

Alternative Motion for a Resolution

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Amendment 1

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on behalf of the GUE/NGL Group

Report

A7-0025/2011

Ria Oomen-Ruijten

on the Green Paper entitled 'Towards adequate, sustainable and safe European pension systems' (2010/2239(INI))

Committee on Employment and Social Affairs

COM(2010)0365)

ALTERNATIVE MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Green Paper entitled 'Towards adequate, sustainable and safe European pension systems' (2010/2239(INI))

The European Parliament,

- having regard to the Commission communication of 7 July 2010, 'Green Paper, towards adequate, sustainable and safe European pension systems' (COM(2010)0365),
- having regard to the report of the European Economic and Social Committee on the Commission communication of 7 July 2010, 'Green Paper, towards adequate, sustainable and safe European pension systems'¹,
- having regard to the Council Conclusions of 8 June 2010 on 'Sustainable social security systems achieving adequate pensions and social inclusion objectives' and the Council Conclusions of 17 November 2010 on the 'EPC-SPC Joint Report on pensions',
- having regard to the Council Conclusions of 6 December 2010 on 'adequate, safe and sustainable pensions for all European citizens',
- having regard to its resolution of 6 May 2009 on the active inclusion of people excluded from the labour market²,
- having regard to its resolution of 9 October 2008 on promoting social inclusion and combating poverty, including child poverty, in the EU³,
- having regard to Rule 48 of its Rules of Procedure,

¹ XXXX

² P6_TA(2009)0371.

³ OJ C 9E, 15.1.2010, p. 11.

- having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on Economic and Monetary Affairs under Rule 50 of the Rules of Procedure, the Committee on the Internal Market and Consumer Protection and the Committee on Women’s Rights and Gender Equality (A7-0000/2010),
- A. whereas pensions and pension systems are a primary responsibility of the Member States, which, in line with the subsidiarity principle, have sole competence as to how to finance and organise pension systems,
- B. whereas the financial and economic crisis has led to a growth in unemployment, poverty and social exclusion and to rising budget deficits in many Member States, and has adversely affected funded pension schemes,
- C. whereas Member States’ pension reforms over the past two decades one-sidedly froze or decreased the contributions payable by employers and increased the overall contributions payable by employees, shifting the burden of overall pension financing towards the individual,
- D. whereas this approach was supported by the open method of co-ordination (OMC) on pensions at EU level, advocating cost-cutting in pension systems in order to ensure their ‘financial sustainability’, extending working life, raising effective retirement ages by at least five years on EU average (Barcelona European Council 2002) and, more recently, extending obligatory contribution periods for pensions and raising statutory retirement ages,
- E. whereas the concept of a ‘three pillar’ pension system as promoted by the EU, the IMF and the World Bank alike – consisting of a downsized first pillar of statutory pensions providing only for a ‘basic’ pension, a second pillar of funded occupational pension schemes, and a third pillar of individual pension saving – has proved to be dysfunctional as regards the safety and adequacy of the overall pension outcome derived from it; and whereas the financial and economic crisis wiped out the ‘wealth effects’ of funded systems that supposedly accompanied that concept,
- F. whereas the Commission partially admitted the failings of funded schemes in its Green Paper when acknowledging that ‘the return rates and solvency of funded schemes have been affected through falls in interest rates and asset values: private pension funds lost over 20% of their value during 2008’, that ‘many still remain far off the required solvency levels’ and that ‘moreover, several sponsors of occupational pension funds were hindered in their ability to honour their obligations’,
- G. whereas the Commission has already announced the publication in 2011 of a ‘White Paper on Pensions’ as a follow-up to its Green Paper, in order to propose concrete non-legislative and legislative action; and whereas it has already proposed, in its work programme for 2011, a review of the 2003 IORP (Institutions for Occupational Retirement Provision) Directive,

GENERAL

1. Strongly opposes the approach adopted in the Green Paper, which argues for ‘an urgent need to review the pension promise in view of what the rest of the economy – and public budgets – can be expected to provide’ and calls for the development of a ‘European internal market for pensions funds’, thus reopening the financial market casino, creating new opportunities for speculation rather than restricting it, and putting the adequacy, safety and sustainability of pensions further at risk;
2. Points out that the European Union is now showing its true anti-social face, as both the Union and governments are advocating and implementing a concerted strategy for austerity policies, including cutting back pensions, increasing statutory retirement ages, changing the basis of pension entitlements from best-years earnings to career-average earnings and extending contribution periods;
3. Highlights the fact that government deficits are high and public debt is soaring mainly because governments have been, and still are, ‘rescuing’ the financial sector from the consequences of its speculation and the damage it was inflicting on the economy; strongly opposes the EU governments’ austerity policies that place the burden of repaying public debt to financial sector creditors on the ordinary population of workers, pensioners etc., whose jobs, wages, social benefits, pensions and rights are under attack;
4. Welcomes the huge mass mobilisation, in a number of Member States, of trade unions and social movements against these austerity policies in general and the new wave of neo-liberal pension ‘reforms’ in particular; strongly supports the prospect of EU-wide coordination of these resistance movements against the EU-wide concerted class struggle from above which has been launched by the Commission, the Council and all the Member State governments except that of Cyprus;
5. Points out that current austerity policies – severe cuts in public investment, continuous dismantling of social protection and the welfare state, a further wave of privatisation of public services, curbing of wages, raising of VAT rates etc. – will very probably result in a further weakening of purchasing power and internal demand, a fall in tax receipts and a prolonging of economic stagnation or a slide back into recession, and that the officially proclaimed aims of reducing public debt and strengthening the financial sustainability of pension systems are very unlikely to be achieved with such policies;
6. Calls on the Member States, the Council and the Commission to launch an alternative, EU-wide coordinated macro-economic policy focusing on public-sector-led investment for sustainable social and environmental development; argues that, instead of organising welfare for the banks by abolishing the welfare systems of its citizens, thereby pushing its Member States into a downward economic spiral, Europe should mobilise and use its funds (EIB, EBRD, EFSM, ESM etc.) for investment, focusing on those countries most in need of a demand stimulus, particularly by advancing Community funding (from the structural funds and the Cohesion Fund) without requiring national co-funding;

7. Emphasises that an employment and income multiplier of 1.5-2 for such public-sector-led investment is achievable and that there is thus a prospect of measures being largely self financing, benefitting the economy's long-term dynamism and thus making the achievement of reductions in public deficits more likely in the medium term, as well as improving the financial sustainability of social protection systems;
8. Calls on the Council to establish an EU-level general financial transaction tax (FTT) to curb speculation and to ensure that the financial sector contributes fairly towards economic recovery and re-financing the fiscal burden of public rescue operations; points out that, according to recent studies, a general FTT in Europe of 0.1% could raise annual revenues equivalent to 2.1% of GDP (approximately EUR 262 billion); proposes that revenues from a general FTT should be used for development assistance, anti-crisis measures and promoting sustainable development;
9. Calls on the Member States to increase taxes on banks and managers' bonuses, on income from capital (i.e. dividends and interest), on capital gains and on big fortunes and inheritances, using the receipts therefrom to increase public-sector-led investment; points out that Member States should provide for cuts in military spending and in subsidies harmful to the environment in order to assist fiscal consolidation, thus also contributing to improving the financial sustainability of statutory pension systems;
10. Highlights the fact that the Maastricht criteria for the European Monetary Union and the Stability and Growth Pact have proved to be dysfunctional, including with regard to how pension 'reforms' are accounted for in that framework; calls on the Council and the Commission to establish criteria for 'real convergence' of economies and to support mechanisms enabling Member States to achieve this, and to revoke the Stability and Growth Pact and replace it by an Employment and Sustainable Development Pact;

DEMOGRAPHIC CHANGE

11. Emphasises that the Commission's projections on demographic change are based on statistical probability and that – as demonstrated inter alia by the recent crisis – it is not possible to factor in sufficient criteria to predict future developments over a range of 50 - 60 years with an assumed high degree of 'certainty';
12. Points out that if similar projections had been made at the start of the 'Belle Époque' in 1900, they could not have taken into account, for example, the real-life impact on demographic development up to 1960 of two World Wars and of improved contraception with the invention of the pill;
13. Stresses, therefore, that such long-term projections on demographic change should be treated with considerable caution because it is impossible to predict future social developments, basic innovations etc., over a range of several decades; points out that, historically, pension system reforms have always been discretionary and have been implemented in reaction to mid-term challenges;
14. Observes that demographic change is a long-term process which mature industrialised

societies have been experiencing for decades; points out that, for example, in Germany in 1900 there were 12 workers for every one retired person, that in 2000 this ratio had gone down to four workers per one retired and that it is expected to further decline to two employed per one retired by 2040-2050;

15. Emphasises that Europe has already coped successfully with the heaviest impact of demographic change – especially from the 1950s to the end of the 1970s, a time when the welfare state was actually expanded in many European countries – and that over the coming four decades we will have to cope only with the comparatively minor demographic effects of the ageing of the ‘baby boomer’ generation;
16. Doubts the Commission’s general view that there can be sustained economic growth and financially sustainable pension systems only if there is concomitant population growth: if that were true, the on-average much younger population of developing countries, e.g. in the Maghreb region, would already benefit from high growth and stable pension prospects – which is unfortunately not the case, as youth unemployment is extremely high there (50% and more) and employment opportunities are lacking;
17. Doubts that demographic indicators are as relevant for ensuring the sustainability of pension systems as the mainstream media and the EU elites claim they are: for example, real GDP in Western Germany increased by 473% between 1950 and 1990, while the number of people in employment grew by just 42% over the same period, which means that ‘demographic developments’ were responsible for only 9% of the production growth in that period, while the increase in real capital stock, labour productivity etc. accounted for the remaining 91%; stresses, therefore, that the central question on the ‘sustainability of pensions’ is not ‘demographic’, but ‘economic’;
18. Emphasises that the issue of safeguarding pensions is also a ‘distributional’ one, the question being that of how mature industrialised European societies distribute nominal net value added between profits/assets, on the one hand, and wages/pensions/social spending, on the other hand – how much needs to go into (social) consumption and how much into investment;
19. Underlines the fact that, according to the Commission and mainstream economists, maintaining an average annual labour productivity growth of 1.1% to 1.4%, as in the past decades, is key to maintaining the sustainability of pension systems; emphasises that further productivity reserves could be mobilised by increasing energy and resource efficiency (factor 4 by 2020-2025 and factor 10 by 2050); stresses that such overall productivity growth can enable value added to go on increasing with a decreasing workforce, and can provide a sound basis for a fair redistribution of revenues between economically active and non-active persons (such as pensioners, children, pupils, students etc.);
20. Points out that securing sufficient overall productivity growth on a path towards social and environmental sustainable development, effecting a more egalitarian distribution of incomes and wealth, phasing out precarious employment, promoting ‘good work’ and achieving full employment are the really key economic and social issues for safeguarding the financial sustainability of pension systems and ensuring

the safety and adequacy of future pensions;

INTER-GENERATIONAL JUSTICE

21. Notes that ‘pension reforms’ across Europe, in line with EU-level ‘recommendations’ of recent decades, have been justified by the need to establish ‘inter-generational and intra-generational justice’ – i.e. to prevent the young and future generations becoming ‘overburdened’ by accumulated public debts, especially in relation to financing the pensions of the ‘older generations’;
22. Points out that the real trajectory of pension reforms enacted by most Member States was the opposite: statutory pension systems were dismantled to provide only basic or minimum pensions, while the statutory retirement age was increased for the younger generations (with reduced benefits, longer contribution periods, sanctions for earlier retirement and a freezing or reduction of employers’ contributions to such systems); second-pillar and third-pillar pension products were introduced for which the younger generations had to pay increasing contributions (albeit partially alleviated by tax reductions/exemptions etc.) in order to ‘shift the responsibility for pension savings to the individual’;
23. Strongly criticises the cynicism of these ‘reforms’ and of the official discourse to justify them, as older and younger generations alike were negatively affected by them and the message of the EU to ‘future pensioners’ – contrary to the claim of instituting greater ‘inter-generational justice’ – can be summarised simply as ‘work longer, save more, have less’;

EMPLOYMENT POLICIES FOR SUSTAINABLE PENSION PROVISION

24. Points out that the increase in atypical and insecure working arrangements and in part-time, marginal and temporary employment, combined with labour-market ‘reforms’ designed to increase flexibility in the interests of capital and ‘cost-cutting’, lead to the growth of low-wage sectors and precarious employment with very low wages, thus excluding many employees a priori from second-pillar and third-pillar pension schemes and making them vulnerable to poverty in old age, given the cuts in statutory pension schemes;
25. Notes the EPSCO Council’s conclusions of 6 December 2010, stating inter alia that ‘through support for the build-up of rights, increased participation in the labour market and efforts to broaden coverage, with particular attention to vulnerable groups as well as to the quality of work’ a better acquisition of pension entitlements can be achieved;
26. Stresses, however, that the best way of achieving this is to phase out all forms of insecure and precarious employment, to end all public subsidies (tax relief, relief for so-called non-wage labour costs etc.) in respect of these types of employment, to promote equity and full employment with ‘good work’, to support higher wages and to assist the creation of more high-quality jobs through an appropriate alternative macro-economic policy for sustainable development, thus also improving incomes from employment across the board and supporting the acquisition of rights for decent

pensions later on;

27. Highlights the fact that an important part of both the formal and informal economy of our societies today is care work, a sector in which the majority of workers are women, too often without proper working conditions and/or security; calls on the Member States, the Council and the Commission to address the care economy with a view to improving working conditions and reinforcing public-service care provision and equal access to care for all, as well as providing decent pensions for care workers;
28. Considers that work organisation and working-time arrangements must be adapted to demographic change; points out that improved stability of employment, shorter collective working time, social security, and health and safety at the workplace are necessary factors in improving the integration of young and older workers alike, with a view to keeping them in gainful employment, motivated and healthy until they reach the statutory retirement age;
29. Calls on the Member States to use the European Year of Active Aging 2012 for active cooperation with the social partners and, with the support of the European Foundation for the Improvement of Living and Working Conditions, to develop recommendations for the creation of high-quality jobs and the reduction of physical and mental stress for employees, thus enabling them to work until existing statutory retirement ages and making it unnecessary to further raise retirement ages; rejects any automatic linkage of the statutory retirement age to life expectancy;

ADEQUACY

30. Takes note of the projections of the EPC-SPC joint 2010 interim report on pensions to the effect that ‘regarding the evolution of replacement rates between 2006 and 2046, the decline is in many cases of a comparable magnitude (as expressed in percentage points) for a low wage earner and an average one. Moreover, for some Member States where contribution-benefit links have been strengthened, the evolution of theoretical replacement rates appears to be very significantly less favourable for lower wages than for average wages’;
31. Takes note of the observations of the EPC-SPC joint 2010 interim report on pensions that ‘in the EU average, public pension benefits are rising more slowly than wages, and replacement incomes at the time of retirement are falling if people retire at the same age as today. This implies that on average pensioners will experience a relative deterioration in living standards vis-à-vis workers in the future’;
32. Points out that in 2007 the at-risk-of-poverty rate was higher for women (17%) than for men (15%) and that this gap was particularly wide in the case of older people (22% for women compared to 17% for men) and single parents;
33. Points out that there is a pension gap between women and men as a continuation and consequence of the persisting gender pay gap, which is currently 18% on average in the EU and up to 30.3% in some Member States; calls on the Commission and the Member States to reinforce adequacy of pensions by combating gender discrimination in the labour market and setting a target to reduce the gender pay gap to 0-5% by

2020;

34. Points out that, in the ways outlined above, the neo-liberal pension ‘reforms’ of the past – as well those being implemented currently – put the adequacy of pensions at risk by downsizing average pension pay-out from public statutory pension systems to a ‘basic pension’ which, in several Member States, is close to the level of social minima;
35. Underlines the fact that poverty-preventing, decent and safe pension schemes are vital elements in the fight against social exclusion and discrimination, and in promoting social justice and social protection, gender equality and solidarity between generations;
36. Considers that it is the exclusive responsibility of the Member States to decide how pension systems are organised and financed; emphasises, however, that statutory pension schemes should not only prevent poverty in old age, but – through their earnings-related components – should also generally secure the preservation of decent living standards;
37. Invites the Council to agree an EU target for minimum wages (under statutory, collective agreements at national, regional or sectoral level) providing for remuneration of at least 60% of the relevant average wage (national, sectoral, etc.), in order to enable more employees to access individual pension entitlements above the poverty threshold;
38. Invites the Council, too, to agree a guarantee for minimum pensions (old age, invalidity etc.) above the Union’s at-risk-of poverty threshold of 60% of national median-equalised income, in order to prevent poverty in old age and to save elderly people from falling into means-tested minimum-income schemes;
39. Insists that the Council and the Commission must come forward with a European Youth Guarantee securing the right of every young person in the EU to be offered a suitable well-paid job in line with their qualifications and skills, an apprenticeship, additional training or combined work and training, immediately upon facing unemployment, thus also improving the scope for young people to build up proper pension entitlements;
40. Emphasises that a general increase in the statutory retirement age and an extension of obligatory contribution periods are not necessary at all; considers that – while maintaining the current level of overall employee contributions – a return to parity financing of statutory pension schemes (with at least 50% of contributions to be paid by the employer) would allow most Member States to maintain, or revert to, a statutory retirement age of 60 years;
41. Calls on the Member States to strengthen the solidarity-based and redistributive character of their statutory pension systems by broadening the contributory base to include the self-employed, civil servants etc., while abolishing contribution ceilings; considers that the contributory base of statutory pension systems could be further broadened by making obligatory contributions from all types of revenue – including,

for example, rents and interest payments;

42. Calls on the Member States to support the build-up of pension rights taking account of career breaks, such as unemployment, sabbatical leave, periods of invalidity for work, caring for children or other dependent persons, education, training and further education etc., as effective insured periods in statutory pension schemes, thus improving income replacement rates and the adequacy of pensions, especially for women;
43. Strongly criticises the fact that the practice, in most funded pension schemes, of basing levels of payment and contributions on life expectancy discriminates against women; calls on the Commission to initiate the necessary procedure to revoke Article 5(2) of Directive 2004/113, which allows for discrimination against women in relation to pension products; opposes any existing or potential misuse of anti-discrimination measures to increase the retirement age for women and place an additional burden on them;
44. Calls on the Member States to ensure proper indexation of statutory pension schemes, including minimum pensions, which should at least compensate for annual inflation rates, and, furthermore, to link changes in the level of public pension benefits to the development of national average wages;

SAFETY

45. Emphasises that historical experience from the 19th century and the period between the two World Wars demonstrates that funded pension schemes are inefficient, costly and vulnerable to the systemic instability and volatility of financial markets; points out that the financial market bubbles of the 'Roaring Twenties' were followed by the Great Depression, which destroyed the return rates and solvency of the funded schemes of that time, despite numerous efforts by states to re-capitalise them with taxpayers' money;
46. Points out that, as a consequence of those disasters in funded pension schemes and their inability to deliver safe and adequate pensions, much more stable, effective and less costly public pay-as-you-go pension schemes were introduced after the Second World War, based on solidarity and redistribution; strongly criticises the fact that, since the 1980s, most Member States' governments have neglected these lessons from the past, shifting pension provision increasingly away from public pay-as-you-go systems and towards funded pension schemes;
47. Highlights the fact that employees and pensioners have been forced to reap the bitter harvest of those mistaken neo-liberal policies, as the financial crisis compelled drastic downward adjustments of interest rates and asset values; points out that huge amounts of taxpayers money have once again been spent to 'stabilise' funded schemes, contributions to these schemes have been raised and future benefits cut, without any realistic prospect of the schemes' being able to provide safe and adequate pensions in the future;
48. Points out that the 2003 IORP Directive forced Member States to deregulate in

respect of prudential requirements for occupational pension schemes (OPS) and to open service provision for OPS to competition; highlights the fact that the directive allows IORPs to invest 70% of their portfolio or technical provisions in shares and corporate bonds, including in risk capital markets, and up to 30% in assets denominated in foreign currencies; emphasises that the liberalisation of prudential provision as a result of that Directive may have contributed to the losses and problems of occupational pension schemes during the financial crisis;

49. Highlights the fact that – apart from transparency and information requirements – the IORP Directive makes no provision for proper protection of the contributions and future pensions of members of occupational pension schemes, as it does not stipulate that at least the accumulated contributions to the scheme are guaranteed at retirement, nor that a minimum rate of return or a defined benefit may be invoked;
50. Shares the Commission's concerns about the growing trend in funded pensions towards defined contribution (DC) schemes, as opposed to defined benefit (DB) schemes, as these shift the investment, inflation and longevity risks entirely to individual scheme members, without any clearly defined obligations on employers or on the sponsors of such schemes;
51. Emphasises the inbuilt systemic incapacity of DC schemes to provide for safe and adequate pensions: according to a recent OECD survey, individuals of the same age cohort regularly contributing 5% of their salary and retiring after a 40-year contribution period could receive a replacement rate ranging from less than 30% up to 100%, depending on whether they retire in a financial-market boom period or – only a few years later – in a bust period; points out, therefore, that the effect of DC schemes increasingly becoming mandatory in certain EU Member States would be to turn pension provision into a mere lottery;
52. Considers, however, that the Commission's proposals to encourage hybrid DC-DB schemes and better market regulation, while they may contribute partially to making pension pay-out more secure, may also have adverse effects on the adequacy of pensions, because the 'costs of regulation' will be imposed on pension-scheme members;
53. Highlights the fact that the administration costs of funded pension schemes – sales and marketing costs, fund management charges, regulatory, compliance and record-keeping costs, adverse selection effects and transaction costs – already make up between 20% and 40% of individual accounts and are much higher than the administration costs of statutory pay-as-you-go pension systems (1.5% to 4%);
54. Points out that similar problems arise with the Commission's proposals on applying the Solvency II approach to pension funds (reduced pension adequacy) and promoting benefit guarantee systems for pension funds (as taxpayers are, once again, to provide the bulk of the guarantees);
55. Strongly criticises the fact that all these seemingly 'best intentioned' proposals from the Commission continue to be guided by the neo-liberal principle of 'shifting choice and responsibility to the individual' and by its obsession with reviving financial

markets through the removal of barriers to a fully fledged ‘internal market for pensions’;

56. Advocates, therefore, a step by step reintegration of the healthy assets of funded schemes into public pension schemes – as Argentina has done – in order to strengthen the redistributive character of pension systems and their capacity to deliver safe and adequate pensions; calls on the Commission to repeal the IORP Directive in its current form;
57. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.