# Chapter 2
# Policies on Occupational Pensions

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*How to address the question of the security of occupational pensions in times of financial crisis?*

The organisers of this colloquium were truly inspired when they added the question mark to the proposed subject: "Governance of occupational pensions in Europe: Guaranteed security?".

Because nothing could be less certain in these troubled times that are shaking our States and financial institutions, which are supposed to guarantee our pensions.

Of course, in 2006, we could agree with the European Commission's comment that "One of the main achievements of social policies in the second half of the last century is that being old is no longer synonymous with being poor or being dependent on the support of one's children. This success has mainly been achieved through the provision of public pensions."[1]

But will this conclusion soon have to be rephrased in the past tense?

Not only are we experiencing an unprecedented financial crisis today, but the socio-economic context of globalisation and the ageing of the population in Europe have also brought about major changes in our social protection systems in the last 20 years. This has profoundly affected pension systems and turns upside down the view we used to have of the situation.

What can we say about social policies in Europe since the end of the 1980s?

Social policies, including in the European countries, have been heavily influenced by what is referred to as the "Washington consensus"[2] adopted by the International Monetary Fund and the World Bank in 1989. Giving priority to the market at the expense of the concept of the mediatory State pursuing the general

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[1] Commission staff working paper SEC (2006) 304, p. 3.

[2] The concept of the "Washington consensus" was invented by John Williamson in 1989 to refer to the new principles recommended to guide economic policies in the developing countries of Latin America.

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interest and encouraging redistributive policies, the World Bank propagated globally a new social policy programme. It made its loans conditional upon adoption of these new policies. The central and eastern European countries, which in the meantime joined the European Union, were experiencing a difficult transition to the market economy at the time and were particularly subject to this influence. They were not the only ones, however.

The Washington Consensus presented a new concept of the individual, the market, the State and social policies: the market is the best mechanism for the allocation of wealth. The accent was put on the pernicious effects of the State's regulatory and redistributive activities.

The redistributive objective, traditionally recommended by the International Labour Organisation (ILO) and social security professionals, was neglected to the benefit of a policy of individual savings matched with social policies targeting the poorest. On pensions, the large organisations recommended the abolition of public pension schemes. Not all public schemes succumbed but all were affected.

Most of the member states in central and eastern Europe significantly transformed their pension systems in the 1990s. The influence was obvious. A new architecture combining a statutory pay-as-you-go pension scheme with a mandatory private-funded pension system was put in place.

In this altered environment, company occupational pension schemes, whose management involves the social partners (employers and unions), are rarely developed. Such systems are found primarily in the old member states, where social dialogue is a tradition.

In March 2000, in Lisbon, the European Union embarked upon a process aimed at improving and modernising social protection policies in spite of the fact that these are essentially a national responsibility. Growing concerns over social dumping and a worsening situation in terms of poverty demanded concerted action. The OMC[3] enabled the member states to accept the common shaping of policies up to a certain point, without calling the subsidiarity principle into question.

Within this framework, the defence of adequate and viable pensions comes fully into play. It targets private and public systems alike, which must ensure and guarantee a sufficiently high level of security and effectiveness. The control and regulation of private systems turned out to constitute an important and complex task for the state.

The Social Protection Committee (SPC)[4] endeavoured to follow closely the private management of funded pensions and adopted in 2008 a report on this subject

[3]OMC or open method of coordination, which consists of adopting common objectives setting out general and shared aims, drawing up national strategy reports for pensions, in which the member states outline the policies they plan to implement during a given period to attain the common objectives, assessing these strategies in joint commission and council reports and collaborating on the development of indicators designed to allow for mutual comprehension and evaluation.

[4]The Social Protection Committee is in charge of monitoring the OMC for social protection. It was established in 2000 and is composed of two members (senior officials) from each member state and two commission officials.

listing a number of key conditions that such pensions had to respect in order to contribute to adequate and viable pensions. The subject was still on its work programme in 2009.

The colloquium was perfectly in keeping with a European framework of concerns and I am confident that the different contributions of this book will help shed light on the question with which we are faced.

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