

IPE Views

Calling out the hypocrites



The EFRP has attacked EU member states' rather pathetic track record when it comes to pension governance. The organisation was right to point out the gross hypocrisy being practiced by many European governments, says Jeremy Woolfe.

One has to take one's hat off to the European Federation for Retirement Provision (EFRP) for daring to step beyond its immediate sector in coming up with a paper that heaps scorn on the EU's pathetic standards of economic governance. With its immediate aim of furthering the cause of efficient workplace pensions, the EFRP goes in for chastising the zone's governments. It accuses them of expressing one noble sentiment after another and then following up with actions that have the opposite effect.

Its [paper](#) – entitled, ingeniously enough, 'EFRP calls for further development of funded pensions to protect citizens' old age income and to spur growth' – the Brussels-based body articulates with exceptional clarity incompetence in economic governance. One deduction from the paper, which is addressed to heads of governments of EU member states, is that their actions are leading the economy headlong on a road to ruin – a ruin that includes old age income – but it goes further. Topics dealt with include: [feeble backing to public pension schemes](#); low coverage for employees with supplementary funded pension plans (only 40 % of employees covered); and sustainability of public finances, generally. But, more ominously, is fear of high inflation.

The wording in the paper itself is that high inflation provides heavily indebted governments with "a very tempting exit strategy". The EFRP then notes that the prime victims will be, to a large extent, "ordinary citizens who have invested their retirement savings through pensions funds". Separately to the paper, Chris Verhaegen, secretary general of the EFRP, accuses governments of "basically speculating on rising inflation by financing debt with nominal bonds".

One solution, suggests the EFRP, is for governments to issue more index-linked bonds. A graph, dated 2008, shows that index-linked government bonds in the euro area make up only around 5% of the total. In the UK, the share is around 25%. In France, it is 15%.

The institution criticises many governments for various "short-term measures" that endanger the long-term adequacy and sustainability of pension systems. It states: "Hungary and Poland have reversed reforms establishing a mandatory funded pension pillar. Other countries, including the UK, have targeted voluntary pension saving by reducing tax facilitation. France and Ireland have withdrawn assets from their public pension reserve funds, and Portugal has nationalised private pension funds."

Consequently, the implication of the paper is to assail hypocrisy. That is, national ministers express righteous intentions, but behave with scant attention to the real interest to the citizens they are responsible for.

Charles Dickens, the 19th century author, created the arch hypocrite, Seth Pecksniff, as one whose own noble sentiments were worthy of the "purse of Fortunatus" (from a German legend concerning a bottomless purse). However, what fell from Pecksniff's lips were not real diamonds. They were the brightest "paste" (imitations), which "shone prodigiously". Pecksniff himself covered his incompetence and greed with pseudo-pious posing.

Parallel behaviour by heads of state or governments gets a thorough lambasting from the EFRP. Its paper refers to their Pact for the Euro, which was agreed on 11 March. The EFRP approves of the pact's commitment to "pay the highest attention to the sustainability of pensions, healthcare and social benefits". However, it then goes on to note contrary actions, citing another instrument from the Council of the EU, representing national government. The Stability and Growth Pact, it says, takes a "very short-term view of public finances", with its "corrective arm" focusing entirely on the current deficit and debt.

Blame for anything that goes wrong in Brussels, as often as not, is laid at the door of the European Commission – overpaid ivory-tower mandarins. Reality, at least in the field of financial legislation, including pensions, is rather the opposite. Most such officials are highly intelligent and well motivated. But they are hard-pressed. And they earn much less than their counterparts in the private sector.

The challenge faced by the Commission, and often by the European Parliament, is getting essential initiatives to clear through the highly secretive Council of the EU, comprising national government ministers. It is this kind of faction that stood by gormlessly while the Lisbon Agenda, set to kick the EU economy into life during the first decade of the century, achieved nothing much more than spectacular stagnation.

What to do? How about starting up a new 'Pecksniff Award'? To pick out examples of incompetence, short-termism and hypocrisy in the Council of the EU. Perhaps the organisers of the existing Brussels 'Worst Lobbyist' awards could be persuaded to take it on as an annex.

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