

Social Security Pensionable Age in OECD Countries, 1949-2035

Introduction

A number of countries have legislated changes in their social security retirement age policies, including raising the early retirement age, raising the qualifying requirements for receiving benefits at the early retirement age, and reducing benefits at that age. Countries are considering these reforms to ensure the financial sustainability of their social security programs in the face of population aging. In traditional social security programs, benefit costs rise when life expectancy increases. If no changes are made in the structure of benefits and contributions, financing problems eventually result.

The Issue Paper “Social Security Pensionable Age in OECD Countries, 1949-2035,” by John Turner, examines the early retirement age of social security programs in 23 Organization for Economic Cooperation and Development (OECD) countries over the period 1949-2035. It investigates aspects of the social security reform process, such as whether the evolution of social security pensionable ages has occurred gradually over extended periods or through short periods of rapid change separated by long periods of little or no change.

Principal Findings

Changes in a country’s pensionable age historically have been relatively rare. During the period 1949-1993, some OECD countries reduced their pensionable age. Since the early 1990s, however, a number of OECD countries have enacted legislation raising the pensionable age and, as of 2004, the majority have legislated pensionable ages of 65 or higher, though these changes have yet to take effect in some countries. While it might be thought that pensionable ages would be fairly evenly distributed over a range of ages or perhaps distributed around one or two ages, most countries have followed a pattern of counting by fives, with pensionable ages at 55, 60 or 65, and in earlier years, 70. In addition, while it might be thought that social security systems would adjust gradually to changing economic and demographic conditions, it is much more common for fairly rapid adjustments to occur over relatively brief periods, punctuating long periods of no change.

In 2002, the median pensionable age for men in the traditional high-income OECD countries was 62, compared to 60 for the G7 countries. The median age for women in 2002 was 60 for both the OECD as a whole and for the G7 countries. Examining the current pensionable age, however, provides an incomplete view of pensionable age policy. By 2035, based on legislation as of 2004, the median pensionable age for women in the OECD will have risen by five years, to 65. By 2035, 15 of the 23 traditional OECD countries will have a pensionable age for men (14 for women) of 65 or higher based on legislation in effect in 2004. Many countries with relatively high pensionable ages for social security, however, have developed alternative exits from work, with the effective retirement age being several years less than the pensionable age.

The pattern of changes in early retirement ages provides insight about the reform process in different countries. While it might be thought that reforms would tend to occur in increments of one year, reforms of 5 years are far more common.