COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(92) 2288 final

Brussels, 18 December 1992

REPORT FROM THE COMMISSION

on the application in the Member States of
the Council Recommendation 82/857/EEC of 10 December 1982
on the principles of a Community policy
with regard to retirement age

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I. INTRODUCTION

On 10 December 1982, the Council adopted a Recommendation on the principles of a Community policy with regard to retirement age(1).

The Recommendation invites the Member States to acknowledge flexible retirement for employees as one of the aims of their social policy, and it lays down the following principles (section A):

- Flexibilisation of the rules governing retirement age:

  . as from a specified age, and if necessary within an age limit, workers should be able to choose the age at which they retire,

  . failing this, where there is a specified age, workers should be able to retire in advance of or after that age, and reductions to pensions taken early should not be used as a deterrent,

  . the retirement age may also be determined by the number of years of occupational activity or membership of an insurance scheme.

- Gradual reduction in working hours during the years preceding retirement.

- Temporary incentives to promote early retirement introduced because of exceptional economic circumstances must not form part of a flexible retirement system.

- Workers receiving a retirement pension cannot be excluded from any form of paid employment.

- Retirement preparation programmes should be started.

As provided for in section B of the Recommendation, the Commission submitted a report on the application of the Recommendation to the Council on 2 July 1986(2).

After reviewing the situation in the Member States, the Commission concluded that, although progress had been made, it was not sufficient to be described as "substantial". In conclusion, the Commission acknowledged that two and a half years was too short a time to be able to assess the effects of the various pension policies, which, by definition, only take effect over the long term, and it considered that the principles set out in the Recommendation should be reaffirmed as long-term guidelines. In the short term, the Commission proposed that the accent over the next five years should be placed on phased retirement and the combination of pensions with earnings from employment.

Finally, the Commission said that it would present a further report on progress in these two fields in particular at the end of the five years.

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(1) OJ NO L 357, 18.12.1982

(2) COM(86) 365 final

1993 has been declared the "European Year of the Elderly and of Solidarity between Generations". In this context, the present report should help to generate discussion about the position of the elderly in society today.

The main concern of the Recommendation on retirement age, which dates from 1982, was to improve the quality of life and to promote greater respect for the wishes of the individual. Ten years later, the demographic situation is undergoing radical changes:

- a drop in the birth rate together with an increase in life expectancy means that the population of Europe is becoming older: in 2010, if immigration flows remain at their current level, 1 in every 4 Europeans (1 in 3 in some Member States) will be 60 or over and only 1 in 6 will be under 15 (see "Demographic Statistics", 1990, SOEC);

- the size of the working population will not start to shrink until after that date, mainly because of the continuing increase in the number of female workers;

- at the same time changes in family structures should continue: relationships between couples will be less stable, leading to a drop in the number of marriages, an increase in the number of divorces and an increase in the number of single people, one-parent families and 'reconstituted' families.

These developments will have an impact on the aging working population and on the balance between resources and expenditure in social security systems.

Despite this, there are grounds for considering that the Recommendation's approach - giving workers the freedom to choose - is still valid. It is reasonable to assume that a certain number of elderly workers would prefer to stay on the labour market after the retirement age as fixed by the Member States. Attitudes towards the elderly have in fact changed:

- generally speaking, there is increasing awareness of the potential for the elderly to make a positive contribution to society as a whole;

- some elderly people increasingly view the fact that they are not allowed to work after the retirement age as an unfair restriction;

- finally, complaints about age discrimination with regard to access to jobs are on the increase. The number of petitions to the European Parliament on this question is significant.

This report is therefore also intended to form part of the activities and discussions associated with the European Year of the Elderly and of Solidarity between Generations.

II. SITUATION IN THE MEMBER STATES

This report gives a brief description of the situation in the Member States and was drawn up mainly on the basis of replies by the national authorities to a questionnaire distributed by the Commission.

A number of preliminary remarks should be made.

First of all, the description of the situation in the Member States covers for the most part only general statutory schemes for employees. For information, some limited comments have been included on public service schemes where details were available.

The introduction to the Recommendation makes it clear that it applies only to employees. Also, even if supplementary pension schemes are not actually excluded from the scope of the Recommendation, the Commission adopted a Communication to the Council on this subject on 21 July 1991(3), and it was therefore considered unnecessary to cover such schemes in this report. Finally, most Member States have a number of statutory old-age insurance schemes for employees. In order to prevent the report from becoming weighed down with references to specific schemes, only the general schemes are covered.

Having defined the scope of the report, we will now explain the meaning of some of the terms used.

For the purposes of this report, phased retirement (or partial retirement) means the possibility for employees to obtain a gradual reduction in their working hours in the years preceding their final retirement, while at the same time receiving part of their pension.

Also for the purposes of this report, early retirement means the possibility for older employees who do not yet fulfil the conditions for receiving an old-age pension to leave the labour market, particularly where this is desirable for economic reasons. Such schemes, which form part of employment policy in the Member States, may be nationally-run or based on industrial agreements and are in most cases co-financed from public funds and by firms. The term may also refer to specific schemes for the elderly unemployed under unemployment insurance.

There now follow parallel descriptions of the pension schemes in all the Member States, which should make them easier to compare.

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(3) SEC(91) 1332 final

BELGIUM

A) STATUTORY RETIREMENT

In Belgium, flexible retirement was introduced by the Law of 20 July 1990 establishing a flexible retirement age for employees and index-linking employees' pensions, which came into force on 1 January 1991.

i. retirement age

Under the terms of this Law, the retirement pension commences "on the first day of the month following that in which the worker concerned applies to receive the pension, and at the earliest on the first day of the month following that in which he reaches the age of 60".

The minimum age for drawing a pension, beyond which everyone can decide when they wish to retire from work, is therefore 60.

a) exceptions

There are a number of derogations from the retirement age rule described above, mainly based on sex or the nature of the work in question.

Of the exceptions based on sex, it should be stressed that it is compulsory for women who are unemployed or invalids to retire at the age of 60, because under the Law women in these two categories cease to receive benefits at 60. Men in the same categories, on the other hand, may choose to retire at any time between the ages of 60 and 65, unemployment and invalidity benefits being payable to men up to 65.

As regards exceptions based on the nature of the work, the retirement age is earlier for some categories of workers such as miners and civil aviation staff.

ii. minimum contribution period

There is no minimum contribution period required to qualify for a retirement pension.

Pension rights are acquired year by year and are therefore proportional to the duration of the worker's career. In other words, the retirement pension is calculated on the basis of the time worked by the individual employee and the pay relating to this period.

iii. calculation of pension

Every year worked for which contributions have been paid or every year classified as equivalent entitles the worker to a pension sum equivalent to 1/45th (men) or 1/40th (women) of 75% (married person's rate) or 60% (single person's rate) of the actual gross salary or wage (a ceiling may be imposed), whether notional or flat-rate, for the year in question.

The number of years taken into consideration when calculating the pension may not exceed 45 for men or 40 for women, so that the pension allocated does not exceed that payable for a full career (45/45 or 40/40).

For the reference wages or salaries, a distinction must be made between white-collar and blue-collar workers.

For blue-collar workers, wages received before 1955 are flat-rate; for the period 1955-1980 the gross wage (unrestricted) is taken into consideration; since 1980 a wage ceiling has applied for all employees.

For white-collar workers, the salaries received before 1958 are flat-rate; for the period 1958-1980, the gross salary is taken into consideration, up to the ceiling applicable for the payment of pension contributions; since 1980 common wage ceilings have applied for all employees.

Periods of unemployment, unfitness for work, invalidity and maternity leave, for which benefits are paid in accordance with the relevant legislation, are classified as equivalent to work periods.

Study periods may be classified as equivalent under certain conditions and provided that voluntary contributions are paid.

B) PHASED RETIREMENT

The pension scheme for employees does not provide for phased retirement as such.

However, it may be useful to look here at some of the schemes for part-time work, and in particular the special scheme for workers wishing to reduce their working hours to half-time. Workers working full time or three-quarter time have the possibility, by direct agreement with their employer or by collective agreement, to reduce their working hours to half-time and to claim a bridging allowance from the National Employment Office, which is then paid until early retirement or full retirement is taken. It should be noted that workers aged over 50 receive double the allowance of other categories of workers.

C) EARLY RETIREMENT

Since 1975 Belgium has had a collectively agreed early retirement scheme, based as its name suggests on an agreement between the two sides of industry.

It is collective agreement No 17 which governs this whole area. It establishes a supplementary allowance scheme payable by the employer over and above unemployment benefit. The allowance is payable to workers made redundant over the age of 60. In addition, agreement No 44 establishes that certain workers, in particular those in firms employing less than 10 workers on average, may take early retirement from the age of 58.

The age may be reduced to 55, 52 or 50 for firms in difficulty or undergoing restructuring.

The allowance paid must be at least half the difference between the net reference wage or salary and the unemployment benefit.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

Pensions are payable only if the recipient has ceased all occupational activity, except where authorised otherwise, and provided that the gross earned income does not exceed a certain level. The pension may not be combined with benefits payable in respect of illness, invalidity or involuntary unemployment, nor with allowances payable in respect of career breaks or reduction of benefit.

Where the income exceeds the annual limit, the pension is reduced by one third. If the income exceeds twice the limit, the pension is suspended.

Furthermore, in addition to other restrictions, the pension will not be paid at the 'married person' rate unless the spouse has ceased all activity except as authorised under the conditions referred to above.

The same rules apply to those taking early retirement, with the following specific conditions:

- work may not be carried out for the last employer, except for youth training purposes;
- the earned income of the spouse is not taken into consideration;
- the unemployment benefit may be reduced or suspended.

DENMARK

A) STATUTORY RETIREMENT

Law No 624 of 28 September 1987, as amended, contains the rules governing retirement in Denmark.

It should be pointed out that Denmark also has a compulsory supplementary pension scheme for employees (ATP).

i. retirement age

The legal retirement age is 67 and is the same for both men and women. However, retirement at 67 is still voluntary, and those who retire may work and still receive their pension under certain conditions (see point D below). Public servants are normally obliged to retire at 70.

a) early pension

An early pension may be granted for health reasons (at least 50% incapacity for work) or for a combination of health and social reasons. This pension may be granted exclusively for social reasons for those aged 50 or over.

There are thus four early pension rates which vary according to age and the reasons for the incapacity for work. It should be noted that workers aged between 50 and 67 may receive a pension at the higher general rate (if they are under 60) or at the general rate (if they are over 60) for health <u>or</u> social reasons. For other age groups there must always be health reasons.

<u>ii. minimum contribution period</u>

Pension rights are acquired on the basis of residence. For this purpose, nationals of the Community Member States, among others, are classified in the same category as Danish nationals.

A minimum residence period of three years between the ages of 15 and 67 is required as the basis for entitlement to a pension.

<u>iii. calculation of pension</u>

- work between 15 and 30 hours per week, and at least 20 days per quarter,
- have worked as employees in Denmark for at least 9 of the 12 months before taking phased retirement,
- have paid full rate contributions to the employees' supplementary scheme (ATP) for at least ten years out of the previous 20.

The amount of the phased retirement pension is calculated in proportion to the reduction in working hours. (The normal working week is 37 hours.) It corresponds to 1/37th of the basic sum for every working hour reduced. This reference figure, which stood at DKR 130.312 per year on 1 July 1991, is equivalent to the amount of the maximum annual sickness benefit.

A ceiling is applied to the pension in that it may not be greater than 90% of the income not earned because of the transfer to part-time work.

After two and a half years the phased pension is reduced to 80% of the original sum.

C) EARLY RETIREMENT

1979 saw the introduction of the early retirement scheme (efterlønsordingen), which enables elderly workers to leave the labour market a few years before the statutory retirement age and to obtain a more gradual reduction in income than would be entailed by an abrupt transition from working life to statutory retirement. Since March 1992 the long-term unemployed in the 55-59 age group have also been able to take advantage of this scheme under certain conditions. Previously the age limit was 60.

In order to be eligible for an early retirement pension the worker must:

- have been affiliated to an unemployment fund for at least 20 years out of the last 25,
- fulfil the conditions entitling him to unemployment benefit,
- be resident in Denmark.

Members taking advantage of the early retirement scheme receive a pension which corresponds to the daily allowance they would receive if they were unemployed, and which is equivalent to 90% of the reference wage or salary. The pension stays at this level for two and a half years, falling to 80% of this sum until the member reaches the age of 67.

An early retirement pension may not be combined with a welfare pension, and the recipient may not work more than 200 hours per year.

It should be noted that the regulations governing phased retirement are to some extent aligned with those governing early retirement. The age groups are the same, and the pension levels are also reduced to 80% after two and a half years. This is intended to make it easy to transfer from one scheme to the other and to promote phased retirement in general.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

Those receiving an old-age pension may do paid work. However, for pensioners aged 67 to 69 the basic sum is reduced where earned income exceeds a certain ceiling (DKR 77.900 per year on 1 July 1991). From the age of 70 this reduction no longer applies.

The early retirement pension is reduced where income from any source exceeds the ceiling referred to above.

Finally, phased or partial retirement is conditional on continuing to be in part-time paid employment.

GERMANY

A) STATUTORY RETIREMENT

In Germany the Law reforming old-age and invalidity pensions (Rentenreformgesetz) came into force on 1 January 1992.

The main aim of the reform is to keep the 'normal' retirement age at 65.

i. retirement age

a) early retirement

There are currently a number of possibilities for taking early retirement at the full pension rate:

- at 63 (60 in the case of incapacity for work or invalidity) after 35 years' affiliation and 15 years' contributions;
- at 60 for the long-term unemployed who have paid contributions for at least eight years out of the last ten. "Long-term unemployed" means workers who have been unemployed for twelve out of the last 18 months;
- at 60 for women after 15 years' affiliation and at least 10 years' contributions over the last 20 years.

From 2001 the age will be raised gradually for these categories to the normal 65. The transition will take until 2012 to complete. The previous early retirement pensions may still be taken up to three years early, the pension being reduced by 0.3% for every month taken early, or 3.6% per year.

b) deferred retirement

It is possible to defer retirement and to obtain a pension increase of 0.5% per month (6% per year) after the age of 65.

ii. minimum contribution period

To qualify for a pension, contributions must have been paid for at least five years.

iii. calculation of pension

Under the 1992 reforms the monthly pension is calculated according to the following formula:

Value points x Multiplier x Current pension value

The value points are obtained by dividing for each year the contributions paid by the recipient by the average contribution calculated for all those insured. The sum of the value points is then multiplied by a "start pension" factor which is usually 1. However, if retirement is taken early or dererred, this factor is reduced or increased by 0.3 or 0.5% per month (see points A)i.a) and b) above).

In the case of old-age pensions, the multiplier is 1.

The current pension value is equal to the value of the monthly pension calculated on the basis of a year's contributions for a worker on an average wage.

There are three different types of periods to be taken into account when calculating the pension.

The first are compulsory contribution periods, i.e. periods of employment, or of unemployment or sickness for which benefits were paid. Periods of parental leave of up to three years are classified as equivalent.

The second are non-contribution periods. These mainly cover training periods of up to seven years after the age of 16 and periods of sickness or unemployment for which no benefits were paid. The value given to these periods depends on the contributions paid throughout the rest of the worker's career.

The third type are the so-called reckonable periods (Berücksichtigungszeiten), spent bringing up children under 10 or taking care of dependants.

B) PHASED RETIREMENT

Workers reaching retirement age can choose between taking the full pension or a partial pension (one third, a half or two thirds) according to their reduction in activity. A distinction must be made between those taking early partial retirement and those taking partial retirement after the age of 65.

In the first case (early partial retirement), there is a ceiling on the income from part-time work. The ceiling is calculated on the basis of the proportion of the full pension actually drawn and the worker's wage or salary during the last year of work.

In the second case, on the other hand, there is no ceiling on the extra income earned. The full pension may therefore normally be drawn after the age of 65.

C) EARLY RETIREMENT

A Law on early retirement pensions (Vorruhestandsleistungen) was in force in Germany until 1 January 1989. Under this Law, employers paying early retirement allowances to workers retiring from the age of 58 could obtain a subsidy from the Federal Labour Office provided that they fulfilled the following conditions:

- they had to pay workers taking voluntary early retirement an allowance of not less than 65% of their average wage or salary over the last six months, in accordance with a collective or individual agreement,

- they had to replace the retiring worker with a registered unemployed worker.

The Law on part-time work for elderly workers (Altersteilzeitgesetz) abrogated this scheme. Under the new Law, subsidies may be obtained from the Federal Labour Office by employers paying allowances to workers aged 58 or over who, under a collective or individual agreement, have reduced their working hours to half the agreed weekly number. Those receiving the allowance must work for at least 18 hours a week and must have paid contributions for at least three years out of the last five. In addition, the employer must fulfil the following conditions:

- he must increase the pay for part-time work by at least 20%,

- he must pay supplementary contributions to statutory old-age/invalidity schemes for the worker,

- he must replace the worker concerned by a registered unemployed worker.

The employer ceases to be entitled to such subsidies when the worker:

- leaves the scheme

- reaches the age of 65, or

- starts to draw a statutory retirement pension.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

Those drawing an old-age pension after the age of 65 may continue to work, with no ceiling on their earned income. A ceiling does apply, on the other hand, to the earned income of those receiving an early retirement pension.

The specific rules governing phased or partial retirement are described in point B).

GREECE

A) STATUTORY RETIREMENT

Law 1902/90, which came into force on 1 October 1990, made considerable changes to the social security system in Greece. These changes mainly related to funding and obviously also affected the old-age insurance scheme. Under Law 2084/92 further changes will affect all those entering the insurance scheme after 1 January 1993. In the description below the current arrangements are described, followed by a summary of the new arrangements applying after 1 January 1993.

i. retirement age

Current scheme

The statutory retirement age is 65 for men and 60 for women.

a) early retirement

There are a number of possibilities for taking early retirement:

- for those doing arduous or unhealthy work, the retirement age is 60 for men and 55 for women. The worker must have paid contributions for at least 4 050 days (approx. 13½ years) and must have worked for at least 4/5ths of this period - including at least 1 000 days over the last ten years - doing arduous or unhealthy work;
- the retirement age may be brought forward to 62 (men) or 57 (women) for those who have paid contributions for 10 000 days (approx. 33 years and 4 months);
- for those who have paid 10 500 days' contributions (approx. 35 years), the retirement age may be brought forward to 56, the pension being reduced by 0.5% per month taken early between the ages of 56 and 58. The reduction does not apply from 58 onwards;
- finally, the retirement age may be brought forward to 60 or 55 depending on sex, provided that 4 050 days' contributions have been paid, including at least 100 in each of the five years preceding the pension application. In this case, the pension is reduced by 0.5% for each month taken early.

New scheme : after 1 January 1993

The statutory retirement age will be 65 for both men and women to whom the new scheme applies.

a) early retirement

There will be a number of possibilities for taking early retirement :

- for those employed in arduous or unhealthy occupations the retirement age is 60. The worker must have paid contributions for 15 years of which at least 4/5 was spent in this type of work;

- for those employed in special categories including mines, underwater activities, drains and electric power stations the retirement age may be 55, or 50 on a reduced pension. Contribution conditions apply as above;

- mothers with children under 18 may retire at 55, or 50 with a reduced pension. Mothers with 3 or more children of this age may retire 3 years earlier for each child, down to 50 years. The minimum insurance period is 20 years;

- special arrangements apply to certain groups, for example judiciary, military and police, where no age restrictions apply provided the workers comply with the requirements of the code of Public Servant or military pensions.

ii. minimum contribution period

Current scheme

In order to be able to draw an old-age pension, contributions must have been paid for 4 050 days, which corresponds to 13½ years. This figure is to be increased by an average of 150 days (approx. 6 months) per year from 1 January 1992 to reach a final figure of 4 500 days (15 years).

New scheme : after 1 January 1993

The minimum insurance period will be 15 years.

iii. calculation of pension

It should be noted that Greece has 28 wage categories for the purposes of its social security system.

The pension consists of a basic sum plus a supplement.

A flat-rate daily amount is calculated for each of the 25 categories. Each is also allocated a percentage of between 70% and 30% in inverse proportion to the daily amount. The percentage is then applied to the daily amount and multiplied by 25 to give the basic monthly pension for each category.

To this is added a supplement which depends on the total number of days' contributions. Thus every 300 days worked between 3 000 and 7 799 entitles the worker to a supplement of 1% of the flat-rate daily amount. After 7 800 days the supplement for every 300 days varies between 1.5% and 2.5% of the flat-rate sum depending on the wage category. These daily amounts are multiplied by 25 and added to the basic sum. The total pension produced is paid 14 times per year.

The total pension must not exceed 100% of the wage ceiling for each wage category.

Days of unemployment and sickness over the ten years preceding retirement are classified as equivalent to days of contributions up to a total of 200 days.

New scheme : after 1 January 1993

The pension will consist of a basic pension and supplement.

The level of basic pension will be determined by the number of years of insurance. Each year will be equivalent to 1,.714% of pensionable earnings.

For the supplement each year will be equivalent to 0,571% of pensionable earnings.

The basic pension will be equivalent to 60% of pensionable earnings for 35 years of insurance; the auxilliary pension to 20% for the same period.

The total pension may not be higher than 4 times the average monthly GNP per capita of 1991 readjusted according to increases in Public Sector pensions.

B) PHASED RETIREMENT

There are no statutory provisions on phased retirement.

C) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

Current scheme

Pensions may be combined with earnings provided the monthly wage does not exceed the minimum daily wage multiplied by 50. If earnings exceed this limit the pension is suspended. All restrictions concerning employment of workers with a full career (35 years) have been lifted.

Furthermore, anyone receiving a minimum pension who continues to work, still within the ceiling mentioned, is not paid the minimum pension but the "organic total", i.e. the sum to which he is strictly entitled in the light of the total contributions paid.

New scheme : after 1 January 1993

The pension is reduced by up to a third according to the level of the pension but in no case below the level of the minimum pension.

SPAIN

A) STATUTORY RETIREMENT

I. retirement age

In Spain the retirement age for both men and women is 65.

a) exceptions

The retirement age is earlier for some categories of workers doing arduous or unhealthy work, for example miners, railwaymen, seamen and aircrews.

The age at which this form of early retirement may be taken, which is calculated by applying particular reduction coefficients for each job, must not be more than ten years below the normal age of 65.

b) early retirement

There are two other possibilities for taking early retirement. One concerns workers who paid contributions before 1.1.1967, who may retire at 60, but whose pension is reduced by 8% for each year taken early.

The other possibility is for workers aged 64 who are replaced upon retirement by a registered job-seeker. In this case the pension is not reduced.

ii. minimum contribution period

In order to be entitled to a contributory retirement pension, contributions must have been paid for at least 15 years, including at least two during the eight years preceding retirement.

iii. calculation of pension

Pensions are calculated using the following variables:

- the basic figure is equal to the quotient over 112 of the worker's wages or salaries on which contributions were payable over the 96 months preceding the month in which retirement is taken,

- the percentage corresponding to the years of contributions is 60% for the first 15 years. Every year's contributions after this initial period gives entitlement to a further 2% up to a maximum of 100% after 35 years of contributions.

The pension is calculated by applying the percentage corresponding to the years of contributions to the basic figure. It should be noted that pensions are paid 14 times per year.

Contributions are payable during periods of unemployment and temporary incapacity for work for which benefits are paid. Periods of parental leave are treated as equivalent to contribution periods. Any person not covered by the social security system may elect to pay voluntary contributions under a special agreement ("Convenio Especial").

B) PHASED RETIREMENT

Insured workers may take phased or partial retirement between the ages of 62 and 65 provided that they meet the following conditions:

- the worker in question must fulfil the other requirements providing entitlement to a pension, except age,

- he must sign a part-time contract with his employer stating that he is to work half-time and that he will be entitled to half his wage or salary,

- the firm must conclude a half-time replacement contract with an unemployed worker registered with the Employment Office.

Under these conditions, insured workers are entitled to 50% of the pension calculated in accordance with the formula given in point A) iii.

Contributions must be paid on the wage received. As a result, when he reaches the age of 65, the worker is entitled to a full pension with an additional 2% for each year of half-time work (still within the ceiling of 100% of the basic figure).

If the employer decides at the end of the replacement contract to convert it into a full-time open-ended contract, he receives a 50% reduction in the contributions payable to the general social security scheme for the worker in question for the entire duration of the contract.

C) EARLY RETIREMENT

Spain has a number of different types of early retirement, the most important of which are as follows:

Early retirement for workers in firms involved in restructuring programmes.

Workers must be aged at least 60 and fulfil the other conditions for entitlement to an old-age pension, particularly those relating to contributions. The early retirement pension is calculated by applying to the basic figure a percentage laid down in the Decree declaring that a firm is covered by a restructuring programme. Additional sums are paid by the employer or the Employment Promotion Fund to make up 75% of the worker's average wage or salary over the six months preceding retirement.

The early retirement period is classified as equivalent to a work period for the purposes of calculating the old-age pension.

Early retirement for workers in crisis-hit firms which are not involved in restructuring programmes.

For these pensions 60% is paid by the firms in question and 40% by the State.

The conditions for taking this type of early retirement are the same as those described for the previous type. The pension corresponds to 75% of the worker's average wage or salary over the six months preceding retirement.

In addition to these "statutory" forms of early retirement, it should be noted that other forms exist in collective agreements. In fact, increasing numbers of collective agreements now make provision for some form of early retirement.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

It is not permitted to combine pensions with earnings. The old-age pension is suspended if the recipient is in paid employment.

FRANCE

A) STATUTORY RETIREMENT

i. retirement age

The old-age pension under the general social security scheme may be drawn only from the age of 60 onwards for both men and women. However, this is a right, not an obligation: after the age of 60 the person insured can decide when he wishes to retire.

a) exceptions

It is not possible to retire before the age of 60.

b) deferred retirement

Those applying to receive their pension after the age of 65 who have not paid contributions under the general scheme for 150 quarters are entitled to increase their contribution period by 2.5% for each quarter after their 65th birthday up to a maximum of 150 quarters.

ii. minimum contribution period

The minimum contribution period is one quarter.

iii. calculation of pension

Pensions are calculated according to the formula

$$S \times T \times n/150$$

- S represents the average annual wage or salary in the best ten years

- T represents the rate applicable:

  . those with 150 quarters of contributions (37½ years) are entitled to the full rate of 50%.

Certain categories of insured persons may also obtain a full-rate pension from the age of 60 without having paid 150 quarters of contributions. These are: 1) persons acknowledged to be unfit for work or in receipt of an invalidity pension or handicap allowance before the retirement age; 2) former deportees or internees; 3) ex-servicemen and ex-prisoners of war, and 4) working mothers with at least three children who have paid 30 years' contributions and have done manual work for at least five years out of the last fifteen.

Finally, insured persons who reach the age of 65 also receive the full rate no matter how long they have paid contributions.

. In all other cases, the 50% rate is **reduced** by 2.50% for every quarter missing (i.e. 10% per year) either in relation to the number of quarters still to go before the person reaches the age of 65, or in relation to the number of quarters missing from the 150 required. The smaller of these two alternatives is used as the basis for calculating the reduction. In any event the rate may not be less than 25%.

- n represents the **contribution period** expressed in quarters

  Some periods not worked, such as for training, sickness, maternity, invalidity, occupational accidents, redundancy and military service are regarded as equivalent to work periods.

B) PHASED RETIREMENT

Law No 88-16 of 5 January 1988 introduced a phased retirement scheme offering workers the possibility of reducing their working hours while at the same time receiving a proportion of their retirement pension.

In order to be eligible the worker must:

- have reached the age of 60;
- have paid contributions for 150 quarters;
- remain in part-time employment.

The final sum of the pension to be paid under the general social security scheme is calculated. The proportion paid varies depending on the hours worked:

- 30% for hours between 60% and 80% of full time;
- 50% for hours between 40% and 59%;
- 70% for hours below 40%.

The part-pension is cancelled if the insured person returns to full-time work. He cannot then return to phased retirement.

C) EARLY RETIREMENT

Under Article L-322-1, 2, 4 -2 of the Code du Travail, the State may sign an agreement on a special early retirement allowance from the National Employment Fund (ASFNE) with firms wishing to participate. The agreement is negotiated with the firm and in return the employer must provide certain guarantees about maintaining and adapting other jobs in the firm. Employees made redundant by firms with which the State has signed an ASFNE (early retirement) agreement may, under certain conditions, become parties to that agreement, which guarantees them a replacement income.

The scheme offered is as follows:

Becoming party to an ASFNE (early retirement) agreement is open to employees made redundant on economic grounds who are aged over 56 years and two months (or in exceptional cases over 55). The same age limits apply for both men and women. The guarantees offered do not include a retraining programme. Such workers are regarded as not retrainable and are therefore not required to seek employment. On the other hand, negotiations on the agreement include the adoption, as part of a social programme, of measures to promote the maintenance, adaptation or retraining of those of the firm's employees who are most at risk and who are not old enough to take early retirement.

There are also solidarity contracts in the form of phased early retirement agreements. These provide income guarantees for employees aged over 55 who wish to transfer from full-time to part-time work. Firms entering into such agreements must undertake to recruit full-time workers to compensate for those transferring to part-time work.

The State pays an allowance equivalent to 30% of the reference daily wage.

The allowance guaranteed by an ASFNE agreement is 65% of the reference daily wage up to a certain ceiling (FF 11 620/month on 1 July 1991) and 50% of the reference daily wage for that part of the salary between the ceiling and four times the ceiling.

Payment is financed by the State, UNEDIC, the employer who is signatory to the agreement and any employees who are party to it.

If the worker concerned finds a job which involves less than 16 hours work per month and with pay of less than 16/169ths of the gross reference wage, the allowance will continue to be paid, taking account of the wage received by the recipient.

With jobs involving more than 16 hours work or pay of more than 16/169ths of the gross reference wage, the allowance is suspended. Payment is restarted once the recipient ceases the work in question or reduces it to within the limits imposed.

ASFNE recipients continue to receive their allowances if they are ill and they keep their sickness benefit entitlements.

Periods when they receive ASFNE allowances also count for old-age pension purposes (equivalent quarters) and enable those concerned to obtain extra points.

Recipients also keep their family allowance entitlements.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

The payment of a full old-age pension under the general social security scheme is subject to the severance of all contractual links with the previous employer. Pensioners still have the possibility of taking another job with a different firm, for example.

IRELAND

A) STATUTORY RETIREMENT

i. Retirement Age

Retirement Pension is payable at age 65 for both men and women. Old Age (Contributory) Pension is payable at age 66.

a) exceptions

There are currently no provisions allowing early or deferred retirement, although a person who wishes to remain in insurable employment or self-employment between the age of 65 and 66 may opt not to take Retirement Pension and instead to opt for the Old Age (Contributory) Pension at age 66.

In some areas of the public sector there is the option of retiring from the age of 60 onwards (up to the compulsory age 65) and receiving an occupational pension.

The National Pensions Board (an Advisory Body to the Minister for Social Welfare) is currently preparing a report on the development of a new pensions system. The report is due to be completed in late 1992 and will include an examination of the question of greater flexibility in retirement age.

ii. Minimum Contribution Period

There must be a minimum of 3 years paid social insurance, entry to the system at least 10 years before pension age and a specified minimum yearly average of contributions paid or credited from the year of entry to the end of the tax year before reaching retirement age. For Retirement Pension the minimum is 24, and for Old Age (Contributory) Pension it is 20.

iii. Calculation of Pension

Entitlement to a Retirement or Old Age (Contributory) Pension is calculated as a function of the number of years since entry into social insurance and the total number of contributions paid or credited on behalf of the pensioner. Full rate Retirement of Old Age (Contributory) Pension are payable to pensioners with a yearly average of 48 contributions or more. The rate is reduced progressively; the minimum rate being payable in respect of an average 24 or 20 contributions.

Additional payments are made in respect of adult or child dependants. There are also additional allowances for people aged over 66 living alone, and for people aged 80 and over.

B) PHASED RETIREMENT

There are no statutory provisions for phased retirement.

C) EARLY RETIREMENT

There is no statutory scheme for early retirement but the Social Welfare Act 1988 provided for the introduction of a new Pre-Retirement Allowance, a means-tested social assistance payment. The new allowance is intended to provide more flexible arrangements for elderly long-term unemployed people. It is available as an option to those in receipt of long-term unemployment assistance aged 55 and over, and who have no other income. It is payable up to the date the person qualifies for a Retirement of Old Age (Contributory) Pension.

Furthermore, the Redundancy payments scheme operated by the Department of Labour compensates workers for the loss of their jobs by reason of redundancy ie where a worker is dismissed from employment due to a complete or partial closing down of the place of employment or a decrease in the employer's requirements for employees of his kind. The scheme operates under the terms of the Redundancy Payments Act 1967-1991. Rebates are paid to employers of 60% of the statutory redundancy payments which they are required to make to redundant workers. Although the scheme applies to all workers between the ages of 16 and 66, compensation is based on age and length of service as well as the normal weekly pay for the job. The amount of compensation is calculated as follows :

a) a half week's pay for each year of employment continuous and reckonable between the ages of 16 and 41 years;

b) a week's pay for each year of employment continuous and reckonable over the age of 41 years;

c) additionally, the equivalent of one week's normal pay, subject to a ceiling.

Redundancy payments compensation is paid from the Social Insurance Fund and financed by employers and the State.

D) COMBINATION OF PENSION WITH EARNINGS FROM EMPLOYMENT

Payment of Retirement Pension at age 65 is conditional upon retirement from employment. Payment of Old Age (Contributory) Pension is not subject to a retirement condition and pension can be paid concurrently with occupational activity.

ITALY

A) STATUTORY RETIREMENT

i. retirement age

A distinction must be drawn between the old-age pension and the seniority pension.

The retirement age for the old-age pension is 60 for men and 55 for women. Under new pension reforms it is proposed to raise this gradually (by 2012) to 65 for men and 60 for women.

The seniority pension is open to those who have paid 35 years' contributions, regardless of age.

a) exceptions

The retirement age may be brought forward by five years for those doing arduous or unhealthy work. Thus miners may take early retirement provided that they fulfil the following conditions:

- they must have paid contributions for at least 15 years;
- they must have worked in mines for at least 15 years;
- they must have ceased all occupational activity.

b) deferred retirement

Women may opt to retire at the age for men (60), and for both men and women retirement may be deferred up to the age of 62. Workers may also continue to work up to the age of 65 in order to top up their contributions (up to 40 years'). .

ii. minimum contribution period

The minimum contribution period is 15 years. Under new pension reforms it is proposed to increase this to 20 years.

iii. calculation of pension

The pension is equivalent to 2% of the average wage over the last five years for each year of contributions. The maximum number of years' contributions taken into account is 40; the maximum pension therefore corresponds to 80% of the average wage (up to a certain ceiling) over the last five years. Under new pension reforms stricter criteria will apply in future.

The monthly sum is paid 13 times per year.

Periods of sickness, maternity leave, invalidity and unemployment are classified as equivalent to contribution periods.

B) PHASED RETIREMENT

Law 683 of 19 December 1984, as amended by Law 223/91, introduces a form of phased retirement. Management and workers in individual firms may conclude collective agreements on reducing working hours to prevent redundancies. Employees in these firms who fulfil the conditions described below may receive a partial pension (cumulable) up to the level of pay lost for the hours not worked as a result of the reduction in working hours, in addition to the wage paid by the employer.

In order to be eligible for this partial pension the worker must:

- not be more than five years younger than the statutory age for the old-age pension;
- have paid contributions for at least 15 years;
- continue to work part-time for at least 18 hours per week.

C) EARLY RETIREMENT

Law 155 of 23 April 1981, extended a number of times, makes early retirement possible for workers made redundant by firms in crisis-hit industries. Under this law the worker must fulfil the following conditions in order to obtain early retirement:

- he must have reached the age of 55 (men) or 50 (women);
- he must have paid contributions for 15 years;
- he must have obtained permission from the Interministerial Industrial Planning Committee (CIPI).

Early retirement pensions are paid by the CIG (wage compensation fund) and are administered by the INPS.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

It is not permitted to combine a seniority pension with earned income.

The old-age pension is reduced to the minimum rate for those in paid employment.

LUXEMBOURG

A) STATUTORY RETIREMENT

The Law of 24 April 1991 has changed some of the rules on pensions under the contributory scheme, making it possible to take early or deferred retirement (see points A a) and b) below).

i. Retirement age

The retirement age is 65 for both men and women.

a) early retirement

There are two possibilities for taking early retirement. It may be taken from the age of 60 provided that the recipient has 480 months (40 years) of compulsory pension contributions or equivalent (see point A) iii below). Under the new Law of April 1991 retirement may also be taken from the age of 57 provided that the worker concerned has 480 months of compulsory contributions.

b) deferred retirement

Retirement may be deferred up to the age of 68 provided that the worker concerned fulfils the conditions for obtaining a normal old-age pension at the age of 65. Where a pension is deferred, the amount is increased by an actuarial coefficient based on the age when the pension is started.

ii. minimum contribution period

Contributions must have been paid for 120 months (10 years) to provide entitlement to a pension.

iii. calculation of pension

The old-age pension comprises a flat-rate sum and a proportional sum. The flat-rate sum depends on how long contributions have been paid, a flat-rate figure being allocated for each year of contributions or equivalent up to a maximum of 40 years.

The proportional sum is produced by applying the rate of 1.78% to the sum of all earned income on which contributions were paid.

The two figures are combined to produce the annual pension.

Periods of unemployment and sickness, together with a two-year period when the State pays contributions for those who have given up work or reduced their working hours, are taken into account when calculating the proportional sums. Periods spent looking after children under 6 years of age, or caring for certain categories of dependent, are taken into account when calculating the flat-rate sum, and in conferring pension rights. It is also possible to pay voluntary contributions.

B) PHASED RETIREMENT

It is possible to combine a half-pension with half-time paid employment, provided that the previous income is actually reduced. The pension is reduced by a half if the monthly salary exceeds one third of the statutory minimum wage. Common law rules on non-cumulation also apply (see D below).

C) EARLY RETIREMENT

The various forms of early retirement available in Luxembourg are set out in the Law of 23.12.1990, which has established early retirement as a fixed option.

The following forms of early retirement are available:

- adjustment: for workers threatened with redundancy as a result of job losses caused by industrial restructuring or job transformation caused by technological change;

- solidarity: this enables firms to adjust their age pyramid, take on younger staff and unblock internal promotions. The condition here is that the worker taking early retirement must be replaced by a young job-seeker;

- early retirement for workers who have done 20 years of shift work or night work.

In order to be able to take one of these types of early retirement, the worker must be at least 57 and must fulfil the conditions for obtaining a normal early retirement pension at the age of 60. The pension is the equivalent of 85% of the worker's previous pay for the first year, 80% for the second year and 75% for the third year. From the age of 60 he receives a normal early retirement pension.

The pensions are paid by the employment fund.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

The old-age pension may be combined with paid employment from the age of 65.

On the other hand, those receiving an early old-age pension may only do minor or occasional paid work, defined as any continuous or temporary work generating an income which, spread over the calendar year, does not exceed one-third of the statutory minimum wage per month. If the income exceeds this limit, the pension is reduced by half. The income from employment may be combined with the pension up to a ceiling equivalent to the average of the five highest incomes on which contributions were payable over the insured period. If this ceiling is exceeded the pension is reduced proportionately.

In addition, if the insured person carries out unpaid work before the age of 65 other than work allowed by the insurance fund, the early old-age pension will be refused or withdrawn.

NETHERLANDS

A) STATUTORY RETIREMENT

i. Retirement age

The retirement age for both men and women is 65.

ii. Minimum contribution period

There are no special requirements here.

iii. Calculation of pension

The pension is granted to anyone residing or working in the Netherlands whose income is taxed in the Netherlands. The contribution periods therefore correspond to the years in which the person resided or worked in the national territory between the ages of 15 and 65.

The amount of the pension is determined by the contribution period and whether or not the insured person lives alone. Fifty years of contributions provide entitlement to a full rate pension, which corresponds to a monthly amount equivalent to 50%, 70% or 90% of the minimum net salary, depending on whether the recipient is married, single or head of a one-parent family.

The pension is reduced by 2% for every year when contributions were not paid over the 50-year period between the ages of 15 and 65. Voluntary contributions are possible, particularly for those residing abroad.

B) PHASED RETIREMENT

The statutory pension scheme makes no provision for phased retirement. However, there are supplementary schemes for voluntary early retirement, some of which are included in collective agreements.

C) EARLY RETIREMENT

Under the unemployment insurance scheme, workers who lose their jobs after the age of 57 and a half receive unemployment benefit until they reach retirement age (65), as an exception to the normal system. This means that elderly workers are able to take early retirement, particularly in cases of collective redundancy on economic grounds.

In addition, the supplementary retirement schemes include the VUT voluntary early retirement system, which is the most widely used form of early retirement. These programmes are estimated to cover two thirds of employees in the private sector.

It should be noted that these schemes are usually based on individual collective agreements and may therefore differ. However, they do tend to have broad similarities:

- the normal age for admission to this type of programme is usually 60;
- the minimum contribution period is usually 10 years;
- as the general rule the pension is equal to 80% of the last gross salary or 87% of the last net salary;
- the pension is paid until the statutory retirement age. Contributions continue to be paid to the general old-age insurance scheme, so that the persons concerned continue to accumulate statutory pension rights;
- in most cases those receiving such a pension may not carry out paid work.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

It is possible to combine an old-age pension with earned income.

PORTUGAL

A) STATUTORY RETIREMENT

i. retirement age

The retirement age is 65 for men and 62 for women.

a) exceptions

The retirement age may be brought forward for certain categories of workers doing arduous or unhealthy work, in particular miners, seamen or dockworkers.

Generally speaking, such workers may bring the retirement age forward in proportion to the length of time they have been doing this type of work. In most cases, the lower limit is 55, although in certain cases it may be as low as 50.

Public servants may retire at 60 after 36 years of service. Retirement is possible before 60 provided 36 years of service have been completed and the interests of the service are not harmed. Both the age and service conditions may be waived in certain circumstances (for example in the case of primary school teachers). While for employees in the general scheme there is no compulsory retirement age public servants are normally required to retire at 70.

ii. minimum contribution period

Contributions must have been paid for at least 120 months (10 years) to provide entitlement to an old-age pension. For public servants the minimum period is 5 years.

iii. calculation of pension

The monthly pension corresponds to 2.2% of the number of calendar years when remuneration was recorded, multiplied by the average salary of the five best calendar years over the last ten years when remuneration was recorded.

The monthly pension, which may not be under 30% or over 80% of the average reference salary, is paid 14 times per year.

Periods of sickness, incapacity for work, maternity leave and unemployment are classified as equivalent to contribution periods.

For public servants the pension is equivalent to the number of years of service multiplied by the amount of the last gross salary, divided by 36. A full career of 36 years thus provides a pension equivalent to 100% of the previous gross salary.

B) PHASED RETIREMENT

There is no provision for phased retirement.

C) EARLY RETIREMENT

Decree-Law No 261 of 25.7.1991 lays down the conditions for obtaining early retirement:

- The purpose of taking early retirement must be to prevent or reduce collective redundancies on economic grounds. There must also be an agreement on the subject between employers and workers' representatives.

- The minimum age for obtaining early retirement is 55 for both sexes.

- The amount of the pension varies, but may never be less than 25% or more than 100% of the last wage. Except where provided otherwise in the early retirement agreement, the pension will be revalued annually by the same percentage as that which would have applied to the worker's pay if he had remained in service.

- The pension is financed by the employer, but the IEFP (employment and vocational training institute) may cover up to 50% of the pension in some cases.

- Generally speaking, there is nothing to stop pensioners from doing paid work. However, if the IEFP is paying part of the pension, its contribution is reduced by the amount of income earned.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

There are no provisions prohibiting the combination of an old-age pension with paid employment for those in the general insurance scheme. Public servants may not normally undertake paid employment, except with special ministerial authorisation.

UNITED KINGDOM

A) STATUTORY RETIREMENT

The State pension in the United Kingdom comprises a flat-rate pension payable to employees and self-employed persons and, for employees, a supplementary pension in proportion to their income on which contributions have been paid (State Earnings Related Pension - SERPS). Workers may opt to contract out of the latter through employers' schemes or approved personal pension plans.

i. retirement age

The state pension age is 65 for men and 60 for women. The UK Government is committed to equalisation and is currently consulting on the way forward.

a) deferred retirement

Retirement may be deferred for up to five years, i.e. up to the age of 65 for women and 70 for men. The pension increases by 7.5% for every year deferred.

ii. minimum contribution period

The minimum contribution period is that which provides entitlement to the minimum level of 25% of the flat-rate pension (see above).

iii. calculation of pension

The pension for employees comprises a basic flat-rate pension and a supplementary SERPS pension.

For the flat-rate pension, those who have paid full contributions are entitled to the full rate. This applies after 39 valid years of contributions for women and 44 years for men. The pension is reduced in proportion to the contribution period but is not payable at less than 25% of the full rate.

Valid years are those in which 52 weekly contributions were paid. Periods of invalidity, unemployment, incapacity and maternity leave are classified as equivalent to valid years under certain conditions. The same applies for some training periods.

The supplementary pension is calculated on the basis of that part of the salary between the lower and upper contribution limits. It corresponds to 1.25% of the average salary reevaluated for each year of contributions up to a ceiling of 25%. This calculation method was changed in 1986, but the new method will only be introduced gradually from April 1999.

B) PHASED RETIREMENT

There is no provision for phased retirement in UK legislation.

C) EARLY RETIREMENT

The Job Release Scheme was closed to new entrants in 1988. Although this scheme was actually part of the employment promotion policy, it nevertheless offered workers the possibility of leaving the employment market before the normal retirement age.

D) COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

Since 1989 there have no longer been any restrictions on combining an old-age pension with paid employment. Before that date, pensions were reduced or withdrawn for women under 65 and men under 70 whose earned income exceeded a certain ceiling.

CONCLUSION

1. TRENDS

A. STATUTORY RETIREMENT

1. The statutory retirement age covers a broad age range between 55 for women in Italy and 67 in Denmark. However, it should be noted that the Italian Government's reforms, put forward in June 1991, would increase the retirement age to 65 for both men and women. This would considerably reduce the range to between 60 (Belgium, women in Greece, France and women in the UK) and 67 in Denmark.

2. Most systems include the possibility of taking retirement earlier or later. Belgium should be mentioned separately here, since the Law of 20 July 1990, which came into force on 1 January 1991, introduced flexible retirement, whereby workers can choose when they wish to retire from the age of 60 onwards.

   Bringing the retirement age forward is possible in seven Member States: Denmark, Germany, Greece, Spain, Luxembourg, Italy and Portugal. In some cases this applies to workers doing arduous or unhealthy work (Italy, Portugal, Spain), while in others it is designed as an employment promotion measure (Spain).

   In the remaining cases workers are entitled to an early pension at the full rate provided that they have paid contributions over a certain period (Germany, Greece, Luxembourg and Italy), or else the pension may be taken early but at a reduced rate (Germany, Greece).

   In some Member States retirement may be deferred and the pension thereby increased. This is the case in Germany, France, Luxembourg and the United Kingdom.

3. Four Member States (Greece, Italy, Portugal and the United Kingdom) have different retirement ages for men and women.

It should be pointed out that current Community legislation on the retirement age under statutory schemes(4) does not prevent the Member States from having different retirement ages for men and women. However, in 1987 the Commission put before the Council a new proposal(5) which would put an end to this derogation from the principle of equal treatment for men and women, including the method of flexible retirement. This proposal is still before the Council.

It is interesting to note the developments which have occurred at national level. In Belgium, the Law of 20 July 1990 introduced flexible retirement but with the same age for men and women. Denmark has had the same retirement age for both sexes since 1984, as described in the report. The subject is also currently under examination in Italy, in the Government's draft reforms, and in the United Kingdom, where the minister concerned brought the subject before Parliament in June 1991.

The situation is therefore currently under review in at least two of the four Member States which have different retirement ages for men and women.

4. A third visible trend is the increase in the retirement age, though this should be seen in the wider context of the tightening up of conditions governing entitlement to an old-age pension.

In Germany, the reforms introduced in 1992 are mainly intended to phase out the various possibilities for early retirement and to fix the retirement age strictly at 65. The question has been discussed in France, with the presentation by the Government in April 1991 of a "white paper" on retirement, which proposes a progressive increase in the contribution period required for a full pension, but leaves the retirement age at 60. Similarly, in Spain, the minimum contribution period for a retirement pension was extended from 10 to 15 years in 1985. The same applies in Greece, where the minimum contribution period is gradually being increased from 13 and a half years to 15 years. In Italy, the proposed reforms have already been described, but there is also the fact that, in addition to increasing the retirement age, the proposals provide for a ten-year reference period instead of the current five.

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(4) Council Directive of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security. OJ No L 6 of 10.1.1979.

(5) Proposal for a Council Directive completing the implementation of the principle of equal treatment for men and women in statutory and occupational social security schemes. COM(87) 494 final.

5. On the subject of how pensions are <u>calculated</u>, there are two main categories: flat-rate pensions in Denmark, Ireland, the Netherlands and the United Kingdom, and pensions calculated on the basis of previous income in the other Member States. However, the distinction is less clear than it would seem, in that the flat-rate systems also include earnings-related supplements, such as the SERPS in the United Kingdom, and the schemes in which pensions are proportional to previous income usually have minimum required levels of contribution.

This trend is part of the general convergence between the 'Beveridge' and 'Bismarck' systems.

It should be noted that there is also a difference, among the proportional systems, between pensions calculated on the average income over the whole contribution period, such as in Belgium, Germany and Luxembourg, those based on earnings income during the years prior to retirement (Greece, Spain and Italy) and those based on the best years in the period of employment (France and, to a certain extent, Portugal).

6. If, as we shall see under point B, one of the new ways of facilitating the transition from working life to retirement is to invent methods find ways of reorganising working hours at the end of the worker's career, notably in the form of phased retirement, then there is a question mark about the second type of system, i.e. those based on the salary of the years immediately preceding retirement. Obviously, reduced working hours mean a reduced salary and could have negative implications when the pension is subsequently calculated.

7. Finally, it must be noted that the Member States differ in their definition of the <u>full contribution period</u>, i.e. the contribution period required to obtain a full-rate pension. Apart from Denmark and the Netherlands, where years of residence are counted when calculating the pension, the contribution periods required vary from 35 years in Spain to 45 in Belgium. This means that there are major differences in the age at which a worker needs to enter the employment market in order to receive a full-rate pension at the end of his career.

B. EARLY RETIREMENT

8. Most Member States have early retirement schemes (Belgium, Denmark, Germany, Spain, France, Italy, Luxembourg, the Netherlands and Portugal). In the United Kingdom, the "Job Release Scheme" was closed to new entrants in 1988.

It should also be noted that in both Germany and France, early retirement schemes allowing workers to leave the labour market altogether have been replaced by schemes enabling workers to reduce their working hours. The same type of scheme exists in Belgium.

9. However broad the range of specific measures covered by the term "early retirement", it is clear that they all form part of employment policies. In most cases the measures were designed to deal with specific labour market problems, the main aim being not to make it easier for elderly workers to retire from working life, but instead to shift the unemployment burden from one section of the population to another.

C. PHASED RETIREMENT

10. Since the Commission produced its first report on the application of the Recommendation, six Member States - Denmark, Germany, Spain, France, Luxembourg and Italy - have adopted measures on phased retirement. In every case, the conditions to be fulfilled include an actual reduction in the hours worked and a reduction in salary. This is why there are wage ceilings which must not be exceeded if the part-pension is not to be withdrawn.

The various phased retirement systems may be classified according to two criteria: the age at which workers are entitled to start phased retirement, and how the systems are linked to employment policy.

11. As regards the <u>age at which workers are entitled to start phased retirement</u>, it should be noted that in most cases the age is lower than the statutory retirement age. It is therefore a mechanism which permits gradual departure from the employment market before the "normal" age. In France, on the other hand, a partial pension may be obtained only from the age of 60, the statutory retirement age. Both possibilities exist in Germany, i.e. a partial old-age pension may be taken early (with an income ceiling) or from the normal age (no ceiling).

12. A second criterion is how the systems are linked to <u>employment policy</u>. In three countries - Belgium, Spain and Italy - the main purpose of phased retirement is to preserve jobs. Thus, in Belgium and Italy, reductions in working hours are governed by collective agreements and are mainly intended to prevent or reduce redundancies on economic grounds. In Belgium, the pension is even paid by the National Employment Office. In Spain, phased retirement is conditional upon the worker concerned being replaced by an unemployed worker registered with the employment office. It is clearly a job-related measure.

D. COMBINATION OF PENSIONS WITH EARNINGS FROM EMPLOYMENT

13. The following comments apply to the rules on combining earned income with a regular old-age pension. In those countries which have early retirement schemes, they all contain fairly strict rules prohibiting such combinations.

In Spain the pension is suspended if the recipient is in paid employment. In the other Member States a combination is possible. In some cases - Belgium, Denmark, Greece and Italy - there is a ceiling on the level of earned income, beyond which the pension is reduced or even suspended. The other Member States do not apply any restrictions.

14. Compared with the situation in 1986 changes in legislation have tended to relax the rules governing the combination of a pension with paid employment. Thus, in Denmark for pensioners aged over 70, and in Luxembourg and the United Kingdom, there is no longer a ceiling on the amount of earned income which may be combined with a pension.

2. OUTLOOK

1. It may be interesting to compare the legislative framework described above with the situation in reality, as illustrated by statistics on the employment rate in the various age groups.

2. We know that there have been substantial changes in the employment rate in the over-55 age group over the last 20 years. According to the OECD the employment rate in this age group fell by an average of 12.5 points between 1965 and 1990. It should be noted that the working population also includes the unemployed, or more precisely, job seekers. This means that movements from employment to unemployment are not recorded as variations in the employment rate. So, given that unemployment is particularly high in this age group anyway, it is clear that the variations in the employment rate are actually much more spectacular. In this particular case the rate drops by at least 20 points in each OECD country, with the exception, as far as the Community is concerned, of Italy, where the drop is only 13 points. The trend has started to bottom out recently. Table I shows developments in the employment rate in the 50-64 age group since 1983 for the Member States. The overall employment rate has increased in five countries (Denmark, Germany, Luxembourg, Portugal and the United Kingdom). However, in most cases this is because there are much higher numbers of women in employment, whereas the rate for men has actually dropped (Germany, Luxembourg, United Kingdom).

3. The graphs given in Annex II show the employment rates for each age group in the various Member States. Separate graphs for men and women have been given for those countries where the retirement age was different in 1990 (Belgium, Greece, Italy, Portugal and the United Kingdom).

   As we can see, in most cases there is a very clear drop in the employment rate, which becomes most visible after the statutory retirement age.

4. Certain conclusions can be drawn from these two sets of information (the reduction in the employment rate for the 50-60 age group and the variation in the employment rate between the different age groups at a given time (1990)):

   - Since 1970, the actual retirement age has decreased considerably. This has not necessarily had anything to do with any reduction in the statutory retirement age.

- Developments in the employment rate since 1983 show that this downward trend is bottoming out. This is mainly due to the growing numbers of women on the employment market. The increase in the female employment rate is an interesting variable to be considered when looking at the increase in the dependency rate between pensioners and workers.

- The reduction in the employment rate before the statutory retirement age shows that the statutory age is not necessarily when workers retire. The age at which a worker leaves the employment market may not be the same as the age at which he retires.

5. On the other hand, despite the fact that the various forms of early retirement were designed with short-term economic factors in mind, Annex III shows that the number of recipients of early retirement pensions has increased in all the countries for which figures are available. This would seem to imply that, whatever these schemes were originally intended to do, they actually mainly serve to bridge the gap between the normal and statutory retirement ages. They would therefore seem to be an institutional mechanism governing departures from the employment market which is different from the traditional old-age insurance schemes. Although this report has no remit to cover unemployment insurance and invalidity insurance, we can see that these too are generally accepted to form part of the "new" schemes. An additional factor is the part which occupational or complementary pension schemes may play in some Member States in influencing the decision of workers to leave the labour market, and in determining the level of income which they enjoy in early retirement.

6. The Commission stated in its last report that two of the points it proposed to emphasise were phased retirement and the combination of pensions with earnings from employment. As we saw earlier, the Member States have made progress in these fields.

   The link between the two systems is clear: both enable elderly workers to leave the employment market gradually. In addition, phased or partial retirement goes some way towards bridging the gap between the normal retirement age and the statutory age, particularly in cases where the age for admission to phased retirement is lower. The advantage of phased retirement over the other forms of transition from work to retirement examined earlier - i.e. early retirement, unemployment insurance and invalidity insurance - is that phased retirement actually forms part of the retirement scheme, which means that it is more easily incorporated in overall employment policy.

7. These arrangements should be considered in the context of the trends in demography and composition of the labour market which will be experienced in all Member States over the coming decades. The ageing of Europe's population and low birth rates will impact on the availability of labour, as well as on the financing of pension provision. The outlook is a changing one with pension reforms underway or under consideration in several Member States;

the trends towards equalisation of pension ages and tightening of conditions for receipt of pensions have been noted earlier in this report. Future retirement arrangements will be linked to the fluctuating demands of the labour market, at the same time as ensuring flexibility is available to older workers to make the transition to a secure retirement.

* * *

On the basis of this analysis of the Member States' policies on retirement age, the Commission takes the view that more consideration should be given to the problems of greater flexibility in the retirement age and the employment of pensioners, particularly in conjunction with the convergence of social protection objectives and policies, which was the subject of a Council Recommendation of 24 June 1992.

The aim of this report is to provide a basis for further discussion in this field, and in particular on:

- Could we not agree that, taking account in particular of demographic developments, of the evolution of legislation in the Member States and of the situation of the individuals concerned, the retirement age is really something more arbitrary than imposed, and that workers should therefore be given greater choice in the matter?

- given the developments made on phased retirement and the combination of pensions with earnings from employment, should not consideration be given to whether it is appropriate to offer possibilities to pensioners to work under conditions to be defined by the Member States?

- finally, should we not try to find more ways of making the transition from working life to retirement easier?

It is hoped that these issues can be pursued during 1993, which has been designated the European Year of the Elderly and Solidarity between the Generations. The Year is intended to promote awareness of the challenges arising from the ageing of Europe's population, and of the contribution of older people to society. It should therefore provide a timely and appropriate context for further debate on the question of flexible retirement.

ANNEX I

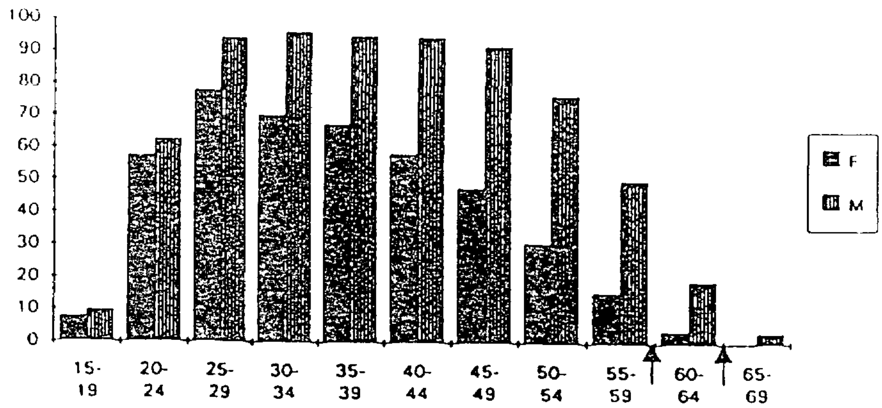
DEVELOPMENT OF THE ACTIVITY RATE IN THE 50-64 AGE GROUP
(Source: EUROSTAT)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
BELGIUM	41.2	39.8	37.4	35.6	33.2	33	33.6	32.5	33.2
DENMARK	62.4	61.6	62.3	64.3	63.3	64.8	65.2	67.2	67.2
GERMANY	52.5	50.6	50.6	51.4	52	52.8	53.4	55.7	NA
GREECE	53.5	52.9	52.8	51.9	50.6	50.7	49.5	48.4	NA
SPAIN	NA	NA	NA	46.9	46.4	46	45.7	45.6	45.3
FRANCE	51.6	49.4	48.5	48.5	47.9	47.9	47.7	46.6	46.6
IRELAND	51.6	50.8	50.4	49	49.9	49.2	47.9	48.7	49.2
ITALY	43.9	43.3	43.1	42.5	42.4	42.3	41.1	41.8	43
LUXEMBOURG	36.8	37.9	37.9	37.6	39	36.2	35.7	37.2	35.3
NETHERLANDS	41	NA	39.4	NA	41.7	41.3	41.5	41.7	41.2
PORTUGAL	NA	NA	NA	52.3	53.1	53	53.5	54.2	57.1
UNITED KINGDOM	60.8	60.3	60.2	60.2	60.4	60.6	61.8	62	62.0

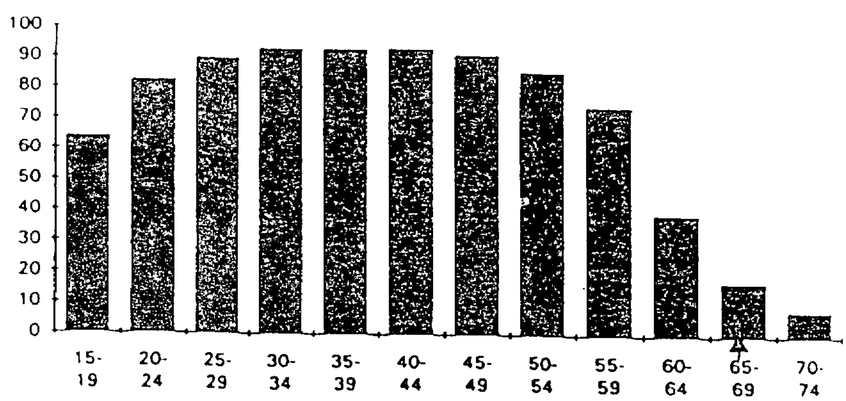
ANNEX II

Employment rate by country and by age group

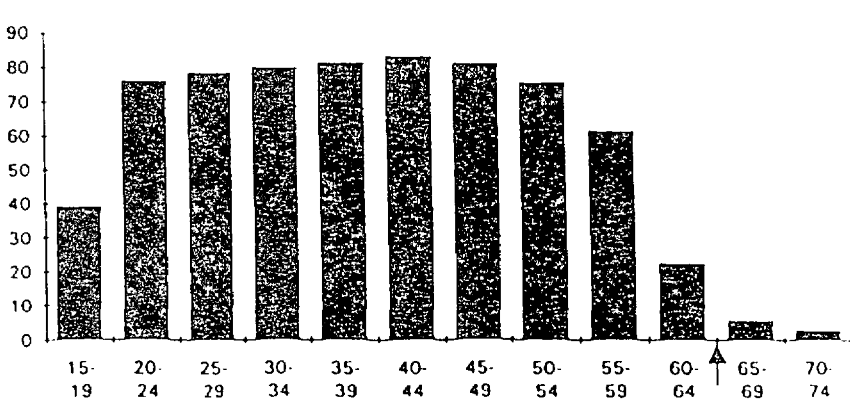
BELGIQUE / BELGIË



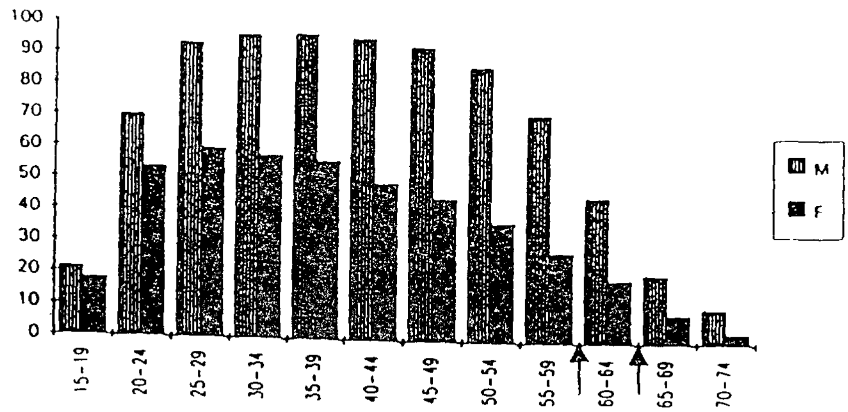
DANMARK



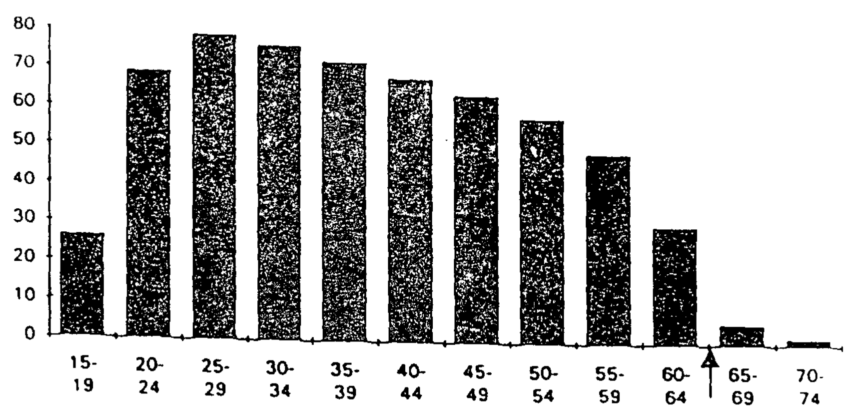
B.R. DEUTCHLAND



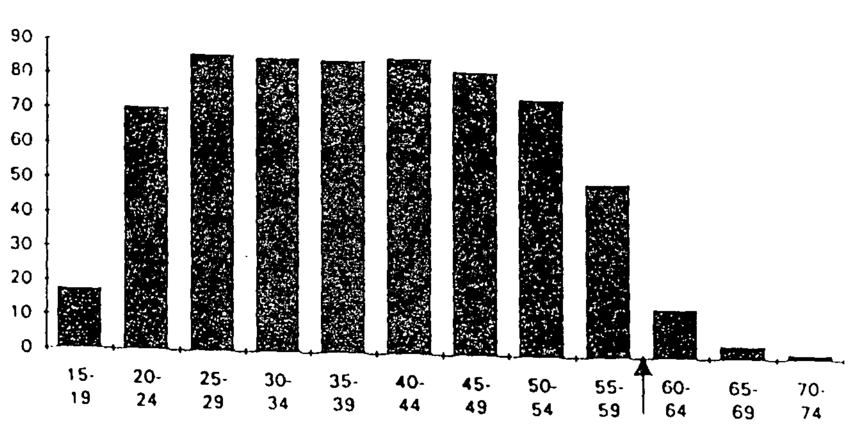
ELLAS



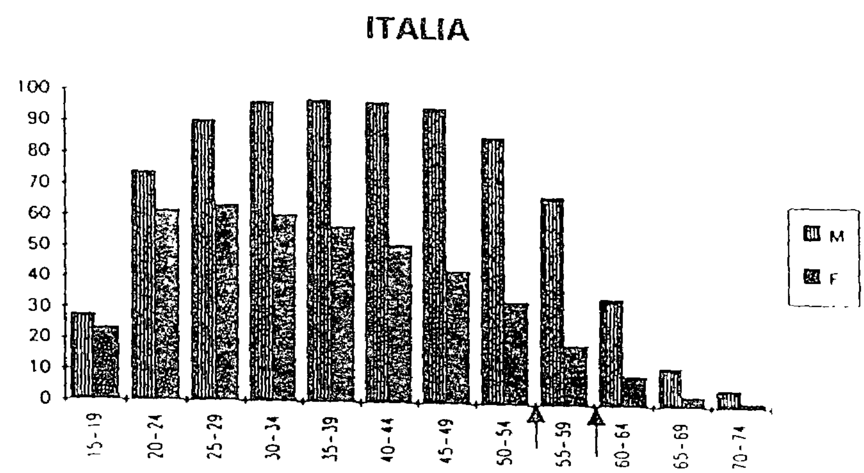
ESPAÑA

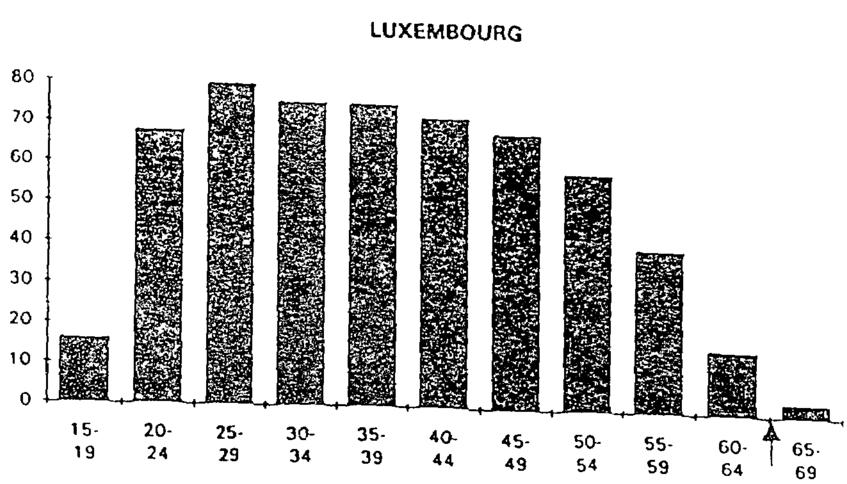


FRANCE

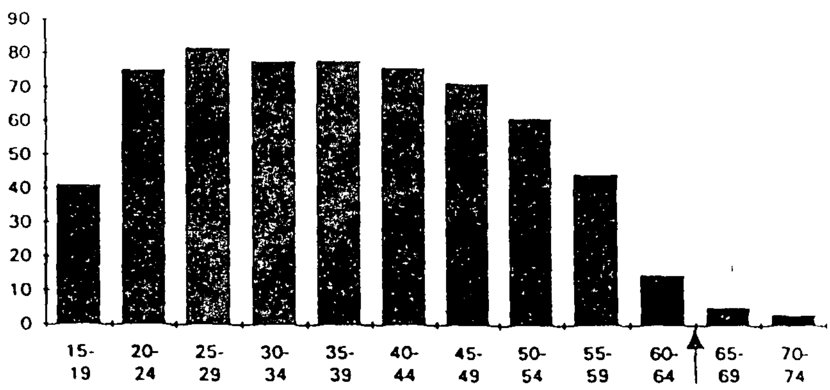



IRELAND
90
80
70
60
50
40
30
20
10
0
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-59
60-64
65-69
70-74

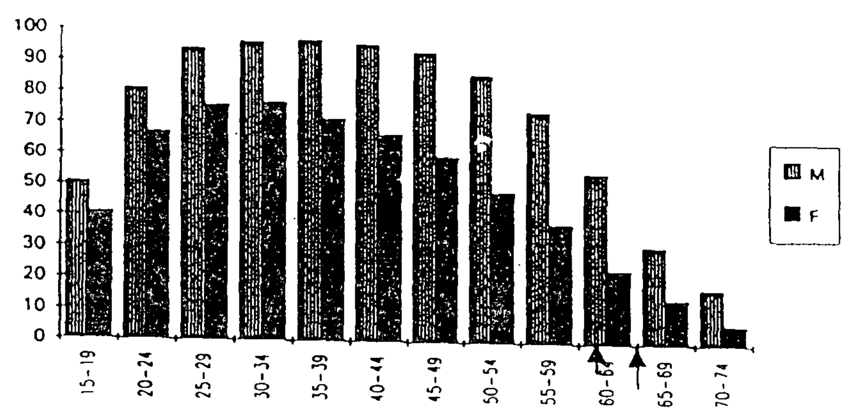

ITALIA
100
90
80
70
60
50
40
30
20
10
0
M
F
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-59
60-64
65-69
70-74


LUXEMBOURG
80
70
60
50
40
30
20
10
0
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-59
60-64
65-69

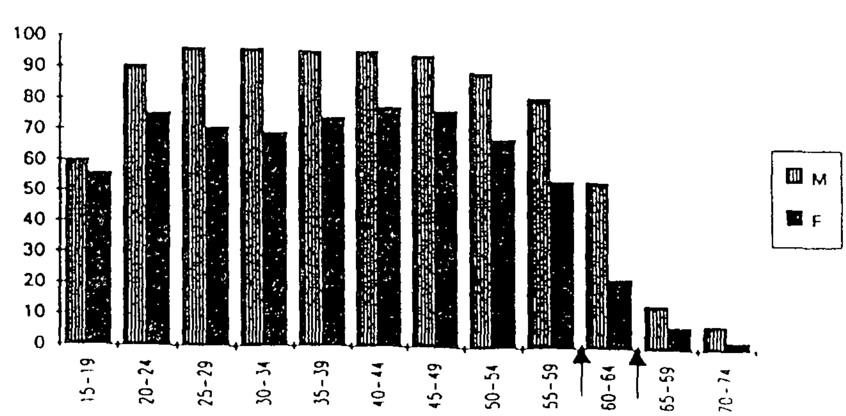
NEDERLAND



PORTUGAL



UNITED KINGDOM



NUMBER OF BENEFICIARIES OF REDUNDANCY BENEFITS (X1000) ANNEX III

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
BELGIUM										
Older unemployed workers (collective agreements)	31.8	40.9	53.7	68.8	83.5	97.5	114.3	126.5	131.5	-
Older unemployed workers (legal system)	34.8	39.7	43.4	44.1	35.4	23.7	12.9	3.6	-	-
Older unemployed workers (supplementary benefit)	15.9	19.9	23.4	23.6	23.2	23	22.4	21.9	21.2	-
Older workers in bankrupted enterprises	-	-	-	-	-	-	-	-	-	-
DENMARK										
Under-employed older workers	56.7	63.3	78.1	81.6	84.2	89.3	96.3	95.4	98.5	-
GERMANY										
Employees: pre-retirement scheme	-	-	-	-	-	37	66	86	97	107
GREECE	-	-	-	-	-	-	-	-	-	-
SPAIN										
Employees of firms affected by industrial restructuring	4.5	5.5	7.7	10.1	11	11.4	11.8	12.2	12.6	13
FRANCE										
Complete retirement and progressive retirement	:	:	:	:	:	:	:	:	:	-
Iron & steel employees redundancy agreement	:	:	:	:	165	125	82	40	8	-

Employees income garantees (UNEDIC)	186	268	359	429	420	375	315	253	199	-
Empoyees benefit from the National Employment Fund	-	92	38	73	99	137	164	177	187	-
IRELAND	-	-	-	-	-	-	-	-	-	-
ITALY	:	:	:	:	:	:	:	:	:	-
LUXEMBOURG										
Employees in private and private sectors	0.9	0.8	1.1	1.3	1.5	1.6	1.7	1.8	1.9	1.8
NETHERLANDS*										
Unemployment insurance	11	12	14	16	20	21	24	28	34	-
PORTUGAL										
Employees (IGFSS)	-	-	-	-	-	-	-	-	9.5	-
UNITED KINGDOM										
Job Release Scheme	:	:	:	:	:	:	:	:	:	-
Miners periodical payment	:	:	:	:	:	:	:	:	:	-

Source: EUROSTAT - Digest of Statistics on Social Protection in Europe - Volume 1 : Old Age

*Benefit described in the current report but included in the EUROSTAT Digest under Pre-retirement schemes