

**Pension figures don't add up**  
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When, in 1889, Bismarck introduced the first system of compulsory insurance for welfare, he set the age limit at 70. At that time - as we are reminded by *Europe needs saving: defusing the time bomb*, a short volume written by 8 economists for the Stockholm Network and edited by Terence O'Dwyer - life expectancy at birth was 48 and only a few reached the legitimate age for benefit demand.

The book also underlines that from 2007 to 2050 the EU population will decrease by 6% and will progressively age. If the trend carries on like this, in 2050 pensioners will equal 75% of the working EU population (including immigrants) and in Italy and Spain, there will be 10% more pensioners than employees (including immigrants again).

Today on average, Italians retire at 60 and take advantage of retirement benefits for 18 years if they are male and 25 years if they are female (compared to 35 years of working life).

These figures have to be kept in mind in the debate on pensions that threatens to become one of the major arguments on the beaches and in the mountains this summer.

The government is also taking conflicting decisions: on the one hand it has cancelled measures enacted by the previous legislature to keep public executives at work; on the other hand it has also cancelled legislation intended to bring the pension age to 60 years old. The debate now has to become more than simply beach chat.

It is worth remembering that in 1984 in Wasenaar (near The Hague), government, trade unions and employers drafted the most robust "social agreement" of the last 25 years. They decided that in order to balance the welfare books they should act on the age of retirement. The econometric model of the Dutch Work and Pensions Minister, with the harshness of an Oracle, affirmed that the age limit should be 81. The outcome was that the

whole Dutch welfare system toppled and drastically modified.

The age of retirement is a necessary element but not sufficient element of a sustainable welfare system. Besides, it seems that to retire when we are physically and mentally able is bad for health. An American study reveals that it corresponds to an increase of 23-29% in motor difficulties and an increase of 8% in general diseases along with a decline of 11% in intellectual capacity.

However, a very recent analysis by the Monetary Fund relative to 19 OECD countries indicates that a reorganisation (in order to have sustainable welfare systems) could be less painful than it may appear at first glance, if you hit different piano keys at the same time. The Monetary Fund and the Stockholm Network's liberals suggest that it is important to look attentively at the contributory welfare systems of which Sweden and Italy are precursors. Those systems have a wide range of key factors: age, parameters to transform contributions into annual benefits, interest rates on contributions. Like a good pianist, the government and social stakeholders will have to use these keys simultaneously. Regarding retirement age, we need to use the piano keyboard to stress freedom of choice and make the system 'neutral': those who decide to retire earlier will not benefit from a superior amount of benefit cheques for the rest of their lives versus those who want to retire later.