

Occupational pensions and industrial relations

Pensions have become one of the key issues on the industrial relations agenda across Europe. Many national governments have recently reformed their public pensions systems, often in consultation with the social partners, though in some cases in the face of major trade union opposition. Governments have also been promoting occupational pension provision, which has become an increasingly important issue in collective bargaining. This EIRO comparative study examines the industrial relations aspects of recent pensions developments in 18 countries, focusing mainly on occupational pensions, an area where the social partners often play a significant or even dominant role.

At present, the issue of pensions is high on the agenda of both the EU and the Member States. To a growing extent, it also features prominently on the industrial relations agenda. For example, proposed or actual reforms of pension systems have recently led to nationwide or wide-ranging protest strikes in France, Italy and Austria, while pension issues dominate collective bargaining in countries such as the Netherlands. In many countries governments have raised the pension age and/or are developing plans to do so, and early retirement schemes are under heavy pressure. Without doubt, pension issues will become even more important for industrial relations in the near future because of the increasingly ageing population, which may threaten to make the costs of the present systems prohibitive.

The focus of this comparative study - based on the contributions of the [European Industrial Relations Observatory](#) (EIRO) national centres in the countries concerned - is on the social partners. Therefore, we concentrate on occupational pensions, because it is here that social partners play an important - and often the most important - role. However, we also pay some attention to the attitude of the social partners towards the other elements of the pension system. The study:

- presents an overview of pension systems in the 'old' 15 EU Member States (except Portugal) plus Hungary, Poland and Norway, with a focus on the involvement of the social partners;
- gives a more detailed overview of the systems of occupational pensions, including the issue of coverage;
- analyses the pension reforms that have recently been undertaken or proposed in the majority of the countries examined, and the positions and strategies of the government and social partners towards these reforms;
- examines the links between pensions and collective bargaining;
- analyses industrial action on pension issues; and
- looks at the future of - mainly occupational - pensions, with a focus on the impact on industrial relations.

Overview of pension systems

Overall, three types of pension provision can be distinguished, often designated as the three 'pillars'. The

first pillar is formed by the traditional state pension system. Occupational (ie employment-related) pensions make up the second pillar. The third pillar consists of individual arrangements.

First pillar

All countries covered by this study have some form of public pension system, usually part of the social security system and financed by taxes or contributions paid out of current workers' wages. A comprehensive overview is provided in the [European Commission's](#) 2002 Communication on [Adequate and sustainable pensions](#) (EU0301206F), and in this section we focus principally on the position of the social partners in the public system, and on the links between public pensions and occupational pension systems.

In many countries, the public system has been reformed recently, or is in the process of reform. The reform process usually includes consultation with the social partners. An example is Norway, where current proposals for changes to the pensions system are subject to consultation with the social partners (NO0402101F). In Spain, the social partners are involved in negotiations over all aspects of the public pension system, which in this country is by far the most important of the three pillars. Major reforms of the pensions and social security system took place in 1985 and 1996. The latter reform (ES9710220F) was based on the 1995 'Toledo pact' signed by the government, the trade unions, the employers' organisations and the political parties. It reinforced the contributory nature of the system by increasing the number of years of contributions required for pension entitlement. Subsequent changes in 2001 were agreed by most social partners (ES0106244F), and current further revisions of the Toledo pact (aimed at fostering the supplementary pensions system) are subject to wide political and social partner consensus (ES0311201N). The social partners are not, however, always unanimous about pension reform in countries where they are involved in the process. In Italy, the 1995 'Dini' reform law (IT0309203F) made structural changes to the state pension system on the basis of an agreement between the trade unions and the government, which was not signed by employers' organisations.

The formal position of the social partners in managing the first pillar varies from very strong, as in France, to virtually none, as in the UK. Often, the social partners have an advisory or consultative status, sometimes without a formal basis. In the Netherlands, for instance, most debates on the public pensions system take place in two consultative bodies - the tripartite Social and Economic Council ([Sociaal Economische Raad](#), SER) and the bipartite Foundation of Labour ([Stichting van de Arbeid](#)). In Hungary too, the role of the social partners is confined to giving opinions and examining draft legislation, with the government regularly submitting its pensions proposals to the tripartite National Interest Reconciliation Council ([Országos Érdekegyeztető Tanács](#), OÉT). Large-scale reforms of the Hungarian pensions system in 1997 were discussed several times by the social partners, and a number of their suggestions were incorporated into the government's position. However, the legal endorsement of legislative measures in this area is not conditional on the assent of the social partners.

Although in several countries the social partners have no formal influence, their role in practice might be considerable. In Finland, state pension provision is based on law, but its principles are mainly agreed in negotiations between the social partners (FI0208103F), as was the case with major reform measures taken in 2003 (FI0403203F). In Belgium, a special consultative expert group (not formally composed of social partner representatives) was set up in 2000 to draft a compromise on reform of the pension system, though without success. Subsequently, the government launched informal consultations with employers and unions, which submitted amendments to its initial proposal. The social partners issued a joint declaration on the issue (stressing the importance of state pensions, while underlining the need to develop the second pillar), an agreement was eventually reached and a law subsequently adopted (the 2004 'Vandenbroucke law' on complementary pensions). In Denmark, the state pension is based on legislation and financed by taxes but, although the social partners have no formal influence, they are usually consulted in the event of planned changes.

A change in government may lead to a sudden change in the role of the social partners in the state pensions area. Given Austria's long tradition of social partner involvement in important social security matters, the government has always consulted them prior to making significant changes in the state pension system. This held true until 2003 when the coalition government of the conservative People's Party ([Österreichische Volkspartei, ÖVP](#)) and the populist Freedom Party ([Freiheitliche Partei Österreichs, FPÖ](#)) for the first time in the post-war era carried through a fundamental pension reform against the explicit opposition of the social partners ([AT0305202F](#)).

Reform of the first pillar

Many of the countries covered by this study have recently witnessed major reforms of their first-pillar pensions systems. Leading examples are Austria, France, Belgium, Germany, Italy and Greece. As an illustration, we take a closer look at Austria, where the measures taken are more or less typical for many other countries.

The main purpose of Austria's 2003 pensions reform was to improve the sustainability of the public pensions system ([AT0305201N](#)). The following changes were introduced:

- abolition of the early retirement scheme for unemployed people, from 1 January 2004;
- gradual abolition of the early retirement scheme based on a long contribution record, starting on 1 July 2004;
- a staged reduction over 2004-9 of the 'incremental points' added to the pension amount for every year of pension contribution, from 2% to 1.78%. Thus by 2009, at least 45 years' contributions will be required for a pension of 80% of average previous earnings, instead of the current 40 years;
- an increase in the pension reductions applied to early retirees (ie before the normal retirement pension age of 65 for men and 60 for women) from 3.75% to 4.2% per year of early retirement, from 2004; and
- a gradual extension of the period of earnings on the basis of which the pension amount is calculated, from the 15 or 18 best paid years of work (depending on circumstances) to 40 years, starting in 2004.

Trade unions fiercely opposed the pension reform, organising a wave of protests and strikes that were the most far-reaching seen in Austria for over 50 years ([AT0306201N](#)). The reform was still implemented, but some aspects were moderated following the protests. A limit of 10% was placed on the overall losses in pension benefits for each individual retiree resulting from the pensions reform, while a special compensation fund was set up for those faced with financial hardship because of the reform.

Second pillar

We will look in more detail at the system of occupational pensions, the main focus of this study, below. Here we restrict ourselves to the observation that it is not always easy clearly to distinguish the first from the second pillar. For example, in Denmark, the [labour market supplementary pension](#) (Arbejdsmarkedets Tillægspension, ATP) - a supplementary state pension created in the 1960s after tripartite negotiations, which is mainly administered by the social partners - can be seen as a 'bridge' between the first and second pillars. In France, the whole pension system can arguably be considered as a mixture of the first and second pillars. To a certain extent, the same might be said of the pensions systems in Hungary and Finland.

Third pillar

The third pillar consists of individual pension arrangements, usually on a defined-contribution basis (ie the amount to be paid is set at a certain level, rather than the amount to be paid out as a pension - see below under 'Defined contribution vs defined benefit').

The relative weight of individual pension insurance policies and other forms of retirement savings in the pensions system is particularly pronounced in Belgium, where 45% of the population participate in third-pillar schemes thanks to fiscal incentives for life insurance and pension savings. Third-pillar schemes also provide an important contribution to retirement income provision in Denmark, the Netherlands and the UK.

Insurance companies often play a major role in the third pillar. The involvement of the social partners is usually non-existent or of minor importance. It should be noted, however, that sometimes there are links between the second and the third pillar. In Hungary, so-called voluntary private pension funds, introduced in 1994, have the same institutional and organisational setting as second-pillar funds (for example in terms of self-governance, co-ownership by members, individual accounts, the non-profit principle and defined-contribution capital-funded financing).

In Ireland and Italy, third-pillar type arrangements exist in areas where there are no second-pillar arrangements.

Trade unions are sometimes involved in the monitoring of third-pillar schemes. The main example is Finland. In Belgium, unions are granted a seat as 'customers' in the Banking, Finance and Insurance Commission ([Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen](#), CBFA), which monitors various insurance funds, including pension funds.

Overview of occupational pension systems

The relative importance of occupational pensions varies enormously among the countries covered by this study, from almost negligible to being a highly developed institution. Yet in most countries there is now a clear tendency to foster the development of occupational pensions.

Apart from the differences in their importance, there are also large variations in the characteristics of the occupational pension systems across countries, in areas such as:

- the extent to which systems are collective or individual in nature;
- the coverage of schemes;
- the role of the social partners in the governance of the schemes;
- whether schemes are of the defined-benefit or defined-contribution type;
- in defined-benefit schemes, whether pensions are based on final or average salaries;
- the proportion of contributions paid by employers and employees; and
- the influence of the employer, the employees and the pensioners.

These specific characteristics of occupational pension schemes will be examined below. It should be noted that there are several other important areas where schemes differ that are not covered in detail here for reasons of limited space - notably whether arrangements are funded or pay-as-you-go, and the extent to which companies base occupational pension provision on book reserves (ie the assets are retained as part of the firm's working capital rather than invested in marketable securities). First we present a typology of second-pillar schemes according to the involvement of the social partners.

Pension guaranteed by the employer

A not uncommon form of second-pillar pension is a 'direct pension guarantee' made by the employer. To take the example of Austria (where this method is known as direkte Pensionszusage), under such arrangements, the employer itself is obliged to pay pension benefits when the employee reaches retirement age or in the event of invalidity. The guarantees may be laid down by an individual employment contract, a works agreement (ie between management and works council) or a collective agreement. This was probably the most common form of second-pillar pension in Austria until 1990. Another example is Belgium where schemes of this type are regulated by the current pensions legislation (the 2004 'Vandenbroucke law') - these pensions are financed by the employer without any participation from the employees and do not cover all employees but a specific category, or individuals. In Finland, within the second pillar (which is of relatively minor importance), such schemes are the dominant form; second-pillar pension provision consists almost exclusively of voluntary supplementary pension insurance arranged by individual employers.

Shift to occupational pensions

There is a tendency for the abovementioned 'direct pension guarantee'-type schemes, where they exist, to be replaced by the 'normal' occupational pensions - as in Austria and Germany. In Germany, the development of occupational pensions, which were traditionally voluntary benefits provided by the employer, has since 2002 been boosted by giving employees the right to demand that part of their earnings be converted into occupational pension contributions (Entgeltumwandlung).

In Austria, since a legislative reform in 1990, pension insurance through a pension fund (Pensionskassenzusage), whereby employers are obliged to pay contributions on behalf of their employees into a pension fund, has become the main form of occupational provision. Such pension funds may be set up by individual employers, or they may join multi-employer schemes. They may be based on works agreements, or under certain circumstances, collective agreements or individual contracts. Employee representatives thus often play a prominent role.

In Belgium, a major aim of the 2004 Vandenbroucke pensions law is to foster occupational schemes, defined as those that:

- are paid for both by employees and the employer(s);
- cover the whole workforce of a given sector or company; and
- are managed by the social partners to the extent they are present.

At sector level in Belgium, it is up to the social partners within the relevant joint committee to set up and regulate supplementary pensions schemes. Company-level schemes are regulated by works councils (or in their absence by committees for prevention and protection at the workplace or trade union delegations). Depending on the circumstances, the pension scheme will thus be based on either a collective agreement or a company's works rules.

In Greece, occupational pension funds were introduced as recently as 2002. Law 3029/2002 provides that such funds can be set up voluntarily at company or sector level, on the initiative of either workers or management or by agreement between the two sides. In addition, funds can be set up to cover specific occupations on the initiative of self-employed people, freelancers, agricultural workers (or their occupation-based organisations).

Mature occupational schemes

Countries where collective occupational schemes are firmly rooted are the Netherlands, Sweden, Denmark and, to a lesser extent, Norway and the UK. In Denmark, Sweden and the Netherlands, around 90% of employees are covered by such occupational pension schemes (see below under 'Coverage of occupational pension schemes').

In these countries, occupational pension arrangements often have a long history. They have existed in Denmark since the beginning of the 19th century, although the modern occupational pension scheme was established over 1989-1991. In Norway's central state sector, occupational pensions have existed since 1917 (the same date that Sweden's first occupational scheme was created) and, during the years after the Second World War, they were gradually introduced in both the municipal and private sector. Today all municipal employees are covered by occupational pensions, while one third of private sector employees are covered by such schemes ([NO0101119F](#)).

In most of the countries with a mature system of occupational pensions, arrangements at sector level predominate, though with variations. In the Netherlands and Denmark, the sectoral schemes follow the 'normal' pattern of collective agreements. In Sweden, there are four occupational pension agreements that cover different types of worker in various sectors: white-collar workers in the private sector; blue-collar workers in the private sector; workers in municipal and city councils; and workers in the government sector. Arguably, these might be seen as arrangements that are more national than sectoral in character. Another example of a country with nationwide arrangements is France, with separate supplementary pension schemes for employees in the public sector, employees in the private sector and the self-employed.

Occupational pensions through insurance firms

A third type of arrangement is occupational pensions provided through insurance firms. These exist in Austria (where the policy-holder is the employer and the insured is the employee) and the Netherlands, and are relatively important in Finland.

Other types of occupational schemes

The occupational pension systems in three countries seem to differ from the general picture sketched above: France, Hungary and Poland.

In France, there are two pay-as-you-go supplementary pension schemes (one for managerial/professional staff and one for other employees - AGIRC and ARRCO respectively), based on national intersectoral collective agreements originally dating from the 1940s and 1960s. In 1972, legislation extended the supplementary schemes to the few companies not already bound by the agreements. In the private sector (industry, trade, services and agriculture), membership of one of these schemes is mandatory. Their basic operation is that each year employees buy a certain number of supplementary pension 'points', based on their pay. When the employee retires, these points are converted into pension entitlement according to a value determined by the social partners.

Major reforms of the traditional systems in Hungary and Poland in recent years have resulted in another type of system. In Hungary, the second pillar is made up of mandatory private pension funds, introduced in the wake of a 1997 pension reform. Private pension funds take the form of non-profit mutual savings associations, whereby members (ie the insured people) are not only clients but also the exclusive owners of the fund. The funds are governed by the general assembly of members (or their delegates). Private funds can be set up by business undertakings (employers), professional 'chambers' or associations, or representative bodies of employers or employees. Members are obliged to pay monthly contributions stipulated by law. The employer is responsible for the collection, reporting and transfer of contributions to the pension funds selected by its employees.

In Poland, a new pensions system was introduced in 1999, with individuals' pensions based on their own lifetime contributions. Under this system, the second pillar takes the form of an 'open retirement fund' in which part of employees' obligatory retirement insurance contribution is saved (the bulk goes into the general basic scheme). These contributions are invested in the financial markets and retirement benefits based on the returns are paid out by specially established institutions

EU Directive on institutions for occupational retirement provision

[EU Directive 2003/41/EC](#) of 3 June 2003 deals with the activities and supervision of institutions for occupational retirement provision (IORPs). The main aims are to protect the rights of future pensioners, increase the affordability of occupational pensions and allow the free provision of occupational pension services and cross-border membership. The Directive covers aspects such as:

- investment and funding rules for IORPs;
- a requirement that IORPs be supervised and regulated by national 'competent authorities'. IORPs must be registered with the appropriate competent authority and must meet a number of minimum conditions, such as being run by people of good repute and having properly constituted scheme rules. Competent authorities may carry out inspections and intervene to help protect members' rights;
- promoting cross-border activity by allowing employers to sponsor institutions based in other EU Member States ('without prejudice to national social and labour legislation on the organisation of pension systems, including compulsory membership and the outcomes of collective bargaining agreements'). The competent authorities in Member States will have a major role in supervising cross-border activity; and
- requirements on schemes to disclose certain information to members and the competent authorities, which have powers to require schemes to provide certain information.

Member States are required to implement the Directive by September 2005.

Coverage of occupational pension schemes

As noted above, there are large differences in the degree of coverage of occupational pension schemes across the countries covered by this study. In this section we examine overall coverage and differences between sectors, organisations of different size, women and men, part-time and full-time workers etc.

Data on overall coverage rates are provided in table 1 (no figures are available for Poland, while in Hungary there are no genuinely occupational schemes in the strict sense - see above under 'Other types of occupational schemes'). The table provides figures from both: the national reports from EIRO centres on which this study is based; and the European Commission's 2002 Communication on [Adequate and sustainable pensions](#).

Table 1. Coverage of occupational pension schemes (% of employees)

Country	Source

	EIRO national centres	European Commission
Austria	16% (in 2000)	Under 10% have acquired rights to an occupational pension under a funded pension scheme
Belgium	33%-50%	35% of all employees pay contributions to an occupational pension scheme (this figure underestimates coverage as it does not take into account second-pillar sectoral pension plans in construction and metalworking, pension promises made by employers to individual employees and voluntary supplementary pensions for the self-employed)
Denmark	90% (100% in public sector)	82% of full-time employees aged 15-59 pay contributions to a 'labour market' pension scheme
Finland	Under 10%	Second-pillar pension benefits account for 0.5% of GDP (12% of GDP for first-pillar statutory schemes)
France	100% (mandatory supplementary scheme)	- (voluntary occupational schemes pay around 1.7% of total pension benefits)
Germany	Around 50% (rising fast)	28% of employees in commerce and 64% in industry covered (16% and 20% in former East Germany). In former West Germany, around half of male employees last employed in private sector receive an occupational pension, while 87% of men and 52% of women last employed in public service receive a supplementary public service pension (public service, excluding civil servants, is covered by collective agreements on special supplementary provision)
Greece	Very low	Occupational pension provision mainly limited to international companies. In future, 'auxiliary funds' to be developed into occupational pension schemes

Ireland	38%	46.8% of total workforce aged 20 to 69 are members of their employer's occupational pension scheme. Overall coverage of private schemes amounts to nearly 51%
Italy	2 million scheme members in private sector	8.7% of contributors to public pension scheme pay contributions to a supplementary pension scheme (both collective and individual). The figures are 13.8% for private sector employees (zero for public employees), 3.7% for self-employed, 16.3% for men and 9.5% for women
Luxembourg	830 enterprises (mainly international companies) have registered complementary pension schemes, with some 50,000 employees affected	Occupational pension provision mainly limited to companies in industrial and financial services sectors
Netherlands	91%	91% of all employees are members of second-pillar schemes, and 83% of pensioner households receive a supplementary pension
Norway	Around 33% in private sector and 100% in public sector (excluding employees working under 14 hours a week) - estimated at 55% overall	Not covered by report
Spain	2.5%	10% of the 5,890,000 people covered by a pension plan (individual life and group insurance funds, social provision mutual funds, occupational plans) are members of occupational pension schemes, compared with total of 16,290,000 people paying into social security system in 2002
Sweden	90% (same as coverage of collective agreements)	Approximately 90% of workers are covered by some form of collective pension scheme agreement
UK	Around 50%	44% of working age population contribute to an occupational or personal pension (51% among men, 37% among women)

Sources: EIRO (second column) and European Commission (third column).

As table 1 indicates, there are variations in the data on occupational pensions coverage from different sources, not to mention problems with definitions. However, broadly speaking it appears that there is approaching full coverage in Denmark, the Netherlands and Sweden (plus the Norwegian public sector), as well as in France, if this country's mandatory supplementary schemes are treated as occupational pensions. In Germany, Norway and the UK (plus Hungary, if this country's second-pillar funds are counted as occupational), coverage is around half of the workforce, or a little more, while a third to a half appears to be the rate in Belgium and Ireland. Only around a sixth of Austrian workers are covered by a scheme. In the other countries for which information is available - Finland, Greece, Italy and Spain - coverage appears to be below 10%, in some cases far below (the same is true of voluntary occupational schemes in France).

In countries with high levels of pensions from first-pillar schemes, the social partners seem to have little interest in setting up occupational schemes, particularly if they already play an important role in managing first-pillar schemes (as in Finland, or in France if only voluntary schemes are regarded as being occupational pensions).

In Spain, Greece and Italy, legal frameworks for occupational pensions were designed fairly recently, and these schemes have not yet developed into a significant component of national pension systems, though they seem to be making ground in the case of Italy, for example. Several countries are now following the example of the Netherlands, Denmark and Sweden in terms of an important role for sector-wide collective bargaining in the development of occupational pension schemes. Belgium is making a determined move in this direction with the new Vandenbroucke law on supplementary pensions (see above), while in Germany and Italy a legislation-driven increase in sectoral agreements has recently been promoting coverage and is expected to do so to a greater extent in future. Ireland and the UK take a more voluntary, individual approach to promoting supplementary pensions through the creation of more accessible pension products ('stakeholder pensions' in the UK and 'personal retirement savings accounts' in Ireland) and, in the UK, also through simplifying the rules for employers.

In Ireland, occupational pensions coverage has been increasing, but lags behind the growth in employment. In Norway, in recent years, occupational pensions have been an issue on the collective bargaining agenda in the private sector, because many employees are still without such arrangements ([NO0204103F](#)), and this reached a head in the 2004 bargaining round (see below under 'The growing importance of collective bargaining').

Apart from the differences in overall occupational pensions coverage, there are large variations across different types of organisations and types of employees, explored below.

Organisational factors

It seems that coverage of occupational pensions in larger enterprises is usually higher than in small and medium-sized enterprises (SMEs). Survey data from Norway, for instance, indicate that approximately 40% of private sector companies with five employees or more have an occupational pensions scheme, varying from 30% in enterprises with five to 19 employees up to 80% in those with over 200 employees. If an occupational pensions scheme exists in a Norwegian company, all employees (except those with short working hours) should be included. The problems of occupational pension provision for smaller companies are recognised in Spain, for example, where employers with under 250 employees may group together to establish a single occupational scheme for their employees (as may a number of different companies belonging to the same holding company).

Coverage usually also varies between sectors. In Norway, for instance, occupational schemes are most common in the financial sector, manufacturing and transport and least common in commerce (retail/wholesale) and construction. In Austria, coverage is much higher in oil and electricity (45.5% of employees),

banking and insurance (33.5%) and mining (33.1%) than the national average (16%). In the UK, the public administration and the formerly publicly-owned energy and transport sectors show a high rate of coverage, while part-time, temporary or seasonal staff located in small firms in the manufacturing, distribution and construction sectors are least likely to have access to an occupational scheme.

Coverage in the public sector is often higher than in the private sector, as in countries such as Ireland and Norway. In the latter case, there is a single occupational pension arrangement for all employees in the central state sector (including teachers and employees in state-owned companies such as the postal services and railways) and similar arrangements for the municipal sector, while in the private sector the great majority of schemes are company-specific and coverage is much lower (about one third).

Personal characteristics

The likelihood of employees being covered by an occupational pension varies with factors such as their sex, job level and type, employment status and length of service. The situation in the UK may be typical, with members of occupational schemes most likely to be skilled males, working full time. According to figures from the [Trades Union Congress](#) (TUC), the proportion of male professional workers who are members of an occupational scheme (76%) is twice as high as among unskilled men (34%). For women, the difference is even greater, with 71% of professionals in an occupational scheme compared with only 27% of unskilled women. The proportion of part-time women in an occupational scheme is only 28%, compared with 55% for female full-timers. Part-time female workers in low-status jobs fare particularly badly, with only 15% of unskilled women part-timers in an occupational scheme. There are also regional differences in pension provision within the UK (as, for example, in Germany) and a high correlation between membership of occupational pension schemes and trade union membership.

Such detailed information on the characteristics of occupational scheme members is not available for all countries, but the data available underline the basic pattern. For instance: in Belgium, only 19% of the blue-collar workers are covered, compared with 90% of white-collar workers, and men are better represented than women; and in Ireland, coverage of female and part-time employees is below average.

With regard to women's participation, it should be noted that EU law lays down the principle of equal treatment between men and women in occupational pension schemes - such benefits are regarded as pay within the meaning of Article 141 of the EC Treaty (on equal pay for women and men).

For some categories of employees, it is hard or even impossible to enter an occupational scheme because of the existence of various thresholds and criteria. In several countries, a minimum period of employment is a condition for entering an occupational scheme - eg in Finland (where occupational pensions are of minor importance) this period is five years. Some countries also have age limits - in Sweden, for example, to join the blue-collar private sector scheme workers must be at least 18 years old (and work at least eight hours per week on average), while for the other schemes the minimum age is over 21. One reason for this is that blue-collar workers often have shorter periods of education and can start work earlier, whereas white-collar and professional workers tend to enter working life later. Another aspect is that the widespread shift to defined-contribution schemes (see below under 'Defined contribution vs defined benefit') creates barriers for entrance to the defined-benefit schemes that still exist - eg some 46% of the 'final salary' schemes still in existence in the UK are now closed to new entrants.

In several countries former barriers and thresholds have now been removed by anti-discrimination legislation. In Belgium, for example, the recent Vandenbroucke law explicitly forbids discrimination in occupational pensions based on age, health or gender. Under the new rules: participation in a scheme may not be linked to medical examinations; the setting of contributions may not be linked to the average life expectancy of a particular group; and schemes that exclude part-time workers are not allowed.

Overall, the first-pillar pension coverage of people in 'non-standard' or 'atypical' employment (eg part-time, temporary and self-employed workers) is by and large satisfactory, and indeed involves a large degree of solidarity towards these groups, according to the European Commission's 2002 Communication on *Adequate and sustainable pensions*. By contrast, states the Commission, 'the situation in second-pillar schemes cannot yet be regarded as satisfactory: atypical workers continue to be less well covered by occupational schemes'. However, several Member States are making efforts to improve atypical workers' access to occupational pension schemes. In the Netherlands, for instance: legislation that came into force in 1994 made it illegal to exclude part-time workers from supplementary pension schemes; legislation stipulates that employees on fixed-term contracts should not be treated less favourably in occupational pensions terms than comparable employees on open-ended contracts; and pension schemes have been opened to certain categories of temporary agency workers. Another example is Greece, where recent legislation allows occupational schemes to be created for self-employed workers (see above under 'Shift to occupational pensions').

As noted by the Commission, sector-wide collective agreements on occupational pensions appear to be a good tool for ensuring that coverage is comprehensive, including in sectors in which SMEs - which would not normally offer access to occupational pension provision - predominate. Such collective agreements also allow the introduction of solidarity mechanisms in the second pillar, as envisaged by a recent reform in Belgium aimed at fostering the development of occupational pension provision. The new law provides incentives for collective schemes that include 'solidarity clauses', such as continued payment of pension contributions during periods of unemployment, maternity leave and periods of reduced working time.

Governance/regulation of occupational schemes

The way that occupational pension schemes are managed and run is obviously of key importance, especially in terms of their place in industrial relations. In this section we look at the varying role played by the social partners in the governance of occupational pension schemes, and also at the position of pensioners.

Trade unions and employers' organisations play a particularly important role in the Netherlands, Denmark and Sweden, where the occupational pension systems are essentially based on sector-level collective agreements. Membership of these schemes is mandatory and they have a high level of coverage. In Denmark, for example occupational schemes are run by the social partners from the relevant sectoral collective bargaining unit, and employees sit on the funds' boards. The board supervises the actual management of the fund, and in many large funds the actual asset management has been outsourced to providers of financial services. Joint social partner management is also generally the rule in those countries where similar systems based on sectoral collective agreements are currently developing or being promoted - notably Belgium, Germany and Italy (which is also considering making participation in private funds mandatory). The new Belgian law on occupational pensions, for example, emphasises the role of the social partners in the governance of schemes at both sector and company level. An important effect of government policies in these countries is that the relative importance of the sector level in occupational pension provision is increasing.

Joint social partner governance also plays a key role in France's two national intersectoral supplementary pension schemes. These schemes are not only negotiated, but also managed by employers' associations and trade union confederations. They are run by boards that include equal numbers of employers' and employees' representatives, which reach regular agreements on balancing contributions and benefits.

Where occupational schemes are largely company-based, the involvement of the social partners in their governance tends to be much weaker. This is true for the UK, notwithstanding the relatively long history of occupational pensions in this country, and also for countries where occupational schemes are a more

recent phenomenon, such as Spain. The absence of social partners is even stronger if pensions are to a large extent in the hands of insurance companies. In Poland, for example, employees have influence only over voluntary company arrangements, while the management of the obligatory open retirement fund is left to financial institutions. An exception to this rule is Finland, where the social partners are represented on the boards of all major pension insurance companies.

A feature of pension schemes in Hungary is that they have the legal form of associations, and not funds. Therefore, the 'funds' are governed by their members through the general assembly. In the UK and Ireland, pension funds are governed by trust law. This places the responsibility for running the schemes with a third party that is legally separate from the employer and the members. The schemes' trustees have a duty to act in the best interest of the members and/or beneficiaries of an occupational pension scheme. The primary responsibility for the sound administration of the scheme lies with the trustees, who assume personal liability. In the UK, scheme members (ie employees) have the right to choose at least one third of the trustees.

The position of the employer in scheme's governance may to a large extent depend on whether it pays contributions in respect of its employees. In Greece, if employers contribute, they are represented on the boards of pension schemes alongside employees and pensioners. In Hungary, if employers contribute to so-called voluntary funds, they have consultative rights (these funds are formally governed by their members through the general assembly). In practice, their position is reportedly often much stronger: in the case of relatively small 'closed' funds they usually manage to gain acceptance for their views. This difference between formal and actual power is also reported from the UK. Here, although the management of (generally company-specific) occupational pensions schemes is formally separate, in many schemes employers exercise a large degree of influence. This makes the role of trustees crucial. In a recent case involving the UK subsidiary of [AP Moller Maersk Co](#), a Danish shipping company, members argued that their interests had not been sufficiently considered by the existing trustees of the company's scheme. The [Office of the Pension Regulatory Authority](#) (OPRA) agreed to appoint an independent trustee to sit alongside the existing company-appointed trustees. Trustees of underfunded schemes sponsored by solvent employers will thus now have to ensure they are sufficiently robust in demanding that employers provide enough cash to replenish their schemes.

Position of pensioners

The position of pensioners in the governance of occupational schemes deserves special attention. In Hungary, pensioners retain their rights to membership of the associations that provide pensions. However, in countries where governance is in the hands of the social partners, the question arises to what extent trade unions take account of the interests of the people who are no longer in active employment and are receiving pensions. In Sweden, pensioners have the same rights to express their views as active members of pension funds, but only if they stay a member of the trade union concerned. In Belgium there are no specific legislative provisions requiring the consultation of pensioners, but both main trade union confederations contain structures representing retired workers. In France, pensioners are not represented directly in the management boards of the supplementary pension funds, but unions stress that they represent both active (contributors) and retired workers. There are, however, pensioners' associations that are demanding to be involved in the management of the supplementary schemes.

In the Netherlands, sectoral funds are governed by the social partners, while works councils have the right to appoint employee representatives on the bodies overseeing company funds. The position of pensioners is an issue of increasing importance. With pension funds facing major financial problems, the indexation of pensions (to wage increases or inflation) has been fully or partially halted in many schemes. Especially in companies that have taken a 'holiday' from paying pension contributions, this situation has caused discontent among the pensioners ([NL0108142F](#)). The law provides various possibilities for pensioners to defend their interests. One way is for them to appoint a member of the scheme's board (which means that

current employees lose a seat), and another is to instal a 'council of participants', consisting of representatives of both current employees and pensioners, in proportion to their numbers. In several cases, there has been a clear split between the representatives of the employees and the representatives of the pensioners. Pensioners have an interest in full indexation of their pensions, while current employees (and the employer) have a clear interest in low contributions.

In Spain, the bodies managing occupational schemes are overseen by a 'control commission', which is composed of representatives of the scheme's promoter, participants and in some cases beneficiaries.

Defined contribution vs defined benefit

The 'traditional' form of occupational pension is the 'defined-benefit' (DB) scheme, described by the Irish Pensions Board as one 'in which the pension and other benefits which will be paid to the members and/or their dependents are clearly defined in scheme rules. These benefits are often based on salary (wage) at, or close to, retirement and on pensionable service in the employment or the scheme. They are sometimes known as final salary schemes.' The other main form is the defined-contribution (DC) scheme, described by the same source as one 'where the member's benefit is determined solely by reference to the contributions paid into the scheme by the employer and, if contributory, by the member, and the investment returns earned on those contributions'.

DC schemes have traditionally been the main form in Austria, Denmark and Italy, while a shift from DB to DC schemes is reported from a relatively large number of countries. Furthermore, countries that only recently set up occupational pension schemes have mostly done so in the form of DC schemes, as in Poland and Hungary.

The shift to DC schemes is a particularly major issue in Ireland and the UK:

- employers in Ireland are increasingly switching over to DC schemes because of the substantial cost implications of DB schemes. Increased life expectancy, coupled with volatile financial markets, has undermined funding for many large DB schemes. A recent proposal that pension schemes be considered a cost on a company's profit/loss statement has also pushed many employers towards DC schemes. The main cause for concern with DC schemes is one of adequacy, according to the Pensions Board. Contributions towards DC schemes are lower than those to DB schemes, and consequently this has a direct bearing on the adequacy of the benefits; and
- in the UK, some 80% of pension scheme members are in DB plans. However, in terms of the number of individual schemes, the balance has swung towards the DC type ([UK0301109F](#)), and over three-quarters now take this approach. Nevertheless, coverage of DB schemes has grown over the last five years in the public sector (to around 4.7 million employees) as the government has expanded employment in healthcare and schools and as more women have joined following changes in legislation on part-time employees. Different types of employer tend to provide different types of scheme. Larger employers that can take advantage of economies of scale often run their own occupational schemes and are more likely than small employers to provide DB schemes, while smaller employers often offer pension schemes that involve less administration for the employer, such as 'group personal pensions'.

However, in many countries, DB schemes are still very much dominant as in France, the Netherlands, Finland (though here occupational pensions are of minor importance), the Norwegian public sector and Germany. In the last-named country, amendments to the occupational pensions legislation introduced in 2001 by a law promoting private pension plans (Altersvermögensgesetz) allowed defined contributions for the first time, but research indicates that there are still no pure DC schemes. In Norway, DC schemes previously did not attract tax benefits as DB schemes did and were not used. Since these tax benefits were

extended to DC schemes in 2001, some private sector employers have introduced them, but few employees are so far covered.

In several countries, DB and DC systems exist alongside, without any shift being reported from the former to the latter. These include Austria, Belgium and Sweden (where 1999 research found that most schemes were DB). In countries such as Belgium, Austria and Germany, DC schemes must guarantee a minimum return for the pensioner.

In Spain three types of scheme exist - DB, DC and a hybrid form. In terms of the scale of the assets of the various types of scheme, the hybrid form is most prevalent.

From final to average salary

Apart from a relatively widespread shift from DB schemes towards DC schemes, there is also in some countries a shift within the remaining DB schemes, from using the employee's final salary at retirement to calculate the amount of the pension to using their average salary over a varying period of employment. Traditionally, final salary schemes have been seen as the 'gold standard' of occupational schemes. The shift to average salary schemes is clearly visible in the Netherlands and Ireland. In the UK too, there has been some recent interest in career average arrangements, and two large employers [Tesco](#) (food retail) and [Nationwide](#) (financial services) have recently adopted such provisions, but they are still relatively rare.

In Finland, to the extent that occupational pensions exist, these are calculated on the average wage over the last 10 years of employment. The average wage system has a long history in the French private sector supplementary schemes, though in the public sector occupational pensions are based on the final salary. The same is true for the statutory civil servants' pension scheme in Denmark. In Norway, final salary schemes are the most common.

The main driving force of the move within DB schemes towards average salary arrangements is financial: employers complain that the costs of DB pensions are getting out of hand. Trade unions, which usually prefer DB schemes, do not seem fundamentally to be resisting the shift.

Contributions

From the point of view of individual employers and employees, a key question is who pays the contributions to occupational pension schemes.

In many countries both employer and employee pay a certain part of the contribution. There are large variations in the relative shares they pay, but the employer invariably seems to pay the majority. In Denmark, for instance, employers pay two-thirds and employees one-third of the monthly contribution. This seems to be a relatively common division - the proportions in the Netherlands and the UK for DB schemes are roughly the same (eg in the UK employers meet 62.65% of DB scheme contributions). Similarly, in France the employer's contribution is 60% and the employee's 40%. The share paid by employers may be much higher. An example is Spain, where at the end of 2002 employer's contributions represented 90.5% of total contributions and employees' contributions 9.5%. In Poland, employee retirement funds are funded by two kinds of contributions: an obligatory basic contribution paid by the employer and voluntary additional contributions made by the employees out of their remuneration.

In Finland, the most common way of financing occupational pensions, including company funds, is that the employer alone contributes to the scheme. A consequence is that contributions are set by agreements

between the employer and the insurance company concerned. In Austria too, occupational pensions are exclusively paid for by the employer. The parties to collective or works agreements on pensions are not entitled to provide for legally binding employee contributions. However, they are entitled to provide for optional schemes whereby employees may voluntarily pay additional contributions (which must not exceed the employer's contributions). In the Norwegian private sector, employee contributions are uncommon. In Sweden, employers pay the contributions, but trade unions argue that employees also pay because they renounce a certain amount of potential wage increase in order to enable these contributions.

Early retirement schemes vanishing and retirement age under pressure

Early retirement schemes are under pressure all over Europe, a development which has implications for occupational pensions. The fact that many employees leave the labour market before the statutory retirement age - generally 65, though in some countries 60 for women - presents a serious problem with regard to the sustainability of pension systems. An example is Poland, where the average retirement age for women is 56 years and for men 59.4, compared with official retirement ages of 60 and 65 respectively. Moreover, early retirement schemes are only one way to leave the labour market. Special unemployment benefit arrangements for older workers (for example aged 58 and above), keeping them inactive until the official pension age, represent a second way and disability benefits a third.

In this context, governments are looking for new ways to keep people working longer. For example, in 2002 the UK government issued proposals aimed at extending opportunities for older workers to stay in the labour market, such as:

- treating men and women between the ages of 60 and 64 as active labour market participants;
- implementing age discrimination legislation covering employment and vocational training, in which compulsory retirement ages are likely to be made unlawful by December 2006; and
- allowing individuals to continue working whilst drawing their occupational pension.

As well as such positive efforts to encourage older people to stay in employment, the overall trend across Europe is to restrict early retirement and other early-exit schemes, forcing employees to work longer - examples include Austria, Finland, France, Germany and the Netherlands. However, this move is unlikely to be uniformly popular or unproblematic; a 2001 EIRO study on progressive retirement ([TN0109184S](#)) concluded that employees are not generally ready to abandon the early retirement option if this is available. It also concluded that full recognition of the value of the employment of older workers is still to be achieved.

A partial exception to the widespread restriction of early retirement is Spain. Here there is system of 'pre-retirement' (*prejubilación*), whereby the social partners may agree during negotiations over the consequences of company restructuring that older redundant workers should receive unemployment benefit until retirement age, topped up by the employer and sometimes the state ([ES0204206F](#)). Counter to the general tendency, and in the face of criticism, the age for such pre-retirement has been reduced in many cases recently. However, it is not expected that this trend will continue.

Luxembourg, which has a long-standing tradition of labour peace, is one of the few countries that report significant protests by trade unions and workers over early retirement issues. In late 2003, unions organised a demonstration and a petition in favour of continuation of a scheme allowing workers at [Arbed](#), the major iron and steel company, to apply for early retirement at 57 ([LU0311102N](#)). This possibility had been agreed on a tripartite basis in 2001 ([LU0110102N](#)) for workers born in 1945-7, and was due to expire at the end of 2004. The unions wanted the scheme continued and extended to workers born after 1947.

To promote longer working lives, several countries have introduced flexible pensions and retirement ages, or are contemplating doing so. Examples include Poland, the Netherlands, Sweden and Norway. In 2001, the Swedish government introduced a system of flexible retirement between the ages of 61 and 67 (a move that proved controversial because of its effects on collective agreements, which provided for an average retirement age of 65) ([SE0305102F](#)). In Poland, as part of a reform of the overall pension system, the government is proposing that employees aged 62 to 65 should be eligible for partial retirement benefits, receiving a partial state pension while continuing work on a part-time basis. In early 2004, a Norwegian public committee examining pensions reform proposed a flexible retirement age of between 62 and 70 years, with pensions being considerably reduced if employees retire early ([NO0402101F](#)). The committee also recommended that if the social partners want to keep the current early retirement scheme, they should pay for it themselves without the present state contribution.

Traditionally, early retirement has in many countries been accepted as an option for employees working in jobs with specific risks and characteristics, such as mining and teaching. To a growing extent, this special treatment is now also being questioned. The same is true for the lower pension age of women that exists in many countries. In some cases, this has already been adjusted upwards towards the male level.

Social partner views

As we have seen above, the importance of occupational pension schemes varies enormously in Europe, and this implies a wide variety in the standpoints taken on the issue by the social partners. For example, in some countries occupational pension schemes are restricted to senior or otherwise 'privileged' employees and are primarily used as a 'management tool', while in other countries, government and social partners have only recently started to introduce occupational pension schemes. On the trade union side, in this latter group of countries, there is a fear that the general introduction (or generalisation) of occupational schemes will weaken the first pillar of state pensions. Some employers fear that they will have to contribute to the schemes, either at all or too much.

Employers and employee representatives may have different opinions on who should contribute how much to occupational schemes and for how long. They may disagree on the type of scheme, notably defined-contribution versus defined-benefit arrangements. Last but not least, they may disagree on whether occupational pensions should be seen as an individual employee benefit (thereby a 'management tool') or should be based on collective agreements.

In countries such as Belgium, France, Italy, Germany and Spain, the views of the social partners have been developed in reaction to relatively recent reforms or proposed reforms affecting the overall pension system. In Belgium, for example, the two main trade union confederations have in the past been united in their condemnation of occupational pension schemes, considering them a tool to weaken the first pillar. During the consultations leading to the 'Vandenbroucke law' on complementary pensions (see above), and after it came into force in 2004, the confederations have developed a more pragmatic stance. For example, the unions have focused on issues such as calling for a stronger presence of the social partners in the management of occupational funds (eg so that union representatives can promote ethical investments). The main employers' confederation supported the Vandenbroucke law, but is pressing for a greater individualisation of pension schemes. It believes that the occupational pension system created by the new law is close in some respects to a first-pillar system. The employers favour DC schemes, to keep pension costs visible and under control, and disagree with the restrictive conditions placed on individual pension schemes, which it believes should be a major human resource management tool.

In Spain, Italy, France, Greece and Hungary, the first pillar (state pension provision) is still very much dominant. Reforms have been mainly directed at this pillar, and attracted varying degrees of support or

opposition from the social partners (see above under 'Overview of pension systems'). Greece and Hungary report a high degree of consensus among the social partners with respect to the pension system or its necessary reform. In Spain, most social partner organisations have agreed with the successive public pension reforms put forward since 1985. They have participated in negotiating forums over the public pension system and largely agreed with further reform recommendations made by the government in 2003. Spanish trade unions consider the public pension as an important part of 'indirect wages' and as a sign of solidarity between generations, while the (still limited) occupational pension system is seen as a good supplement to the state pension - in those cases where companies can afford it. Spanish employers' organisations tend to favour private schemes within a mixed system, in which the public pension, without costing too much, will keep its central role. From the employers' viewpoint, occupational pension schemes, based on contributions, can fulfil a complementary role, particularly in binding key workers to the company.

In Italy, a pension reform launched in 2003 ([IT0309203F](#)) is mostly directed at the public pension system, and has been seriously contested, bringing the social partners' views in this area into focus. The three main trade union confederations have been united in their criticism of the reform (see below under 'Pensions and industrial action') and have developed alternative proposals, seeking to broaden the discussion on the reform to the whole welfare system. For example, they have proposed:

- harmonising pension contributions for all categories of workers, by increasing those paid by the self employed;
- abolishing special privileged pension schemes; and
- raising the pensionable age, but only within the scope allowed by the 1995 'Dini' reform law (see above under 'Overview of pension systems'). For example, the minimum age of eligibility for a pension - at present 57 - could be raised, but without increasing the total required contribution period from the current 35 years.

Furthermore, the union confederations believe the government should separate pension spending from other social security and welfare spending. This would lead to a reclassification of Italian social expenditure and entirely alter the terms of discussion. In the opinion of the [Confindustria](#) employers' confederation, Italy overspends on old age and survivors' benefits (63% of total social spending, against an EU average of 46%), and the welfare system should be rebalanced. With respect to keeping workers in employment longer, Confindustria prefers a system of incentives and disincentives above measures which raise the minimum amount of contributions required for pension entitlement.

Occupational pension funds are often considered as the sole responsibility of the social partners, at least by the social partners themselves. However, there are cases where the partners welcome a third, independent party (the government) taking responsibility for the rules and regulations governing the pension funds, or for aspects of provision. For example, the UK's [Trades Union Congress](#) (TUC) has welcomed the fact that the government plans to maintain a role in second-tier provision through the 'state second pension' (S2P) but is concerned about plans to turn S2P into a flat-rate benefit at some time in the future. The government argues that this will be done once the new 'stakeholder pensions'- a scheme introduced to enable those outside the occupational and personal pensions system (around 5 million people) to save for their retirement - have proved successful, but the TUC believes that the current evidence relating to stakeholder pensions suggests that it is difficult to see when 'success' will be achieved. The TUC argues that experience to date shows that stakeholder pensions, particularly in the private sector, will fail to achieve their full potential without compulsory employer contributions, and has backed calls from a number of its major affiliates for legislation. It wants to force all companies to provide more substantial pension schemes, with a 10% contribution from employers and a 5% contribution from employees. It also wants to make it compulsory for workers to join schemes and for 'pension pay' to be given the same level of protection as current pay. On the employers' side, the [Confederation of British Industry](#) (CBI) has lobbied strongly against compulsory employer contributions, and is pleased that the government is not planning any such obligation. However, it opposes the forthcoming creation of an employer-financed fund to protect workers' pensions if

their employers become insolvent, arguing that the government and employees should also share the costs.

In countries such as Denmark and Sweden the occupational pension system has been developed by the social partners themselves. In Denmark, the social partners administer the sector-based system together, and see it as a joint project. In their reaction to a 2003 official report that called for more freedom in the choice of pension funds, the social partners were unanimous that the pensions should not be 'gambled' with, and that the proposed greater freedom for workers to transfer pensions would undermine the element of solidarity in schemes. Furthermore, they argued that the report's recommendations for changes in the occupational pensions system would undermine provisions in collective agreements (see next section).

The growing importance of collective bargaining

The extent of collective bargaining over occupational pensions in each country is related first and foremost to the relative importance of such schemes, and the involvement of social partners in them. However, there does appear to be a general tendency for bargaining - especially at sector level - to play an increasingly important role in this area, often encouraged to do so by recent legislation promoting occupational pension provision. Brief details are set out in table 2 below. Collective bargaining on aspects of occupational pensions exists in only a very limited way in Hungary and Poland. It seems virtually non-existent in Finland and Luxembourg, where this sort of pension provision is relatively uncommon. In all other countries, there is an appreciable degree of occupational pensions bargaining.

National intersectoral bargaining on what can be considered occupational pension-type provision occurs in France, where the private sector supplementary schemes are based on intersectoral agreements and have almost total coverage, and Ireland, where wide-ranging national partnership agreements include joint objectives in this area.

Sectoral collective agreements are essentially the basis for the entire system of occupational pensions in Denmark, the Netherlands and Sweden. Such agreed sectoral arrangements obviously result in a high degree of coverage, with up to 90% of the workforce covered by the schemes in these countries. Under the influence of recent legislation, a similar system of sectoral agreements on occupational pensions covering all major branches now appears to be developing in Germany and Italy, though coverage is not yet at such high levels. Occupational pensions became a major issue in sectoral bargaining in Norway in 2002 and especially 2004, with the result that a universal statutory right to coverage by such a pension may now be introduced. There are a few examples of relevant sectoral collective agreements in Austria, and the trend appears to be to a greater focus on this level of bargaining over occupational pensions. Belgium has a history of sectoral agreements on occupational pensions in a number of industries, and legislative reform that came into force in early 2004 should boost bargaining on this theme at sector (and company) level. Recent Greek legislation seeks to do the same.

Company schemes are generally based on works agreements between works councils and management in Austria, while company-level bargaining over aspects of occupational pensions occurs in unionised workplaces in Ireland. In Spain, the limited amount of collective bargaining on occupational pensions occurs exclusively at enterprise level. Company-level bargaining over aspects of occupational schemes, especially when they are faced with problems, seems to be spreading in the UK. Company agreements are promoted (along with sectoral ones) by recent legislation in Belgium and Greece (see above). Although the sector level predominates, there are schemes based on company agreements in Denmark, Italy and the Netherlands.

It is arguably in the Netherlands and Norway that occupational pensions are the hottest issue in (sectoral) bargaining at present, with the key points at issue being the level of contributions and the nature of the schemes in the Dutch case, and the wider introduction of arrangements in the Norwegian case.

Where bargaining on occupational pensions exists, its relationship with 'normal' bargaining over pay and other conditions varies. In Sweden, for example, the agreements on occupational pensions are separate from (and have different coverage than) ordinary agreements on pay and conditions. There is also little linkage in France, where occupational pensions are negotiated at intersectoral level and pay bargaining occurs at lower levels. In Denmark, Ireland and the Netherlands, however, the issue of occupational pensions is often part of general pay bargaining. In Denmark, possible increases in pension contributions are often part of the overall bargaining trade-off agenda, while in the Netherlands recent rises in contributions, resulting from funds losing a major part of their reserves because of stock market problems, have taken away a large part of the scope for pay rises in bargaining rounds.

Table 2. Collective bargaining on occupational pensions

Austria	Few sectoral agreements establishing industry-wide occupational pension schemes - main examples are banking, savings banks and paper/pulp (in latter case, scheme agreed as recently as October 2003 and came into effect in May 2004). At company level (in a relatively small proportion of companies - see table 1), schemes are generally based on works agreements concluded by works councils and the management. Unions seem to be seeking to shift regulation of occupational pensions from company to sector level.
Belgium	Prior to new legislation that came into force in January 2004, bargaining on occupational pensions (covering only a minority of employees) occurred mainly at sector level - examples of agreements include: the oil industry; metalworking, engineering and electronics; building; woodworking and furniture manufacturing; energy (gas and electricity); printing and publishing; urban transport; and the port of Antwerp. New law regulates and promotes bargaining on occupational pensions at company and sector level. Too early to assess impact, but pensions likely to move up bargaining agenda, with negotiations over both setting up new schemes and amending existing ones.
Denmark	Since 1991, sectoral collective agreements have introduced and extended a system of occupational pensions. These 'labour market pension' (Arbejdsmarkedspensionerne, AMP) schemes now cover over 90% of employees (DK0310103F). The issue features regularly in sectoral bargaining rounds - eg in 2004 the pace-setting industry sector agreement increased contributions from 9% to 10.8% of pay (of which the employers pay two-thirds and the employees one-third) (DK0402104F). A few schemes are based on company-level agreements. Social partners also involved in creating and administering the labour market supplementary pension (Arbejdsmarkedets Tillægspension, ATP), a state top-up pension scheme.
Finland	Occupational pension provision is very limited and is very rarely an issue in collective bargaining at any level (though the central social partners are involved in negotiating any changes to the state pension scheme).

France	At national intersectoral level in the private sector, the social partners have created through bargaining separate supplementary pension schemes for managerial/professional staff and for other employees - AGIRC and ARRCO respectively (FR0312103N). The schemes are managed by the social partners and subject to frequent agreements between them on contributions, benefits etc (the social partners are also involved in the administration of the state basic pensions scheme). Occupational pensions are not an issue in sector and company-level bargaining.
Germany	Prior to a 2001 pensions reform law (DE0106227N), bargaining on occupational pensions was rare, except in the public sector, where the scheme is based on collective agreements. However, the 2001 law promoted bargaining on the issue and agreements have since been reached in all the main sectors - eg metalworking (DE0402102N) and chemicals (DE0111201F) - in order to provide workers with new options to convert part of their income into pension assets (as the law entitles them to do), through the creation of industry-level pension funds.
Greece	A legislative framework for occupational pension funds was introduced only in 2002. Under law 3029/2002, these funds can be set up voluntarily at company or sector level, on the initiative of either workers or management or by agreement between the two sides. The extent to which the legislation has led to sectoral or company-level bargaining on creating funds is not yet known.
Hungary	A relatively small proportion of sectoral or company-level collective agreements contain provisions on additional employers' contributions to second- and third-pillar private pension funds.
Ireland	At national intersectoral level, general occupational pension issues - eg a shared objective of increasing coverage of such pensions - feature in tripartite social partnership agreements. For example, the current <i>Sustaining progress</i> pact (IE0301209F and IE0304201N) sets out a number of objectives and aspirations, and provides that the signatories will cooperate actively both at national level (eg through the advisory Pensions Board , on which the social partners are represented) and at workplace level between employers and unions, through regular discussion and dialogue on pension matters. Both unions and employers are committed, states the agreement, to promoting the introduction of occupational schemes for those employees without access to such schemes, subject to the costs involved not undermining competitiveness and employment in enterprises. In practice, in unionised organisations, occupational pension arrangements (mainly company-based in the private sector, but wider in the public sector) are often subject to collective bargaining.

Italy	Collective bargaining on occupational pensions has taken off since a 1997 law reform that promoted such provision (IT9806228F and IT9705205F). By March 2003, there were 37 authorised agreement-based 'closed' occupational pension funds, of which 31 were for employees (the remainder were for self-employed and professionals). The potential membership stood at 10.9 million, and actual membership at 990,000. Of the funds for employees, 21 were sectoral, eight were company/group-based and two were territorial in scope. Sectoral bargaining thus plays the main role, with agreements setting up jointly-run schemes in major sectors such as chemicals, metalworking (IT9711139N), food, commerce and public education (IT0102175N) - however, the take-up of sectoral schemes by employees averages only about 13% (the figure is higher for company-based schemes).
Luxembourg	Occupational pension schemes - which are limited in scope - do not appear to be an issue in collective bargaining (which occurs mainly at company level).
Netherlands	Occupational pension arrangements - which cover around 90% of employees - are generally based on sectoral collective agreements, though some large companies have their own schemes. Pension issues have become increasingly prominent on the collective bargaining agenda (NL0304101N and NL0306104F), with key issues including the replacement of defined-benefit by defined-contribution arrangements and the replacement of final wage by average wage systems. Recently a rise in contribution levels, resulting from funds' financial problems, has used up a considerable part of the 'wage space' in bargaining.
Norway	Occupational pensions have recently become a major bargaining issue. Such pensions have for some years been regulated through collective agreements in the municipal public sector, but only around a third of private sector workers are covered by schemes, mostly company-specific and rarely based on collective agreements. In the 2002 sectoral bargaining round, trade unions prioritised the issue (NO0103125F), seeking agreements introducing occupational pensions for those without coverage. A scheme was agreed in the transport sector, but in other bargaining areas the sectoral parties agreed only to promote discussion of the introduction of occupational schemes at company level (NO0204103F). The issue was again central in the 2004 bargaining round, with unions seeking the introduction of agreement-based schemes. In joint negotiations in the trend-setting manufacturing industry, the building sector and the textiles industry, employers opposed an agreement-based scheme, not least because it would create a competitive imbalance between companies with and without collective agreements. The employers eventually conceded reluctantly on condition that such pension schemes should be based on a statutory right applicable to all employees (not just those covered by collective agreements). Thus, the social partners sent a joint letter calling for legislative measures in this area to the Prime Minister, who stated that the government intends to place such a proposal before parliament in the autumn 2004 (NO0404102F).
Poland	Under the new pensions system introduced by law in 1999, voluntary 'employee retirement programmes' may be established and operated by employers. The creation of such schemes requires an 'in-house retirement scheme contract' between the employer and representatives of the workforce, which defines the contributions. In unionised workplaces, the relevant workforce representatives are trade union organisations. Relatively few in-house contracts have so far been signed.

Spain	To the extent that occupational pensions are dealt with by collective bargaining, this occurs almost exclusively at company level (there are no national sectoral schemes). According to figures from the Ministry of Labour, only 8% of company-level collective agreements reached in 2002 contained provisions on pension commitments, covering only 3% of the Spanish workforce. Collective bargaining on occupational pensions is largely limited to major companies in the electronics, banks and savings banks sectors, Telefónica (the main telecommunications operator) and former state-owned firms.
Sweden	About 90% of employees are covered by occupational pensions schemes based on collective agreements, mainly at a broad sectoral (and employee category) level. There are four main agreements, covering: 675,000 white-collar and professional workers in the private sector (the first such scheme, dating back to 1917); 1,500,000 blue-collar employees in the private sector; all 1 million employees in the municipality and city council sectors; and 220,000 employees in the central government sector. There are also special occupational pensions collective agreements in banking, newspapers/media and a few other sectors.
UK	Traditionally the issue of pensions has not been linked to the normal collective bargaining process (which occurs primarily at company or lower level) as such, nor are schemes based specifically on collective agreements, though there is a high correlation between membership of an occupational pension scheme and trade union membership - most trade unionists are members of occupational schemes. It is, however, becoming more common for negotiations to occur between employers and employees to resolve particular problems, particularly with regard to troubled final-salary schemes - as at Rolls-Royce (automotive) and WH Smith (retail).

Source: EIRO.

Pensions and industrial action

Pensions have developed into a tense and sometimes contentious issue. About half the countries examined here report some industrial action related to pension issues, going back as far as 1985 (in Spain). The most high-profile conflicts in recent years have been over government pension reforms, usually mainly affecting first-pillar provision (see above under 'Overview of pension systems'), with trade unions organising 'political' strikes in protest, along with major demonstrations and other expressions of opposition. The leading recent examples are as follows:

- in 2003, the Austrian Trade Union Federation ([Österreichischer Gewerkschaftsbund](#), ÖGB) organised a series of major protests against the government's proposed pension reform and its refusal to let the social partners draw up their own proposals in this area. The protests included a 'defence strike' on 6 May ([AT0305202F](#)), a number of large demonstrations with more than 200,000 participants on 13 May and nationwide strikes across almost all sectors on 3 June, in which about 1 million employees participated ([AT0306201N](#)). The strikes were the most far-reaching protest actions Austria has seen since the Second World War. In view of these protests, the government invited the social partners to participate in a series of tripartite talks. Though these failed to reach an agreement, the reform was moderated in several areas;
- there was much industrial action in spring 2004 during debate over the French government's pensions reform law, which changes pension calculation methods, cutting the value of pensions in the private and public sectors, and aims to keep workers in employment longer, as well as laying the

basis for a genuine third pillar of pensions ([FR0305103F](#) and [FR0306104F](#)). There were major national protest strikes and demonstrations, notably on 13 May, as well as specific action in sectors such as public transport and the state education system ([FR0306102F](#) and [FR0309103F](#)). The legislation was subsequently adopted, though with some amendments following consultations with the social partners; and

- the Italian government's pensions reform legislation, which was proposed in 2003 and covers occupational as well as first-pillar pensions, has met with major opposition. On 24 October, the three main trade union confederations held a one-day general strike to protest against the proposals (and the government's 2004 state budget law) ([IT0311102N](#)). A major demonstration was organised by the unions, supported by opposition parties, in Rome on 6 December, following which the government opened talks with the confederations on the reform. A four-hour general strike was subsequently called by the three confederations on 26 March 2004 to support a new joint platform and protest against the pensions reform ([IT0404102N](#))

State pension provision and plans to change it have also been a cause of widespread protest industrial action in recent years in Greece ([GR0312101N](#) and [GR0105108N](#)). Even in normally peaceful Luxembourg, the Luxembourg Confederation of Independent Trade Unions ([Onafhängege Gewerkschafts-Bond Lëtzebuerg](#), OGB-L) planned a general strike for October 2001 over government pensions policy, though this was called off after a deal was reached ([LU0110101N](#)).

While this kind of dispute between governments and unions, mainly over state pension provision, has become relatively widespread, industrial conflict over occupational pensions between trade unions and employers, especially in the form of strikes, has so far been less common. Where such action does take place, it is usually in those countries where occupational pensions form part of the general collective bargaining agenda. In such cases, it is difficult to separate pension issue from other issues as the cause of a dispute. In the Netherlands, for example, there is a straightforward link between pay and pensions, with rising contributions for the latter increasingly cutting into space for the former. During a major private sector strike in Denmark in 1998 ([DK9805168F](#)), occupational pension contributions were one of a number of issues in dispute, alongside pay and leave, which were eventually traded off in a deal.

Occasionally, industrial action linked to bargaining over a new collective agreement can centre very specifically on pensions. A recent example came in Norway in spring 2004, when occupational pensions were the main issue in negotiations between the Norwegian Union of Journalists ([Norsk Journalistlag](#), NJ) and the Norwegian Media Businesses' Association ([Mediebedriftenes Landsforening](#), MBL) ([NO0405106F](#)). Most newspapers have occupational pension schemes for their employees, but they are on the whole not enshrined in collective agreements. NJ's principal demand was the incorporation of occupational pension rights and conditions into the collective agreement, in order to acquire some degree of influence over future developments in company-level pension schemes. This was totally opposed by the employers. Pensions, and changes to occupational pension schemes, are seen by the employer side as falling within the scope of the management prerogative. Some 2,800 journalists took strike action in May. Following 11 days of conflict, the employers accepted a compromise whereby the newspapers concerned accepted freezing pension schemes for the duration of the revised agreement - ie two years up to 2006. Improved opportunities for company-level pay bargaining for those who do not have occupational pension arrangements was also part of the final agreement, in addition to general wage increases.

Strikes specifically over occupational pensions issues and unrelated to the regular collective bargaining process seem very rare and cases are reported only from Ireland and the UK.

In August 2002, following the breakdown of talks between the [ISTC](#) trade union (representing steel and metal workers) and the engineering firm [Caparo Group](#), the UK's first-ever strike over the closure of a final-salary pension scheme took place. The ISTC claimed that its members would be 25% worse off when they

retired under the company's proposed new money-purchase pension arrangement. After a series of strikes, the company was forced to reopen its final-salary scheme, on a revised basis. Pensions, and especially fighting final-salary scheme closures, have become a high-profile issue for UK trade unions ([UK0301109F](#)). In a recent survey of shop stewards by [Amicus](#), the country's largest manufacturing union, more than 90% said that they were prepared to strike in defence of final-salary schemes. A one-day strike in October 2002 by [Transport and General Workers' Union](#) members over the planned closure of the final-salary scheme at [Yuasa Automotive Batteries](#) led to the establishment of a working party to develop alternative proposals. Workers at [Prudential](#) (insurance), [BAE Systems](#) (engineering) and [ASW](#) (steel) have also threatened strike action over the possible closure of their final-salary schemes.

There have also been a number of disputes in Ireland over occupational pension issues. For instance, a work-to-rule over the interpretation of a pension improvements deal took place at a security firm, [Loctite](#), in summer 2003, but ended after an agreement brokered at the [Labour Relations Commission](#). The dispute was over the interpretation of a September 2001 deal on pension improvements, which itself had been agreed after several weeks of strike action that year. The 2001 agreement had included a clause that allowed its implementation to be delayed if there were difficult market conditions and the 2003 dispute was over differing views on what this clause meant.

Commentary

Within a relatively short period of time, pensions have become one of the major issues on the industrial relations agenda, both in the 'old' EU 15 and in the new Member States, and it seems very unlikely that they will lose this new-found prominence for years to come. The main driving force behind the growing importance of pension issues is demographic: falling birth figures, longer life expectancies and the ageing of the 'baby boom' age cohort put increasing pressure on the sustainability of pension systems. According to the 2002 European Commission Communication on adequate and sustainable pensions, the main way to counteract the shrinking of the workforce is to raise employment levels, both overall and more specifically among women and older workers (aged over 50 and especially 55). The former trend of lowering the average retirement age has been reversed and many early retirement schemes are being abolished or at least tightened up.

Almost all countries have recently reformed or started to reform their pension systems with a view to ensuring the adequacy and sustainability of pensions. It is foreseen that the first pillar will remain the main source of income in old age, but there is a clear tendency to foster the development of the second and third pillars. This is where the social partners prominently enter the picture, especially in terms of the second pillar. In many cases, however, care should be taken in referring to the 'social partners' without distinguishing between the employer side and the employee side. Especially where the company level is dominant in occupational schemes, the position of the employer is often much stronger than that of trade unions or employees, in a formal sense but even more so in an informal one.

The position of the social partners, especially the trade unions, in the occupational pensions system is strongest in countries with mature sectoral schemes, like the Netherlands, Denmark and Sweden. This does not rule out a prominent role for the social partners in all other countries, however (eg the partners are the main players in France's national supplementary pension scheme). The fostering of the second pillar might suggest that, over the years, the position of the social partners in the pension system (at least in terms of occupational provision) will become stronger across a number of countries - this seems very likely to be the case in countries such as Belgium, Italy and Germany, where the process has started already. This potentially sound like good news for the unions, which in several countries are facing problems in maintaining their traditional position.

At the same time, the position of the trade unions inside the second pillar itself is not always enviable. Many

existing occupational schemes are becoming less generous. Final salary schemes are being replaced by average wage schemes. Arguably more importantly, employers are pressing for the replacement of defined-benefit systems by schemes based on defined contributions. This entails a shift of risk away from the employer to the employees, and can be seen as a trend toward the individualisation of pension arrangements, even within the second pillar.

This trend might have adverse effects on certain categories of workers. Already, there are large differences in coverage among different types of worker. Women, part-timers and unskilled workers are underrepresented in most occupational schemes, not to mention the self-employed and workers in various other types of non-standard employment. Even now, these groups have a hard time entering the occupational pension system. Although several countries have taken measures to facilitate the participation of these groups in the system - ranging from anti-discrimination legislation to the creation of so-called open funds not linked to a particular employer (as in Italy, for example) - entry to the core occupational system will not be made easier when these schemes become more individualistic in character.

A minimum 'level of collectiveness' might arguably promote the inclusion of groups that at present find it hard to enter the system of collective occupational pensions. Although the involvement of the social partners might not be an absolute sine qua non for attaining this goal, for many countries this is without doubt an obvious route, with its roots in existing systems of consultation and collective bargaining. (Robbert van het Kaar and Marianne Grünell, HSI)

© European Foundation for the Improvement of Living and Working Conditions, Dublin, 1997, 1998, 1999, 2000

The European Foundation for the Improvement of Living and Working Conditions maintains the EIROOnline website to enhance public access to information about industrial relations in Europe.

Reproduction is authorised, except for commercial purposes, provided the source is acknowledged and the Foundation is informed (in cases of reproduction in paper publications, a copy of the publication should be sent to the Foundation).

Information on EIROOnline does not necessarily reflect the position or views of the European Foundation for the Improvement of Living and Working Conditions or the organisations represented on the Foundation's industrial relations area advisory committee.

While our goal is to keep the information presented here timely and accurate, we cannot guarantee either. If errors are brought to our attention, we will try to correct them.

Some of the documents on this website contain references or links to information and sites maintained by other organisations. Please note that we do not control and cannot guarantee the relevance, timeliness or accuracy of these outside materials.