

Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL)

Study supporting the monitoring of care credits in occupational pension schemes and evaluating the Situation of EU mobile workers

Stakeholder focus group, 16th June 2023

Present

Project Team

(DN) David Natali (SSSA, Project Director)
(BJ) Barbara Janta (RPA, Project Manager)
(JO) John O'Brien (Mercer)
(GF) Gina Fassino (Mercer)
(SS) Slavina Spasova (OSE)
(SW) Sam Webb (RPA)
(DC) Daisy Copping (RPA)
(LBC) Lucy Bannister Curran (RPA)

EU-level stakeholders

(AK) Anna Kwiatkiewicz (Business Europe)
(JB) Julien Bourgeois and (VC) Valentina Guerra (SMEUnited)
(CC) Claire Champeix (EuroCarers)
(NJ) Nicolas Jeanmart and (FF) Fabrizio Franco (Insurance Europe)
(NDG) Nine de Graaf (PGGM, the Netherlands)
(MS) Monique Schuilenburg (Actuarial Association of Europe (AAE))
(JS) Johanna Schima (Make Mothers Matter (MMM))
(JW) Josef Woess (Arbeiterkammer (Chamber of Labour), Austria)

Notes are not necessarily in order of discussed.

Introductions and preliminary findings

BJ welcome participants to the workshop and outlined the meeting agenda. A round of introductions followed.

DN provided a recap and update on the study objectives, definitions and methodological approaches, and presented preliminary findings related to the existence of care credits in voluntary occupational pension schemes.

Questions, Observations and Comments

Tendency to broader coverage of occupational pension schemes?

JW questioned the statement that *'there has been a tendency to broader coverage of occupational pension schemes'*, as the figures that this statement referred to included Greece, Portugal and Hungary, where coverage has lessened. Clarification was provided that the tendency to broader coverage is not an EU-wide phenomena.

Question about how the leave periods are handled in other statutory pension systems?

NDG commented that it is interesting to see how leave periods are handled in statutory systems that are linked to employment. Specifically, if there are other best practice examples from statutory pensions that provide credited leave periods. JW agreed that examining statutory schemes and the regulation in other countries could be relevant to identify good practice. These good practice examples could then potentially be adapted/implemented in occupational schemes.

Clarification of OECD figures

The OECD figures included mandatory/quasi mandatory in one figure, and voluntary occupational schemes in another. The team included both figures as countries such as SE and the NL have '*quasi mandatory occupational schemes*.' However, countries like Bulgaria, which appear on the same figure, are solely mandatory and outside of this study scope. The OECD classification of mandatory occupational pension schemes is different to the European Commission classification of mandatory occupational pension schemes. This is where the disparity arises.

NL, DK and SE are not representative of the rest of the EU

JW agreed that understating DK, NL and SE is very important to this study. However, these are specific nuanced systems and should not be assumed to be replicated across the EU. One cannot conclude that other countries should replicate the systems of the NL, DK and SE, as the 27 countries are all different.

Residence and explicit vs implicit care credits

AK suggested that the slide with the table allocating the MS (member states) should be clearer as the residency-based pension systems (NL and DK) being in a separate row titled 'credited' is confusing. Specifically, the slide mentioned that all MS provide credits, yet DK NL and SL do not provide credits. For non-experts this needs to be clearer.

Sweden

Premium waiver insurance

Premium waiver insurance is an area the study team and experts are investigating further. It is important to know the implications of this premium, e.g. whether / how it increases labour costs, whether it is a different category of expenses, what percentage of salary it is, what the contribution rate is etc. AK agreed that these are important aspects as they will impact and burden employers. Employers cannot fund care credits for an extended period of unworked time.

Data so far suggests that the premium waiver is only paid while the employee is working, and it is then activated when they are on leave. This is an important finding, and the implications, replacement rate and financing will be examined.

Additional detail has been added to the relevant slide on Sweden.

Access to carers leave, and leave beyond childcare

Most MS cover carers leave in the statutory schemes. CC remarked that this is positive. However, the study team should be aware that there are MS that allow for carers leave, yet it is often restricted and limited in terms of criteria and regulations. CC asked if the study team would explore non-child related care.

The study is and will continue to explore non -child related care. However, evidence collected thus far suggests that this is often underdeveloped in occupational pension schemes. For example:

- In Swedish occupational pension schemes, childcare leave is covered, yet the ITP 1 administrator explained that no other form of absence from work is covered. However,

there has been discussion about providing for other leave periods, given the ageing society and the need to care for older individuals. However, these decisions have not yet led to a conclusive solution.

CC also queried the terminology used around carers leave. Care leave is often linked to parental responsibilities. However, there is also informal care leave for elderly relatives, neighbours etc, both on an occasional and regular basis. The study team clarified that MS and experts are asked about the existence of both types of care leave, but also about who can ask for it and the attached conditions. The questions the study team asks are phrased as '*what type of leave periods are covered?*', and the respondents are prompted about the various care related activities, including those non-childcare related.

The unemployed

JW suggested examining the unemployed. For example, an individual who was in employment for 10 years and then becomes unemployed. During unemployment, a child is born. In such a situation would there be a care credit, given the Swedish premium waiver insurance concept of 'banking' credits to be used during care leave? The study team appreciates this input and will consider exploring a variety of real-life scenarios.

The Netherlands

Residency based statutory pension schemes

The NL and DK have 'residency based' statutory pension system. The pension rights are based on residency, not active participation in the labour market. For example, if a pregnant woman migrated to Holland and gave birth there without being employed, her statutory pension would still accrue value, as it is based on residency, not employment. JS complimented this advanced social policy and thought it could perhaps aid many families.

Paternity

Paternity leave is paid in full for the first week. For subsequent weeks, occupational pension accrual then depends upon what the social partners agreed.

Survivor benefits

The Dutch pension system has 'survivor's benefits', where an individual can be insured against incapacity.

Duration

JW flagged the importance of knowing the length the employers are obliged to continue payment of salary after birth of child. It is important to know if the salary does stop after a certain duration. Collective agreements would show the different durations across sectors.

NDG explained that the Work-Life Balance Directive increased most periods of leave. Maternity leave stayed the same, with 16 weeks for maternity and pregnancy fully paid. Paternity is paid by the employer for 1 week; subsequent weeks are paid for by the state (subject to a 70% threshold). The state compensates 50% of salary during parental leave. In the Work-Life Balance Directive, the minimum pay is that of a sick leave level. It is important for the study team to examine whether childcare leave receives more than the minimum pay.

DN agreed that both the substitution and continuation of salary payment is a crucial variable to understand the provision of care credits. To do this comprehensively, in the future it would be interesting to create employee profiles and trace the protection of individual employees (varying the gender, type of leave, the progressive activation of different instruments). A profile-based reconstruction of the different elements related to care credit would prove very useful, but it would be very resource intensive and time-consuming. This step will be explored with the client.

'Implicit mechanism'

NDG suggested to simplify the category of 'implicit' crediting in statutory schemes as the NL and DK do not have childcare crediting as the statutory schemes are residency based. DN agreed that the term 'implicit mechanisms' employed by the OECD can be confusing. The pension rights are based on residency, not on active participation in the labour market.

Denmark

'Lump sum contribution'

JW requested more information on the lump sum contribution that is paid: How much contribution is paid? Is it the same amount for all workers regardless of the sector? What is the contribution rate? How does this interact with childcare care periods?

The slides have been revised to provide clarification on this aspect.

The unemployed

JW Suggested examining the situation of the unemployed. As with the NL, what happens if an individual is out of employment? GF clarified that the unemployed receives a statutory benefit from the state. As these are DC schemes, there is the option for individuals to self-fund pension contributions; however, this rarely happens as individuals are not inclined to do so.

After the last pension contribution, the insurance payments can continue for 3 months to a couple of years (in the case of death, disability and sickness insurance). However, the contributions to this insurance are taken from pension savings and reduce the total pensionable amount. As such, while unemployed, insurance payments may continue, however they would reduce the total pension.

Paid leave for close sick relatives

AK stated that this was their first encounter with employer funded paid leave for close sick relatives. BJ clarified that this does occur in other countries, however the study team is still collecting and analysing data and is in the process of interviewing stakeholders on specific systems to ensure factual correctness.

Maternity and paternity pay and transferability

NDG questioned whether maternity and paternity leave receive full pay for 24 weeks, or if it is a government benefit. GF clarified that the 24 weeks refers to the length of leave; the government supports a fraction of these weeks. The quantity and length of pay depends on the collective agreements. NDG suggested that the transferability of 13 of the 24 weeks between partners may contribute to the gender pension gap, as the mother is more likely to be the recipient of the transferred weeks.

There are differences across MS in the length of leave for childcare, the duration for which leave is paid and the level of pay. This forms part of the mapping of care credits. In principle, the Danish leave system is designed in an equal manner. However, the opportunity of transferability illustrates the importance of the understanding how in practice the leave is used by parents as this has implications for accruals of care credits.

Collective agreements play a significant role in some MS, and it will be necessary to analyse them to understand care credits in different sectors. While there is often broader regulation on occupational pensions, the social partners have a lot of margins to manoeuvre. Collective agreements can be complex to monitor; the role of experts will be indispensable, such as helping to build connections to trade union representatives, occupational pension scheme managers and the business community. This is especially the case for sectors and collective agreements that could represent a significant part of the working population.

Gender

The gender pension gap in the NL is 30%, this is significant, yet in DK it is low. Both the NL and DK have residency based statutory pensions. The study team has considered the impact of the pro rata logic in occupational schemes (if the salary is only partially paid, then the pension accrual would also decrease).

NDG suggested that the 30% pension gap is not due to pensions, but the labour market participation patterns. Many women in the NL are employed part-time and this contributes to a high pay gap during working life, which is then seen in the pension gap. NDG suggested that the solution to the gender pension gap is more likely in the labour market. Essentially, the pensions mirror the labour market (see Pension Adequacy Report for detail).

Next steps

The study team welcomes any input that the stakeholders may have and are willing to discuss any matters of interest.

Presentation slides and notes

The study team will share the presentation slides and the meeting notes in a brief format. If any of the stakeholders would appreciate a copy of the notes from the 1st meeting, let the study team know and these will be shared.

Potential stakeholder

The study team would welcome aid with increasing the range of stakeholders, particularly business and trade union experts to be interviewed to inform the analysis. If any of the present stakeholders are aware of a new potential stakeholder, the study team would be appreciative.

Autumn Seminar

Participation in the seminar will be open. The online/hybrid format will facilitate and allow for broad participation. The seminar will likely take place in late October or early November. More information will be shared in the coming months.