Social partner involvement in national reforms: 2014 pension reform in Finland

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Setting the scene: need for the reform

- Finnish earnings-related pension system is built on tripartite governance and decision making
  - Previous reform from 2005 negotiated by the social partners
- Social partners and the government had a shared view of the shortcomings of the system
  - Retirement age low (esp. compared to rising life expectancy); gap between effective and legal retirement age significant
  - Pressure to raise pension contributions in the long run to a level that would be unsustainable
  - Other objectives included reducing the sustainability gap of public finances and improving employment rate
- Also the Commission had recognised the need to reform the pension system, see CSRs to Finland in 2013–2015

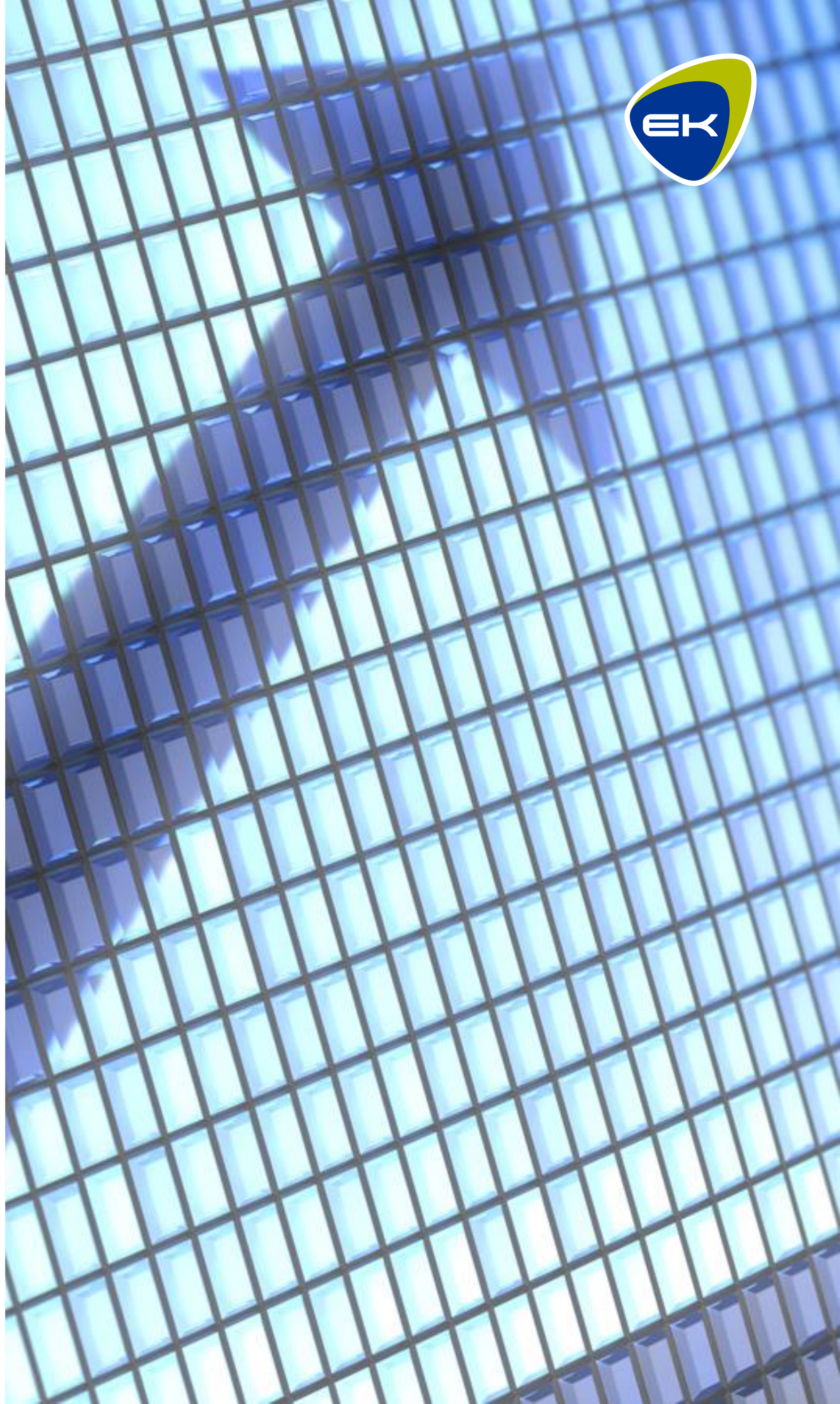
Moving forward: process and main outcomes

- Social partners decided to start negotiations in 2013 (based on a framework agreement)
- The agreement was reached in September 2014
- The government gave its proposal to the parliament in September 2015
- The parliament accepted the reform package in November 2015
- The legislation came into effect 1 January 2017
  - Transitional rules, e.g. gradual implementation of higher retirement age

- Eligibility age for old-age pension to 65 years from 63 years, then linked to life expectancy
- Stabilisation of contribution levels
- Several smaller elements
  - i.a. same accrual rate throughout the career; new years-of-service pension; replacement of part-time pension with partial old-age pension
- Effects
  - ➢ Effective retirement age now 61,2; should rise to 62,5 by 2025 (without reform to 61,8)
  - ➢ Total contributions 24,4 % of wage sum in 2017–2019, estimate after 2019: 24,4 % (without reform 25,3 % by 2025)
  - ➢ Public finance sustainability gap reduced by 1,1%; employment rate increase 0,6 % by 2025

Results: social partners' views

- Employers' view
  - Key objective to eliminate the pressure to increase pension contributions was fulfilled
  - Other important factors incl. reducing the sustainability gap of public finances; promoting employment
- Trade unions' view
  - Key objective to protect the future pensions of current young generations was fulfilled
  - Other important factors incl. position of elderly people; creation of years of service pension; extended days of unemployment benefit
- Also the Commission valued the reform positively, see Country Report Finland 2016



Assessment: involvement of social partners in reforms

- Prerequisites for effective social partner involvement
  - Mutual trust between the social partners and the government, which is not built overnight
  - Common understanding of the underlying issues
  - Clear objectives – if not shared
  - Clear commitment from the government to implement the agreement or decisions
- Successful tripartite reform
  - Reflects the needs and expectations of employers and employees
  - Likely implemented smoothly, because social partners have “ownership” of the outcome and stand behind it
  - Leaves open the possibility for future reforms by social partners, if circumstances so require

Thank you!