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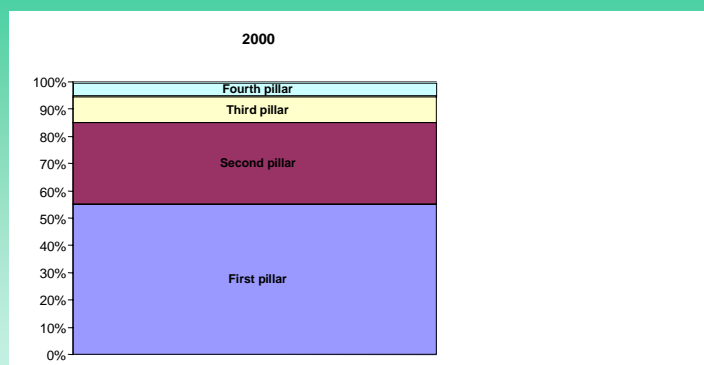
Pension Financing in Europe

Geneviève Reday-Mulvey

OBJECTIVES OF THE FOUR PILLARS RESEARCH PROGRAMME :

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

Share of income from the four pillars, as a percentage of the total income of retirees



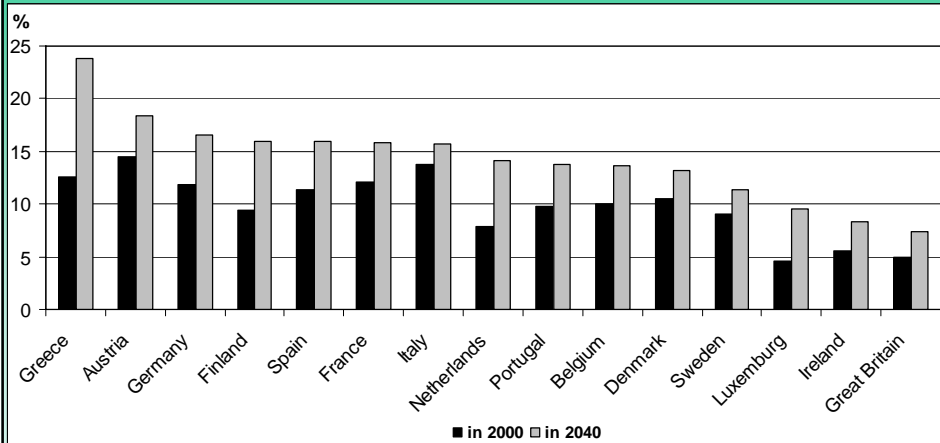
Source: The Geneva Association

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	58.9	58.8	16.9	21.3	23.0	27.6
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	63.4	63.1	16.9	20.0	18.5	21.9
UK	62.7	61.9	15.7	18.9	18.0	22.0

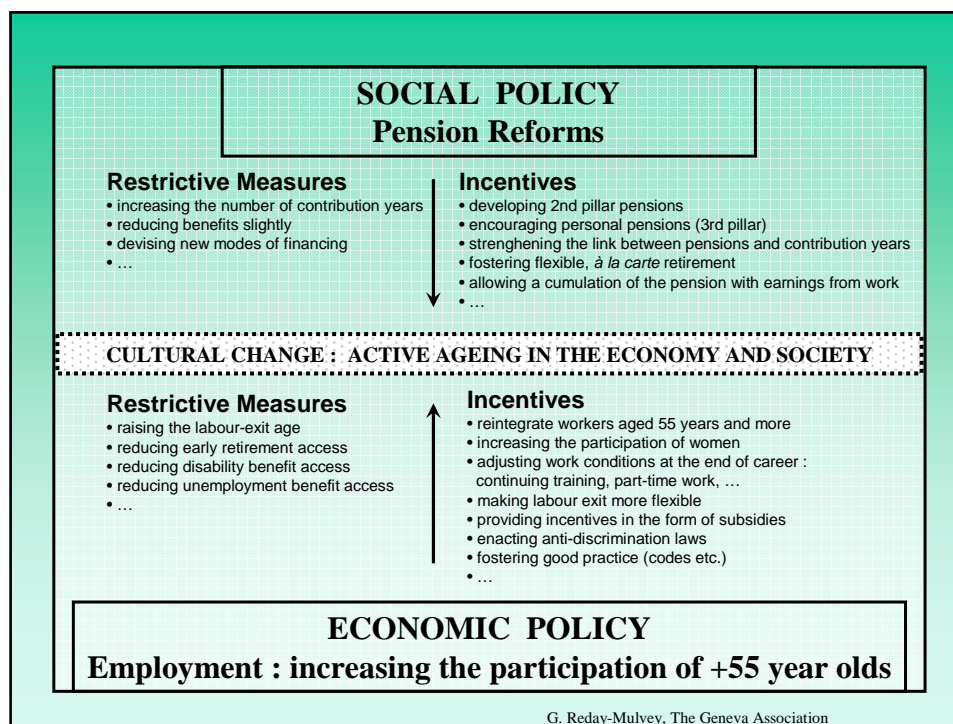
Source : OCDE, 2004, and own calculations

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



MAIN SOLUTIONS WHICH NEED TO BE ADOPTED:

- 1. Make pension benefits less generous
- 2. Increase contribution rates/periods or raise general taxes
- 3. Develop savings (3rd pillar, life insurance, others)
- 4. Increase retirement ages, in particular for women
- 5. Increase the employment of workers beyond 60 and even 65 years
- 6. Increase the general level of employment of women and of other categories of workers
- 7. Increase the entrance of young migrants
-
- :



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.

Measures, Policies	Countries														
	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Sweden	Spain	Un. Kingd.
PENSIONS															
1. Increase retir. age / numb. of contrib.years	X	X		X	X	X	X		X			X	X		X
2. More links between contributions and benefits	X			X	X	X	X		X		X	X	X	X	
3. Flexibility of retirement age	X	X	X	X	X	X			X		X	X	X	X	
4. Gradual retirement before retirement age	X	X	X	X	X	X				X	X			X	
5. Development of occupational pensions	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6. Cumulation of earnings & benefits	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
WORK EXIT															
7. Reducing disability benefit access			X	X		X					X		X		
8. Reducing early retirement access	X	X	X	X	X	X					X		X	X	X
9. Reducing unemployment benefit access	X	X		X	X	X					X				X
EMPLOYMENT +55															
10. Incentive for continuing training	X	X		X	X	x	X		x		x		x		X
11. Reintegrate unemployed +50	X		X	X	X	X	X			X	X		x		X
12. Encourage PTW age 55-65	X	X	X	X	X	X				X	X		X		X
13. Anti-age discrimination legislation	X	X	x	X	X	x		X	x		X	x	x	X	x
14. Information / education campaigns	x		X	X		X					X		X		X

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
- ...

The 4th pillar proposal:

Adding to retirement benefits an additional source of income, from flexible work, by working part-time/part-year (beyond ret. age with a partial pension). How?

- Replacing full early retirement by partial early retirement

- Increasing participation of 55-65 and over by new age management: e.g. reduction of work time (Arcelor), ergonomics (Aérospatiale), continuing training

- Providing a transition between work and full retirement (e.g. Laboratoire Boiron)

- ...

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 - 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

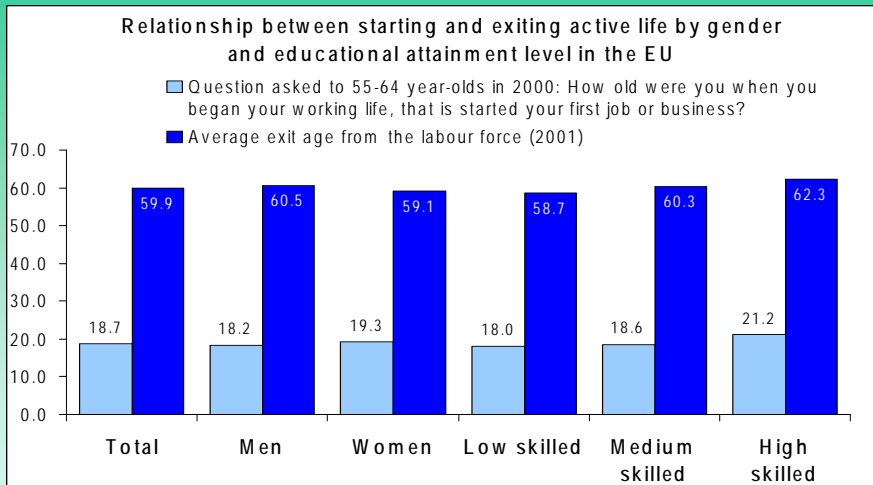
Conclusions

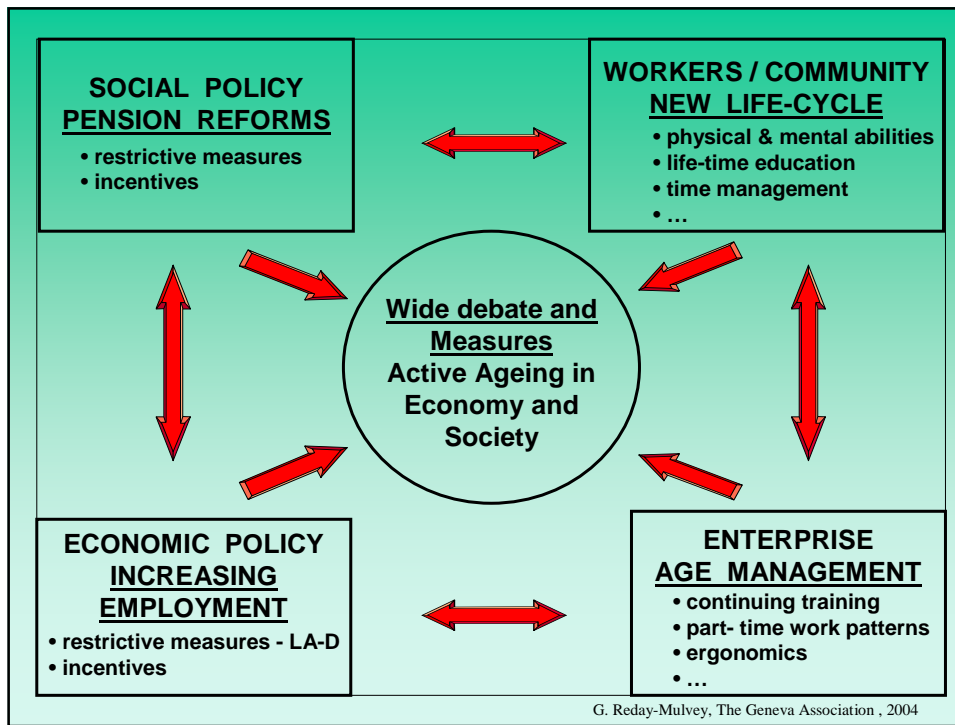
The need to rethink pensions and work and in a long-term holistic approach

Key policy recommendations :

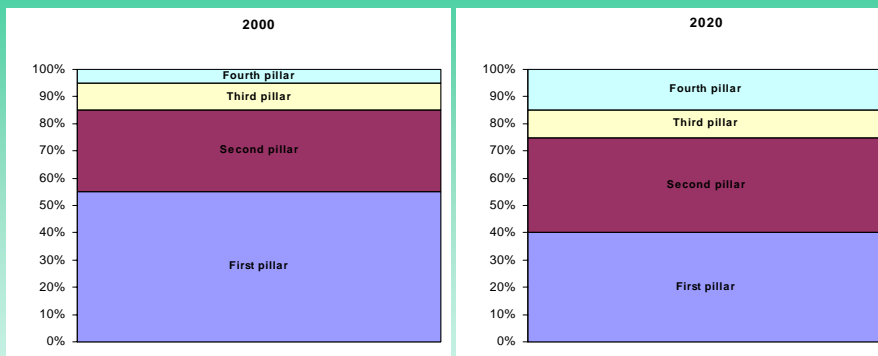
1. The need for better **coordination** of social and economic policies (& partnership public/private)
2. The need for **diversity** and **flexibility** of ends of career
3. The need for a lively, well-informed **debate & communication** (employers, employees, authorities, media, general public)
4. The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

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





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



Source: The Geneva Association