

The pension debate is boiling

The employers try to keep the increasing pension contribution in check. An outside expert both praised and criticised the pension reform.

Two years ago a reform of the earnings-related pensions was agreed on in Finland, and the reform will take effect from the beginning of next year. One would have thought that the pension debate would calm down for a while.

That has not happened, however. Already in March 2003 a prestigious working group of the Confederation of Finnish Industry and Employers presented its own views on a sustainable earnings-related pension scheme. The group emphasised that the pension contributions should be kept in check and took a critical view of the principles for pension funding.

(...)

At a recent seminar arranged by the Finnish Economic Association and the Finnish Centre for Pensions the well-known German professor in economics, Mr Axel Börsch-Supan evaluated the Finnish pension reform. Experts have applauded his presentation as being very professional.

Mr Börsch-Supan's presentation included both praise and criticism. He said that he admired the Finnish political process, which produced a good combination of "carrots and sticks". But there are still features in the scheme which should be corrected. The unemployment pathway to retirement and the disability pension include gaps. The complex scheme is anything but easy for the general public to get a grip on. There still remains unhealthy incentives to take early retirement. The pension contributions are still very high, which makes the position of Finland more difficult when competing for work places.

According to Mr Börsch-Supan, the Finnish publicly financed earnings-related pension scheme needs to be supplemented by employer-specific and personal pensions.

At the seminar, Mr Jaakko Tuomikoski, Deputy CEO of the pension insurance company Ilmarinen, reminded us that the contribution burden in Finland is not higher than elsewhere in the EU, if the basis of comparison is correct.

He emphasised that, if the earnings-related pensions are lowered, there are not necessarily any savings if the employer has to finance a voluntary pension arrangement for the employee.

Already this extract from the pension debate shows that the viewpoints and opinions are numerous and contradictory. This time the domestic debate, which is often characterised by a strong tendency to protect one's own interests, has received fresh air from the clear-sighted analysis of an outside observer. (...)

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