



The role of social partners in reforming Finnish pensions

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Confederation of Finnish Industries EK

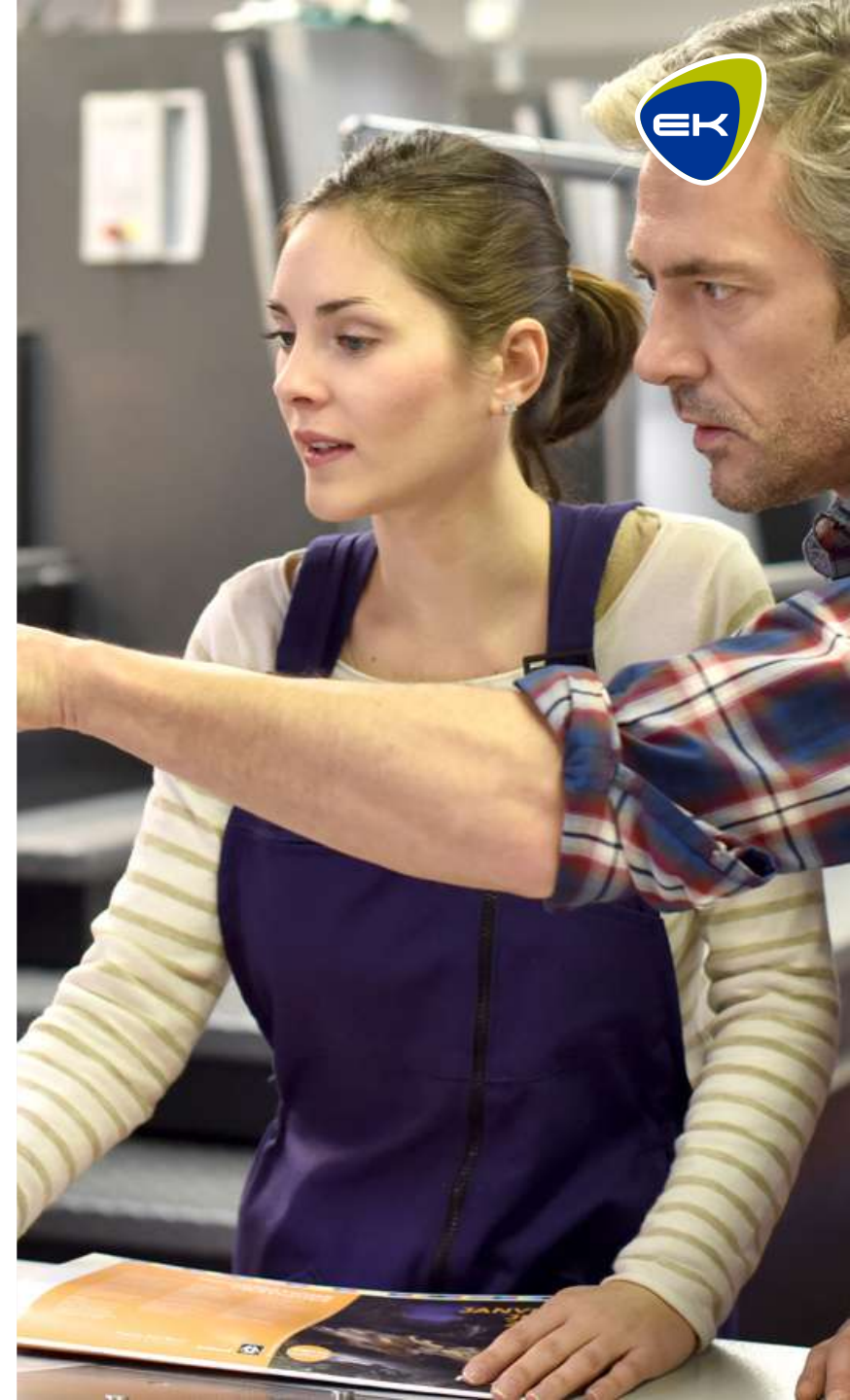
Background

- Statutory earnings-related pension scheme
 - Established in 1962, still going strong
 - Covers over 90 percent of all pensions in Finland
- Social partners have been central in developing the scheme
 - All major revisions have been negotiated by social partners as representatives of the payers of the scheme
 - Even in difficult situations, an agreement has been found
 - Social partners are represented in pension insurance company boards etc



Pension reform 2017

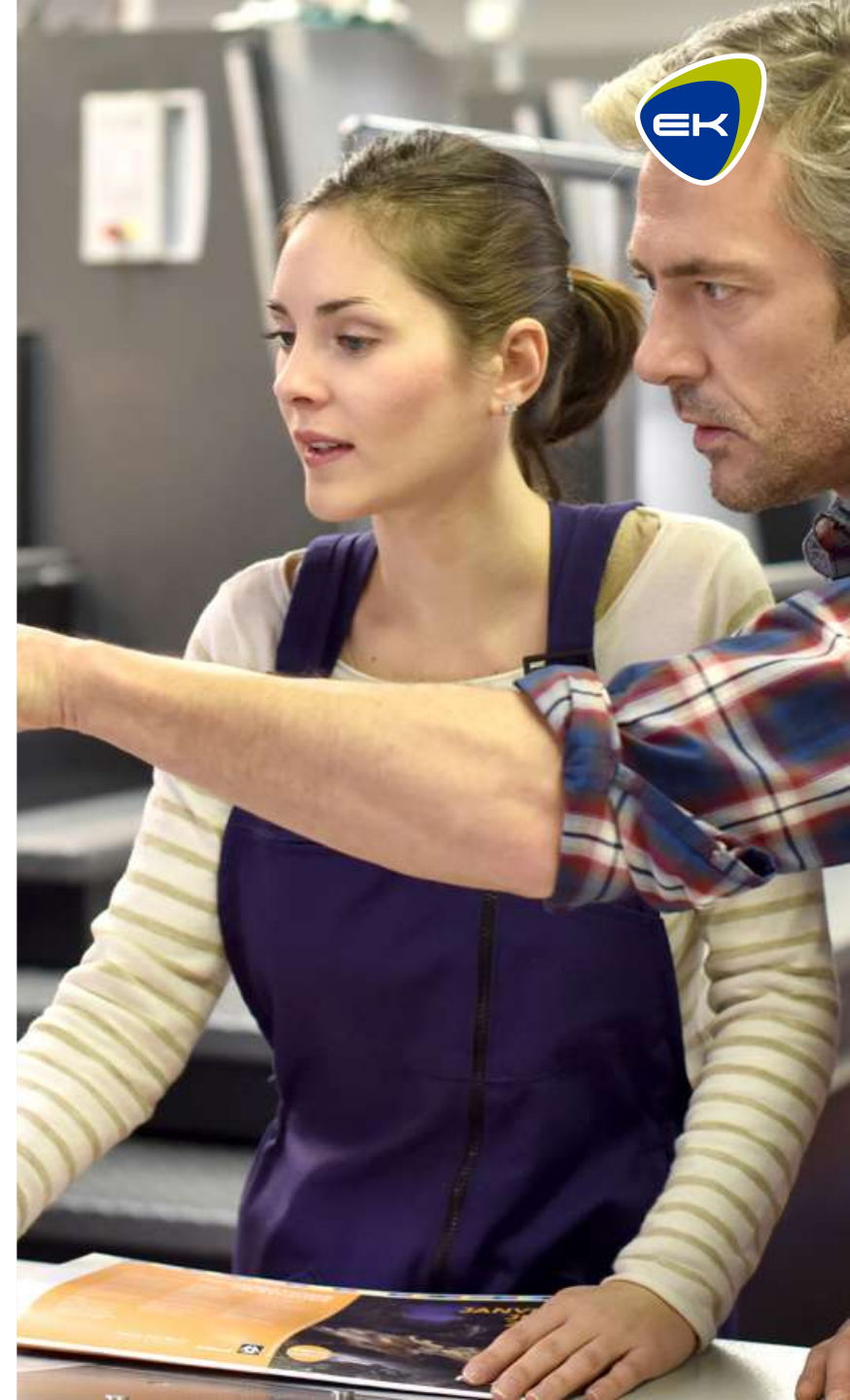
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 - Increases in longevity, but no change on in retirement age
 - Forecasts of premiums showed the need of increases
- Process
 - Social partners negotiated the reform in several steps
 - The government required that fiscal sustainability would be improved by at least 1 %-point
- Changes
 - Retirement age tied to life expectancy (at 60% rate)
 - Increased investment in equity
 - Stabilized future pension premiums



Pension reform 2017

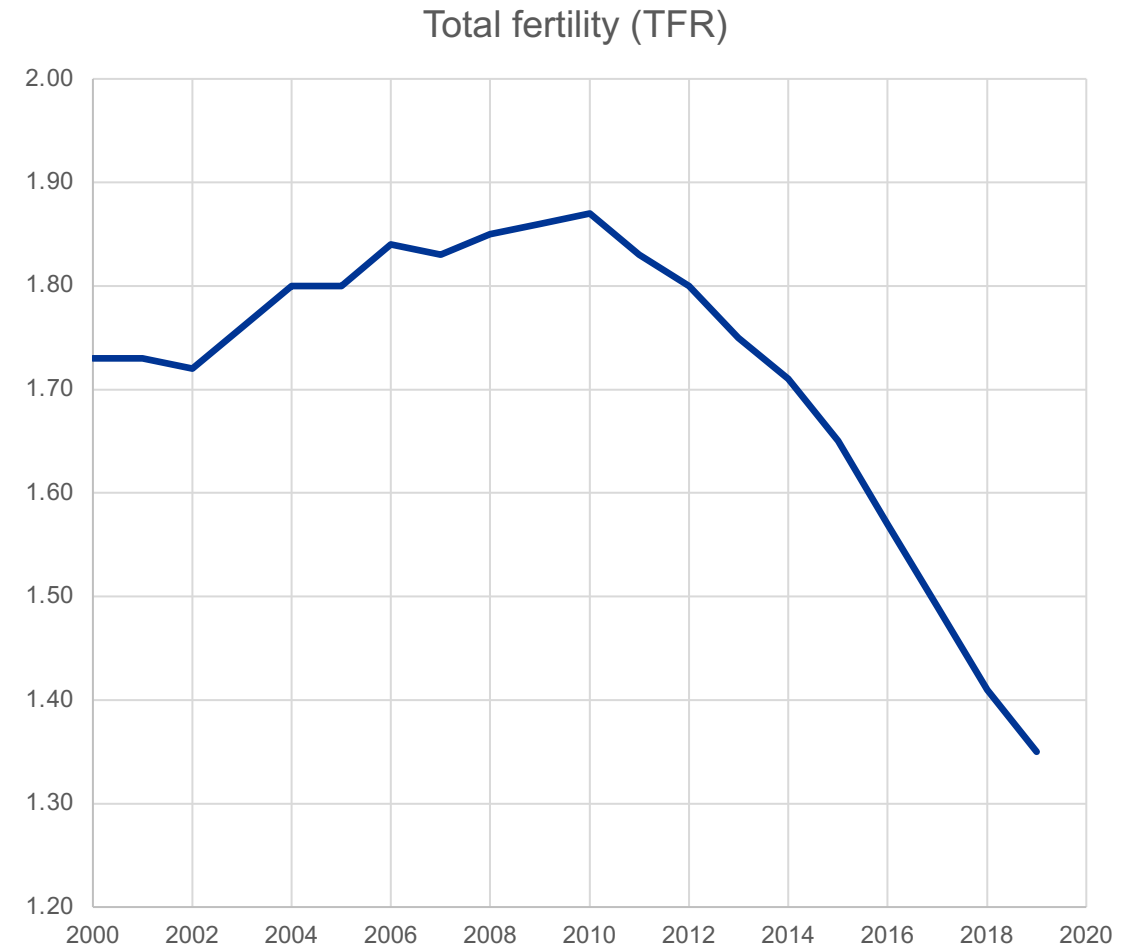
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OR SO WE THOUGHT

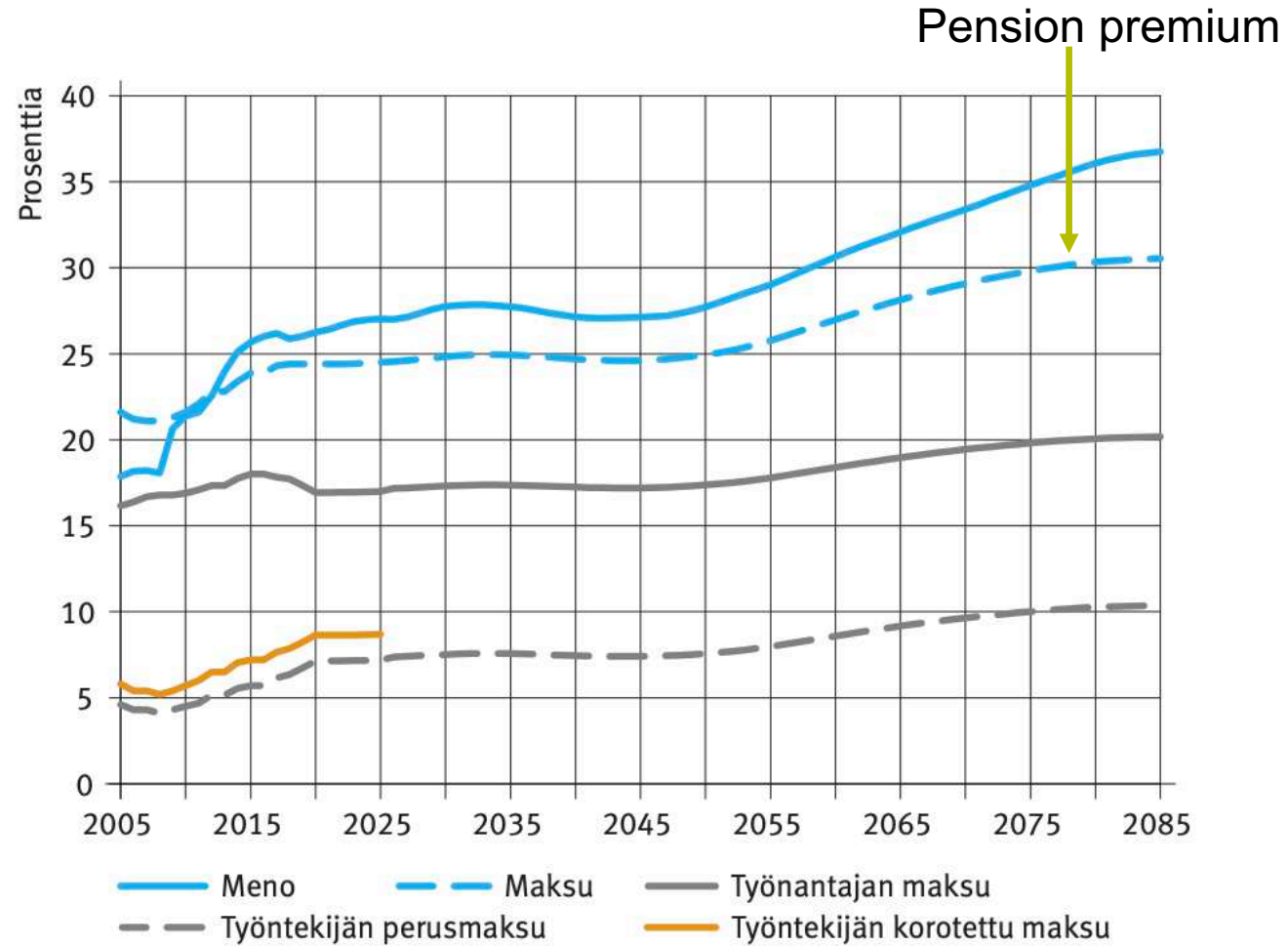


Reduction in fertility challenges pensions

- Fertility rates have been falling in Finland
 - Demographic challenge in the long term
- Consequences
 - Pension premiums are again forecasted to increase in the future
 - Currently premiums are at 24.4 % of salaries
 - Around 2070 the pension premium will be increased by 6 %-points if nothing is done



Pension premium



The next reform?

- Sustainability of pension scheme must be improved
- Changes to the scheme needed
 - Demographic sustainability index?
 - More risk in investments?
 - pension cuts & premium increases?
- Social partners need to negotiate the reform
- But is that enough?
 - Older work-force is needed, incentives?
 - Increased work-related immigration
 - An overall higher employment rate
 - Removal early exit routes, e.g., unemployment tunnel





Thank you for your attention!

