The role of social partners in reforming Finnish pensions

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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

• Background
  – 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
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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

[Graph showing the trend of pension premiums over time with labels for different categories: Mens, Maksu, Työnantajan maksu, Työntekijän perusmaksu, Työntekijän korotettu maksu.]
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!