Although the establishment of national pension schemes in the world’s industrialized countries ranks among the great achievements of the twentieth century, and those schemes have proved effective in alleviating poverty among the elderly, adjustments are needed if current levels of well-being are to be maintained. Ageing and its impact on labour markets and pension systems is one of the main issues to be discussed at the forthcoming European Regional Meeting of the ILO in Budapest on 14 to 18 February.

The older population is growing rapidly. Although the population in Western European countries is the oldest, that of Central and Eastern Europe and that of CIS countries is ageing faster.

In Central and Eastern European countries, where full pension coverage had been achieved and served to cushion economic shocks in the early 1990s, many countries adopted radical reforms, including measures to scale down social insurance in favour of privately managed individual savings accounts.

In the CIS, although hyperinflation reduced the real values of pensions until the mid-1990s, pension schemes were one of the most reliable means of preventing poverty in the early transition years.

In southeastern Europe, millions have been left destitute as national pension schemes have come under financial stress as a result of factors including political turmoil, armed conflict, the loss of subsidized employment, heavy foreign debt and high inflation, the growth of the informal economy and non-payment of contributions.

Extending working life is an important way of increasing employment rates. However, any measures taken for this purpose have to take into account the needs and rights of older people.

The emergence of private pension provision is tending to increase inequalities, and the high transition costs of shifting from public “pay-as-you-go” to private funded pension systems raises concerns about the adequacy of future pensions.

The experience of Western Europe shows that, beyond the reform issue, there is a need to monitor and manage pension systems so as to guarantee their long-term viability and equity.

Facts

- The older population in Europe is growing rapidly. Over the past 50 years, life expectancy has increased from 63 to 73 years and is expected to rise to 80 years by 2050.
- Though many countries have raised the legal retirement age for men, and especially for women, the average exit age from the labour force in the formerly 15 EU countries ("EU-15") is still low, ranging from 58.5 years in Belgium to 63.2 years in Sweden. In the new EU Member States the exit age is even lower, ranging between 56.9 years in Poland and 62.4 years in Latvia.
- Forty-five per cent of men and 42 per cent of women in France are no longer in regular employment when they reach retirement age.
- In the 1990s, employment declined by over 20 per cent in most countries in central and southeastern Europe, while the number of pensioners rose by about 20 per cent on average, and by 40 to 60 per cent in some countries, such as Poland and Romania.
- The European Councils in Lisbon (2000) and Stockholm (2001) set targets for 2010 for raising employment rates in the EU to close to 70 per cent for the working age population. These targets imply an increase in employment of about 20 million in the EU-15.
- The European Council in Barcelona (2003) set a target for a progressive increase of about five years in the average exit age from the labour market by 2010. In 2001, in the EU-15, the employment rate of higher-skilled workers aged 60 to 64 years was double that of low-skilled workers.
- Finland is introducing a flexible retirement age of between 62 and 68 years as from 2005 and Spain has allowed the combination of pensions and work after 65.
The role of the ILO

The ILO assists member States, and workers' and employers' organizations in the design, reform and implementation of social security policies based on the principles embodied in international labour standards, and contributes to the effective governance and management of the corresponding schemes. Special emphasis is placed on developing strategies to extend social security coverage.

Current social and economic transformations mean that tomorrow's retirees will have very different career profiles and family patterns from those of today. In redesigning benefits, there is a particular need to address gender issues, since women are often major losers in current pension reforms. If pension systems are to meet the needs and expectations of society and be effective in fulfilling their vocation of providing financial and social security, all these issues require strong government intervention and the development of social consensus through the close involvement of the social partners and other stakeholders.

The need for solutions which combine employment, social protection and the promotion of workers' rights and well-being, points to the key role which the ILO can play in reform processes.

The ILO's tripartite approach, involving governments, workers and employers, is important in facilitating consensus-building on a viable combination of labour market and pension reforms which meet the needs and expectations of society. By providing guidance, monitoring compliance with agreed minimum standards and promoting social dialogue, the ILO has an important role to play at the national and regional levels, particularly through its recently launched Global Campaign on Social Security and Coverage for All.

For more information:
www.ilo.org/public/english/protection

Relevant Conventions and Recommendations

ILO Convention on Social Security (Minimum Standards), 1952 (No. 102)
ILO Convention on Equality of Treatment (Social Security), 1962 (No.118)
ILO Convention on Invalidity, Old-Age and Survivors' Benefits, 1967 (No.128)
ILO Recommendation on Older Workers, 1980 (No. 162)
ILO Convention on The Maintenance of Social Security Rights, 1982 (No.157), and Recommendation, 1983 (No. 167)

In 2001, the International Labour Conference adopted a Resolution and Conclusions concerning Social Security.