Raising the Age In the Reform of Retirement Systems

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Abstract

Reform pension systems are problematic at the global level. No retirement system can guarantee its sustainability without being based on solid, harmonious, and consistent foundations in all its dimensions: technical, legal, social, political, and economic. As for Morocco's experience, pension reform was a problem that had been discussed for many years and created a range of accumulations. The chronology of events shows that thinking about reforming pension schemes is not born today but has passed through a range of stages. This reform defined its rules in a dangerous triple: an increase in retirement age, an increase in the proportion of contributions, and the method of calculation.

Raising the retirement age, according to the Technical Committee on Pension Reform, is an inevitable solution in pension reform, as it achieves a range of positives, but it must not be seen as the magic wand that will resolve the crisis owing to a range of considerations. Other alternatives that are more effective and feasible must also be considered.

As one of the topical issues, and given the stalemate in the Pension Reform Commission, especially as it was supposed to end its work in the past May, besides in the face of the waiting and anticipation of the various workforce for the Commission's outputs, we have tried to examine this topic according to the latest developments promoted in the arena through a major problem: Is extending the retirement age an unavoidable solution to this crisis? Can't other alternatives be resorted to?

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To address this problem, we will adopt the analytical approach to reveal the positives of such an extension, depending on the Commission's view of reform, as well as its limitations as a solution that delays and does not resolve the crisis. We will also try to inventory the various alternatives that could be adopted in this reform. We have therefore divided the research into two main axes:

- First theme: Raising retirement age: between positives and advantages.
- The second theme: Is raising the retirement age the solution? Are there no alternatives?

Keywords

Pension scheme - Raising retirement age - Life expectancy - Governance - Hard work.

Introduction

Reform of the retirement system is problematic at the global level because of three key factors: the transformation of the demographic structure, the high lifespan rate, and the inadequacy of the mechanisms for driving pension schemes geared primarily towards the short term. At the end of the 1980s, vulnerability to distribution-based pension systems began to emerge, affecting their financial balance and, therefore, their sustainability. This situation has led many States over the past three decades to reform their pension systems and ensure their operationalization. Demographic factors have pressured the imposition of retirement reforms, especially about the legal age of retirement.

A range of international organizations also have paid particular attention to the problem of retirement. Thus, since the 1990s, the World Bank has embarked on integrating pension schemes into its analysis of economic and social conditions, addressing the extent to which retirement affects States' public finances, and facing the risks of imbalances in their balance, considering that pension schemes' obligations are transferred to future generations, and becoming debts to States with an obligation to include them in their public accounts. For example, half of OECD member States have resorted to raising the retirement age, with the overall trend towards establishing the legal age of retirement at 65 years, with the possibility of sustaining an active life longer. A group of countries has also known to extend this age to 67 years (Italy, Greece, Denmark, Australia..), Other States have even tried to raise it to an age above this threshold (a law in Italy has not been implemented).

It is clear from various experiences that no retirement system can guarantee its durability and continuity without being based on solid, harmonious, and consistent foundations in all its dimensions: technical, legal, social, political, and economic.

For its part, in 2001, the European Council urged Member States to reform their retirement systems based on an approach centered on four institutional principles: Dissemination of approved strategies with periodic assessment studies on the level of progress achieved by their application, granting pension systems a social dimension that prioritizes the prevention of poverty, social marginalization and strengthening intergenerational interdependence, ensuring the sustainability of these systems, and updating the approved systems.

For the States of the Arab region, retirement patterns in the region as a whole are characterized by the fragmented nature of the regulations, weak coverage rates, and excessive generosity in the pension system. Most countries in the region have pension schemes for each category of workers. For example, there are six retirement schemes in Egypt and four in Tunisia. Excessive fragmentation of contracting systems reduces mobility within the labour market increases management expenses, and contributes to the perpetuation of inequality between different categories of workers. This situation also significantly affects coverage ratios that vary greatly depending on the structure of the labor market and the legal and institutional framework of the various pension schemes.

The European States (France, Germany, Spain, Italy, Sweden, and the United Kingdom), these countries have for several years alerted to the risks of unbalanced pension systems and their impact on public finances and have accordingly engaged in a series of successive reforms. Thus, it first undertook measurement reforms aimed at upgrading the sustainability of its systems, and some States subsequently completed profound structural reforms that at times revolutionized the overall landscape of pension systems not only in their region but globally (Sweden's experience).

Concerning the measures for the administration of these countries' pension schemes, the following are shown:

- The legal age of retirement is around 65 years, with a gradual trend towards extension (67 years or older).
- Pensions tend to be calculated based on the wage of the total years of work formed for the pensioner's career.
- The level of compensation rate is capped against the last wage and is often about 70%. Additional levels are often generated on a capitalization basis.

To maintain the system's viability, some States whose systems have been studied have set up independent pension oversight bodies. In France, a pension steering board has been established since 2004 to monitor the pension system. Its primary task is to provide the Government with the elements that enable it to evaluate and lead the system objectively and impartially to ensure its long-term financial balance. The Board publishes an annual report on the subject.

As for Morocco's experience, pension reform was a problem that had been discussed for many years and created a range of accumulations. Juvenile technology shows that thinking about reforming pension schemes is not born today but has passed through a range of stages:

- The events of the Committee of Actuarial Studies in 1997.
- Between 2000 and 2002, a series of reports were completed to reform pension schemes.
- The year 2003 remains crucial given the organization of the national debate on pension reform in December of the same year, in which all partners and actors involved in this sector, including representatives of the Government, trade unions, and contractors, participated to find a consensus formula for reform.

- In 2004, to give effect to the recommendations of the National Debate on Pension Reform, a National Committee and a Technical Committee were established to formulate an effective reform system.

- The year 2008 was the royal speech, which created the main status of the pension system. Accordingly, a pension reform committee was established in 2013. There was a normative reform both circumstantial and outside the Social Dialogue Foundation in 2016. The pension system needs to be reformed, which is an inescapable fact, but one within the institution of social dialogue.

The 2016 reforms came up with temporal and temporal solutions, following Morocco's first technical deficit in 2014. Who has become problematic in how the Fund is financed to pay pensions. This urgency has led to the adoption of a simple and easy solution which, as the trade union centers call it, the cursed trinity: raising the retirement age, increasing contributions and working years, as well as the method of calculation.

Thus, a study carried out by the Office of Studies at the request of the Government of Morocco, at the end of 2022, proposed raising Morocco's retirement age to 65 in the public and private sectors, bearing in mind that the current retirement age in the public sector is set at 63 years and in the private sector at 60 years. This requirement was rejected by trade unions.

Hence the question: Is raising the retirement age to 65 the answer to overcoming the retirement crisis? Are there no alternatives to this?

From here, we will try to approach this problem across two main axes:

- **First: what are the reasons for raising the retirement age?**
- **Second: Is raising the retirement age the answer to getting out of the crisis? Are there no alternatives?**

I/ Reasons for raising the retirement age?

Raising the retirement age, in the opinion of the Technical Committee charged with pension reform, is an inevitable solution in pension reform, as it achieves a range of advantages such as Extension of the duration of contributions for participants, thereby increasing the resources of these funds and delaying the duration of their payment of pensions, achieving the system's balance and ensuring its sustainability, so that it will be extended by about six years and the non-covered debt will be reduced by more than 30% by 2060. This requirement was included in a series of previous reports by many governance institutions.

For its part, the High Representative for Planning considered that the legal retirement age was the first measure to be taken into account since it should be reviewed for lifting the total pension scheme. This important and necessary measure aims at partially redressing the standard of life, especially as life expectancy has continuously improved over the last two decades.

For the Economic, Social and Environmental Fund, in 2014, the majority voted on draft laws 71.14 and 72.14 on the reform of civil pension schemes, recommending that the retirement age be raised to 63 years, on a six-month basis per year basis over the next six years.

The Supreme Council of Accounts, for its part, has sounded the alarm about pension funds since 2016 and called for raising the retirement age further to 65 or 67 years instead of the 63 years decided in the last reform.

The high life expectancy means in practice that the disbursement of pensions to retirees will extend over time, overburdening pension schemes with additional costs, and thus an imbalance in the intergenerational solidarity mechanism due to increased financial flows to the retiree category.

Our country has also undergone a significant lifelong development. The latter went from 47 years in 1962 to 75.5 years in 2017 and is expected to reach 80 years in 2030. This is illustrated in the following table:

Table 1: Evolution of Moroccan life expectancy

Years	962	980	994	004	010	017	030
Life expectancy	7	9.1	7.9	1.7	3.1	5.5	0

Women's life expectancy is higher than men's. At the age of 60 in Morocco, it was 17.17 for men and 18.49 for women in 1980, while at the end of 2011, it was 19.6 for men and 21.63 for women.

At the economic level, the increase in retirement age results in an increase in the duration of professional activity, resulting in greater participation of the individual in the production and wealth creation chain at the national level. Such a measure could be an important factor in the national economy's competitiveness.

A few experts emphasized that there were other reasons for the need to extend the retirement age, such as:

- Allow transferring experience from the older generation to the new generation, as Japan does (The justification for raising the retirement age is to address the underemployment, which partly reflects the country's low population, as well as to benefit from the experience of older employees) in its institutions so that retirees are referred to a particular destination and their work is limited to the qualification and training of young people who will succeed them in the job and often not exceeding two years.

- The issue of retirement age is linked to finance and budget deficits: it is one of the most basic principles and concepts of human resources management that safeguard workers' interests human resource is the only inexhaustible resource, but some consider them to be the weakest link in the equations of labor regulations and who find no way to recover their rights other than to protest. human resources ", while human resources ministries could find other financing solutions rather than forcing workers to work for free periods.

Although many employees wish to renew their contracts beyond retirement age, they are not prepared to work without pay. When the French Senate had approved an increase in the retirement age from 62 to 64, the French would not have protested and demonstrated if they had not been harmed by the amendment.

For Morocco, according to the presentation of the President of the Supreme Council of Accounts, the indicators of this deficit pose a major risk to the long-term viability of the system and to the balance of public finances, which requires that the structural reform of pension schemes should be pursued expeditiously, especially in the prospect of expanding the enrolment in 2025 to include those who work and do not benefit from any pension.

Thus, many States are moving towards a reassessment of the most appropriate age of retirement, especially with a high "healthy average age", i.e. the number of years in which individuals live in good health. However, some experts emphasize that there is no general and consistent theory of the impact of raising the retirement age on States' economies, as it depends on the State and the demographic composition of the ages within it. For example, the State with few births and an extended working category for older persons extends the retirement age, thus providing the expenses of the social security system, while continuously enhancing the productivity of these persons for one or two years of employment. If the situation is adverse, i.e. the State has more children than the youth group, the postponement of the retirement age affects job availability and increases unemployment, and it is, therefore, preferable for these States to enact an early retirement system so that young people can enter the labor market quickly.

II/Is raising the retirement age the solution? Are there no alternatives?

The extension of the retirement age should not be seen as a magic wand, since this procedure, even if used systematically to rebalance pension fund accounts, only earns or buys time allowing, at most, the problem to be postponed.

Retirement age is no longer synonymous with old age, but rather the beginning of a new and somewhat long life thanks to life expectancy. The sustainability and balance of retirement systems, and the justice that Moroccan retirees await, impose a profound overhaul of these systems. Successive Governments have always been alerted to the effects of the rapidly aging population and declining fertility. There have been attempts to reform these systems, but they have not taken into account the economic factors that increase the system's deficit rate and raise the alarm.

The question that comes to our mind is: if the 2016 reforms relied on the easiest solution based on extending the retirement age along with the increase in contributions and working years, as well as the calculation method, has the crisis in these funds been resolved? The answer is definitely, not. The extension of the retirement age has not and will not resolve the crisis. Rather, radical solutions, reasonable and well thought out, must be contemplated so that we resolve the crisis and do not postpone its effects later. Among the solutions we propose, and a few researchers and experts suggest the following:

1/priority must be given to women's work, given three logical and reasonable justifications:

- raise the percentage of activity or operation and achieve the type approach. According to a report issued by the High Delegate for Planning, the percentage of women's activity in 2020 represents only 20.3% (17.6% in rural areas and 26.10% in urban areas) against a clear dominance of men at 67.8%. In 2022, it recorded a minimum rate of 19.8%.

- Taking advantage of women's relatively high life expectancy: Only a memorandum issued by the High Delegate of Planning on the occasion of the International Day of Older Persons, which is immortalized in October of each year, the expectation of life at birth is greater for women than for men, with an estimated 78.6 years compared to 75.2 years. Women's hope for life after 60 years is estimated at 22.3 as compared to men's 20 years.

- The importance of the proportion of women in demographic composition: According to the report of the High Delegate for Planning for 2022, Morocco's feminization rate was 50.2%.

2/ Increase in the activity or employment rate of the youth group. The employment rate of young people aged 15-34 has moved from 42.8% in 2020 to 31.8% in 2022. The increase in the employment rate of both men's and women's youth is the increase in the contribution rate and the expansion of the receptacle, thereby increasing the resources of these funds. This increase in the employment ratio must be accompanied by tax incentives for contractors' employers. Flexibility must also be adopted to make the labor market commensurate with the high rate of activity, maintain the active category, facilitate the elders' access to employment, and enshrine the Combining work and pension receipt mechanism as an additional measure instead of retaining future categories for retirement optionally or compulsorily, rather than extending, each time, the legal retirement age.

In the same vein, the State's operating policy, which should be in line with the situation, must be reviewed, because the basis for the funds is operation, it can create nothing. The more incumbent positions are created, the greater the additional resources for these funds.

3/ It is the most obvious solution, but at the same time the most problematic, which is the significant demographic reserve breaks from these systems, either as a result of not being authorized by employers either arbitrarily or by agreement, or because they belong to an unstructured sector. Morocco's workforce is estimated at 11 million non-pensionable citizens, i.e. approximately 58% (government ministries 900 1,000 employees, state enterprises and corporations: 287 thousand employees, private sector procedure authorized by the National Social Security Fund: 3.5 million wages).

Millions of young people work in the informal sector but do not contribute. If they are integrated into the formal sector, their young age and contributions will make them a kind of newborn from the pension fund's point of view. When we talk about informal, we talk about 77% of the Moroccan workforce according to a recent World Bank report.

The non-structured sector should therefore be viewed by the State as an army of fiscal and economic reserves that can be mobilized and its savings and wealth utilized. It is also incumbent upon it to combat the evasion of declarations, whether complete or partial. The more we fight evasion, the more people are involved and the higher the Fund's resources.

If Morocco had launched the Social Protection Mainstreaming Project in 2025, which was expected to expand the pension scheme's enrolment base to 5 million people with no pension, it was hoped that the workshops would succeed.

4/ The private sector is concerned, so it is necessary to review the requirements for managing the reserves of the National Social Security Fund by removing the obligation to deposit them in the deposit and management fund, and opening the possibility of depositing them in financial institutions with interest greater than 5% against an interest rate not up to 3% granted by the deposit fund.

5/ Revise capital employment policy by promoting long-term investment, with full respect for precautionary rules, in sectors and activities contributing to the creation of positions of employment and social welfare. This is without overlooking the rationalization of operating expenses, which is observed to be rocket high compared to the services provided to active and retired engagers.

6/ The State's fulfillment of its obligations to the Fund and the return of its benefits. As is known, the State has not paid its dues to him from 1957 to 1996, having found out the threat to him.

7/ The problem of these systems is one of governance rather than a deficit. Thus, real reform begins with governance within the governing bodies of these funds, strict control of the funds' budget, before any other action, and the return of embezzled funds (Status of the National Social Security Fund) for which final judgments were handed down and linking liability to accountability. The totality of legal breaches monitored by the Commission on the Truth, such as advances in the military pension system and non-contributory regimes from the surplus of the civil pension system in the absence of a reserve balance of military pensions and the granting of pensions without legal authority and other suspicions, makes us wonder about the usefulness of this principle, which remains absent and is realized only at the level of liability.

A rigorous assessment and tracking methodology must also be adopted to ensure the sustainability of a retiree's rights and acquisitions, rather than relying on easy mechanical solutions, which could compromise social stability. This is coupled with the adoption of a new, more equitable approach to reform. It is unreasonable for the sole and exclusive participant to bear the cost and material and moral consequences of the reform, without the Government bearing any responsibility for the imbalances and structural causes of the current fund crisis.

If raising the retirement age is an indispensable solution in this reform, consideration must be given to the sector or occupation, i.e. the principle of hard work. Where the work is painstaking, the active worker cannot be obliged to work until he or she has benefited from his or her retirement.

Hard work, according to a range of scientific approaches, is a complex concept based on three theses:

- Working conditions and their impact on long-term health development, with adverse effects on the lifespan or quality of life in old age, and thus on the duration or quality of retirement. The basic idea is that compulsions or inconveniences in a career or career play an important role in changing life expectancy, or life expectancy without disability.

- A sense of hardship at work, which may be the source of poor health, whether affected or not by the consequences of the profession in the past, because the deterioration of the state of health makes the requirements of the current work intolerable. The state of health decreases with age, with the resulting acceleration of discomfort and confusion at work, especially between 50 and 60 years old.

- "Hardship", in the linguistic sense of the word, can describe all the bad work manifestations of its various manifestations: exhausting work, uncomfortable, risk, tension, monotone, disappointment... which, for older workers, may affect their desire to leave work quickly even if they do so.

This lift must therefore be optional, as confirmed by the High Delegate for Planning, and subject to the selection of the applicant after the operator's consent. Accordingly, the applicant must have the full right to retire at this age without a reduction in his pension. It is also imperative that a participant who wishes to continue to work should have an interest in doing so, by enabling him to raise his rights at an annual rate to the age of 65, which will enable him to improve his compensation rate.

Conclusion:

By way of sealing, When considering the best ages for retirement, it is important to balance the pros and cons of this subject, so that all factors related to the timing of this step such as economic factors, social conditions, and a person's state of health must be assessed. The retirement phase may seem like a beautiful version of life, but it may be the opposite, as it has been shown that timely dismissal may lead to a healthy turn of things and cause debilitating financial burdens.

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