Social Security Abroad

Retirement Benefits for Very Elderly*

The introduction of old-age pensions for octogenarians in the United Kingdom in 1970 expands the very short list of countries which give pensions as a matter of right to those retirees who were too old to benefit from present day old-age insurance programs.

NEW LEGISLATION FOR ELDERLY IN UNITED KINGDOM

In August 1970, a countrywide search was launched in the United Kingdom to find the very elderly who could qualify for the new pensions under the National Insurance Act of 1970. This legislation was designed to provide benefits for those too old to qualify at all for a retirement pension under the present national insurance system or able to get only a very small payment under that system or the pre-1948 system.

The Department of Health and Social Security issued an appeal, addressed particularly to pensioners and to organizations for the elderly, for help in locating eligible persons. By November, more than 100,000 pensions had been awarded, according to official figures. A total of 38,000 supplementary pensions had been adjusted to take into account the new pension. Single persons receive £3 a week and married couples £4 17s, compared with the general flat-rate pension of £5 per week.[1]

The National Insurance Act of 1946, which became effective in 1948, provided that pensions would be payable only after at least 10 years of contributions. It is likely that men aged 65 and over (and women aged 60 and over) would have left or be leaving the labor force and thus be unable to earn any credits under the national insurance system. By 1970, these individuals would be in their eighties with little or no retirement protection. In addition, certain groups of the population had not been covered under the programs in existence before 1948.

Aged persons who quality for the new special pensions, first payable as of November 1970, are:

1. All women aged 82 and over and men aged 87 and over on July 5, 1970 (the 22d anniversary of the effective date of the National Insurance Act) who were not receiving a national insurance pension or receiving one smaller than 3 pounds a week for single persons or 4 pounds 17 shillings for married couples (the new benefit amounts).
2. Any married woman under age 82, but not younger than age 60 on November 20, 1970, whose husband qualifies for the new pension.
3. Any widow under age 82 whose husband was alive and aged 65 or over on July 5, 1948, if she were aged 50 when he died or had dependent children of the marriage on November 2, 1970.
4. Any divorced woman under age 82 who had been married to a man who was alive and aged 65 or over on November 2, 1970 and whose marriage ended in divorce (or annulment) after she was aged 60.

It was estimated at the time of the passage of the 1970 Act that approximately 600,000 persons were within the age groups concerned. About 500,000 of them were believed to be fully insured under the national insurance system and drawing regular retirement pensions. About half of the remaining 100,000 (and their dependents) were already receiving supplementary pensions, which were to be adjusted to the new pensions. An estimated 50,000 and an unknown number of dependents would thus benefit fully from the new pensions.

Proponents of the legislation had held that, because the regular pension is paid in part through general taxation (25 percent of the amount received in flat-rate contributions and other subsidies), it was inequitable to deny pensions to the very elderly. They maintained that it was not enough that the older people would be eligible for a means-tested supplementary benefit, since that generation "will always regard all forms of State help which is subject to a means test as charity and therefore hurtful to their pride and dignity."[2]

In Finland, similar criticism of selective use of public funds to benefit only a part of the population was voiced in the early fifties. As a re-

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[1] One pound equals $2.40 in U.S. money.

[2] Charles Bellairs, *Old People: Cash and Care*, Conservative Political Centre, London, 1968, page 21.

sult, aged persons who could not originally qualify for coverage were brought into the national pension system, first on a means-tested basis and then as a matter of right.

PENSIONS FOR THE OLDEST CITIZENS IN SELECTED COUNTRIES

In developed nations it is generally agreed that every person who had worked for many years in employment has earned entitlement to a retirement pension. Yet few countries apply this principle to their oldest citizens—victims, in effect, of the evolving social security system.

A surprising number of the mature social security systems have undergone major revisions in the past 10 or 15 years. As a result of these revisions, the oldest citizens have been caught in a transitional situation, in which they have found it impossible to meet the eligibility conditions for a full or even a partial pension: either they were already retired or too close to retirement age, or they had not worked regularly in covered employment and could not build up the contribution period required by the law (which might be from 10 years to 50). Even some of the "universal" systems have certain time qualifications the very old may not be able to meet.

Some countries have periodically reorganized their provisions for dealing with these transitional groups. Most commonly, such older workers receive means-tested assistance, some form of minimum means-tested social security benefit, or a combination of the two. A noncontributory or virtually noncontributory benefit, payable without a means test, is rare in the industrial countries in the West. It is found primarily in countries with universal systems, such as Canada, Finland, Sweden, New Zealand, and Denmark (where the means test was eliminated in 1970). In these systems, the very elderly are "blanketed in" with all retirees. Outside the universal systems, however, benefits for these groups have been provided in only a few countries, including the United States.

Means Test

The means-tested benefit, often labeled "pension," for those beyond retirement age is fairly common. In Italy, for example, a 1969 law expanded "social pensions"—formerly intended for the aged without the requisite number of years to qualify for a minimum regular pension. The revised law includes anyone over age 65 with limited means, whether or not he had ever made social security contributions or worked at all. In France, more than one-third of all pensioners receive means-tested social security benefits, other than "social assistance." Included in this kind of payment is a special "old workers" allowance for those not eligible for a pension under the general social security system because they were "too old" to earn sufficient years of coverage. Those receiving this allowance are primarily retirees from the period of the forties and fifties.

Universal Systems

Countries with universal systems theoretically should have no problem with respect to pensions for the very aged in their population, since the only requirement is residence and the oldest inhabitants thus would be "blanketed in" with other retirees. But these countries, too, have encountered difficulties of transition.

In Israel, which has a virtually universal system, the original laws did not include persons already retired, aged immigrants, and aged persons who immigrated after August 1967 and did not have a pension from their country of origin. At the present time, most persons in these groups receive a means-tested benefit based on the regular national insurance rate. However, residents of long standing who were over age 82 in 1969 are eligible for a special pension without test, except that it is not payable if the aged person is receiving a pension under another government program.

In the Netherlands, the current law (of 1957) requires contributions for 50 years for a full pension. This provision would have excluded persons already aged 65 or over at the time of enactment. In order to solve the problem of total ineligibility or reduced benefits during the long transitional period, those who had reached age 65 before the act were declared eligible for the full benefit.

In Switzerland, where the pension system dates from the period after World War II, contribu-

tions in all years since 1948 were originally required for a full pension. Persons born before July 1883 (and thus older than age 65 at that time) were therefore excluded. To cover this group, a means-tested supplementary pension was provided in the original legislation, but in 1964 the means test was withdrawn for persons over age 80.

Special Provisions

In some countries special arrangements are encountered, specifically for providing additional benefits by right to persons well above the pension age. The rationale behind these special arrangements carries the implication that beyond a certain age, ordinary pensions are no longer enough. The very elderly have run out of resources, but their needs may be greater.

Three different approaches occur in Finland, Norway, and Germany. Few if any countries have a maximum retirement age in their general schemes, but a minimum age is almost universal. Some theorists hold that very old age is equivalent to the status of disability from the point of view of inability to earn and should therefore call for the same protection as invalidity. This approach is met in Finland, which has an assistance supplement to the universal old-age pension. This supplement covers disabled pensioners not in need of constant attendance and all pensioners aged 80–84, regardless of health. In addition, an attendance supplement is provided for those who specifically need constant attendance and for all pensioners aged 85 and over, also regardless of state of health. These supplements are paid from general revenue and do not require a means test.

In Norway, local authorities may grant a local supplementary pension, in addition to the national basic pension, to residents aged 75 and over. These authorities decide whether there should be a means test or not.

In Germany, the fund for salaried employees makes a lump-sum payment to pensioners who reach their 90th, 95th, 100th, and each succeeding birthday. The amount is not large, but it presumably helps the beneficiaries to buy individual items they might not otherwise be able to afford.