Cross-cutting introduction to Old Age (Table VI)

The provision of financial support for people in old age is unquestionably the most comprehensive, complex and costly of programmes in the field of social protection. The imperative of demographic ageing, coupled with a significant decline in the birth rate and insufficient employment rates thereby increasing the so-called dependency ratio, has placed a considerable pressure on the funding and sustainability of pension provision. No area of social protection has been more subject to review and attempts at reform and restructuring.

In essence old-age pensions provide financial support to those out of the labour market because of their age. The legal retirement age varies across the European Union, broadly ranging between 60 and 67. A minority of MISSOC countries have lower retirement ages for women than for men, although most of these countries are in the process of equalising (or at least approximating) retirement ages between the sexes. Several MISSOC countries have legislated a general increase in retirement age, typically with long phasing-in periods. This should be seen as part of a series of pension reform measures which have been, or are being, undertaken in many MISSOC countries and which aim at raising the (effective and/or legal) retirement age, promoting longer working lives and limiting access to early retirement.

While the objectives of ensuring pension adequacy and financial sustainability are common to all old-age pension systems, the provision of income in retirement is extremely diverse among MISSOC countries. Leaving aside the assistance-based categorical minimum income schemes (which are covered in Table XI), the different aspects of the various pension system classifications are represented in the MISSOC countries, notably in what regards the financing system [pay-as-you-go (PAYG) – or funded], the way the pension systems are established (by law, collective agreement or individual contract) and adhered to (mandatory or voluntary), and the type of benefits they provide (defined benefit or defined contribution). As a rule, however, MISSOC Table VI only covers what according to another pension classification would be referred to as “first-pillar” pensions, i.e. **mandatory, statutory pension** schemes, to the exclusion of occupational (traditional “second-pillar”) and individual (“third-pillar”) schemes.

Pension provision in the MISSOC countries is generally organised through statutory schemes functioning on a PAYG-basis, according to which the contributions of the currently active population pay the pensions of the currently inactive population. These schemes are typically financed by social security contributions and provide for earnings-related benefits, although some countries operate systems which are funded by taxation and/or grant flat-rate pension benefits.

In several MISSOC countries, these PAYG schemes are complemented by funded pension systems, in which contributions for each insured person are paid into a personal account used to finance that person's pension when s/he ceases work. Several, mainly Central and Eastern European MISSOC countries have over the past decades established mandatory fully-funded pension schemes operating in addition to their PAYG systems. To the extent that these schemes, which are sometimes also categorised as “second-pillar” or alternatively “first-pillar bis”, are compulsory and statutory, they are described in MISSOC Table VI.

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