

Brief

Prepared by the General Secretariat of the Council, under the direction of the President of the COR

Summary: The context in which the transitions between employment and retirement take place has evolved considerably over the past twenty years. As a result of successive pension reforms and the gradual abolition of measures favoring early retirement for older workers, the incentives to leave the workforce before retirement age have been replaced by incentives to remain in employment. It is therefore possible to assess the impact of these incentives to active ageing: have they had the expected effects in terms of extended activity for seniors? Has the extension of activity been accompanied by a deterioration in the quality of jobs and in the standard of living for some seniors? Furthermore, in the context of the transition to a universal points-based pension system, the question arises of the adaptation of three employment transition mechanisms: bonus (on pension), cumulating employment and retirement, and gradual retirement.

I. The situation of older people as regards employment and standard of living

- **What progress has been made in the activity of older people?** After having fallen sharply in the 1970s and 1980s, in line with early retirement policies, the labor participation rates for older people have been increasing since the late 1990s (+ 25 points for those aged 55-59 and + 20 points for 60-64 year olds between 2000 and 2017). Since 2003, the time spent in activity after 50 years has thus increased by about two years, and the time spent in inactivity before retirement has decreased (*documents n° 2 and n° 5*).
- **Is the increase in activity accompanied by an increase in unemployment?** A person in activity as defined by ILO is either employed or unemployed. Employment of older people has increased almost as much as activity of older people, but unemployment of older people has increased to a lesser extent. Older people still have a specific difficulty in getting out of unemployment, with more long-term unemployed, discouraged unemployed, and fewer returns to stable full-time employment (*document n° 4*).
- **Is the quality of jobs for older people deteriorating?** Between 2007 and 2017, part-time work became a little more frequent among older people while it was stable among younger people; it is often chosen, in particular in the context of combining work and retirement. Underemployment (the sum of involuntary part-time work and partial unemployment) and limited-term jobs (fixed-term contracts, temporary work, apprenticeships, internships and subsidized contracts) increased slightly among both older and younger workers (*documents n° 3 and 4*).
- **How is the standard of living of older people changing?** In 2013-2015, seniors aged 50 to 69 were overall in a favorable situation in terms of standard of living, with an average standard of living 15% higher than that of the whole population and a lower poverty rate (10.2% vs. 14.0%). However, there are significant differences between older people in employment or retirement, and those who are neither employed nor retired (unemployed or inactive). In particular, older people who remain in employment after age of 60 - especially those who combine employment and retirement - generally have relatively high standards of living, while the ILO unemployed and even more so the discouraged unemployed are often poor, especially when they are still far from retirement age. Over the past 20 years, the number of older people who are neither employed nor retired has

fallen (there are far fewer inactive but more unemployed), but their poverty rate has tended to increase, reaching 32% in 2015 (*documents n° 6 and n° 7*).

II. Measures easing transitions from employment to retirement

- **What is the profile of older people who use the activity extension schemes?** The main arrangements to extend activity are the bonus on pension (*surcote*) -which allows them to continue working while postponing pension claiming in order to increase their pension-; cumulating employment and retirement -which allows them to benefit from pension entitlement and to combine this with income from work; and gradual retirement which allows them to benefit from a fraction of their pension and continue working part-time (*document n° 8*). In the general scheme, those who get a pension bonus (“*surcoteurs*”) differ from the other socially covered in that they enter the labor market later and have almost continuous careers. Concerning the combination of employment and retirement, almost half of those cumulating - 478,000 in total in 2016 - are 64 years old or younger, and are more educated. Lastly, although the number of persons in the general scheme benefiting from the gradual retirement scheme remained low for a long time (around 1,000 pensioners per year from 2007 to 2014), it tripled in 2015 following the relaxation of the age condition for entry (*documents n° 9 to 11*).
- **What are the "flexible retirement" arrangements abroad and how are they used?** In all the countries studied by the COR, retirees who have claimed their pension can continue a paid activity on a part-time or full-time basis. In all countries except France, continuing to work is accompanied by the acquisition of new pension entitlements. Note that France is the only country where the partial payment of a pension is subject to a reduction in the workload. Overall, it appears that these "flexible retirement" arrangements are little called up by workers, although several surveys show that workers express the wish for greater flexibility in their retirement decision. On average, 10% of people aged 60 to 69 combined work and retirement in Europe in 2012 (*document n° 12*).

III. Prospects for the development of transition systems

- **How could the arrangements for prolonging activity be transposed into the new universal points-based system?** Both bonus and discount on pension are an integral part of the contributory core of an actuarially neutral system with respect to retirement age: either implicitly, through a point value which increases with the age at pension claiming; either explicitly, with a point value independent from age at pension claiming of the claimant and the implementation of a symmetrical discount / bonus mechanism linked only to an actuarially neutral retirement age -the rate of which is calibrated to ensure this neutrality. Similarly, in this logic of actuarial neutrality, cumulating work and retirement could be authorized without condition, and the contributions paid during the cumulative work-retirement period could open new pension entitlements that the claimant could get later. Cumulating work and retirement without restrictions would offer simplicity (pension is acquired once and for all) and total freedom in the prolongation of activity: workers could for example take a sabbatical leave (rest or training) before resuming an activity, could alternate periods of intense activity with high remuneration (without ceiling) and periods of reduced activity, or they might still want to revise their initial plans (to seize new opportunities, adapt to changes in their health, etc.). In this new scheme, the gradual retirement scheme would therefore only be a modality of an extended version of fully liberalized combination of employment and retirement. In relation to this theoretical framework, choice could nevertheless be made to deviate from the logic of an actuarially neutral system, in order to pursue various objectives such as incentivizing older people to work or reducing inequalities among older people (*document n° 13*).