States

Country	Tradition of social partner involvement	Developments in the crisis	Classification
Austria	Strong	Continuing involvement of the social partners in the unemployment benefit regime, albeit with differing views between unions and employers on the best action to take. The social partners have continuing decision-making competences in terms of unemployment benefit and labour market policy.	Continuing strong position
Belgium	Strong	Involvement of the social partners is continuing, although it may be that they find themselves party to an agreement that they do not support from an ideological point of view.	Continuing strong position
Cyprus	Weak	Involvement of the social partners in unemployment benefit has not changed during the crisis, due to low unemployment and lack of motivation on the part of the social partners.,	Continuing weak position
Czech Republic	Developing	Trade unions have been active in criticising legislative changes to unemployment benefit, and have received wide support for this. They have also been fighting abuses in terms of recourse to benefits.	Increased during the crisis
Denmark	Strong	Although the social partners remain involved in the administration of the unemployment insurance system, reforms undertaken in the 2000s excluded them to some extent. Reforms dating from 2010 were pushed through that can be said to weaken the Danish flexicurity model.	Weakened during the crisis
Estonia	Developing	Social partner involvement in the unemployment benefit system was undermined in 2011 when the government took two major funding decisions without consulting the social partner representatives in the tripartite supervisory body of the country's unemployment insurance fund. Social partner influence on delivery of benefits was unaffected.	Weakened during the crisis
Finland	Strong	The social partners continue to be actively involved in proposals for the reform of unemployment insurance and benefits. Involvement has included participation in round tables and discussions on labour market measures to respond to the crisis.	Continuing strong position
France	Strong	Long tradition of social partner involvement in unemployment benefit, which has continued during the crisis and beyond the creation of the employment agency Pole Emploi.	Continuing strong position

Germany	Strong	The social partners maintain involvement in unemployment benefit and labour market policy through the tripartite nature of the Board of Governors of the Federal Employment Agency and the administrative committees of local employment agencies	Continuing strong position
Hungary	Developing	Previous strong involvement in the development of unemployment benefit systems was discontinued in 2011 with the abolition of national tripartite bodies in this area.	Weakened during the crisis
Italy	Strong	The involvement of the social partners is continuing and may even be strengthened in some cases	Continuing strong position
Latvia	Weak	Involvement of the social partners in unemployment benefit has not changed during the crisis.	Continuing weak position
Lithuania	Weak	Involvement of the social partners in unemployment benefit has not changed during the crisis, due to continuing dominance of the government.	Continuing weak position
Luxembourg	Strong	Opinions of the social partners regularly taken on board	Continuing strong position
Netherlands	Strong	The influence of the social partners in unemployment benefit policy has been weakened over the past decade. The government is now formulating reforms in the crisis in which the social partners are not being involved to the extent that they were previously.	Weakened during the crisis
Poland	Weak	Involvement of the social partners in unemployment benefit has not changed during the crisis.	Continuing weak position
Portugal	Strong	Decreasing influence due to the economic situation of the country in the context of the crisis.	Weakened during the crisis
Romania	Developing	Since 2009 the social partners have been financing projects aimed at the vocational training, counselling, and the professional readjustment of unemployed people.	Increased during the crisis
Slovenia	Weak	The social partners have traditionally not been active in the development or administration of unemployment benefits. However, during the crisis, they have been more active in reaction to unpopular government measures. The most successful example of recent social partner cooperation is the development of the Labour Market Regulation Act of January 2011, aimed at improving the status and conditions of unemployed people.	Increased during the crisis
Sweden	Strong	The social partners were not closely involved in unemployment insurance reforms in 2007. The reforms are believed to have damaged union strength. In the crisis, the reform appears to have made it more difficult for outsiders to gain access to the labour market. The social partners and government are unsure of the way forward.	Weakened during the crisis

Source: Eurofound (2012)

6.6.2 Social partner influence on pension policy during the crisis

Pension reform is arguably one of the largest social policy challenges for the EU, and this has not escaped impact from the crisis. Many governments are attempting large-scale reforms,

often in the teeth of opposition from trade unions. In many cases, reforms already in train have been accelerated by the crisis. In some countries, trade unions have merely registered their opposition, whereas in others they have been more successful in engaging with their government and influencing the outcome of reforms, even though they remain in many cases unhappy with the overall outcome.

In the Netherlands, for example, trade unions have succeeded in altering government policy to some extent: a pension reform bill was published at the end of 2011, with some concessions to trade unions and the political left. Similarly, in Italy, the government is conducting meetings with the social partners on economic reform in the context of the crisis, including pension reforms. The aim is to increase the retirement age for men and women up to 66 for men and 62 for women by 2018. The move has been heavily criticised by all the main Italian trade union confederations (Planet Labor 2011b).

By contrast, in the UK, trade unions have arguably had a limited impact on government pensions policy. The UK government has introduced highly controversial reforms to public sector occupational pension schemes, against fierce opposition from trade unions. In November 2011, a coordinated 24-hour strike involving members of 30 trade unions took place across the UK to protest against proposed changes to public sector occupational pension schemes. Based on the recommendations of an independent Commission, the changes include replacing existing final salary schemes with those linking employees' pension entitlements to their career average earnings, raising the age at which pensions are payable, and raising employee pension contributions. Trade unions had been involved in talks on pension reform for some months for the strike action took place (Hall 2012). Further, government plans to move some civil servants out of the central government pension scheme into a privately-owned fund controlled by a profit-making mutual organisation have been opposed by the Public and Commercial Services (PCS) union as "privatisation by the back door", and the union held a strike to oppose this in July 2011 (Gall, 2012).

Similarly, towards the end of 2011, the Irish government published legislation aimed at reforming pension provision for new entrants to the public service (Farrelly and Higgins 2012). The changes were announced by the government following consultation with the public service unions, but no formal agreement was reached. Some changes were made to the proposals following the consultation process, but teachers' unions have strongly criticised the reforms. Table 6.3 gives an overview of trends in social partner involvement in pension reforms during the crisis.

Table 6.3: Trends in the involvement of the social partners in pension reform during the crisis in selected EU Member States

Country	Developments in the crisis	Classification
Belgium	Trade unions organised protests in 2011 against the government's lack of social partner consultation on planned pension reforms. Following this, consultation took place that will influence the reform	Involvement (after protest) and influence on outcomes
Bulgaria	Trade unions staged protests against government pension reform plans in 2011, focusing on raising the retirement age. Subsequent government talks with the social partners did not, however, result in agreement	No embedded consultation and no influence on outcomes
Denmark	Pension reforms despite trade union opposition	No influence on outcomes

France	Adjustments to planned pension age increases made by the government following protests by trade unions in 2010	Involvement and influence on outcomes
Greece	Protests have been taking place against the government's austerity measures, including pension reform. Social partner demands unlikely to be acted upon.	No influence on outcomes
Hungary	Pension reform with little involvement of the social partners	No involvement or influence on outcomes
Ireland	Some consultation on pension reform in the public service, although trade unions are opposing the reforms. Opposition to planned increase in retirement age and introduction of a new supplementary pension scheme	Involvement
Italy	Government consultation of the social partners on pension reform and most specifically increasing the retirement age	Involvement
Luxembourg	Government sought consultation with the social partners on planned pension reform in 2010	Involvement
Netherlands	Pension reform bill published at the end of 2011 contained concessions to the trade unions and the political left	Involvement and influence on outcomes
Poland	Pension reforms despite trade union opposition	No influence on outcomes
Spain	Pension reform is based on a tripartite agreement on pensions, agreed in 2011	Involvement and influence on outcomes
United Kingdom	Trade unions have been involved in talks on public sector pension reform, but are largely taking the route of opposition to planned changes	Involvement

Source: EIRO 2010-2012; Planet Labor.

Another consequence of the economic crisis has been the effect on second- and third pillar pensions, which are tied to the stock market to a greater extent than state provision. According to OECD data, private pension funds in OECD countries lost 23 per cent of their asset value on average in 2008 (Hirose 2011). While this will not have an immediate effect on those who are not nearing retirement age, those who are about to retire will be finding that their defined contribution-based pensions fall short of what they had expected before the crisis hit.

Further, Ebbinghaus and Wiß (2011) examine private supplementary pension funds in a range of EU countries in the light of the effects of the financial crisis. They also show how these funds have lost considerable wealth over the past few years, as a result of insufficient regulation. Documenting the trend away from defined benefit and towards defined contribution schemes, they note that this has led to an individualisation of financial risks, which has been exacerbated by the crisis, especially where the state or collective regulation has not intervened. They conclude that the move away from state to additional pension provision will increase the role of the social partners in old age provision and that the social partners are increasingly called upon to become involved in decisions on financial markets, as the majority of supplementary pension schemes are funded schemes, and that this may be desirable for all parties. "A stronger inclusion of unions and workers' representatives in supplementary pensions may balance the interests and risks between employers (low administration costs), financial institutions (profit) and beneficiaries (high benefits). The retreat of the state from public pension commitments has not only increased the need to fill

the retirement income gap by private funded pensions but has led to demands for better regulation of these pensions".

The shift away from state to private, third-pillar pension provision, which has been well-documented over the period from 1981 to 2007, has been effectively put on hold by the crisis. However, it would appear that there is some evidence of a "rebirth" of pension privatisation, as governments encourage individuals to save for their retirement, while continuing to provide minimum state pensions (Orenstein 2011). Orenstein sees the future as a broad landscape of minimum pensions financed by taxation or other sovereign means, plus "nudge-type" automatic enrolment in pension schemes, notional defined contribution and quasi-mandatory occupational schemes: "Global pensions policy has shifted from an emphasis on harnessing free market wizardry to controlling costs through raising the pension age, better covering the poor, and nudging people to save, rather than mandating them to do so. This reflects the outcome of a debate that has taken place for years within the pension policy community, but took on new form and immediacy with the effects of the global financial crisis".

Box 6.6: Contract/occupational welfare benefits

One relatively recent development has been the rise of so-called contract, or occupational, welfare benefits, which are welfare benefits negotiated by the social partners as an extra contractual benefit. These can include benefits related to pensions, health care or health insurance, sickness insurance, and extra unemployment or accident insurance, to which employees would be entitled in addition to mandatory public social insurance or social protection. In some countries, these types of benefits are being provided by some employers in order to complement or even replace public welfare. Further, employers, constrained in terms of not being able to offer pay increases in the context of the current crisis, are offering these types of benefits in their place.

This phenomenon has been increasing in Italy for some time. Recent examples in Italy include: the eyewear company Luxottica, which has created the most comprehensive system of occupational welfare in Italy; SEA, which operates Milan's airport system, and the employers' association Unindustria Treviso, which has created a system of regional welfare. The development of occupational welfare in Italy has been encouraged by the state through the provision of fiscal incentives, which grant tax exemptions on worker benefits (Maino and Mallone 2012).

This section has attempted to show the effects of the ongoing crisis on unemployment benefit systems and pension systems, and the impact that this has had and is still having on social partner involvement in these systems. Governments have been under pressure to carry out cost-saving reforms in the context of austerity, within the context, in the case of pension provision, of an ongoing need to respond to demographic developments. The social partners have, in many cases, been opposed to government plans, and have on occasion managed to influence policy, but the sheer speed of events and the need to push through reforms immediately has meant that the influence of the social partners in many cases has been limited. This is in line with the conclusions of chapters 3 and 4, which document a move towards centralisation and unilateralism. Nevertheless, there appears to be scope for increased

social partner influence on the development of second and third pillar pension provision, which is increasing and will need effective regulation in the future.

6.7 Conclusions and future developments

The social partners will continue to play a part in the formulation and administration of unemployment benefit and pension policy, although the extent of their influence is likely to vary depending on factors such as national history and culture, embeddedness of tripartism and the nature of industrial relations culture. While national systems remain fluid to a certain extent, responding to a range of internal and external pressures, one common feature across all Member States is that governments are currently trying to stabilise their welfare and benefits systems in response to demographic and economic issues, many of which are now being exacerbated by the crisis.

The future looks somewhat uncertain at the time of writing, given the ongoing economic crisis in the eurozone countries and continuing concerns over the levels of sovereign debt and the need to pursue austerity. There are, however, a number of identifiable trends that are linked to the current economic environment.

Continuing austerity and public spending cuts have led to changes in tax, benefit and pensions systems in many EU Member States (for more discussion of the effects of austerity, see chapter 4). Generally in the EU, changes to unemployment benefit systems include a reduction in the level or duration of benefits paid or tightening up of eligibility criteria. Pension reforms that were already in train in response to demographic trends are now more urgent in the context of the crisis. These reforms generally centre on a reduction of state provision. Linked to this, it is likely that second- and third-pillar pension provision will continue to grow, in order to compensate for cutbacks in first-pillar state provision. Systems that rely primarily on contribution-based financing are more conducive than tax-based systems to the achievement of stable public finances in difficult economic times, as they focus on keeping employment stable, this being their main source of revenue (Wagner 2009). Overall, therefore, this means a trend towards the increasing privatisation of public welfare benefits, translating into an ongoing growth in the level of second- and third-pillar benefits.

All of these developments represent significant challenges for the social partners. Governments are clearly under pressure to find solutions to, on the one hand the very acute challenges posed by the crisis, and on the other hand the longer-term challenges posed by demographic and economic shifts. Seeking consensus with stakeholders such as the social partners is one way of achieving this. Nevertheless, the social partners will need to develop strategies to ensure that they remain at the negotiating table when governments are formulating rapid responses to the crisis. The development of second- and third-pillar pension provision represents a real opportunity for the social partners to become major stakeholders in reform. However, they need to carve out a longer-term strategy in response to this, in order to ensure their position as players in the development of this kind of provision, rather than relying simply on state regulation.

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