COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL

on the application of the Council Recommendation of 20 December 1982
on the principles of a Community policy with regard to retirement age
(82/857/EEC)

Situation on 10 June 1985

Com 965

INTRODUCTION

On 10 December 1982 the Council adopted a recommendation laying down the principles of a Community policy on retirement age.

The recommendation was the product of a lengthy debate initiated by the Community some years before, particularly with the Council resolution of 18 December 1979 on the adaptation of working time[1].

The principles laid down (part A) in the recommendation provide for more flexible rules in respect of retirement age, the right to financial compensation of elderly workers whose working time is gradually reduced, the right to at least a limited form of gainful employment after retirement, and retirement preparation programmes.

Implementation of the aims set out in part A of the recommendation is a long-term commitment by the Member States, but part B contains a short-term commitment, for the Member States are requested within two and a half years to review their retirement systems in the light of the principles laid down in the recommendation and to notify their findings to the Commission to enable it to draw up a report for the Council on the progress made and the obstacles encountered in applying flexible retirement and phased retirement, and if necessary to propose any other measures needed to achieve common objectives and facilitate the transition from full-time employment to retirement for employed persons.

The Commission has therefore drafted this report on the basis of the answers received. In part 1, the replies provide an overview of the situation in the Member States, in part 2 the Commission sought to draw certain conclusions regarding trends and prospects in the Community.

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1 OJ C 2, 4.1.1980.

I. SITUATION IN THE MEMBER STATES

It would be useful to make a preliminary destinction between three concepts :

1) The retirement age ;
2) The age limit ;
3) The age at which legal protection against dismissal is lost or reduced.

By "retirement age" is meant the minimum age at which a pension becomes payable. By "age limit" is meant the age at which a person is obliged to leave his or her job.

The importance of the distinction was highlighted by the cases nrs. 151/85 Roberts, 152/84 Marshall, and 262/84 Beets-Propper, in which the Court delivered its judgement on 26. February 1986. The consequences are that the fact that community law allows[1] the situation where men cannot seek a pension at the same age as women in certain Member States[2] does not mean that women should lose their protection against dismissal, in these Member States, at the (lower) retirement age for women.

No age limit in the strict sense exists in any Member State, except in the public sector where it is general. In fact several Member States have adopted provisions authorizing, forbidding or limiting the cumul of a pension with earnings ; moreover, certain have specific provisions designed to change the rights, vis-à-vis the employer, of employees over retirement age. These provisions are diverse : thus in the United Kingdom, the 'pensionable' employee loses all protection against dismissal and the retirement age differs according to sex - which was the genesis of the Marshall case 152/84.

In Belgium however it is expressly forbidden to dismiss an employee solely for the reason that he or she has reached retirement age, even though the legal notice periode for such a person is less than for a "normal" employee.

In the Netherlands the law on equality of treatment for men and women, passed in application of directive 76/207/EEC, seems to allow an exeption to protection against dismissal in the case of a retirement age differentiated by sex - thus the question of the Hoge Raad in the case 262/84 Beets-Propper.

The principles laid down in the recommendation are as follows:

a) To ensure that retirement is voluntary, the rules governing the age from which a retirement pension may normally be drawn should be made flexible.

   Several possibilities are envisaged:

   - as from a specified age, and if necessary within an age limit, employed persons should be free to choose the age from which they could claim a retirement pension;

   - failing that, and provided that the system stipulates a specific age for the granting of a pension, employed persons should have the right, during a specified period, to apply for a pension in advance of the prescribed age or to defer it beyond that age. Reductions in pensions taken early should not be such as to make it pointless to exercise this right;

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1 Directive 79/7/EEC article 7 § 1a)
2 Case 19/81 Burton Rec. 1982 p.555

- furthermore, flexibility as regards the age of entitlement to a retirement pension could also be achieved by a system under which entitlement to a retirement pension arises after a given number of years of occupational activity or membership of an insurance scheme.

b) provision for employed persons to obtain a gradual reduction in their working hours during the years immediately preceding their retirement.

c) Pensioners' right to work. Pensioners should not be excluded from any form of paid employment.

d) Retirement preparation programmes should be started during the years preceding the end of working life with the participation of organizations representing employers and employed persons and of other interested bodies.

The present situation in the Member States is as follows:

BELGIUM

A. Flexible retirement

Private sector

Under Belgian legislation, workers generally retire on reaching the age specified by law (60 years for women and 65 years for men) unless authorized by their employer to continue working. However, the law allows an employed person to apply for early retirement or to defer retirement until after the specified age. Thus, men may apply for a pension at the age of 60 and women at the age of 55. In such cases the pension is reduced by 5% for each of the years between early retirement and the statutory retirement age.

According to actuarial calculations, this reduction is not enough to offset the increased financial burden resulting from early retirement. In other words, the reductions in the amount of the pension do not therefore unfairly penalize those exercising this right.

The law allows those workers who have not completed a sufficient number of years of contributions to defer retirement beyond the specified age and account is taken of periods of activity after the specified retirement age. Supplementary pensions are not granted to insured persons who have a complete contribution record.

- Legislation (Royal Decree No 95 of 28 September 1982) has been passed introducing a bridging pension system into the pension scheme for employed persons making it possible for male workers to receive a pension at the age of 60 without its being reduced because they are retiring before the statutory age.

  To qualify for this bridging pension, the worker in question must be employed in Belgium and be replaced by a job-seeker.

The grant of such a bridging pension at the age of 60 does not entail any pension reduction (no reduction because of early retirement, on the contrary the years between that retirement and the statutory retirement age are added to the contribution record).

- Collective agreement No 17 of 19 December 1974, concluded by the National Labour Council and made mandatory by the Royal Decree of 16 January 1975, introduced a system of supplementary allowances for certain elderly workers in case of dismissal.

  This scheme - like all the early retirement schemes organized under sectoral or firm-level agreements authorizing a reduction in the early retirement age fixed by collective agreement in case of dismissal - is imposed by circumstances upon the workers rather than chosen by them.

  No such measures exist under the legislation governing pensions payable out of public funds.

Public sector

Civil servants in central government departments, employees of semi-public bodies covered by identical arrangements, teachers, members of the Court of Auditors, etc., who on reaching 60 years have completed at least five years of reckonable service are entitled to a retirement pension. They may, however, continue to work until the age of 65, beyond which in principle they may not continue in employment.

Under this legislation on pensions payable out of public funds, men and women civil servants enjoy equal rights in all respects.

No reductions are applied to pensions requested on reaching the age of 60, the amount of the pension being proportionate to the number of reckonable years.

An official who is recognized as unfit to work will receive, regardless of age and years of service (or subject to ten years' service in the case of an accessory post unless the disability is due to the service itself, in which case five years is sufficient) a disability pension, which is calculated like an ordinary retirement pension, but is of course proportionate to the number of years of service.

The legislation governing pensions payable out of public funds does not generally include provision for a pension payable irrespective of age after a specified number of years of insurance contributions or occupational activity.

B. Phased retirement

Private sector

The recent economic recovery law of 22 January 1985 contained social provisions (Article 102) including a provision enabling a full-time worker to work half time while receiving an allowance, provided the worker is replaced by a registered unemployed worker. The reduction in working time would be counted as a period of activity when calculating the pension.

Workers under 50 years may benefit from this option for a period of only five years, while workers of 50 years or more may benefit until they reach the normal retirement age, in other words a maximum of ten to fifteen years.

Public sector

A civil servant aged 55 with at least 10 years' service may reduce his working time (half the normal working hours) while receiving 60% of the salary due for full-time service (Article 9 of the Royal Decree of 31 December 1984 on work-sharing and the reorganization of working time in government departments).

Further, teachers aged 50 years may reduce their working time (between 50% and 70% of full-time service) and draw the salary due in respect of the hours worked, plus one quarter of the salary which would have been payable for the hours not worked (Article 11 et seq of Royal Decree No 297 of 31 March 1984 on contributions, salaries, salary subsidies and holidays for reduced service in the teaching profession and health and welfare centres, as amended by the economic recovery law of 31 July 1984).

Teachers aged 55 who have at least 30 years' service may be given leave on personal grounds until they reach the age at which they may claim a pension. In this situation they will receive as many sixtieths (fiftieths or fiftyfifths, depending on the fraction used to calculate the pension) of the last salary received as they have years of service (Article 7-10 of Royal Decree No 297 as amended by the economic recovery law of 31 July 1984).

C. Employment of pensioners

In the private sector, the law provides that a pensioner may continue to exercise an occupational activity within certain limits. If these limits are exceeded but are no more than double, two thirds of the pension is payable, otherwise it is suspended.

In the public sector, the law provides that pensioners may continue to exercise an occupational activity within certain limits of earnings without affecting the pension. If the limits are exceeded, two thirds of the pension is payable or is suspended depending on the size of earnings.

There are numerous private and public organizations which ensure that people about to retire receive technical information brochures and, in some cases, training sessions.

D. Preparation for retirement takes place at various levels:

- some firms organize training preparatory to retirement;
- a non-profit making association offers firms training sessions which workers are invited to attend about one year before reaching retirement;
- associations and university courses for senior citizens also offer courses in preparation for retirement.

DENMARK

A. Flexible retirement

In 1982, when the Council recommendation was adopted, the Danish pension system was organized so that after 15 years' employment, persons whose capacity for work was significantly reduced could receive an invalidity pension.

The old age pension (folkepension) is available (to men aged 67 and women aged 62). Where this was justified by poor health or other serious circumstances, persons aged 60 could be granted an old age pension by the Rehabilitation and Pensions Board (revaliderings- og pensionsnævnet). The Board could also grant an old age pension to a person aged 55 years if it was justified by special social or occupational conditions.

A widow's pension was granted to widows aged 55 who were widowed after the age of 45, and to women widowed after the age of 45, who at the time of the spouse's death were responsible for two or more dependent children under 18 years. The pension was also granted during the period of responsibility for a dependent child under 18 years.

In case of poor health or other special circumstances, the Rehabilitation and Pensions Board could in exceptional cases grant a pension to widows and other single women of over 50 years of age.

With a view to simplifying the pension scheme and achieving equal treatment for men and women, the law on widow's pensions was repealed on 1 January 1984.

Since then the old age pension is payable to everyone at the age of 67. Retirement at the age of 67 is on a voluntary basis and pensioners may continue to work while receiving their pension.

Where pensioners do work, there are, however, a number of rules whereby their earnings between the age of 67 and 70 may be adjusted.

For the persons aged 67 to 69, the basic amount of the pension is fixed in the light of the income derived from personal work which is included in the income used as a basis to calculate welfare benefits (socialindkomst).

Income derived from personal work abroad, particularly in one of the EEC Member States must be taken into account.

Income from personal work may be derived from a wage, income replacing a wage or income derived from work in his own firm in which he still plays an active part, if such income is specified in the types of income covered by Article 2 of the law on income used as a basis to calculate welfare benefits.

Also regarded as occupational earnings are other types of earnings generally subject to taxation and deriving from a pensioner's personal work, in particular fees or attendance payments.

In calculating the basic pension of persons aged 67 to 69 an amount is deducted from the income established. Identical amounts are deducted for married or single people.

The amount of the pension is not adjusted unless earned income exceeds a specific amount which, on 1 April 1985, was DKR 51 600. On 1 January 1985 some 4,295 pensioners aged 67 to 69 were receiving an adjusted pension; of these, 3,770 had incomes so far above the ceiling that they did not qualify for a state pension.

The following are entitled to receive an ordinary early retirement pension at a higher rate, or an ordinary early retirement pension:

1) persons aged 18 to 67 whose ability to work is reduced by 50% or more by ill health;

2) persons aged 18 to 67 whose ability to work is reduced by 50% or more, although not solely by ill health;

3) persons aged 50 to 67 where this is justified by social reasons or ill health.

A person wishing to withdraw from the labour market may apply for a bridging pension (efterlønsordningen) under a scheme which has been in effect since 1 January 1979. Under this scheme elderly wage and salary earners may leave the labour market a few years before the statutory retirement age, and obtain a more gradual reduction in income than would be entailed by an abrupt transition from working life to statutory retirement. Insured unemployed workers aged 60 to 67 may also benefit from this scheme.

To benefit, a person must have been affiliated to an unemployment fund for at least 10 years within the previous 15 years, although persons who reached the age of 50 before 6 May 1980 need have been contributing for only five years within the previous 10 years.

When taking up a bridging pension, those concerned must be registered with an unemployment fund and meet the conditions which entitle them to unemployment benefit. In particular, those concerned must be available for the labour market and must have been employed for 26 weeks in the previous three years.

A welfare pension may not be combined with a bridging pension.

Under the bridging pension scheme, insured persons receive a pension corresponding to the daily benefit paid in case of unemployment. This amount is payable two and a half years, it is reduced to 80% for the next two years and to 70% thereafter until the age of 67.

Although the bridging pension is not part of the welfare pension scheme, in practice it enables many to take up voluntary retirement.

Civil servants are entitled to retire on a civil service pension when they reach the age of 60 and have worked in the civil service for at least 10 years.

From the foregoing it emerges that the usual pensionable age is 67 years in Denmark. However, a large proportion of the population may opt for the early retirement or bridging pension scheme at an earlier age.

On 1 Januari 1984, the number of persons who had taken early retirement in the 60 to 67 year age group is shown in the following table:

Age Years	No in this age group	Recipients of early retirement pension	%	Bridging pension recipients	Total % of recipients of early retirement and bridging pensions
60	54,578	10,998	20.2	6,841	32.7
61	52,811	11,396	21.6	10,261	41.0
62	55,785	15,082	27.0	12,586	49.6
63	57,077	16,926	29.7	13,805	53.8
64	48,457	15,519	32.0	12,447	57.7
65	49,546	17,106	34.6	12,759	60.3
66	47,306	18,475	39.1	12,936	66.4
TOTAL	365,500	105,502	28.9	81,535	61.2

The figures show a phased withdrawal from the labour market.

At a given time, 45,001 people aged 67 were drawing an old age pension under the national scheme. The total number of 67-year-olds was 46,598 persons - which means that recipients of the national pension accounted for 96.6% of this age group.

The figures also show that about 70% of 67-year-old recipients of the national pension previously received an early retirement or bridging pension. Thus, the general public in Denmark feels that opportunities for a gradual withdrawal from the labour market are perfectly satisfactory.

The Employers' supplementary pension scheme (Arbejdsmarkedets Tillaegspension (ATP)) is a statutory supplementary pension scheme financed by contributions and intended for persons between the ages of 16 and 66 employed on the Danish labour market. The scheme was set up in 1964.

Contributions are paid by employers and workers. The scheme is managed according to insurance principles. The pension is payable from the age of 67. The supplementary pension is payable as a survivors pension when:

the survivor has reached the age of 62,

the deceased spouse has contributed to the scheme for at least 10 years and

the marriage lasted at least 10 years.

B. Phased retirement

In an endeavour to provide an even wider range of opportunities, the Minister for Social Affairs set up a Committee on 8 June 1984 to prepare a partial retirement scheme laying down the economic basis for phased withdrawal from the labour market, thus helping to make the organization of working time more flexible and ensure greater continuity in the life of elderly people.

On 30 November 1984 the Committee submitted the attached proposal for a partial retirement scheme and underlined the following points:

The scheme should enable everyone to benefit according to their own wishes and requirements.

It should guarantee that this opportunity remains a real one so that the largest possible number of people are able to obtain a partial retirement pension sufficient to ensure each one economic continuity throughout their retirement. It should provide for as flexible as possible a transition between working life and retirement.

Drawing on the work of the Parliamentary Committee on retirement, on 8 May 1985 the Government drafted the attached partial retirement bill. It should come into effect on 1 January 1987 and is currently the subject of public debate.

The bill's aim is to enable everyone to arrange their transition from working life to retirement according to their own wishes and needs.

It is a flexible scheme providing for the gradual transition from working life to retirement for as many people as possible.

The bill's basic principles of law are:

- a partial retirement pension may be granted between the ages of 60 and 67 to employed persons and persons with earned incomes other than wages and salaries.

- to qualify for this pension beneficiaries must have a long record of previous contributions to the employers' supplementary pension scheme (ATP).

- working time must be reduced by at least 25%.

- the worker concerned must obtain the employer's agreement to part-time work.

- the reduced weekly working time must be 15 and 30 hours.

- the amount of the partial retirement pension is established on the basis of maximum annual sickness benefit, i.e. DKR 104 416, and is adjusted in the same way.

- the partial retirement pension is established in accordance with the reduction in working time, in other words a fixed amount is set for each hour no longer worked.

- the partial retirement pension is graduated in the same way as early retirement.

This bill has not yet been adopted by the Folketing.

It should be added that, for economic reasons, the Government does not think it advisable to make it possible for everyone to retire before reaching the age of 67.

FEDERAL REPUBLIC OF GERMANY

General

The award of invalidity pensions to insured workers who are unfit for their previous occupation (Berufsunfähigkeit) or unfit for gainful employment (Erwerbsunfähigkeit) and of retirement pensions falls within the competence of the statutory invalidity and old age insurance scheme. To qualify for a retirement pension, workers must have reached the statutory retirement age and show proof of a specified period of insurance (Wartezeit).

System in effect until 31 December 1972

The system provided for:

- ordinary retirement pensions at the age of 65;

- early retirement pensions;

- pensions for insured persons at the age of 60 who had been unemployed without interruption for at least one year during the period of unemployment;

- pensions for women aged 60 who had for the previous 20 years been in employment covered by the compulsory invalidity and old age insurance scheme and who were no longer so employed.

To qualify for a retirement pension, contributors had to show proof of an insurance record (contribution periods and equivalent periods) of 180 calendar months.

The early retirement pension may be aggregated with additional earnings up to a specified ceiling.

A. Flexible retirement

Introduction of a flexible retirement scheme and changes in the retirement pension schemes since 1 January 1973

1. The law reforming and amending the provisions of the statutory invalidity and old age insurance and sickness insurance scheme adopted on 16 October 1972 (Federal Law Gazette I, p. 1965), came into effect on 1 January 1973, introducing a flexible retirement system. Insured persons aged 63, or 62 in the case of the severely disabled within the meaning of the law on severely disabled people, or persons who are unfit for their previous occupation or unfit for gainful employment, may apply for a retirement pension. The qualifying period for the flexible retirement scheme is 35 years counting for the calculation of the pension, including a period of insured employment of at least 180 calendar months (Article 1248 (1) and (7) of the Social Insurance Code (RVO), Article 25 (1) and (7) of the law on invalidity and old age insurance for salaried employees (AVG), Article 48 (1), and Article 49 (3) of the law on mutual insurance for mineworkers (RKG).

   Insured persons who, on reaching the age of 65, meet the statutory requirements conferring entitlement to an old age pension, but do not apply for such a pension, may continue to work - and to increase their pension rights - up to the age of 67. This increase amounts to 0.4% of the pension for every month worked beyond the age of 65.

   The pension reform law allowed persons opting for flexible retirement to engage in paid employment without any limit on the amount earned.

2. The fourth law amending the old age insurance scheme adopted on 30 March 1973 (Federal Law Gazette I, p. 257) came into effect on 1 January 1973. It introduced ceilings on earnings that could be aggregated with the flexible retirement pension and amended the ceilings on earnings that could be aggregated with an early retirement pension. It also amended the increase in pensions deferred to the age of 67.

   Insured persons receiving the flexible retirement pension up to the age of 65:

   - may work for a maximum of three months, or 75 working days. The amount earned thereby is immaterial;

   - may derive from a regular activity remuneration, the monthly average of which may not exceed 3/10ths of the reference monthly wage. The earnings from several occupations or activities are aggregated for the purpose of these calculations.

   In addition to their early retirement pensions, insured persons may derive from a regular activity additional income which may not exceed 1/8th of the reference monthly wage.

   Insured persons who meet the conditions of entitlement to a pension and do not claim their pension between 65 and 67 years receive an increase of 0.6% of the annual amount of the retirement pension for each calendar month.

3. The law amending and improving the financial basis for the statutory old age and invalidity insurance scheme was adopted on 27 June 1977 (Federal Law Gazette I, pp. 1040 and 1744) and came into effect on 1 July 1977. It further limited the earnings that could be aggregated with a flexible or early retirement pension. The period of short-term activity was reduced to two months or 50 working days. In the case of regular activity, a ceiling of DM 1 000 per month was placed on earnings.

   In the case of an early retirement pension, a ceiling of DM 425 per month was placed on earnings.

4. A law adopted on 6 November 1978 (Federal Law Gazette I, p. 1710) with effect from 1 January 1979, provided for the lowering in stages of the age of entitlement to flexible retirement for severely disabled and insured persons unfit for their former occupation and unfit for gainful employment. Entitlement to flexible retirement was lowered to 61 years with effect from 31 December 1979, and to 60 years with effect from 1 January 1980. A ceiling of DM 425 is applied to additional earnings up to the age of 62.

5. The Employment Promotion (Consolidation) Law was adopted on 22 December 1981 (Federal Law Gazette I, p. 1497) and came into effect from 1 January 1982. It specifies that in the case of unemployment early retirement may be claimed only by insured persons who have been in employment covered by the statutory invalidity and old age insurance scheme for at least eight years in the preceding 10 years.

6. The law governing measures to reduce the burden on public resources and stabilize financial trends in the invalidity and old age insurance scheme and the extension of investment aid was adopted on 22 December 1983 (Federal Law Gazette I, p. 1532) and came into effect from 1 January 1984. It reduced the qualifying period for a retirement pension at the age of 65 from 180 to 60 calendar months.

   The various rules concerning the award of retirement pensions are set out in the attached table.

B. Phased retirement

The two sides of industry sometimes resort to a phased reduction in working time for workers in the years leading up to retirement. A large number of collective agreement, involving a wide variety of arrangements, provide for paid rest periods for elderly workers engaged in a particularly arduous work (shift work). For example, in the tobacco industry, the working week was reduced to 20 hours with no reduction in pay. In other sectors of activity (for example, breweries in North Rhine-Westphalia) grant paid rest periods which, in extreme cases, can amount to 28 days' leave.

C. Right to work

1985 : AGE OF ENTITLEMENT TO CLAIM A RETIREMENT PENSION AND ADDITIONAL EARNINGS
Provisions governing age limits and ceilings on additional earnings under flexible retirement and early retirement schemes in 1985

CATEGORIES	AGE LIMIT YEARS	CONDITIONS	CONTINUED ACTIVITY
All insured persons	65	Qualifying period (contribution periods and equivalent periods) 60 calendar months	No ceiling on earnings
All insured persons	63	35 reckonable years including a period of insurance (contribution periods and equivalent periods) of 180 calendar months	Up to the age of 65, no limit on additional earnings for an activity limited to 2 months each year, or 50 working days, otherwise a ceiling of DM 1000 per month.
Persons who are severely disabled or suffering from occupational or general invalidity	60		For the severely disabled, additional earnings up to 62 years are limited to DM 425 per month
Unemployed persons	60	Qualifying period (periods and equivalent periods) of 180 calendar months and periods of unemployment totalling 52 weeks in the previous 18 months Must have been in employment convened by the compulsory invalidity and old age insurance scheme for at least 8 of the previous 10 years The 10 years period is increased by periods of absence (unemployment or sickness) equivalent periods, and periods when a pension is received even if these periods are not normally taken into account in calculating years of insurance	No limit on earnings from employment limited each year to 2 months or 50 working days, otherwise a ceiling of DM 425 per month (For severely disabled people aged 62, the ceiling on additional earnings is raised to DM 1000 per month, where all the conditions relating to flexible retirement are met
Women	60	Qualifying period (contribution periods and equivalent periods) of 180 calendar months, with at least 21 compulsory contributions in the last 20 years	

G R E E C E

A. Flexible retirement

Under Greek legislation, early pensions may be granted to persons who wish to retire before the normal retirement age, i.e. 65 for men and 60 for women.

Full old-age pensions under the general scheme (IKA)

A full old-age pension is granted from age 62 for men and 57 for women, provided that the person concerned has paid contributions in respect of at least 10,000 working days.

Insured persons are entitled to a full old-age pension if they have paid contributions under the IKA scheme in respect of 10,500 working days and have reached the age of 58 (35 years work; rule applicable to both men and women).

Persons working in jobs classified as "arduous" or "unhealthy" under IKA rules are entitled to a full old-age pension at age 60 (men) and 55 (women), provided that they have paid contributions in respect of 4,050 working days, 4/5ths of which, i.e. 3,240 days, involved arduous and unhealthy work and that 1,000 of those 3,240 days were worked in the last ten years before the age limit.

The introduction of regulations lowering by two years the normal retirement age for building workers, i.e. 58, has recently been announced.

Those who work underground (e.g. in brown coal mines) may retire at 55 if they have worked at least 4,050 days underground, 500 of which were after 28 December 1979. These 500 days are increased by 175 days on average per year from 1.1.1984 to reach the figure of 4,050 days worked.

Employees of airline companies are also granted various facilities regarding retirement.

Reduced old-age pensions (IKA)

A reduced old-age pension may be granted to men aged 60 and women aged 55, provided that they have paid contributions in respect of 4,050 working days, including 100 in each of the last five years before reaching the required age.

At age 60 for men and 55 for women, provided that they have paid contributions in respect of at least 10,000 working days. This figure must include at least 100 days worked in each of the five calendar years preceding the year in which the application for retirement was submitted.

Old-age pension at 56 for men and women who have paid contributions in respect of 10,500 working days (35 years).

In the three cases referred to above, the pension is reduced by 1/200th for each month before the normal age of entitlement to the old-age pension.

Pension for mothers of dependent children

On reaching the age of 50, insured women (whether married or widows) who have dependent children may draw their pension provided they have paid contributions in respect of 5,500 working days and do not receive a pension from IKA, the State or any other principle insurance body. In this case, the pension granted is reduced by 1/200th of the full pension for each month before the age of 55, but may not be less than the minimum laid down.

B. Right to work

Persons in receipt of IKA pensions may pursue gainful employment provided that recipients of the old-age pension do not earn through such employment (or through a self-employed activity) an amount greater than 35 times the daily wage of a manual worker (i.e. DR 1 422 x 35 = DR 49 770), at which point the pension is suspended.

Workers who have retired on grounds of having paid contributions for 35 years may not pursue any type of employment, unless the amount of their pension is equal to the minimum pension granted by IKA.

F R A N C E

A. Flexible retirement

There is no mandatory retirement age under the general social security scheme in France (there is only a minimum age for entitlement to the old-age pension, which is currently 60).

Retirement is a right, not an obligation. Any worker may, therefore, postpone the age at which he wishes to take his old-age pension for as long as he wants.

From the age of 60, employees may obtain a pension calculated on the basis of the maximum rate (50% of average annual wages) if they have paid insurance contributions for a total of 37.5 years regardless of the basic retirement schemes involved.

However, certain categories of insured persons may also obtain a pension from the age of 60 calculated on the basis of the 50% rate without having to give evidence of 37.5 years of contributions. These are:

- persons acknowledged to be unfit for work,
- former deportees or internees,
- ex-servicemen and ex-prisoners of war and
- working mothers of at least three children.

B. Phased retirement

The French authorities are aware of the negative aspects, both psychological and social, of suddenly giving up work to draw a retirement pension. They are therefore paying special attention to the idea of the phased retirement of elderly workers from working life.

In 1981, the authorities started looking into a general system of phased retirement which would allow a worker to gradually reduce his working hours and at the same time receive part of his retirement pension the amount of which would increase in proportion to the reduction in working hours.

The economic situation in France, the objectives of the varius socio-economic groups with regard to retirement and the difficulties of introducing phased retirement (internal organization of firms - management problems in the retirement funds) led the Government to abandon the phased retirement concept and opt for lowering the retirement age to 60, with effect from 1 April 1983.

In 1981, however, the Government introduced a phased early retirement scheme in the private sector open to workers aged between 55 and 65 under solidarity agreements.

Mainly because of competition from full early retirement schemes offering extremely generous benefits between the ages of 55 and 65, workers have hitherto shown little interest in phased early retirement.

C. Right of pensioners to work

At a time when the Government was adopting a number of measures to allow employees to give up work earlier, it was essential that the pension entitlement should give the person concerned a clear choice between carrying on working and taking retirement.

In view of the employment situation, the Government decided to restrict the simultaneous receipt of retirement pensions and earned income.

Two measures were therefore taken to this end.

Under the first of these, a person must sever all ties with his employer before being granted the old-age pension under the general social security scheme.

The pensioner's right to work is, however, respected.

The only activities affected are those exercised at the time when the pension is drawn. Any pensioner may therefore take up another activity, for example in another firm, or pursue a non wage-earning activity.

The second measure imposes a solidarity contribution on all recipients of the retirement pension (primary or subsidiary rights, basic and supplementary schemes) aged over 60 who are in paid employment where the total of pensions exceeds the statutory minimum wage (SMIC) increased by 25% for each dependent child.

This 10% contribution is shared equally by the employer (5%) and the employee (5%).

The contribution goes to the solidarity fund and helps to finance State unemployment insurance.

These two measures are short-term and will cease to be applied in 1990.

IRELAND

A. Flexible retirement

Present situation

Social security

The social security system provides retirement and old-age pensions for private sector employees and certain categories of public servants (mainly those who work in State commercial bodies). These pensions are paid on the basis of a uniform rate and are financed from current revenue. The amount of the pension is calculated on the basis of the number of years since the person concerned took up a job enabling him to be insured and the total number of contributions recorded, regardless of his income. Social security pensions are not adjusted in any way if the person concerned is also entitled to an occupational pension, whatever the nature of the latter; occupational schemes are normally structured in such a way as to fit in with social security entitlements and are generally more or less in line with previous income.

Pensionable age for both men and women is 65. Employees who apply for a retirement pension at that age are no longer entitled to occupy posts in which they are compulsorily insured, but this does not prevent them from carrying on a self-employed activity. By contrast, the age for the old-age pension has gradually been reduced from 70 to its present level of 66 with no conditions imposed as regards retirement. Employees aged 65 who prefer to postpone their retirement are entitled to keep their jobs, thus increasing their insurance period, and obtain an old age pension at 66, after which no pension contribution is required. There is no provision for the payment of social security pensions in the event of early retirement. Employees who retire before 66 are, however, entitled to unemployment benefit - and to a supplement calculated on the basis of their wages - paid for a maximum of 15 consecutive months and then to apply for unemployment assistance up to the age of 66. The granting of such assistance is subject to the availability of funds.

Occupational retirement schemes

It is estimated that in 1985 around 50% of employees were covered by some form of occupational retirement scheme. The figure is practically 100% in the non-commercial public service sector, whose employees are not entitled to the social security pension.

Occupational retirement schemes in the private sector are generally funded rather than financed from current receipts. According to the information available, the normal retirement age is generally fixed at 65, but around one scheme in ten fixes the retirement age for women at 60. As regards flexible retirement, it appears that about three quarters of occupational schemes in the private sector provide for the possibility of early retirement, the minimum age for retirement being 50 on average; the length of service conditions vary greatly (the fact that occupational schemes are funded is likely to limit the changes that they might be able to make to retirement age without significantly increasing contributions).

Occupational retirement schemes in the public sector are generally financed from current revenue by the central Government. Public service employees generally have to take their retirement at 65, but they may also leave from the age of 60 with a retirement pension (or even before if their retirement is justified on grounds of chronic ill health). Provided that they have served a minimum of five years, public servants receive pensions which are calculated on the basis of 1/80th of their last annual salary for each year of service (up to a maximum of 40/80ths or half their annual salary), to which is added a flat rate severance payment calculated on the basis of 3/80ths of their last salary for each year of service (up to a maximum of 120/80ths or one and a half year's salary).

Recent developments

Mention should be made of certain recent measures in the field of social protection which are in line with the recommendation:

(a) preparation for the Government of an extensive set of guidelines on trends in retirement schemes at national level;

(b) completion of a detailed study of occupational retirement schemes;

(c) creation of a new category of persons taking early retirement under the unemployment assistance scheme.

Guidelines concerning developments in retirement schemes

The Department of Social Welfare is currently drawing up for the Government a document, due to be published at the end of 1985, on policy with regard to future developments in public and private retirement schemes.

This document will deal with the integration of public retirement and old-age, survivors' and long-term disability pensions, the extension of social security pensions to categories currently excluded (mainly the self-employed), the need to take more account of incomes and finally the role and development of occupational retirement schemes.

It will make a comprehensive study of the question of making the retirement age more flexible, dealing both with early retirement and retirement deferred beyond a fixed age (i.e. 65) and taking full account of the principles set out in the Council recommendation. It will also set out in detail proposals for more flexible rules based on income rather than conditions governing retirement.

Even if provision is made for a proportional reduction in the amount of the retirement pension, early retirement poses a problem in the sense that a scheme financed from current receipts requires in the short term an additional financial commitment to pay beneficiaries. This additional cost, which applies to both early retirement on social grounds as well as under job-creation schemes, is likely to constitute an obstacle to the development of social security in this area because of current budgetary constraints and the limits on the additional tax revenue which could be collected from employees and/or employers to meet the additional expenditure which will arise in the first few years. Obstacles to the development of flexible retirement will also arise in occupational retirement schemes, although there will be some differences due mainly to the fact that these schemes are funded.

Detailed study of occupational retirement schemes

There is relatively little information on the scope, field of application and structure of occupational retirement schemes. The information available is generally collected by private pension funds and concerns the most widespread schemes with no details of the special rules applying in this sector or of employees who have no right to occupational retirement pensions.

The Department of Social Welfare has commissioned a study aimed at drawing up a comprehensive table of the scope and structures of occupational retirement schemes. The results of this study will soon be available.

They will give a much clearer picture of the balance to be maintained between public and occupational schemes with a view to improving retirement benefits. They will also give a better understanding of the flexibility applied in respect of retirement and the ability of occupational retirement schemes to stress such flexibility.

Creation of a new category of early retirees of interest to long-term unemployed persons aged over 55

Special measures have been announced which will allow persons aged 55 and over who have been continuously unemployed for at least 14 months to report to the employment offices only once a quarter to prove that they are still unemployed instead of once a week as at present. These persons will continue to receive weekly payments, but these will now be made at the local post offices, which will be more convenient for them.

Participation will be optional. It is estimated that around 11,000 (or some 5% of the total number of registered unemployed) will be eligible for this special scheme when it is put into effect, even before the end of 1985. Although this measure should not be seen as a flexible retirement pension, it will be of great benefit for those persons who can consider themselves as being in semi-retirement and have virtually no prospect of finding another job.

B. Phased retirement

The Government has undertaken to promote work-sharing, which is seen as a means of sharing available jobs between a larger number of people and enabling a person approaching retirement age to retire gradually from working life.

The work-sharing scheme in the public service entered into force on 1 April 1984. Under this scheme, two persons share equally the tasks and responsibilities attaching to a single post as well as the related salary and other benefits. On 31 July 1985, a total of 191 established public servants were sharing a job under this programme. On the same date, 109 additional public servants were recruited on a work-sharing basis. This programme is currently being extended to other sectors of the public service and the Minister responsible for the public service is planning to give it a further boost before the end of 1985.

Work-sharing is also developing in the private sector. The Federated Union of Employers, which is monitoring its development, carried out a study of 600 industrial, wholesale and retail firms at the beginning of 1985. Although the results of this study have not yet been fully processed, it is estimated that around 2% of the firms in question operate work-sharing schemes. A similar study carried out in the insurance sector showed that one company in 24 operates work-sharing.

As work-sharing is practised so little, it is not possible at the present stage to evaluate the possibilities that it offers as a means of phased retirement.

C. Information and consultation services

The Retirement Planning Council was set up in 1976 to coordinate and exploit existing information and powers with regard to planning for retirement. This body provides its members with information and consultation services, helps to set up local associations of persons who have taken early retirement, promotes research into retirement and the problems associated with it and provides advice on how retired persons can be of service to the Community.

The information service of the Department of Social Welfare publishes a series of brochures informing people of their rights on retirement and their future rights as retired persons.

An official body, the National Social Services Board, publishes a complete guide "Entitlements for the Elderly" which sets out all the State benefits for the elderly.

There are in addition many private and charitable organizations which also provide information and advice. The main employers in both the public and private sectors regularly organize or finance courses to prepare their most elderly workers for retirement.

The public libraries in Dublin and the Bank of Ireland have just published a "Golden Years Directory" which sets out the various benefits and services available to the elderly in all spheres of personal and social life.

Ireland recognizes the Council recommendations on flexible retirement as one of the objectives of social policy. That it has not achieved spectacular progress with regard to achieving this objective since the adoption of the recommendations is due to the fact that it forms part of a wider reorganization - currently being prepared by the Government - of public and occupational retirement schemes. Measures to improve flexible retirement will be included in this reorganization subject, however, to the total amount of resources available for retirement pensions in general.

ITALY

A. Flexible retirement

There are several social welfare schemes in Italy; in addition to the general scheme of the Fund for Employees' Pensions (FPLD), which covers 80% of all workers, there are other special funds administering compulsory insurance for disability, old-age and survivors' pensions. These funds were set up because of the specific requirements of the workers that they protect. At present, the rules governing the payment of benefits vary, therefore, although there are some common features.

One of these features is the type of benefit, which consists of an old-age or seniority pension; the conditions to be met for entitlement to the benefit vary, however.

In the case of the general scheme, the retirement age is fixed by law at 60 for men and 55 for women. There are also a number of schemes, such as those operated by the Volo Fund and the Miners' Special Scheme, which lower the retirement age by 5 or 10 years where special circumstances exist regarding the type of work carried out (arduous or extremely arduous work) and others, such as the fund for employees of certain banks, which grant early retirement to employees whose length of service extends beyond that laid down for normal retirement.

However, there are very few cases (insurance for employees of private gas companies) where it is possible, on request, to obtain an early pension (for a maximum period of 5 years), the amount of which is, however, reduced in proportion to how early the pension is drawn.

The situation is identical for the seniority pension which, under the general scheme, is paid to workers who have paid contributions for at least 35 years. In this sector, too, there are many cases in which the abovementioned limit is reduced by 5 or 10 years if the person concerned satisfies the conditions already described in respect of old-age pensions.

Mention should be made in passing of the early retirement measures implemented to assist the reorganization of firms in difficulties, which provide for a reduction of five years compared with the statutory retirement age and a minimum of 15 years' contributions.

These measures cannot, however, be considered as forming part of a system of flexible retirement under the terms of the recommendation, because they are contingency measures introduced for limited periods and in exceptional economic circumstances.

The most significant fact to emerge from a study of the pensions legislation currently in force in Italy is that the age of entitlement to the old-age pension is considerably lower than in other EEC countries. When it is also remembered that the retirement age is even lower for women and certain categories of workers, it may be concluded that in Italy the old-age pension is already granted "earlier" than in other Community countries, even if there cannot be said to be a real system of flexible retirement.

It should also be remembered that the pensions system in Italy is going through a crisis (as in other European countries) because of various demographic and economic factors, such as the obsolescence of the system, an aging population and rising unemployment.

Precisely because of these problems, the proposals for reforming the pensions system which are due to be presented to Parliament provide for a gradual raising of the age of entitlement to the old age pension to 60 for women and the introduction of economic assistance for those who wish to remain in employment until the age of 65, although they have already completed the maximum period of contributions (40 years).

There are no changes in the case of early retirement for employees carrying out arduous and extremely arduous work. However, it is proposed that in the case of special funds in the credit sector, it should no longer be possible to bring forward the date of settlement of pension rights where the above-mentioned conditions regarding seniority and contributions have been satisfied.

B. Phased retirement

A number of recent measures (D.L. No 726 of 30 October 1984, which after amendments became Law No 683 of 19 December 1984) are, however, more significant; they concern flexible retirement linked to a reduction in working hours (part-time working). Under the law in question, it is possible to apply for early settlement of old age pension entitlements, for a maximum period of two years, if working hours are reduced by at least 50%. During the period in question, the pension may be drawn concurrently with remuneration up to an amount corresponding to the loss of income on changing from full- to part-time working.

Although they stem from the need to maintain the employment level, these measures are very significant because they represent the first attempt to combine early retirement and part-time working.

L U X E M B O U R G

A. Flexible retirement

Apart from special measures governing retirement age for specific categories of workers (mineworkers, metalworkers, professional drivers) legislation in Luxembourg has already introduced flexible retirement as put forward in the recommendation in the sense that it allows workers to apply for early settlement of their pension entitlements from the age of 60, whereas the normal pensionable age is 65. The early granting of the old-age pension is subject to special qualifying periods and the condition that the recipient does not engage in any type of paid employment. The amount of the pension is not reduced. There is another special provision under the private sector employees' scheme where insured women can apply for their pension from the age of 55, subject to a reduction if the pension is drawn before the age of 60.

The tideover allowance in the event of early retirement introduced as a temporary measure in the steel industry is intended to release surplus manpower in this sector. This allowance, which is granted for the three years preceding entitlement either to the old-age pension or an early pension, takes the form of reduced wages and is subject to the relevant social insurance contributions. As a result, this allowance cannot be considered as an early pension and consequently does not form part of a flexible retirement system.

B. Phased retirement

At present, there are no proposals in Luxembourg for measures such as those put forward in point 2 of the Recommendation. In the view of the Luxembourg authorities, the introduction of such measures would pose the difficult problem of financing the compensation for elderly workers' loss of wages as a result of the reduction in their working hours during the last few years preceding retirement.

C. Right of retired persons to work

As stated above, entitlement to an early old-age pension is subject, up to the age of 65, to the condition that the recipient foregoes any kind of paid employment. The authorities are currently considering to what extent this total ban on paid employment could be made more flexible. One solution might be to stipulate that any insignificant or temporary occupational activity which provides only a limited income does not lead to the withdrawal of the pension. Subject to the above, the recipient of an old-age pension is not in principle prohibited from exercising an occupational activity. However, the legislation authorizing the government to take measures to stimulate economic growth and maintain full employment introduced a restriction on this principle in the sense that recipients of an old-age pension whose amount exceeds the statutory minimum wage may not take up or continue paid employment. The measure in this instance was taken with the aim of restoring full employment.

N E T H E R L A N D S

A. Flexible retirement

In the Netherlands, a significant proportion of pension schemes provide for early retirement before the retirement age laid down in the pensions regulations (often 65).

However, little use is made of this possibility for two reasons.

Firstly, early retirement involves a reduction in the amount of the pension and secondly, the statutory pension under the general old-age pension law (AOW) can be paid only from the age of 65. The regulations on early retirement (VUT) remedy these disadvantages. These provisions offer the possibility of taking early retirement from a certain age with a benefit which is proportional to the last wages received, while, generally, full pension contributions continue to be paid until the date from which the pension may be drawn. For these reasons, in the Netherlands early retirement on the basis of these regulations has more or less taken the place of flexible retirement.

Review of the situation

In the main, the possibility of giving up work before the age of 65 is governed by various collective agreements on early retirement.

The regulations on early retirement led to a survey in 1984 which produced the following results:

By mid-1984, the service responsible for working conditions introduced by collective agreements (DCA) was aware of 113 sectoral regulations on early retirement in force in the market sector. These regulations cover some 1,750,000 workers. As sectoral collective agreements have been notified for some 1,946,000 workers in the market sector, this means that early retirement provisions cover around 90% of workers.

In the market sector, there are 295 company early retirement schemes. These schemes apply to around 326,000 of the 407,000 workers governed by a collective agreement at company level. It follows, then, that early retirement provisions apply to around 80% of these workers.

Moreover, since the end of June 1984 early retirement has been the subject of statutory rules governing employees in the public service and education. These rules apply to some 900,000 public servants and persons of equivalent status.

In the health care sector, transitional regulations are in force which are comparable to early retirement provisions. These regulations form part of the pension system and may therefore be considered more or less part of the structure. They apply to some 400,000 workers.

In all, 58 early retirement schemes (45 sectoral and 13 company - all applicable to 5,000 or more workers) were analysed as they stood at the end of September 1983. These schemes cover a total of some 1,771,000 workers, or around 85% of the workforce in the market sector covered by early retirement schemes. Insofar as it is of interest in this context, this analysis covered the following aspects:

- retirement age,
- reference period,
- amount of benefits.

In the case of some of the aspects examined, attention was also paid to developments under early retirement schemes between 30 September 1983 and 30 June 1984.

Retirement age

In most sectors and firms operating an early retirement scheme, retirement is possible from the age of 62. 1982 saw the emergence of a trend towards a further reduction to 61 1/2 or even, in some cases, 61. This trend continued during 1983. In addition, a once-off or temporary reduction in the retirement age was applied in a number of sectors. In 1983, for the first time, retirement at 60 was introduced on either a temporary or permanent basis under four early retirement schemes. In 1985, however, agreements fixing the minimum retirement age at 59 were concluded in the hotel and catering sector, among others. Retirement will now be possible in this sector after 40 years' service.

If once-off or temporary reductions in retirement age are excluded, by mid-1984 a minimum retirement age of 62 was in force for74% of workers covered by a sectoral early retirement scheme. A lower age was laid down for 16.5% of these workers, and a higher age for 9.5%. Under the various early retirement schemes, the minimum retirement age currently varies from 59 to 64; but it should be pointed out that the latter minimum age now figures in only one collective agreement and affects only 90 workers.

Reference period

Almost all early retirement schemes lay down the condition that, for entitlement to benefits under the scheme, the person concerned must have been in paid employment in the sector or company in question for a continuous specified period immediately preceding the date of retirement. In most cases, this reference period is 10 years (five in some cases).

Under some early retirement schemes, this condition is made more flexible by a reciprocity provision. Periods of service completed in some related sectors may then be taken into account for the purpose of calculating the reference period. There is every expectation that agreements of this type will become more common in the future.

Amount of benefit

In 31 of the 45 sectoral early retirement schemes examined, a gross benefit equal to 80% of the last gross wages was generally fixed. Under six schemes, the figure is 85%. Under two schemes, the benefit is linked to the statutory minimum wage, plus a certain percentage. Of that part of the income exceeding the amount thus calculated, 70% is then taken into account for the purpose of calculating the benefit. Six other sectoral schemes are based on a net percentage varying from 85% to 100%.

In six of the 13 company schemes examined, the gross benefit amounts to 80% of a fixed basic benefit. Under three schemes, the benefit is fixed at 85% of the beneficiary's last wages, while under the four remaining schemes, another method of calculation is applied.

Overall, more than half of all sectoral early retirement schemes involve a gross benefit equal to 80% of last wages, while around a quarter provide gross benefits amounting to 85%. Under the other schemes, the gross benefit is calculated in a different way where reference is made only to a net percentage. With some early retirement schemes where the benefit is expressed in the form of a gross percentage, the net benefit may reach more than 90% of net wages (in some cases, even more than 100%).

Because of the relationship established between net wages and net benefit, the net benefit under early retirement schemes is increasingly limited to a maximum net benefit ranging in most cases between 87.5 and 90% of net wages.

Most early retirement schemes also specify a maximum gross benefit or maximum basic benefit. In most cases this corresponds to the maximum social insurance premium. Most schemes take the statutory minimum wage as a basis for the minimum benefit.

Income tax, national insurance premiums, possibly the pension insurance fund premium and the employee's share of the pension insurance contribution are deducted from early retirement benefits. The last of these deductions is due to the fact that all early retirement schemes include a provision laying down that pension contributions continue until the normal pensionable age. In the private sector, pension contributions continue to be paid in full; in the public service they are halved.

As a general rule, early retirement benefits are adjusted to take account of changes in negotiated wages in the corresponding sectors and companies. Some schemes provide for adjustments linked to prices.

Other aspects

Those aspects of early retirement covered by the study are not the only ones which are of significance from the point of view of the recommendation in question. The following points could also be noted.

B. Partial or phased retirement

Apart from an experiment with flexible retirement carried out by the Post and Telecommunications Office, which has now ended, to our knowledge there is still no early retirement scheme in the Netherlands which allows partial or phased retirement. A motion was recently brought in Parliament calling for the introduction of a system of partial retirement including phased retirement, based on the Swedish system of flexible retirement, and urging the Minister for Social Affairs and Employment to study this question with the two sides of industry.

On 14 March 1985, the Labour Foundation was asked for its opinion on this question, among others.

C. Preparation for retirement

In the public service and some firms, there are special schemes in favour of the most elderly workers: from a certain age up to retirement age, the daily working hours are gradually reduced, usually with no loss of wages. These arrangements have no legal basis.

Although to some extent these arrangements already constitute a preparation for retirement, obviously a genuine preparation for retiring from work permanently will not be restricted to simply reducing working hours gradually. Accordingly, in the public service and increasingly in the private sector as well, special courses or information meetings are organized for the most elderly workers with the aim of giving those soon to retire as much information as possible and preparing them for their new life. Although such initiatives are not implemented everywhere in the private sector, some progress is being made in this area, although at the moment this gives rise to problems in the case of small firms which could perhaps be resolved by organizing information meetings at sectoral level. This is primarily a task for the two sides of industry; there are no plans at present to introduce statutory measures in this area.

UNITED KINGDOM

Flexible retirement is closely linked to pensionable age and earnings. The State pension scheme already has a degree of flexibility, given that it is possible to defer pension rights for up to five years after normal retirement age. Those who wish to make use of this facility receive a 7.5% permanent increase in the total amount of the pension for each additional year worked. There is, however, no provision for obtaining a reduced State pension before the normal retirement age.

Many people - including the Social Services Committee of the House of Commons - have suggested the introduction of greater flexibility by providing for early as well as deferred retirement. Allowing people to choose the date on which they wish to retire, having regard to their personal circumstances, has obvious advantages. The idea of a "retirement decade" between the ages of 60 and 70 is particularly attractive. This would enable people to choose the date during those ten years on which they wish to retire, knowing at any time what pension they can obtain from the State. There would be no retirement age as such: the persons concerned could at any time obtain pensions whose amount would vary depending on whether they retired earlier or later in those ten years. There would however have to be a central or pivotal age for the purpose of determining the relationship between pensions and other benefits. Consideration would also have to be given to whether arrangements are needed to prevent people from simply continuing to work full time and then claiming a pension as soon as they reach the age of 60.

Such a system would have many advantages and would reflect the flexibility which already exists in many occupational pension schemes. Taking this as a basis, the government proposes that the new occupational and individual pension schemes should allow both employees and employers the greatest possible degree of freedom in fixing retirement dates. The reductions and increases in pension rates would be based on an actuarial calculation: taking 65, the present retirement age, as a basis, the government has calculated that an 8% reduction or increase for each year before or after that age would be appropriate. In the very long term, the costs arising from the fact that pensions would be paid earlier would be offset by the savings resulting from the fact that they are lower. Initially, however, the payment of early pensions would involve net costs: the size of these costs would depend on the number of persons who took early retirement and the number continuing to work.

One argument against flexibility from the age of 60 is the extent by which the pension would be reduced. A person retiring at the age of 60 would receive only 60% of the standard pension, if 65 remains the pivotal age for the latter. For persons taking early retirement, it would obviously be undesirable to switch directly to earnings-related benefits.

The government is, however, in favour of introducing greater flexibility in the State pension scheme and it recognizes the advantages and wider range of choices inherent in the introduction of a "retirement decade". Consequently, the government will welcome any suggestion on how to change the State pensions scheme so as to achieve such an objective without incurring excessive additional costs.

II. CONCLUSIONS

TRENDS

1. At the end of this review of the situation in the Member States as regards the Council recommendation on a Community polity with regard to retirement age it can fairly be said that real progress has been achieved but not on a scale sufficient to be described as "substantial". There is, however, no denying that the range of provisions governing the transition from work to retirement has grown over the past few years : statutory bridging pensions, collectively agreed bridging pension schemes, voluntary redundancy arrangements, greater scope for early retirement on a ordinary pension, lowering of the statutory retirement age, etc. Naturally, the measures adopted still vary substantially from country to country, but a measure of convergence is evident, e.g. as regards provisions permitting workers to either take their retirement pension early or defer it beyond the normal age.

2. To some extent, therefore, it can be said that the scope of choice has increased. Flexible retirement has, however, yet to become the norm in practice, though it continues to be regarded as a goal for the future (e.g. in the content of the social security reform in the United Kingdom, and in Belgium, Italy and Ireland). This can be accounted for in party by the economic crisis and the campaign against unemployment, more especially amongst young people. Member States have hitherto concentrated their efforts on measures designed to encourage older workers to free existing jobs for redistribution to the unemployed. This is, for example, the purpose of the various national bridging pension schemes. These schemes do not, however, always correspond to the aspirations and wishes of workers in the sense that they restrict their right to work. Furthermore, it is frequently the case that workers opt for early retirement on a bridging pension simply in order to avoid being made redundant. In contrast, genuinely flexible arrangements should leave the choice of early or late retirement entirely to the worker. Specific, temporary measures to combat unemployment cannot, therefore, constitute a real alternative to flexible retirement.

3. The growth of unemployment is also at the root of the measures taken in recent years to restrict the combination of pensions with income from employment. The Member States have, admittedly, not gone so far as to prohibit pensioners totally from working. In a number of countries, pensions may be combined with income from casual employment or employment in certain shortage occupations, or with employment income not exceeding a specified ceiling or subject to a reduction in the amount of pension. It should also be remembered that the solution adopted in this respect depends to a considerable extent on the conception prevailing regarding the nature of an old-age pension. Thus, in those schemes where an old-age pension is granted automatically at a specified age, combination is generally permitted. In contrast, combination with income from employment is regulated in those cases where the granting of a pension is conditional on a reduction in or the loss of the worker's earned income by reason of age or retirement.

4. The economic crisis has, on the other hand, tended to encourage the development of phased or partial retirement - i.e. reduced schedule working for older workers. Such arrangements establish the framework for a gradual withdrawal from the labour market, the intention being to permit greater flexibility in the organization of work schedules, to free jobs and to ensure a greater measure of continuity in the lives of elderly people by easing the transition from working life to retirement.
The replies given by the national governments show evidence of progress along these lines in several countries - notably Belgium (Law of 22 January 1985), the Federal Republic (under collective agreements), France (via solidarity agreements since 1981), Italy (Law No 726 of 30 October 1984) and Denmark, where a draft law currently under consideration should, as has already been mentioned, enter into force on 1 January 1987. Mention should also be made in this context of Ireland and one of the new Member States - Spain, where a system of partial retirement (introduced under the Worker Rights Statute) has been in operation for some time[1].

5. Retirement preparation programmes remain inadequate or unknown in the majority of Member States. Such activities as are carried out in this field vary widely from country to country in terms of extent, content and methods. Courses aimed at preparing workers for retirement do, it is true, exist at various levels - but their audience remains relatively limited[2]. In general, they are intended for persons very close to retirement age employed, for the most part, by large firms or public authorities. It is very rare to find a body responsible for coordinating initiatives in this field at national level, a fact which explains the great diversity of programmes even within a single country. The content, quality and effectiveness of retirement preparation programmes depend heavily on the way in which they are organized, the importance attached to them, financial constraints and the skills of those organizing/proving them.

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1 To be eligible for partial retirement a worker must have an adequate contribution record and must not have reached the normal retirement age (65). Beneficiaries receive 50 % of the ordinary pension.

2 Some sources suggest that these programmes reach no more than 10 % of the target population.

OUTLOOK

1. Pension policies only take effect over the long term and they should therefore equally be assessed over a long period. From this point of view, two and a half years (the period covered by this report) is insufficient to permit the formation of a reliable overall judgment. Nevertheless, this short period is sufficient to show that flexibility and phasing remain valid objectives for the future.

   Due allowance must also be made for the fact that the report period coincides with a period of slow growth. Social policies have (very properly) been more concerned with combating unemployment. Moreover, the limited availability of financial resources has acted as a brake on new initiatives.

2. It would therefore be both premature and inopportune to propose new measures at this point. In contrast, there is every reason to reaffirm the principles set out in the recommendation, which remain entirely valid as long-term guidelines for the policy to be followed in the Community. These principles correspond to various objectives :

   a) Freedom of choice for older workers

   Measures aimed at making the retirement age more flexible and facilitating a gradual transition from working to non-working life would ensure that older workers enjoyed a wider range of options in planning their retirement. A rigid retirement system cannot always allow for the individual aspirations and objective needs of workers. Equally it is clear that the freedom of choice is purely notional if the pension available at a given age is inadequate. In such circumstances, the worker is generally obliged to defer retirement.

   b) Impact on employment

   The introduction of flexible retirement arrangements might have a beneficial impact on employment in the sense that early retirements would free jobs previously held by older workers. A number of Member States have been obliged to introduce measures aimed at fostering early retirement on bridging pensions. The introduction of flexible retirement arrangements has the advantage of offering scope for reversal of a temporary policy in the event of a change in the economic situation. Phased retirement in the form of arrangements for part-time working could also have a by no means insignificant impact on employment, assuming such arrangements to generate additional part-time jobs.

   c) Promotion of equal treatment for men and women

   Flexibility would provide a way out of the problem of equal treatment for men and women as regards the age of retirement, which is different for the two sexes in some countries. This solution would allow the objective of equality to be achieved without restricting the individual's freedom of choice.

d) Answer to demographic trends in the Community

The salient feature of demographic trends in Europe is the development of a severe imbalance between the working and the non-working population which poses a problem more especially as regards the financing of pension schemes. In this context, flexible and phased retirement can be seen as a particularly adaptable answer to this development which will see the appearance of a retired population less "worn-out", better educated and with a longer life expectancy than today's pensioners.

3. Over and above the principles set out in the recommendation, however, it is important to emphasize what could be achieved in the shortterm - and more particularly over the coming five years - in the following fields :

a) Preparation for retirement

The Member States should take steps to further the development of retirement preparation programmes. Across-the-board provision of such programmes, greater involvement by local authorities and in-depth discussion of the subject, content and effectiveness of retirement preparation programmes covering, in so far as possible, the whole spectrum of occupations would all help to improve the living conditions of older workers and ease significantly the transition from working life to retirement.
These programmes should concentrate on topics corresponding to the preoccupations of people about to retire. These might include :

- Material concerns
  The worker should be informed as to his future income situation (pension calculation mechanisms, scope for early/deferred retirement, the tax position, benefits for pensioners, problems as regards the combining of pensions with income from other sources, future opportunities for work and associated conditions).
- Health problems
  The emphasis should be on prevention - on informing the future pensioner as to ways and means of preventing premature ageing.
- How to use free time
  The worker's attention should be drawn to the organization of his free time. He should be encouraged to begin to participate in various activities, leisure pursuits and educational courses even before he retires. The capacity to make full and fruitful use of their additional free time would be of unquestionable benefit both to individual pensioners and to society at large.

b) Phased retirement

There is evidence of a shift in favour of phased retirement, i.e. the opportunity for employed persons to obtain a gradual reduction in their working hours during the years immediately preceding their retirement. The manifestations of this trend are to be found in some cases in the statutory scheme and in others in collectively agreed or company schemes. Progress in this area has not been impeded by the economic crisis, on the contrary. A careful watch should therefore be kept on the results and costs of these national experiments.

c) Combination of pensions with earnings from employment

Member States should ensure that their policies are so designed as to avoid any "ban" on paid employment for pensioners. In effect, certain old age pensioners receive only a low amount and therefore wish to supplement it by paid work. It would be desirable to acknowledge and allow this choice under certain conditions for retired people. This is, indeed, a facet of the flexibility called for by the recommendation.

4. The Commission therefore urges the Member States to give special attention to the three points outlined above over the coming five years. It intends to present a further report on the progress achieved at the end of that time.