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The 'generosity' of pensions for workers in hard jobs: in need of a nuanced debate

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Slavina Spasova and Bart Vanhercke

Slavina Spasova is a researcher at the European Social Observatory (OSE) and a research associate at the CEVIPOL/ULB in Brussels. Bart Vanhercke is Director of the OSE and a research associate at HIVA/KULeuven.

Key points

- Accounting for 1-4% of a country's workforce, legally recognised workers in arduous and hazardous jobs (WAHJ) represent a small yet highly visible category of workers in pension debates across the EU.
 - Over the past two decades European countries have been tightening pension provisions for WAHJ, mainly driven by concerns about the financial sustainability of public pension schemes as well as improved working conditions.
 - The jury is still out on whether pensions for WAHJ can really be considered 'generous'. These workers as well as their employers pay higher social security contributions. Moreover, WAHJ are likely to receive their pensions when in poor health and for a shorter period of time in view of their shorter life and health expectancies.
- Retirement regimes for WAHJ are 'under surveillance' in many European countries. Reforms in this area – and any future EU calls for such reforms – should carefully consider their impact in terms of social adequacy.
- There is no systematic data collection on the working conditions and pensions patterns of WAHJ. Yet without data, it is impossible to rethink end-of-career provisions for these workers. Trade unions and employers' representatives should be closely involved in future data collection efforts.

Introduction

Historically, workers in arduous and hazardous jobs (WAHJ) – such as people handling chemical materials, working in nuclear plants or performing underwater and underground (like mining and metallurgy) activities – have enjoyed more favourable pension conditions in terms of benefits and possibilities for early retirement in Europe. Indeed, special rules and schemes in pension regimes exist for certain categories of workers or even entire economic sectors in many European countries. However, over the past two decades European countries have been significantly reducing the scope of – or have even phased out – pension provisions for such workers (Natali *et al.* 2016; Zaidi and Whitehouse 2009).

Natali *et al.* (2016) estimate that legally recognised WAHJ represent between 1% and 4% of the workforce; they constitute between 5% and 8% of the retired population in European countries. However, it is important to note that there is no systematic data collection on WAHJ working conditions and retirement patterns.

At European level, the discourse has focused on preventing their early retirement, mainly through enhancing occupational health and safety provisions and job mobility (European Commission

2012). Thus, it is assumed that workers should be able to choose between different types of jobs, rather than between working and retirement (Zaidi and Whitehouse 2009). Nevertheless, the White Paper on Pensions also underlines the importance of 'adequate income security' when such workers are unable to continue working (European Commission 2012: 11).

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This policy shift towards preventing early retirement has been mainly driven by concerns for the financial sustainability of pension systems and the general tendency in European welfare states to raise legislated pensionable ages to counteract demographic trends. Another driver is the recognition that working conditions have improved considerably due to new technological developments and the implementation of active ageing and health and safety programmes.

Since pension provisions for workers in arduous and hazardous jobs are deeply rooted in the historical development of European welfare states, reforms in this area often lead to heated debates and contestation. In such a context it seems important to present and discuss recent empirical evidence. This is especially the case since the question of specific pension schemes for WAHJ has been raised, at least on one occasion, by the European Commission in the context of the European Semester. Croatia received a country-specific recommendation (CSR) in 2017 on special pension schemes, calling on it to 'align pension provisions for specific categories with the rules of the general scheme' in view of the favourable conditions for 'specific categories of workers in occupations classified as arduous and hazardous' (CSR for Croatia 2017: 7). It should be noted that the country has been planning a reform of the preferential pension treatment of WAHJ since 2013.

The objectives of this policy brief are to: (a) take stock¹ of the current legal pension provisions for workers in arduous and hazardous jobs in the private sector in 35 European countries²; (b) discuss the issue of the effective retirement age and income of these workers; and (c) describe ongoing reforms and recent policy debates.

1. Working longer: socio-economic and occupational differences matter

Research shows that the two factors for predicting the length of workers' careers that are most relevant in this context are (a) exposure to work-related risks and (b) workers' health (Zaidi and Whitehouse 2009; Natali *et al.* 2016). There is a clear association between these factors: exposure to certain risk factors at work can have long-lasting and irreversible effects on a worker's health. This, for example, is the case for physical and psychosocial risks, environment, work organisation, and working rhythm, including night and shift work (ETUC *et al.* 2014; Natali *et al.* 2016).

In addition, occupational status (e.g. 'blue-collar' versus 'white-collar' workers), seems to be a good indicator for capturing both educational attainment and income, and takes job characteristics, working conditions and the work environment into consideration (Pestieau and Racionero 2016; Cambois *et al.* 2011). Indeed, lower socio-economic status and manual occupations tend to be linked to

poorer health outcomes, higher mortality and lower life expectancy. Moreover, manual workers are more likely to have arduous and hazardous jobs (Elo 2009; Cambois 2004; Cambois *et al.* 2011; Blane and Drever 1998).

Manual workers therefore suffer from a double disadvantage: they have a shorter life expectancy and more years with poor health and disabilities. To be more precise, on average, male workers of around 50 in manual occupations can be expected to live on average five years less than workers in highly qualified jobs. The situation regarding healthy years is even more pronounced. Men in manual occupations may expect nine fewer years in good health and seven fewer years without functional limitations than 'white-collar' workers. It should be stressed that there are no essential gender differences regarding health expectancies in manual occupations: while their premature mortality rate is lower, women have only a slight advantage over men regarding years in good perceived health (Cambois *et al.* 2011). A Eurofound study also shows that, although women have lower levels of exposure to physical risks than men, they are more exposed to certain specific physical tasks such as 'lifting or moving people' (Eurofound 2017: 44). Thus, 'women's careers may be as health-damaging as those of men, and they also have unequal chances of reaching retirement age in good health' (Cambois *et al.* 2011: 422).

As shown in Figure 1, regardless of country differences, skilled agricultural, forestry and fishery (and related trade services) workers and people in elementary occupations are more likely to report work-related health problems than their 'white-collar' counterparts.

Unsurprisingly then, a worker's type of occupation and sector of activities affect their decision to retire or continue working. Indeed, large-scale surveys show that people in manual occupations (be they low or highly skilled) feel less able to continue working up to the age of 60 than clerks, professionals and managers: respectively 60% for the first group compared with 75% for the second (Eurofound 2017: 121).

Intuitively, the decision to stop working for workers in manual occupations is strongly related to the arduousness and hazardousness of the work they do. Indeed, the more difficult the physical environment (except for agricultural workers) and the more physical risks exist, the less able workers tend to feel they can continue working until 60 (Eurofound 2017). In particular, people exposed to physical risks – and in particular posture-related (carrying heavy loads, tiring or painful positions) and ambient risks (noise, temperature) – are less likely to conceive of doing their job until the age of 60 (Eurofound 2017: 122).

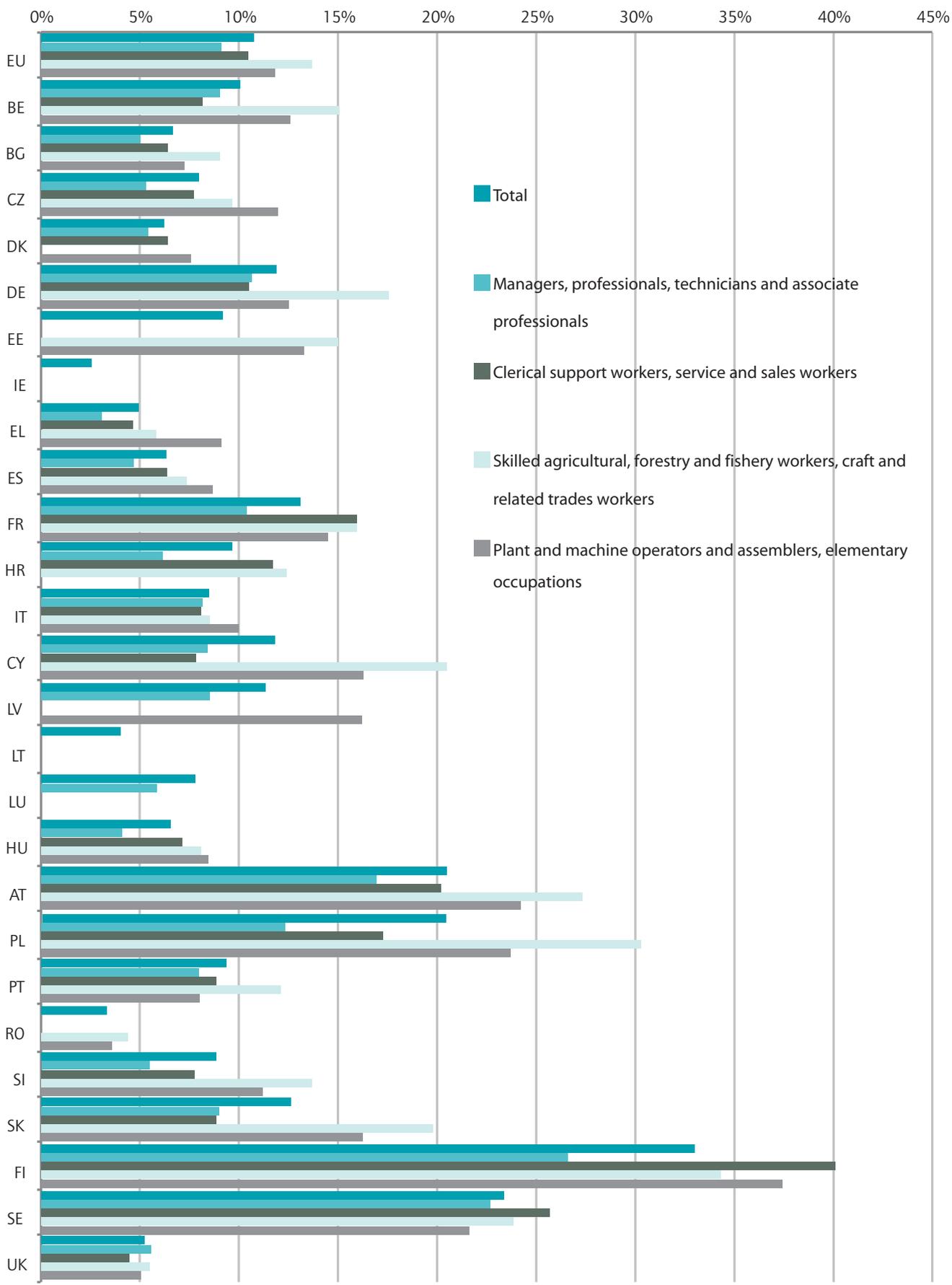
Moreover, continuing working in some jobs may simply be impossible due to unpreventable factors inherent in a job. The likelihood of being able to correctly perform such work decreases before the pensionable age and in some cases may jeopardise public safety (ETUC 2014).

The described differences in health and exposure to risks as well as the associated differences in workers' feelings about being able to work longer or not mean that difficult choices have to

1 The evidence provided in this policy brief draws on the following comprehensive study: Natali D., Spasova S. and Vanhercke B. (2016) *Retirement regimes for workers in arduous or hazardous jobs. A study of national policies*, Brussels, European Commission. The interested reader can also consult the 35 country studies on retirement regimes for workers in arduous or hazardous jobs produced by the ESPN on line at <https://bit.ly/2xNZg84>

2 The countries scrutinised are the 28 EU Member States and Iceland, Liechtenstein, the former Yugoslav Republic of Macedonia, Norway, Serbia, Switzerland and Turkey.

Figure 1 Work-related health problems by occupation, age 55-64, 2013



Notes: * Data is missing for MT. **Data for some occupations is missing for IE, LT, LV, LU, RO
 Source: Eurostat (2013), [hsw_pb7].

be made regarding the end-of-career policy mix and pension arrangements for WAHJ. Studies focusing on the optimal design of pension schemes suggest that special pension provisions could play an important role. In an ideal scenario, such pension provisions should be sufficiently flexible to differ when objective data reflect longevity differences by occupation, and be flexible enough to be adjusted when working conditions improve (e.g. automation of some previously arduous tasks; Pestieau and Racionero 2016).

2. End-of-career policy mix and pensions for workers in hard jobs

Most European countries have enshrined a long list of arduous and hazardous work conditions and/or occupations in their legislation³ while others recognise only specific occupations⁴. Only a few countries have no reference at all in their legislation to arduous and hazardous work⁵.

Recognising arduous and hazardous work in national legislation does not necessarily mean providing these workers with targeted end-of-career policies. Indeed, the end-of-career policy mix varies a great deal between countries. The most recent and comprehensive research on this topic classifies European countries into three groups with regard to their end-of-career policy mix: (a) countries facilitating early exit from the labour market; (b) countries favouring prolongation-of-working-life measures; and (c) countries combining early exit and prolongation-of-working-life measures (Natali *et al.* 2016).

Table 1 End-of-career policy mix targeted at WAHJ: a country classification

Countries facilitating early labour market exit	Countries favouring prolongation-of-working-life measures	Countries combining early labour market exit and prolongation-of-working-life measures
BG, EE, ES, EL, HR, IT, MK, PL, PT, RO, RS, SI, SK, TR	CY, CZ, DK, HU, IE, IS, LI, LT, LV, MT, NO, SE, UK	AT, BE, DE, CH, FI, FR, LU, NL

Source: Natali *et al.* 2016.

The countries in the first group – mostly Central and Eastern European and some Southern European countries – facilitate early labour market exit, mainly through special pension provisions (i.e. separate rules or special pension schemes).

The countries favouring the prolongation of working life for WAHJ (group 2) do not provide any specific end-of-career provisions for these workers, handling them as ordinary workers. Among these countries, there are two main approaches to dealing with 'supposed' WAHJ workers (namely people working in 'hard jobs' without being formally recognised as such):

- The first, 'holistic' approach is pursued by Nordic countries⁶, which – without having any specific provisions for these workers – have been pioneers in combining workability, active ageing and rehabilitation programmes, and linking social, labour market and (more recently) health policies to support longer working lives. For instance, in Denmark there is a 'resource process programme' consisting of combined employment measures, social and health services coordinated by rehabilitation teams across economic sectors. Under this programme, people receive a resource allowance. If a person's functional capacity is reduced but they can still undertake certain tasks, they are referred to a 'flex-job' (for more details, see Kvist 2016).
- The countries representing the second approach attempt to prolong working life, mainly by tightening eligibility conditions for both early retirement and bridging benefits (e.g. sickness, disability and unemployment benefits), and by providing incentives for later retirement rather than focusing on enhancing the workability of such workers.
- The third group of countries combine early labour market exit provisions – such as special pension rules – with prolongation of working life measures (e.g. active labour market policies and workability provisions). For instance, in Austria the 'temporary invalidity pension' (leading in the past to a large inflow into permanent invalidity pensions) has been replaced by two new benefits: the 'rehabilitation benefit' and the 're-training benefit' (for more details, see Fink 2016).

3. Pension provisions for workers in arduous and hazardous jobs: are they really 'generous'?

Perhaps surprisingly, recognising 'arduous and hazardous' work does not necessarily lead to providing special pension provisions for this category of workers. As can be seen in Table 2, separate pension schemes/rules for WAHJ exist within the pension system mainly in Central and Eastern European countries. In those countries without legal recognition of WAHJ there may be some small-scale pension schemes/rules for specific groups.

Where they do exist, separate pension rules within the general scheme and special schemes for WAHJ provide more favourable pension access conditions than those for ordinary workers in terms of pensionable ages, social contribution records and accrual of pension rights. On average, these WAHJ can retire five to six years earlier than the legislated pensionable age, depending on the category of conditions/occupation.

3 AT, BE, BG, EE, EL, ES, FI, FR, HR, IT, LI, LT, LU, LV, MK, PL, PT, RO, RS, SI, SK, TR.
 4 CZ, CY, DE, HU, IS, NO. For instance, some countries recognise and provide special policy treatment for seafarers (DE, IS, NO) and/or miners (e.g. CZ, CY, DE, NO). Within this group, in some countries rules on the arduousness and hazardousness of work have been established through collective agreements that cover a large part of the workforce (DE, IS and NO).
 5 CH, DK, IE, MT, NL, SE and the UK.

6 DK, IS, NO, SE.

Table 2 Pension rules/schemes for WAHJ

Separate pension provisions (schemes/rules) for WAHJ within the general scheme	Absence of special pension provisions targeting WAHJ
AT, BG, EE, EL, ES, FI, FR, HR, IT, MK, PL, PT, RO, RS, SI, TR	BE*, CH, CZ*, CY*, DE*, DK, HU**, IE, IS*, LI, LT**, LU*, LV** MT, NO*, NL, SE, SK**, UK

Notes: *Schemes with a narrow scope (only miners and/or seafarers; for BE and LU, only night and shift workers). **LT and LV have separate pension rules within the general pension scheme for only a tiny number of workers employed in arduous or hazardous jobs before 1995 (LT) and 1996 (LV). In HU, the whole WAHJ system has been phased out since 31 December 2014 (except for miners and ballet dancers). SK provides separate pension rules only for WAHJ employed before 2000.

Source: author's own elaboration based on Natali *et al.* 2016

4. Retirement patterns of WAHJ: effective retirement ages and incomes

Little information is available on the number of WAHJ pensioners and on whether targeted pension rules result in more favourable effective retirement ages and incomes. Most of the legally recognised WAHJ retire on average four years earlier than other workers. In some cases (mostly miners) the legislated pensionable age can be 8-10 years lower. However, in a few countries such as Estonia and Serbia, certain WAHJ continue to work because of inadequate pension benefits (Natali *et al.* 2016).

As for the pension amount for WAHJ, in countries where special retirement schemes/rules exist, it has been estimated as being slightly higher than for ordinary workers. However, the more favourable benefits for WAHJ need to be assessed with caution because higher pensions are often related to (sometimes considerably) higher social security contributions, not only for the employers but also for the workers themselves. In addition, these benefits are often paid for a much shorter period of time, as a consequence of lower life expectancy (see section 1). Only in a few countries with special provisions for WAHJ are benefits the same or even lower than those for ordinary workers. However, estimating the retirement income of these workers implies several caveats as systematic data is lacking.

5. Policy shifts and reform tendencies

Over the past ten years, pension schemes/rules for WAHJ have followed the same tendency as general pension schemes towards diminished generosity: an increase in the legislated pensionable age and a prolongation of contributory periods (see Table 3). The same trends can be observed in countries where WAHJ are not legally recognised: the tightening or phasing out of early retirement and the tightening of conditions for some bridging benefits which may be used by potential WAHJ.

Table 3 Reform trends in special pension provisions for WAHJ

Tightening and/or phasing out of pension provisions for WAHJ	Implementation of new schemes or facilitating early exit for WAHJ
AT, BE, BG, CY, EE, EL, ES, HR, IE, HU**, LT, LU, LV, MK, MT, PL, PT, RO, RS, SI, SK, UK	FI, FR, IT, CZ*, TR*

Notes: This table only considers countries which have special provisions for (or certain categories of) WAHJ. *CZ and TR have implemented early retirement provisions only for miners.

Source: own elaboration based on Natali *et al.* (2016) and European Commission (2018).

As an example, in Romania, where legislation recognises two categories of arduous and hazardous jobs, 'special work conditions' and 'difficult work conditions', pensions for the latter category decreased by around 90% between 2004 and 2015.

Crucially, in many countries, the trend towards diminishing numbers of WAHJ has not been matched by comprehensive policies for enhancing the workability and employability of workers. Policies are underdeveloped and/or target older workers in general.

In contrast to the above developments, some countries have recently introduced favourable retirement measures for WAHJ or implemented innovative measures combining a possibility for earlier exit with workability and training measures (e.g. FI, IT, FR). Italy, for example, has modified its special rules for workers in arduous and hazardous jobs, allowing them to retire prior to reaching the legislated pensionable age. In 2018, Finland introduced a 'years of service' pension for WAHJ requiring 38 years of work history in arduous work conditions (both physical and mental) and also taking into account periods of inactivity. France has established a 'personal prevention account' ('compte professionnel de prévention'), which allows workers to acquire points as a result of exposure to six risk factors. These points can be used, under certain conditions, for (a) vocational training (b) part-time-work for the same pay and (c) early retirement.

Conclusion: towards a nuanced debate about the retirement policy mix and pension generosity

Pension schemes for WAHJ have been subject to several reforms over the past two decades. As a result, schemes have been undeniably tightened in terms of generosity of benefits and scope of coverage. This reform trend stems from concerns about the sustainability of public pension schemes, and from a reconsideration of the arduousness and the hazardousness of working conditions and occupations.

Whatever the policy direction undertaken for WAHJ, it should be backed by robust knowledge. Regrettably, systematic data collection on WAHJ does not exist. Data is vital in order to rethink the end-of-career provisions for these workers and to assess which categories of workers are potentially WAHJ, using, for instance, indicators on self-evaluation, life expectancy, etc.

The trend towards individualisation and simplification of the policy mix for WAHJ should be combined with a diversification of policy measures providing them with appropriate working conditions and a suitable working environment. When there are workability limitations, these should be offset by a reduced exposure to work conditions/environments, specific work adaptations, job mobility, technical instruments in order to allow WAHJ to continuing working if their health allows. However, there are working conditions/environments which make continuing working impossible. Therefore, early retirement and, especially, flexible forms of retirement should be considered in such cases.

In this respect, social partners should tackle the issue of retirement regimes for workers in hard jobs, not only in terms of health and safety policy, but also taking a more general approach to the future of work and end-of-career policies. Indeed, trade unions and employers' representatives should be closely involved in providing more information about the arduousness and hazardousness of certain kinds of work. At European level, the European Commission and the Social Protection Committee should launch a systematic exchange of information on this topic and ensure that all relevant stakeholders are involved in this exchange.

Retirement regimes for WAHJ are 'under surveillance' in many European countries and reforms in this area – or future EU calls for such reforms – should carefully consider their impact in terms of social sustainability. The jury is still out on whether pensions for WAHJ can really be considered as 'generous'. These workers pay (considerably) higher contributions and enjoy their pensions for a (far) shorter period of time in view of their shorter life expectancy.

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Annex 1 List of country abbreviations

A. EU countries

EU countries that joined prior to 2004 (EU-15)		EU countries that joined in 2004, 2007 or 2013	
BE	Belgium	2004 Enlargement	
DK	Denmark	CZ	Czechia
DE	Germany	EE	Estonia
IE	Ireland	CY	Cyprus
EL	Greece	LV	Latvia
ES	Spain	LT	Lithuania
FR	France	HU	Hungary
IT	Italy	MT	Malta
LU	Luxembourg	PL	Poland
NL	The Netherlands	SI	Slovenia
AT	Austria	SK	Slovakia
PT	Portugal	2007 Enlargement	
FI	Finland	BG	Bulgaria
SE	Sweden	RO	Romania
UK	United Kingdom	2013 Enlargement	
		HR	Croatia

B. Non-EU countries

Former Yugoslav Republic of Macedonia (MK), Iceland (IS), Liechtenstein (LI), Norway (NO), Serbia (RS), Switzerland (CH) and Turkey (TR).

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