Pensionable Age under Old-Age Pension Schemes

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Diverse factors have recently led a number of countries to take a renewed interest in the problem of the appropriate age at which to provide old-age pensions under their social security schemes. Important among these have been steady increases in the aged population, sharp rises in pension costs, various changes in life expectancy, unemployment among older workers and manpower difficulties resulting from the close relation between the pensionable age and the age of retirement. Concern with these problems led to inclusion of the age of retirement as a principal item on the agenda of the First European Regional Conference of the I.L.O., held in Geneva early this year. The subject of pensionable age also formed one of the primary topics of discussion at the Fifth Inter-American Conference on Social Security held in Caracas in March 1955.

The following article, after reviewing existing provisions, undertakes to restate some of the fundamental considerations that ought to be weighed in fixing the minimum pensionable age, having regard for the interests of older workers themselves, the general economy, and pension finances. It then discusses ways of securing greater flexibility in the relation between the basic pensionable age and the age at which pensions are first drawn. It is based in part on reports prepared for the two conferences referred to above.

A MAJOR function of modern social security systems is the furnishing of protection in old age. About 50 nations now have general old-age pension schemes covering all or much of their employed population. These include all European countries, most American countries, and a number in Asia and Africa. Public schemes for special occupations, as well as numerous private pension schemes, are also found in a number of countries.

A basic decision faced under all pension schemes is the minimum age at which a normal old-age pension is to be payable. This " pensionable age " may differ from the " retirement age " at which workers actually stop work—a " compulsory retirement age " at which employees are required to cease employment—and sometimes also the age at which workers actually begin to draw their pensions.

The specific location of the pensionable age can have extensive ramifications in a country. It determines the adequacy with which a pension scheme meets the needs of older workers—whether benefits are actually available to them at a time when they are no longer able to work or find employment. It involves questions of equity, as it determines how much leisure workers can enjoy after a lifetime of work. It also markedly affects the cost of a pension scheme, the burden it imposes on active workers, employers and taxpayers, and thus the resources available for caring for other dependent groups as well. Of no less importance may be repercussions of the pensionable age on manpower resources because of its indirect influence on the actual age of retirement.

Present Pensionable Ages

General Schemes

A list of the minimum ages now specified for receipt of a normal old-age pension under the general pension schemes of 50 countries is presented in table I. By a " normal " pension is meant the full pension payable after completion of a substantial qualifying period and not partial or transitional pensions payable after only brief coverage. The table indicates that while a majority of countries have the same pensionable age for all persons irrespective of sex, a sizeable minority provide a lower pensionable age for women than for men.

The pensionable ages now applied under general pension schemes may be summarised as follows, in descending order. Three countries specify age 70 and two age 67 for all persons. Twelve countries have a uniform age limit of 65 for both men and women, while a dual pensionable age of 65 for men and 60 for women is prescribed in ten countries. A uniform age of 60 is provided by eleven countries, and eight countries have a dual pensionable age of 60 for men and 55 for women. One country specifies age 55, two age 55 for men and 50 for women, and one age 50.

The 20-year range between the highest and lowest ages appears rather substantial. On the other hand there is a fairly high concentration around the two figures of 60 and 65 years. Nearly

TABLE I. MINIMUM PENSIONABLE AGE FOR NORMAL PENSION UNDER GENERAL PENSION SCHEMES

70 (men and women)

Canada [1]
Ireland [2]
Norway

67 (men and women)

Iceland
Sweden

65 (men and women)

Chile [3]
Costa Rica
Egypt
Finland
Germany (Fed. Rep.)
Luxembourg [4]
Mexico
Netherlands
Portugal
Spain
Switzerland
United States

Men: 65; women: 60

Australia
Austria
Belgium [5]
Denmark [6]
Greece [7]
Iran
Israel
Poland
Union of S. Africa
United Kingdom

60 (men and women)

Brazil
Czechoslovakia
Dominican Republic
France [8]
New Zealand [9]
Paraguay
Peru
Philippines
Saar
Thailand [10]
Turkey

Men: 60; women: 55

Albania
Bulgaria
Hungary
Italy
Japan
Panama
Rumania
U.S.S.R.

55 (men and women)

Ecuador

Men: 55; women: 50

Argentina [11]
Yugoslavia

50 (men and women)

Uruguay [12]

1 Old-age assistance payable at age 65.
2 Unemployment benefit payable to unemployed workers between 65 and 70 without limit on duration.
3 Pensions payable to salaried employees at any age after 35 years of contribution.
4 Pensionable age for salaried employees is 60.
5 Pension may be claimed up to five years earlier, subject to a discount of 5 per cent. per year.
6 Pension payable to men at 60 in case of failing health or other exceptional circumstances; pensionable age for married women is 65.
7 Pension may be claimed up to five years earlier, subject to discount of 0.5 per cent. per month.
8 Pension of 20 per cent. of wages payable at 60, but rate increased by 4 per cent. for each year claim deferred after 60, with 40 per cent. of wages payable at 65, 60 per cent. at 70, etc.; pension equal to 40 per cent. of wages awarded at 60 if claimant unfit for work.
9 " Age benefit " payable on income-test basis at 60, and " superannuation benefit " paid to all residents at 65.
10 Scheme not yet in force.
11 Age reduced one year for each two years of service over 30 years; pension may also be claimed up to five years before pensionable age, subject to a discount of 5 per cent. per year.
12 Pension payable at any age after 30 years of contribution.

two-thirds of the countries have one of these two limits for all persons, while over four-fifths apply them for male workers. As regards the geographic distribution, three of the five countries with the highest pensionable ages are Scandinavian, and the other two are also northern countries. In contrast, three of the four countries with the lowest pensionable ages are in South America. Otherwise, no very pronounced continental pattern is discernible. It may also be pointed out that most schemes retain the pensionable age adopted when they were first established.

Special Occupations

Some countries fix a lower pensionable age for particular categories of employees than for workers in general. This is done either through special provisions under the general scheme, or by means of more liberal provisions of special schemes established for such groups. The age limits provided for such special occupations are usually either five or ten years below regular pensionable age.

One occupation often assigned a preferential pensionable age of at least five years is mining. A further distinction is also sometimes made between underground and surface mining, the pensionable age for the former being five additional years below that for the latter. Among countries that apply a reduced pensionable age at least for underground miners are Albania (50), Australia (60), Belgium (55), Bulgaria (50), Czechoslovakia (55), France (50), Japan (55), Luxembourg (58), Netherlands (55), Poland (60 for men and 55 for women), Rumania (50), and the U.S.S.R. (50). The Federal Republic of Germany and Austria pay a small " long service " pension to miners at 50 and also award invalidity pensions to many miners before pensionable age.

Railway employment is another occupation that often enjoys a lower pensionable age, usually under a special scheme. Examples of this are found in Argentina (50 for men and 47 for women), Belgium (55), Brazil (55), Canada (60), France (50), Paraguay (50) and Switzerland (60). The pensionable age for women under the special railway scheme of the United States is 60, instead of 65 as under its general scheme.

A certain number of maritime countries also provide reduced pensionable ages for seafarers. This is true, for example, of Argentina (45), Chile (60), France (50), Italy (50), Japan (55), the Netherlands (60), Norway (60) and Sweden (55).

Finally, a substantial number of countries maintain special pension schemes for civil servants. The pensionable age of such schemes is quite often below that of the country's general scheme. Among nations where this situation exists may be mentioned Brazil (55), Canada (60), Ireland (60), Paraguay (50 for men and 45 for women), Sweden (60 or 65 according to grade), the United Kingdom (60), and the United States (60). Norway pays pensions to female civil servants at 65 rather than at 70 as under its general scheme.

Numerous private pension plans set up by individual employers are to be found in some countries, for example in the United States, Canada, the United Kingdom, the Federal Republic of Germany, Switzerland and Scandinavian countries. Pensionable ages under such schemes vary considerably, but there was a tendency in the past to fix an age somewhat below that of the country's general scheme. More recently there has been a tendency to raise the age limit under private plans more closely to, or sometimes even above, that of the public scheme.

I.L.O. Standards

It is interesting to compare existing pensionable ages with those approved by the International Labour Conference. Two 1933 Conventions on old-age insurance (Nos. 35 and 36) provide that the pensionable age of insurance schemes for employees should not exceed 65 years. Recommendation No. 43 of the same year urges that the age be reduced to 60 in so far as the situation of countries permits. The 1944 Income Security Recommendation recommends that the age should not exceed 65 for men and 60 for women. The Social Security (Minimum Standards) Convention of 1952 provides that pensionable age should not be higher than 65 years, or such higher age as is fixed by a country with due regard to the working ability of its elderly persons.

Pensionable Age and Aged Workers

The different and sometimes conflicting principles that should determine location of the pensionable age may be considered from the viewpoint of aged workers themselves, the general economy and the financing of old-age pensions.

It is very important for the pensionable age to be adjusted to the security needs of older workers, since the essential purpose of old-age pensions is to deal with such needs. The crucial question here is the age at which workers normally begin to need or acquire an equitable right to the protection implicit in an old-age pension. The two main causes of involuntary loss of income on the part of aging workers are loss of ability to work and loss of ability to find a job even while still capable of working. In addition, aged workers may often wish to stop work voluntarily after they become tired of steady work and feel they need a period of leisure and rest after a long working life. The implications of these different kinds of income loss for pensionable age are considered below.

Inability to Work

Numerous physiological changes take place in the human body as it grows older. These changes are complex and differ from function to function and organ to organ. Most of the changes weaken the body in some way and contribute to its gradual deterioration. Increases in skill and reliability as workers grow older may, at least in some occupations, more than offset for a time a decline in muscular vigour and stamina. Nevertheless, the general frailty that accompanies aging, together with a rising incidence of diseases prevalent among older persons, ultimately takes its toll.

The physiological effects of aging gradually make it more and more difficult for workers to carry on regular full-time employment. If, as is very desirable, employers assign them tasks adapted to their reduced capacity or provide them with part-time work, they may be able to keep on working for a long time and taper off employment gradually. More commonly, however, they reach a rather definite point where they find it impossible to continue work or where their employers at least are not satisfied with their ability to do so. As a result, their income stops more or less abruptly, and they then have a desperate need for some form of benefit to replace the income lost.

The techniques of invalidity insurance might conceivably be applied to them in this case, with its medical verification of each claimant's inability to work. At a certain point in the age curve, however, incapacity becomes so prevalent that individual verification of incapacity is practically redundant. Sound social security policy suggests that at this point an automatic presumption of incapacity should be made, and that old-age pensions should be payable to all eligible workers without investigation of capacity for work.

In the light of the above, the pensionable age in any given country ought, in principle, to be located at the point where its insured workers commonly become physically unable to continue in regular employment. It is well known, of course, that the rate at which people age differs widely. Some become old and perhaps unable to work even before 50, while others are still strong and capable of sustained work at 80. Such variation is traceable to differences in heredity, living conditions, life led in the past, and other factors. It is necessary, however, to disregard the striking exceptions in either direction and be guided by the age at which a substantial proportion of workers in the age group concerned (e.g. a third or a half) are unable to carry on regular employment.

It is sometimes argued that recent developments in medical care, nutrition, housing, etc., have significantly prolonged average working life. This conclusion is probably based on the observed lengthening of the average total life span in a number of countries. But the first result does not necessarily follow from the second. Prolongation into the 60s of the lives of many persons who might otherwise have died in middle age, for example, might conceivably lead to higher rather than lower incapacity rates in the older age groups. While modern techniques may keep aged persons alive longer, the extent to which they have pushed back the age at which general frailty leads to incapacity for work is still far from clear.

The age at which the incidence of incapacity first becomes heavy obviously can never be determined with any precision.

Findings with regard to this point in any country, therefore, must necessarily be somewhat arbitrary. Moreover, the particular age limit involved undoubtedly varies considerably in different parts of the world. Inter-country differences in climate, living conditions, nutrition, adequacy of medical care, housing and other factors inevitably produce differences in the average age at which workers become unable to work. The variation may indeed be so great that the age concerned may, in different parts of the world, be found within as wide a range as perhaps from 55 years to 65, or even from 50 to 70.

Unemployment

A second factor influencing the age at which workers need pensions is the difficulty they meet in finding and retaining employment as they grow older. If an able-bodied older worker cannot obtain a job or hold one that he has, he is in almost as difficult an economic position as if physically unable to work. It might be argued that wage loss of this kind should be dealt with through unemployment insurance. Hardly a fourth of the nations of the world have unemployment insurance, however, and this social insurance branch moreover is usually equipped to deal only with short-term unemployment of perhaps six to 12 months' duration. In contrast, the unemployment of aged workers often has a tendency to be permanent.

The rising incidence of unemployment with age may be seen in the statistics of numerous countries for which the distribution of unemployed workers by age groups is available. An above-average frequency of unemployment often appears already in the early 40s and by the 60s it is quite pronounced. The spells of unemployment suffered by older workers also are commonly of longer than average duration. What this means concretely for individual employees as they grow older is difficulty in holding on to jobs they already have, long periods of unemployment between jobs and, finally, permanent inability to find a new job.

The employment difficulties of older workers result in part from hiring policies deliberately adopted by employers. The latter often exhibit a clear preference for engaging younger workers rather than those who are middle-aged or older. This is occasioned in some degree by the fact that declining physical powers often make older employees less productive on jobs requiring considerable muscular exertion, even though their long experience may make them more productive in operations involving a good deal of skill. It perhaps also results in part from a tendency towards overspecialisation as workers grow older, which lessens their adaptability to new processes and machinery. But, finally, it would also seem to result in no small measure from an instinctive employer bias, whether justified or not, in favour of younger workers and against those who are older.

Some improvement in the employment of older workers could be brought about by encouraging changes in employer hiring policies and through vigorous placement, vocational guidance and related programmes for expanding job opportunities for the aged. Much of the problem is likely to persist, however, whatever remedial measures are taken. In countries where the proportion of young persons is rising, difficulties that the aged now have in finding employment may increase in the future. In those where the population is aging, on the other hand, employment problems now met by aged workers may somewhat diminish.

Since unemployment insurance is not equipped to handle the problem of quasi-permanent unemployment among older workers, old-age benefit schemes must be adapted so far as possible to fill the gap. Hence, the pensionable age ought to be located with regard, among other things, to the age level at which unemployment becomes abnormally severe and tends to be permanent. Again, no single clear-cut point at which these conditions first emerge can be established, and conclusions with regard thereto unavoidably involve much discretion. In any case, the point will differ among countries according to their age composition and the state of the labour market in each, and will also vary over time in the same country with changes in economic activity.

The Right to Rest

Old-age benefits have as a purpose not only the aiding of disabled and unemployed older workers. They should also enable all aged workers, if they wish, to enjoy a period of leisure and rest following a long working life. Much of present-day work, especially in industry, is very monotonous and becomes more and more tiring as stamina declines with age. After many years of strenuous work, therefore, a worker would appear, on equitable grounds alone, to be entitled to a period of paid rest, even though he is still able-bodied and employment opportunities are plentiful. An old-age pension in this sense is a reward for long service to national production. It has been considered appropriate that part of the substantial increase in output that most countries have achieved during recent decades should be devoted to providing workers with more leisure through shorter hours, paid holidays, etc. A period of paid retirement should be regarded as still another type of leisure made possible by increased production.

The particular point at which pensionable age is fixed determines how long a period of leisure older workers can enjoy before death. Thus, a country's attitude concerning the desirable average length of this period should play an important role in its choice of the minimum age of eligibility for pensions.

What is an appropriate period of leisure for a country to seek for its older workers ? As active work may continue for as long as 40 years, an average retirement period of less than five years would seem too brief. A more reasonable objective is perhaps in the neighbourhood of ten years. Some peoples may attach a greater value to leisure than others, and such national differences in the "propensity to work" have to be taken into account. But to attempt to provide an average retirement period of much more than ten years may lead to high pension costs and ultimate financial difficulties.

Decisions regarding the desired average period of pensioned retirement ought thus to take account of life-expectancy figures for aged workers in the country or under the scheme concerned. To illustrate hypothetically, if life expectancy at 60 is 15 years and at 65 is ten years, the pensionable age should be 65 if an average retirement period of ten years is thought appropriate, or 60 if a goal of 15 years of leisure on the average is sought. Since life expectancy differs among countries and even between different groups in the same country, however, the pensionable ages required to put the above concepts into effect necessarily will differ for countries and schemes. Likewise, if the expectation of life at higher ages should lengthen in the future, retirement could begin at later ages than in the past and still achieve much the same average duration. Life expectancy at higher ages has increased relatively little in recent decades, however, despite the marked improvement in many countries in such expectancy at younger and middle ages.

Table II gives data for selected countries concerning the life expectancy of older males, i.e. the average number of years of life remaining to males surviving to specified ages, on the basis of mortality conditions prevailing during the periods indicated.

Economic Effects of Pensionable Age

In addition to its direct connection with the welfare of aged workers, the location of the pensionable age can have important repercussions on a country's economy, especially its productive capacity and employment situation. In countries with a chronic shortage of manpower or where full employment prevails at a particular time, productive capacity is directly conditioned by the manpower resources available, which are thus a principal limiting factor to economic expansion. Hence each worker qualifying for a pension and withdrawing from employment reduces the

TABLE II. EXPECTATION OF LIFE OF MALES AT AGES 55, 60, 65 AND 70 IN SELECTED COUNTRIES

Country and period	Age 55	60	65	70
Canada (1947)	20.0	16.5	13.3	10.4
Chile (1940)	15.7	13.0	10.6	8.5
Egypt (1936-38)	16.3	13.3	10.5	7.9
England and Wales (1950)	18.6	15.1	12.0	9.3
France (1946-49)	18.8	15.3	12.1	9.3
Guatemala (1939-41)	14.7	12.2	10.0	8.0
Hungary (1941)	18.5	15.0	11.8	9.0
India (1941-50)	12.4	10.1	8.2	6.5
Japan (1949-50)	17.3	14.1	11.2	8.8
Mexico (1940)	16.1	13.4	10.9	8.7
Netherlands (1947-49)	21.5	17.5	13.9	10.7
Panama (1941-43)	—	14.5	—	9.8
Spain (1940)	15.3	12.4	9.9	7.6
Sweden (1941-45)	21.0	17.2	13.7	10.5
Switzerland (1939-44)	18.3	14.8	11.6	8.9
United States (1949) [1]	19.9	15.5	12.4	9.8

Source: *Demographic Yearbooks* of the United Nations.
[1] White population.

nation's labour force to that extent and thus its production potential as well. This is especially significant when retiring employees possess badly needed skills. In these countries, therefore, pensionable-age provisions ought to be such as will cause workers to remain in employment to as late an age as is consistent with their ability to work and need for rest.

The economic aspects of pensionable-age policy will be different in countries with chronically abundant or surplus manpower, or in which unemployment is heavy in a particular period. A principal economic task of such countries is to find jobs for the unemployed. The pensioning of an older worker and his withdrawal from employment means in this case that a job is vacated that can be filled by a younger worker. In these countries, therefore, pensionable-age provisions should be such as will cause workers to leave employment at as early an age as is consistent with the financial feasibility of providing them with adequate pensions.

Pensionable Age and Financing of Pensions

Pension Costs

There remain to be noted possible effects of the pensionable age upon the finances of schemes through which pensions are provided. This age in effect controls the duration of old-age pensions, that is the average period of time elapsing between the award of pensions and the death of their recipients, and thus the number of age groups able to qualify. Hence it is a primary determinant of the size of the pension roll at any given time and, as a result, a major variable in pension costs.

The expenditures of a pension scheme must be met from revenues obtained from the parties designated by law as its source of support. Under old-age insurance these are usually the employer, the employee and perhaps the State. Under non-contributory schemes the State may be the sole source of support. A low pensionable age means that contributors will sooner or later have to contribute to the scheme at a relatively high rate. A high pensionable age may mean a much lower rate of contribution. The precise age selected, therefore, should be one that involves contribution rates that will not unduly strain the ability of contributors to pay, either at the outset or in the foreseeable future. If the age selected is so low as to require excessively high rates of contribution at some point, the scheme is bound sooner or later to run into serious financial difficulty.

Limits on the ability to contribute towards old-age benefits may be indefinite but they nevertheless exist. Contributions of employees must come from their margin between earnings and expenditure on current consumption. This margin normally is not large. From it they must often also contribute to other social security branches. Employers can shift much of their contributions in the form of higher prices, and thus there is not perhaps as rigid a limit on their ability to pay as on the workers' ability. Nevertheless, they must also support other social charges for their employees, and, if the combined burden of all such charges becomes too heavy, it may hamper production and lead to excessive increases in the prices of consumer goods. Contributions by the State or other public authorities necessarily come from the general taxpayers. The latter are also called upon to support other public services, of which a number are no less socially important than old-age pensions.

In view of the limits inherent in the resources available for financing old-age benefits in any country, its pensionable age ought to be selected with careful regard for the burden it will impose upon such resources. If such cost implications of pensionable age are not considered, insolvency or partial default on the real value of benefits promised may be the eventual result. This would be a severe blow to the very security in old age that the scheme was set up to provide.

Aging Population

A long-continued rise in the proportion of aged in a country can lead in time to heavy pension costs as well as manpower difficulties.

The financing of a small pension scheme can be designed in such a way as to guarantee, even in such circumstances, payment of pensions promised, if sufficiently large actuarial reserves are maintained. But this is not the case in practice with a scheme covering all or the majority of the working population ; the current cost of such a scheme must, inevitably, be borne in the last analysis out of current production. The effects of a growing aged population may be offset in some countries by increased productivity, or by decreases in the size of, and expenditure for, other dependent groups. If this is not the case, however, consideration may need to be given to changes in pension provisions that will counter to some degree both rising pension costs and the decline in the proportion of active workers.

If the benefit provisions of a general pension scheme remain unchanged, a rise in expenditure can be met only by gradually raising the contributions and subsidies payable by the parties who finance it. This at some point, however, may bring the burdens on employees, employers and the State close to the limits referred to above. An alternative is to try to modify pension provisions in such a way as to reduce pension outlays. While one conceivable way of doing this is to reduce pension rates, pension amounts in most countries now provide little lee-way for doing this without violating basic standards of adequacy. Moreover, a reduction of pension rates already promised could well destroy public confidence in the whole pension principle.

This brings one to possible methods of decreasing the number of pensioners. An outright increase of several years in pensionable age would promptly and effectively cut pension rolls and thus would directly lower costs. Such a procedure therefore might seem an efficacious and perhaps tempting method of dealing with the problem of an aging population.

But serious difficulties stand in the way of raising an existing pensionable age. For the security sought through a pension scheme to be real, employees should be able throughout their working life to look forward to being able to retire on a pension at a definite age known to them in advance. The certainty of this age is psychologically important to them, even while young. Of still greater significance, it has a concrete bearing on their actions over many years, since they adjust their lifetime programmes of saving, buying a home, raising children and retirement to the age at which their pension will be available. The pensionable age of a pension scheme, therefore, ought to be regarded, to the maximum degree possible, as a contract with insured persons that will never be unreasonably altered to their detriment.

There is little evidence as yet that factors leading to a growth in the number of the aged would at the same time alter principles governing the location of the pensionable age. A general increase in longevity, for example, does not necessarily signify that incapacity for work occurs at later ages than formerly. An increase in the proportion of the aged might lessen employment difficulties of aged workers, but this is far from certain. And an improvement of life expectancy at younger and middle ages does not necessarily imply lengthened expectancy at older ages and a longer period of rest for pensioners.

There may exceptionally be some schemes with an excessively low pensionable age that is considerably below that implied by the principles referred to above. Thus, a scheme may provide pensions at an age when most workers are still able to work, can find work without difficulty, and have perhaps 20 years or more left on the average to live. This not only is unnecessary, but may be economically undesirable and unfair to other population groups. In such circumstances alone, it may be sound to raise the pensionable age to a level more in keeping with basic pensionable age principles.

If an increase in pensionable age is unavoidable as a last resort in a country, it should be introduced gradually and only over a period of years. This would allow at least middle-aged workers time in which to make some adjustments in their personal plans.

A much more desirable means of reducing pension rolls, however, if this is considered necessary, is to seek greater flexibility in the relation between pensionable age and the retirement age at which pensions are first drawn. One method of achieving this is through vigorous employment programmes to increase job opportunities for the aged. Another is to provide inducements through pension provisions themselves, as discussed below. If such measures persuade numerous workers to continue work and defer their pension for several years beyond pensionable age, they can lighten old-age pension costs considerably and at the same time ease other problems caused by an aging population.

Flexible Retirement Age

Relation between Pensionable and Retirement Ages

The age at which workers permanently leave gainful employment may precede, coincide with, or follow attainment of the age at which they can first qualify for pension. The first-mentioned age is determined by other factors in addition to the legal pensionable age, for it depends on decisions of individual workers as well as employment practice. Nevertheless, as pensionable age represents the earliest age at which a substitute income is available, and because of its influence on the ideas of workers, employers and the public as to when retirement is appropriate, it inevitably influences greatly the age at which workers tend in fact to retire. This effect must be kept in mind in the selection of the pensionable age itself.

The problem of a compulsory retirement age at which workers must retire does not arise under a general pension scheme, since a statutory retirement age cannot be applied compulsorily to all employees in a country. It is, instead, largely a question of employers' personnel policy arising in connection with private pension schemes and, as such, involves considerations outside the scope of this article. Nevertheless, as private pension schemes of a country *en bloc* have important social and economic repercussions, it is usually in the national interest for such schemes to observe the same general principles regarding location of pensionable age and its relation to the age of retirement as apply to the country's general scheme.

Deferred Retirement

It is ordinarily undesirable for retirement age to be identified too closely with pensionable age or for the latter to become the automatic age of retirement for most workers, whether retirement is optional or mandatory. This is especially true in countries having a large aged population or a shortage of manpower. Some of the reasons why a more flexible age of retirement may be advantageous to workers themselves, the general economy, and the finances of a pension scheme are mentioned below.

An aged worker who is still able to work and who continues to work, despite attainment of pensionable age is, of course, economically better off than one who retires. His income is much higher, since he receives full wages instead of a pension, which is normally only a fraction of previous earnings. Moreover many aged persons are happier and take more interest in life if they continue to work than if they are idle. Abrupt termination of work after a busy life often results in boredom, loneliness, emotional upset and perhaps even poor health because of the radical readjustments involved. Gerontological studies indicate that many retired workers would welcome a chance of returning to work.

The general economy benefits from the postponement of retirement by aged workers through the contribution their work makes to national output. The continued use for as long as possible of the services of the aged, with their skills and long experience, is probably necessary in many countries with limited manpower if their economies are to achieve the highest production levels of which they are capable. In addition, if numerous aged workers defer retirement and their pension until several years after pensionable age, it can do much to hold down pension costs. This is of special significance for countries facing a heavy pension burden as a result of an exceptionally large aged population.

Retirement Condition

It is possible to frame pension provisions in such a way as to encourage greater flexibility in the relation between pensionable age and retirement age. One method of doing this turns on the practice followed as regards suspension or reduction of pensions when recipients continue to work. Pensions may be made payable unconditionally to every duly qualified worker who reaches pensionable age, or may be payable only to such workers who also withdraw from employment and retire. The course chosen may have important consequences, and arguments exist in favour of either policy.

Rationale.

It may be argued in support of a retirement condition that modern social security schemes (unlike private annuity or saving plans) are established to deal with the problem of income loss resulting from retirement, rather than to compensate mere attainment of a specified birthday. If there is no retirement, there is no income loss. Pension amounts under such schemes are, or should be, related to the presumed needs of older workers who have stopped working, not to those of workers who continue employment. Moreover, much of the cost of these benefits is financed from revenues other than those paid by the employee himself. It is also sometimes argued that the pensioning of unretired aged workers subsidises them and thus enables them to underbid younger workers.

From a cost standpoint, if pensions are payable unconditionally at pensionable age, all qualified workers receive pensions automatically as they reach the birthday concerned. In contrast, if retirement is made a condition for receipt of pension, numerous able-bodied employees who prefer to continue work for a while to secure a larger income and avoid idleness will postpone drawing their pension. It obviously costs less to pay a pension of given size only to workers of a certain age who retire than to all workers of that age.

In contrast to the above arguments, if pension amounts are inadequate, as too often is the case, workers who have no private means find it impossible to live and support their family on the pension alone. They therefore have to continue work in any case. If retirement is made a condition of the pension, they may never receive a pension at all despite past contributions. On the other hand, if pensions are reasonably adequate, a rigid retirement condition may discourage many workers from continuing work. In countries with a shortage of manpower, this may represent a serious loss to production.

The argument may also be advanced by some that a retirement condition is unfair in the light of contributions made by the worker himself to his pension rights, and that such a condition resembles a means test. It might also be argued that the task of checking compliance with a retirement condition is worth while only if jobs for aged workers are plentiful, and that this situation often does not exist.

The above represent some of the conflicting considerations that need to be weighed in formulating a policy regarding a retirement condition. The principle of such a condition fortunately can be applied in varying degrees rather than on an all-or-nothing basis. This opens up the possibility of compromise solutions based on different definitions of " retirement " that may be used.

The term " retirement " may be made to refer, for one thing, to the cessation of all gainful work of any type, cessation only of employment for the account of another, or cessation only of " insured employment ". Again, it may be defined as cessation of all earnings in the employments specified, or only cessation of earnings above a stated percentage or amount per week or month. The exemption may be quite large, or it may cover only casual or nominal earnings. Finally, the condition may be applied irrespective of age, or it may be removed after workers become a certain number of years older than pensionable age.

On balance, there seems much to be said in favour of the flexibility that results from a retirement condition, but of restricting its effect by adopting a relatively liberal upper limit on the total of pension-plus-earnings receivable without disqualification. This permits pensions to be adjusted to the " gradual retirement " of workers as their earning capacity declines, makes possible the retention of pensioners' services in production as long as they are able and willing to work, and still produces some saving in pension costs.

Present Practice.

The provisions of existing old-age pension legislation concerning a retirement condition may be summarised as follows. About a third of the general schemes (Argentina, Belgium, Costa Rica, the Dominican Republic, Ecuador, Hungary, Israel, Japan, Mexico, the Philippines, Portugal, the Saar, Spain, Turkey and the United Kingdom) and the Chile and Luxembourg salaried employees' schemes require outright retirement from insured or all employment to qualify for a pension at pensionable age. Some countries, however, such as the United Kingdom and Belgium, expressly permit occasional work without disqualification. Some also (including Israel, the Saar and the United Kingdom), remove the retirement condition for persons five or more years above pensionable age. Most public schemes for special occupations as well as private pension schemes also make pensions subject to retirement from the occupations covered.

Another third of the general schemes (Australia, Czechoslovakia, Denmark, Egypt, Finland, Greece, Iceland, Ireland, Italy, New Zealand, Norway, Panama, Sweden, the Union of South Africa and the United States) require in effect at least " partial retirement " for receipt of a full pension. They allow workers to receive something more than merely nominal earnings without being disqualified, but reduce the pension by all, or specified fractions of, earnings (and in some cases, other income) above, the exempted amounts. In Finland and Sweden, however, the restriction applies only to supplementary pensions ; in New Zealand to the " age benefit " payable at 60 ; in the United States to persons less than seven years above pensionable age ; and in the Union of South Africa to persons under age 70.

The remaining third of the general schemes, located mostly in Europe (Albania, Austria, Bulgaria, Canada, Chile, France, the Federal Republic of Germany, Luxembourg, the Netherlands, Paraguay, Peru, Poland, Rumania, Switzerland, the U.S.S.R. and Yugoslavia), place no restrictions on the concurrent receipt of old-age pensions and earnings and thus do not condition benefits on retirement.

Increments to Pensions

Other pension provisions that may promote flexibility in retirement age by encouraging delay of retirement and pensions are those controlling the effect of employment after pensionable age on pension amounts. A country that has no compelling reason for wanting its workers to delay retirement may be satisfied to limit pension amounts to the rights workers are able to build up before reaching pensionable age. This may be true, for example, in countries where manpower is abundant or where pension costs are relatively low. In contrast, if a country wishes to encourage continued work or deferment of pensions, it may well include some inducement towards these ends in its pension formula. Such a policy may be appropriate, for example, in countries where manpower is scarce or where pension costs threaten to become a heavy burden.

A country wishing to provide its workers with a really vigorous incentive to continue work and defer their pensions may need to add special increments to the ordinary pension formula for years of service after pensionable age. These increments may take the form of percentage increases in the pension normally payable at pensionable age for each year it is deferred, special additions to the percentage of wages represented by the pension, or flat additional amounts, depending on the type of benefit formula used. The size of the increments should be based on careful analysis of both the incentive they provide and the potential savings that may accrue to the scheme through the postponement of pensions. If a primary objective in encouraging delayed retirement is to hold down pension costs, the increments obviously should not be so large as to absorb all or most of the savings resulting from the shorter average duration of pensions.

A number of existing schemes which subject pensions to retirement allow their normal benefit formula, with its ordinary increment per year of service, to continue to operate if work continues beyond pensionable age. Schemes not requiring retirement, under which pensions nearly always begin promptly at pensionable age, in contrast usually fix the pension amount once and for all when it is first awarded. There remain a certain number of general schemes, however, which provide special increments for work after pensionable age. Examples of these are given below.

Among the countries that make increments depend on the deferment of both pensions and retirement, Argentina increases pension amounts by 5 per cent. for each year of work after pensionable age, Costa Rica by 6 per cent., and Czechoslovakia by 4 per cent. of average wages per year. Israel raises pensions by 5 per cent. for each year of deferment, subject to a maximum of 25 per cent. Mexico pays increments for contribution periods after pensionable age that are 20 per cent. higher than ordinary contribution-period increments. The United Kingdom provides flat-rate increments, equivalent to approximately 9 per cent. of the pension per year, subject to a maximum increase of about 46 per cent.

Some schemes make the increment dependent on deferment of pensions only. Thus Denmark increases pensions by about 2 per cent. per year for the first two years they are deferred, and by about 1.3 per cent. per year for the next three years. France raises them by 4 per cent. of wages per year. Iceland increases pensions by 5 per cent. for each year they are deferred, subject to a 40 per cent. maximum. Italy increases pension amounts for males by 6 per cent. for the first year, the increase rising to 10 per cent. for the fifth year, with a maximum of 40 per cent. (for females, 3 per cent. for the first year, rising to 10 per cent. for the tenth year, with 62 per cent. maximum).

A third group of schemes provide increments on deferment of retirement only, the pension ordinarily starting at pensionable age. Thus Bulgaria increases pensions by 2 per cent. of average wages for each year of work after pensionable age. Manual employees' pensions in Chile are increased by 10 per cent. of personal contributions paid during each 150 weeks a pensioner works after pensionable age. Paraguay raises the basic pensions of pensioners continuing to work by 3 per cent. for each additional 150 contribution weeks. Yugoslavia increases pensions by 2 to 3 per cent. of average wages for each additional year of work. Panama provides that pensioners continuing to work shall receive life annuities assessed on the basis of contributions paid in accordance with ordinary insurance procedures.

Reduced Pensionable Age

Another aspect of a flexible retirement age is the granting of pensions at ages below the regular pensionable age to certain categories of workers or in special circumstances. A possible consequence of awarding some pensions at reduced ages is that it may permit the fixing of a higher ordinary age-limit. Reference is made early in this article to several particular occupations that are frequently assigned a reduced pensionable age. Some other possibilities are discussed below.

Arduous Occupations.

One category of employees for whom full pensions may be made payable at a reduced age are those who work for a number of years in unusually exhausting, unhealthy or perhaps dangerous occupations. Work in such occupations, which exist in every country, tends to take a heavier toll of the body per year of work than other employments. This fact may justify allowing persons serving in such occupations for a specified minimum period of time to receive pensions at a lower age than the normal one. This privilege in turn may help to persuade younger workers to enter inherently unattractive occupations that are nevertheless vital to the national economy. As interoccupational differences in the arduousness or unhealthy character of work cannot be measured precisely, the age reduction should not normally exceed five years, or ten at the most.

Over one-fourth of the general schemes now have a lower pensionable age for occupations considered to be particularly arduous, unhealthy or dangerous. The differential is generally five years but sometimes as much as ten years. A few laws distinguish two degrees of arduousness. Countries providing lower age-limits for such occupations include Albania (50), Argentina (50), Belgium (60 for men and 55 for women), Bulgaria (50), Chile (60), Greece (60 for men and 55 for women), Hungary (55 for men and 50 for women), Iran (55), Israel (62 for men and 57 for women), Poland (60 for men and 55 for women), Rumania (50), Turkey (54) and the U.S.S.R. (50). France pays a pension of 40 per cent. of wages to workers in such occupations at age 60, rather than at 65 as for employees generally.

Women Workers.

All female employees, irrespective of occupation, form another category of workers for whom payment of a full pension at a reduced age may be considered. Employment statistics often indicate that women tend to encounter difficulty in remaining in employment at an earlier age than men. Whether cognisance should formally be taken of this tendency and it should be accepted as a basis for a sex differential in the pensionable age, however, are broad questions of national policy that cannot be decided on technical grounds alone.

The lowering of the pensionable age for women inevitably increases pension costs. Given a differential of five years, for example, the average duration of pensions awarded to female pensioners may sometimes actually become nearly double that of males, since the life expectancy of women in many countries is greater than that of men. As regards existing schemes, table I above shows that about two-fifths of them now apply a lower pensionable age for women and that the differential in every case is five years.

Anticipation of Pension.

There may also be other circumstances that sometimes justify the granting of pensions on an optional basis before ordinary pensionable age is reached. Incapacity occurring prior to pensionable age is dealt with in many countries through invalidity insurance. But there are undoubtedly other situations, including persistent unemployment, in which workers may badly need a pension before reaching pensionable age. Particularly in countries without unemployment or invalidity insurance, therefore, the possibility may well be studied of allowing employees to "anticipate" their old-age pensions voluntarily at a reduced age.

If such anticipation is permitted, the option should normally be open, however, only to claimants within perhaps five years or less of pensionable age. Moreover, the pension payable should not exceed the discounted equivalent at the age concerned of the full pension payable at the regular pensionable age. A disadvantage of permitting pensions to be claimed at earlier ages is that improvident persons may be tempted to make use of the privilege unnecessarily. They thereby sacrifice their right to a larger pension later.

A few examples of anticipation provisions under existing schemes may be noted. Argentina permits pensions to be obtained up to five years prior to the age for obtaining full pensions; the amount is reduced by 5 per cent. for each year by which the pension is anticipated. Belgium and Greece also allow pensions to be claimed up to five years before pensionable age, subject to discounts of 5 and 6 per cent. per year respectively. Mexico allows insured workers who are unemployed to receive a reduced pension up to five years below the normal pensionable age without having to prove invalidity. Uruguay also awards reduced pensions before pensionable age in the case of involuntary unemployment.

An alternative means of protecting workers nearing pensionable age is to introduce special relaxations in their favour under other social insurance branches. Thus, a longer maximum duration of unemployment benefit might be provided for workers within a few years of pensionable age, or a special concept of unfitness for work as distinguished from ordinary invalidity might be applied in their case. The former practice is followed in Ireland, and the latter to some extent in France and Denmark. Such practices may substantially increase the cost of other insurance branches, however, and may cause a disproportionate part of their cost to be accounted for by one small age group alone.