



SLOVENIAN PENSION SYSTEM FOR HAZARDOUS AND ARDUOUS WORK PLACES

FINDINGS OF THE DECENT RETIREMENT
PROJECT

AN OVERVIEW OF THE RESEARCH FINDINGS ON THE SYSTEM OF MANDATORY
SUPPLEMENTARY PENSION INSURANCE IN SLOVENIA WITH PROPOSALS FOR ITS
IMPROVEMENT



KEY FINDINGS OF THE PROJECT

DECENT RETIREMENT

SUMMARY OF THE WHITE PAPER ON THE SYSTEM OF MANDATORY SUPPLEMENTARY PENSION INSURANCE

Decent Retirement is a project that aims to develop the social dialogue in Slovenia in the field of retirement of employees in difficult and harmful jobs. The project has been implemented in 2013 with financial support from the Norwegian Financial Mechanism under the leadership of Slovenian trade union federation Alternativa and with the participation of project partners Chamber of Commerce and Industry of Slovenia, the Association of Free Trade Unions of Slovenia, Ministry of Labour, Family, Social Affairs and Equal Opportunities and the Norwegian partner NFL Union. The project involved a number of other institutions and individuals, such as Kapitalska družba (KAD – a government-owned pension fund management company), Faculty of Economics, Faculty of Social Sciences, Institute for Pension and Disability Insurance of Slovenia and representatives of other unions. The result of the project is the most comprehensive analysis of the system of mandatory supplementary pension insurance (MSPI) in Slovenia.

The system of mandatory supplementary pension insurance for difficult and harmful jobs exists at least since 1965. After the pension reform in 2000, the system is designed as a system of investment accounts. The provider of this insurance is KAD. In 2013, there were nearly 45,000 insured persons, about 2,000 insured persons remains at Institute for Pension and Disability Insurance of Slovenia under the old law of under which the insurance period is counted by increasing. Payment of contributions is stationary for around a third of the insured - this means that they aren't currently employed in such jobs.

The remaining 30,000 insured persons paid annually over 60 million EUR of contributions (less than 2 % of the paid contributions collected by the Pension Fund for the regular pension insurance). The contribution rate is for the majority of insured 10.55 %. According to this contribution to the MSPI the labour costs increased by 10 %. The contribution is paid by the employer. Two-thirds of these employers are from the public sector (army, police), 23 % from the para-government sector (railway, drivers in public road transport, pilots, and miners) and 10 % from the private sector (ironworkers, workers in the textile industry).

At the beginning of 2012 KAD had a total of 382 million EUR in assets. It was managed relatively successful. Since the beginning of operations KAD achieved a cumulative return of nearly 64 % and thereby exceeded the guaranteed 2% per annum return. Its operation is funded by entry, management and exit fees, which brought KAD 6.5 million EUR in revenues in 2012.



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At the end of 2013 KAD has nearly 500 million EUR in assets. The average value of assets per insured person is 11,000 EUR, but there are large differences between insured persons - some have insufficient funds to pay pensions, while others exceed the mass necessary for the payment of occupational pensions by several times.

Pay-outs from MSPI for occupational pensions of workers in these jobs were in 2012 amounted to only 1 million, but they significantly increased in 2013. Prior to the adoption of last pension reform at the end of 2012 the system of MSPI didn't meet the primary purpose of financing early retirement. Most insured persons preferred to extend the work and to raise the amount saved in a lump sum than decided to take early retirement and receive occupational pension. In 2013, there has been a change in the direction of the financing of early retirement.

A similar system is also widely used in other EU countries, but not in all. In the EU there is no uniform approach to the financing of early retirement for workers in difficult and harmful jobs. The systems differ widely. Mostly the pension systems allow certain categories of workers to retire at a lower age than the statutory - as a compensation for the working risks in difficult and harmful jobs. Each country regulates this area individually. Special retirement regimes differ significantly according to their "generosity" - according to standards and criteria, a set of "eligible" jobs, pension bonuses - reduced retirement age, early retirement options with or without reduction of pension benefits and according to the manner of financing. Early retirement is generally regulated by law, but also by collective bargaining. The primary objective of such systems is to provide a safe and healthy work.

There is a clear downward trend in the volume of the system in EU (typical examples are Greece and Hungary). Countries shrink the set of eligible jobs and the cost is normally transmitted to the employer. In most other countries special retirement schemes include smaller number of insured persons than in Slovenia. Slovenian system is comparatively expensive (contribution rates are high) and it is the total cost of the employer.

Within the analysis of examples of good practice we analysed and presented the Norwegian system of early retirement for difficult and harmful jobs, which has some interesting solutions:

- o It presumes the bonuses on the contribution rate based on the actions of employers to improve safety at work.
- o It specifies the total value of the pension for every year - this means that the monthly payment is reduced at the previous transition to retirement and increased at a later.
- o It allows the combining the status of pensioner and simultaneous work.



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- o It combines the pension from a variety of sources with very low contributions (they are supplemented by transfers from the budget - oil!).
- o It combines both "Defined Benefits" as well as "defined contribution" system and allows private management of pension funds (for example in large companies).

Part of this research was carried out among employees in difficult and harmful jobs in Slovenia. Their behaviour until 2012, when they chose postponing retirement and the payment of a lump sum instead of early retirement with occupational pension could mean that the system is unfair and unnecessary. Because of technological and social change, many of these workers could work until the regular retirement age. While the working conditions for some of these professions have improved significantly, others still deserve special consideration. Therefore it is necessary to consolidate a set of eligible jobs and to establish new standards and criteria for the assessment of eligibility.

Workers in these jobs report that physical and psychological problems become part of them. They are exposed to the pressure on the body - such as working in turns and at night (demolished biorhythm), sleepiness, cold, weathering influences, dust, gases, noise, poor diet. Such effects can be measured. They also report about higher norms and more demanding working environment, less rest, poor equipment, less preventive ... which affect the psyche of individuals and therefore can be significantly more difficult to measure. Workers highlight responsibilities and complexity of work, stress, constant concentration, decision making, fear of accidents and constant pressures and requirements. Over the years, the problems and the effects become stronger and more severe (especially psychological) and does not decrease as expected due to technological advances.

To reduce the problems and negative impacts that affect the need for earlier retirement, systemic measures are needed in several areas: prevention, better working conditions (health and safety!), mobility between jobs. For an accurate understanding of the possible solutions we need more research on the impact of jobs on health and life expectancy. The fact is that workers in the system of MSPI expose their fatigue and reduced physical and mental abilities.

Workers, who were interviewed, have very uniform and clear view about the early retirement – they would like to retire early, but they can't benefit from this option because their occupational pension is too low. This forces them to extension of work. In addition, they are very critical towards responsiveness of Institute for Pension and Disability Insurance of Slovenia and KAD and sceptical about the future of the system and the adequacy of resources. Above all, they want more and better information.



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