



International Association for the
Study of Insurance Economics

Études et Dossiers

Extract from

Études et Dossiers No. 335

The New Welfare: The Counter-Ageing Society

**“Lengthening of Life-cycle, Employment,
Pensions and Health”**

8 October 2007
Turin

November 2007

**Working Paper Series of
The Geneva Association**

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Layout & Distribution: Valéria Kozakova

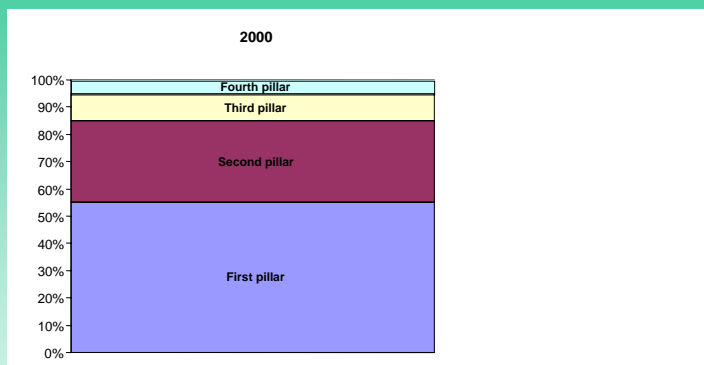
The Strategy of the Four Pillars in a Long-life Society

Geneviève Reday-Mulvey

OBJECTIVES OF THE FOUR PILLARS RESEARCH PROGRAMME :

1. Consolidate a multi-pillar system – study the conditions of 1st, 2nd, 3rd pillar pensions
2. Promote the development of a 4th pillar – flexible extension of working life ('Live longer, work longer')
3. Encourage the adaptation of working conditions (training, working time, pay and pension conditions, etc.)
4. Facilitate multiple solutions to the challenge of an 'ageing' society

Share of income from the four pillars, as a percentage of the total income of retirees (average European case)



Source: The Geneva Association

Retirement expectancy

	Average age of exit from work		Life expectancy at 65		Retirement expectancy	
	Men	Women	Men	Wom.	Men	Women
Denmark	61.9	59.8	15.4	18.3	18.5	23.5
France	<u>58.9</u>	<u>58.8</u>	16.9	21.3	<u>23.0</u>	<u>27.6</u>
Germany	61.1	60.3	16.0	19.6	19.9	24.3
Italy	60.2	59.7	16.5	20.4	21.3	25.7
Netherlands	62.9	61.6	15.6	19.3	17.7	22.7
Sweden	<u>63.4</u>	<u>63.1</u>	16.9	20.0	<u>18.5</u>	<u>21.9</u>
UK	<u>62.7</u>	<u>61.9</u>	<u>15.7</u>	<u>18.9</u>	<u>18.0</u>	<u>22.0</u>

Source : OCDE, 2004, and own calculations

MAIN SOLUTIONS WHICH NEED TO BE ADOPTED:

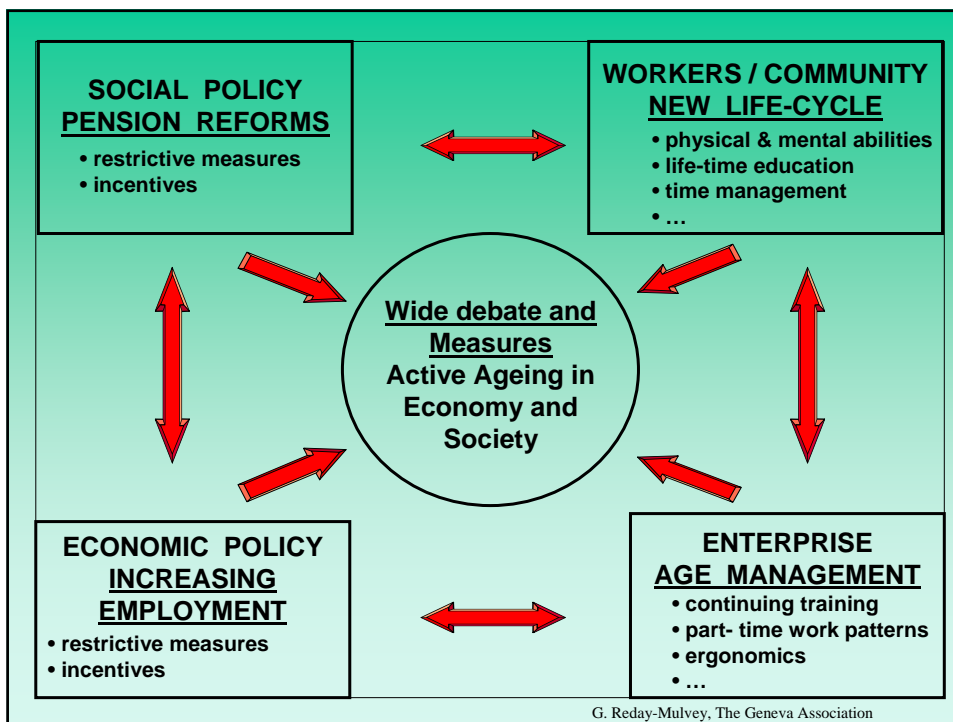
1. Make public pensions less generous (eg. Cont. Europe) relatively to wages
2. Increase contribution rates/periods or raise taxes (not in Cont. Europe, except CH)
3. Make 2nd pillar (occupational pensions) compulsory for all workers
4. Encourage savings (3rd pillar, life insurance, others)
5. Increase retirement ages (eg. women) – life expectancy increases must be shared between work and leisure life
6. Provide incentives for the employment of workers beyond 60 and 65 years (make retirement *flexible*), in particular part-time or part-year
7. Increase the general level of employment of women and of other cat. of workers
8. Increase the entrance of young migrants (when possible)
9. Encourage higher fertility and combination of education of young children and work of parents
10. Facilitate a wide debate and the adoption of complementary measures/policies

**The 4th pillar proposal:
WORKING BEYOND 60 – Yes, but HOW?****Reduction of working time and promotion of age management to work longer**

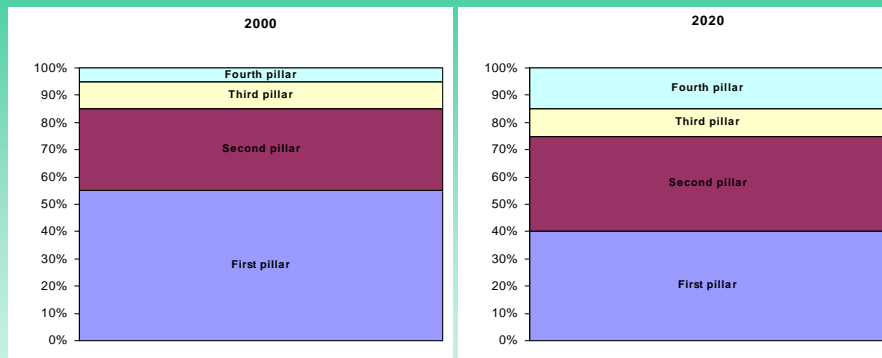
- Replace full early retirement by partial early retirement (when hard wkg conditions) – eg. Arcelor
- Implement pension reforms and increase flexible/p-t participation of 55-65 and over – eg. NL, DK
- Provide a transition between work and full retirement - eg. Laboratoire Boiron, UK
- ...

Promotion of new age management in companies

- Reduction of work time, PTW, gradual retirement: FI, SE, NL, UK, FR, DE
- Career planning: DE, Norway, FR, DK
- Continuing vocational training and lifelong education: DE, SE, FR
- Ergonomics: DE, SE, DK, FI
- Reduction of the importance of seniority wages: SE, UK
- Adapt pension regulations: UK, NL, ...
- Anti-age discrimination: EU 15 Member States, NL
- Codes of practice & diversity: UK, EU, ...
- ...



Share of income from the four pillars, as a percentage of the total income of people over 65 y.



Source: The Geneva Association

Conclusions

The need to rethink pensions and work and in a counter-ageing society

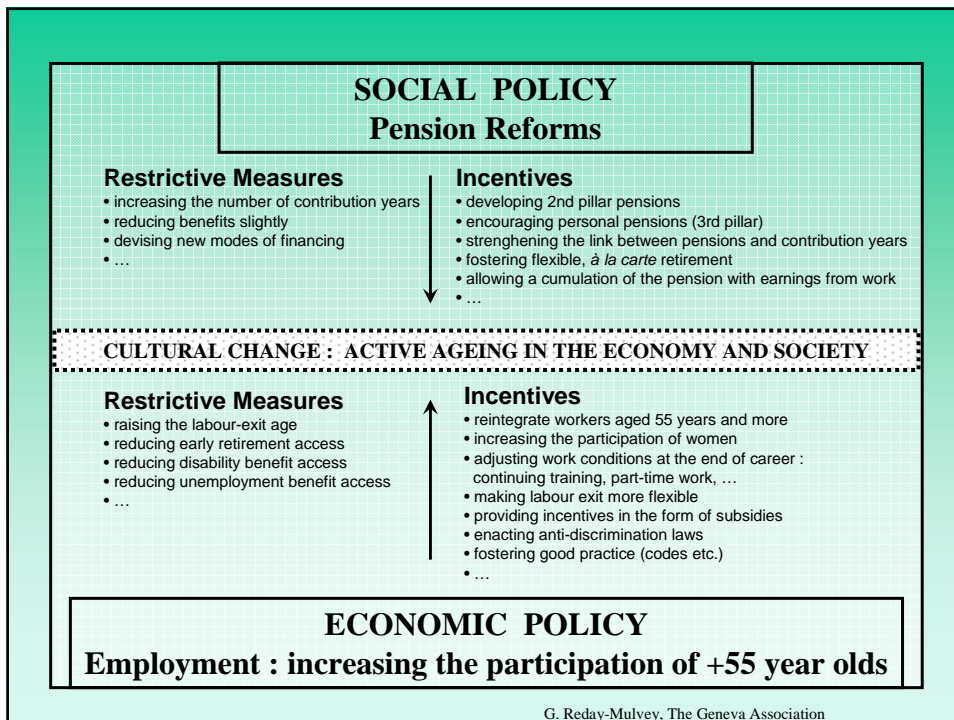
Key policy recommendations for a long-term holistic approach

1. The need for better **coordination** of social and economic policies (& partnership public/private)
2. The need for **diversity** and **flexibility** of ends of career
3. The need for a lively, well-informed **debate & communication** (employers, employees, authorities, media, general public)
4. The need for **additional policies** (family policies, controlled immigration, improved quality of work)

New social and employment patterns: opportunities for working beyond 60

Employment trends:

- 4 out of 5 jobs are service functions
- service jobs are more flexible and can be part time
- they mostly require mental and social abilities
- these abilities do not deteriorate much with age
- service sector employees are more feminised and older
- there are untapped reserves of these two categories of worker
- ...



Benefits of part-time work

For the employer:

- Reduces cost of 'older' workers
- Reduces absenteeism (eg. Sweden, France)
- Retains skills & experience (transition)
- Better age-management
- Match customer/employee age & needs
- ...

For the employee:

- Provides a transition
- Adapts to changing abilities
- Reduces stress and increases recuperation time
- Increases choice and satisfaction
- ...

The 4th pillar proposal

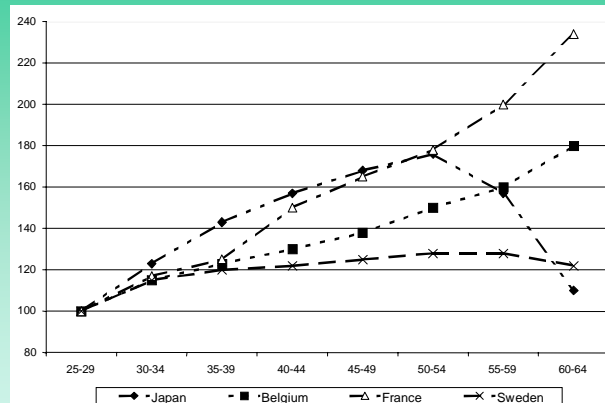
2 types of public policy in EU countries:

Objectives of the European Commission

- 1) Countries with global policy/holistic approach
FI, DK, UK, NL (SE) - Positive results:
 - . exit age + 2 y.: FI, NL
 - . recourse to disability decreased : FI, DK, NL
 - . 60% firms DK have age management
 - . UK: public programs, flexible retirement
 - . NL: part-time work after 55/60

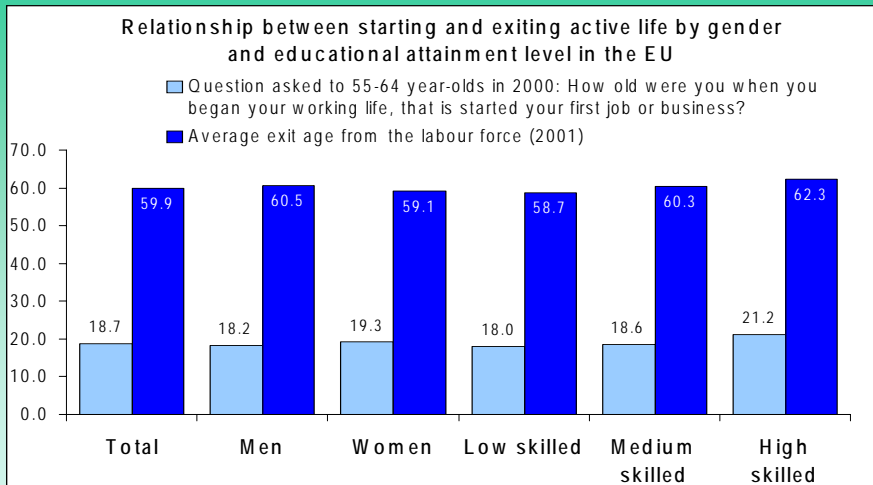
- 2) Countries with specific policy
DE, FR, IT, CH, ... - Insufficient results:
 - . partial early retirement: DE, FR
 - . IT/HU pension reform only
 - . CH

Male wages by age in four OECD countries (age 25-29=100%)

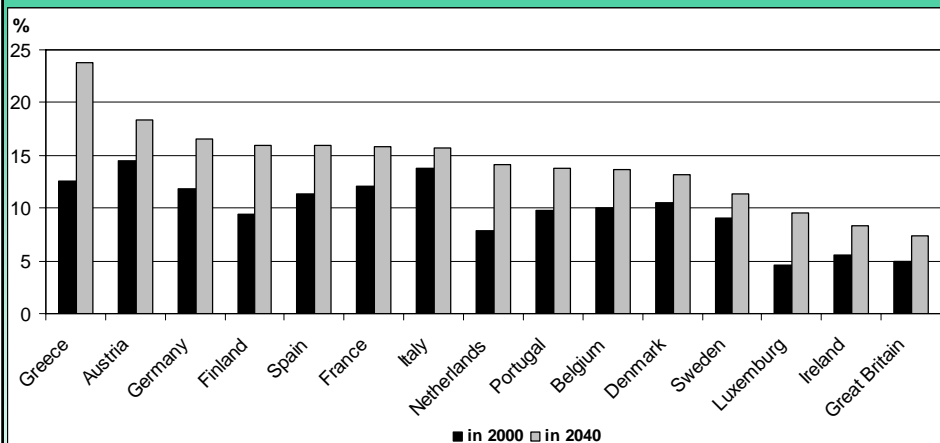


Source: Pestieau, P. (2003): Raising the Age of Retirement to Ensure a Better Retirement, in: The Geneva Papers on Risk and Insurance, Vol. 28 No.4, p. 690.

Chart 2: Starting/ exiting active life by gender and education – EU15



Expenditures on pensions in the EU as a percent of GDP, in 2000 and 2040



Examples of recent pension reforms

1. Higher statutory retirement age

- - *Adapt female retirement age to male retirement age:*
Austria, Belgium, Greece, Italy (from 2008), Portugal, UK, Switzerland (from 2009)
- - *Increase retirement age from 60 for men and 55 for women in new Member States:*
Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia
e.g. In *Hungary*, retirement age increased for men from 60 to 62 in 2002 and will increase for women from 55 to 62 by 2009.
In the *Czech Republic*, the retirement age will reach 63 years for men and 59-63 years for women by 2013.
- - *Increase retirement age for all in some EU Member States:*
Sweden (from 65 to 66), Germany (from 65 to 67, under consideration)

2. Longer contribution period

- - *Increase the number of contribution years:*
Austria, Finland, France, Italy, Portugal, Sweden, Slovenia
e.g. *France*: in 1993, the number of years for private sector employees increased to 40 years; in 2003, progressive increase to 40 years for civil servants; from 2008, increase to 41 years for both sectors.