

Editorial

by Geneviève Reday-Mulvey

This special issue of *The Geneva Papers*, the sixth in our “Four Pillars” series (1990, 1992, 1994, 1996 and 1999), is devoted to two issues – the future of pensions, and prospects for employment and long-term care – each with five articles.

Over a decade ago, the Geneva Association, conscious of changing demographic and financial trends, became concerned to face positively the challenge of the future financing of pensions and rethinking the fundamentals of social security. With its programme on the Four Pillars, the Association has advocated reinforcement of a multipillar pension system and promotion of a new design for employment and for retirement in the 21st century. More specifically, with average life and health expectancy increasing steadily, it became clear that “older” workers and people should remain better integrated in firms and communities and continue to make a valid economic and social contribution to our (service) economies. Gradual retirement was proposed to facilitate end-of-career management and an extension of working life, with the option of a partial pension. Parallel to this key issue, the focus has now turned to health and, in 1997, the Association launched a research project, Health and Ageing, concentrating mainly on the interventions and costs involved in maintaining an active life after the age of 65 and on solutions for long-term care.

The two parts of this issue are introduced by a general article. Prepared by three Finnish researchers (M. Forss, E. Kalimo and T. Puroola), it analyses how social security may provide an effective form of risk management in the complex social and physical environment of modern society. Social security is social not only from the individual’s viewpoint but also from that of collective civil society. Since it helps to produce public goods (e.g. health, public safety), it thereby enhances the economic productivity of a nation. It creates what the French call “a virtuous circle” for growth and well-being. The authors explain why social contributory insurance is preferable to non-contributory systems.

The debate on the future financing of pensions has evolved over the last two years and international organizations as well as most governments are looking for multi-factor solutions. On the finance side, developing further second- and third-pillar pensions while insuring the solidity and adaptability of the pay-as-you-go first-pillar pensions (even if almost everywhere this means slightly reducing their generosity) appears to have become the new norm and to allow for socio-cultural and political diversity. As far as the active population is concerned, most are at last convinced of the urgent need for policies for raising the participation rate of the active population (“older” workers, women, etc.) while, in some cases, supplementing this policy with a modest increase in immigration. Each country is searching for the best or the least politically and economically controversial equilibrium between a number of key factors, and we believe this equilibrium to be a dynamic and evolving one.

Part 1, “The Future of Pensions”, includes two articles on very recent pension reforms in Germany and in Japan, an article on the new pension system in Argentina, and another which

analyses the shifting debate on financing retirement in the U.S. In our October 1999 issue on the Four Pillars, there were articles on pension reforms in Italy and in Sweden, in Central and Eastern Europe, in Switzerland and on Chile's famous private pension system. In our view, the current issue supplements the earlier issue by providing articles on what have been the most important developments over the last two years. The first article, by H. Bonin, presents a critical assessment of the very recent pension reform in Germany (voted in May 2001). The second, by N. Takayama, presents the new Japanese reform in the context of a "never-ending process of revision" to slim down social security pensions and stimulate the growth of private defined-contribution ones. The third article presents an interesting analysis of the changing terms of the debate on privatization of retirement financing in the U.S. The fourth article, which provides a detailed description of the pension system in Argentina, is by R. Rofman who has written on the topic for the World Bank but also has valuable experience of fund administration. The author assesses the system's performance six years after a major reform that introduced a multi-pillar scheme and focuses on problematic aspects that require further refinement.

These four articles on pension reform and debate are introduced by an article by Jan Mantel, which focuses – now that most industrialized countries have passed or are in the process of passing fundamental reforms to the future financing of their pension system – on the crucial importance of increasing the participation rate of older workers in the future. As most of our readers know, the Geneva Association with its programme on the Fourth Pillar has long advocated this participation as a key component in a global approach to the challenge of so-called ageing populations. Mantel, who compares the recent OECD and EC reports, proposes a "combined reform scenario".

Part 2, "The Prospects for Employment and Long-Term Care", includes three articles devoted to the employment of "older" workers. The first one, by Elizabeth Drury, on the European Code on Age and Employment, starts with a summary of the issue of work for older workers in Europe and presents the recent Code proposed to the European Commission and to Member States as a useful tool for the social partners in changing the attitudes and practices concerning the management of end of career and of a needed extension of working life. The second article, on how to increase the ability, employability and employment of older workers, is by a widely recognized expert in the field, J. Ilmarinen of the Finnish Institute for Occupational Health. The third one, by Atsuchi Seike, is on Japan, whose employment policies for workers after the age of 60 have been ahead of those of most industrialized countries in spite of the recent economic recession.

Finally, this issue includes two articles on long-term care: the article by Yung-Ping Chen analyses the situation in the United States and the potential complementary role of private insurance and social insurance. The second one provides a synthesis of an international study on long-term-care policies and practices in most industrialized countries by a French expert, L. Assous.

Once again, we have been privileged to have recognized experts agreeing to contribute to this special series on The Four Pillars. They have spared no pains, and we would like to take this opportunity to thank them warmly. We trust that what they have to say will not disappoint our readers' expectations.