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EFFECTIVE RETIREMENT AGE: RECENT DEVELOPMENTS

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ABSTRACT

This article analyses recent developments in the average effective retirement age in light of the 2011 reform and the different forms of retirement. The analysis shows, first, that the effective retirement age has tended to increase in recent years as a result of the net increase in the retirement age within all forms of retirement, which has more than offset the opposite effect prompted by the growing share of the various forms of early retirement. Second, the impact of the 2011 reform, from the standpoint of retirement age, seemingly remains limited, as the percentage of new retirees who take retirement on the basis of legislation prior to the reform is still significant, and the statutory retirement age for workers with sufficiently lengthy contribution histories is still 65. Third, on average, workers who take some form of early or partial retirement have the lowest retirement age, although they generally have longer contribution periods and higher regulatory bases.

Keywords: retirement age, pension reform.

JEL classification: H55, J26.

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Introduction

One of the main aims of the pension system reform approved in 2011 (in force since 2013) was to extend working lives.[1] To this end, a gradual increase in the statutory retirement age was established, from 65 to 67 years, and the contribution period required to receive 100% of the regulatory base (computed as the average of the contribution basis over a certain number of years before the retirement date) was also extended, from 35 to 37 years. In addition, the reform introduced a new form of early retirement that enabled workers to retire, at their request, before they reached the statutory retirement age, provided they had a sufficiently long contribution history.

In light of this regulatory change and of the different forms of retirement in place, this article aims to analyse recent developments in the effective retirement age. Against the backdrop of a possible upcoming pension reform, it is frequently noted that one of the aims of such a reform should be to bring the effective retirement age closer into line with the statutory retirement age, by reinforcing the incentives to delay retirement and setting more stringent conditions for early retirement.

The main messages arising from the analysis are the following. First, the effective retirement age has displayed a rising trend since at least 2006; it peaked in 2013 and stood in June 2020 at 64.6 years. This climb appears to be a result of the net increase in the average age of new retirees within each form of retirement, which has been partially offset by the increase in the share of forms of retirement whereby workers may retire earlier. Second, the impact of the 2011 reform, from the standpoint of retirement age, remains limited, as a significant percentage of new retirees still take retirement on the basis of legislation prior to the reform and the statutory retirement age is still 65 for workers with sufficiently lengthy contribution histories. For example, it is estimated that in 2018 somewhat less than 40% of new retirees were affected by the change in the traditional statutory retirement age (65 years). Third, on average, workers who take some form of early or partial retirement have the lowest retirement

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1 The reform stemmed from an agreement entered into between the Government and the social partners – the Social and Economic Agreement for Growth, Employment and Pension Guarantees – on 2 February 2011. This Agreement was subsequently encapsulated in Law 27/2011 of 1 August 2011 updating, adapting and modernising the Social Security system.

age, although they also have longer contribution periods and higher regulatory bases.

The rest of the article is organised as follows. The next section presents an overview of the changes in the effective retirement age in recent years and of the impact of the 2011 reform. This is followed by a more detailed analysis of the determinants of that change, in the context of the different forms of retirement in place. The last section presents the conclusions reached.

Recent developments in the retirement age

The retirement age has been on an upward path since 2006. Specifically, between 2006 and September 2018 it increased by around nine months, from 63.5 to 64.2 years. Furthermore, the latest published data (for June 2020) indicate that in that month it reached an even higher level, of 64.6 years.[2] Yet this increase in the effective retirement age has not been constant over the course of this period. In 2013, when the 2011 reform entered into force, the retirement age rose considerably, to reach 64.3 years. In the following years it decreased, but since 2016 it has increased again (see Chart 1.1).

Drawing on the age-group breakdown published by the Social Security system,[3] in 2013 new retirees aged 65 and over grew from 58.7% to 62.1%. They subsequently fell, but returned to an upward path from 2015. As a result, the weight of those new retirees has increased by 4 percentage points (pp) in the last five years. Yet it bears highlighting that, if the 2006-2020 period is considered as a whole, the weight of retirements at 65 and over — currently 60.3% — is very similar to the average since 2006, of 59.5% (see Chart 1.2).

Consequently, retirements taken before the ordinary retirement age currently account for a high percentage (almost 40%) of total new retirees. Nonetheless, within this group, new retirees under the age of 62 have declined sharply, while those aged between 63 and 64 have risen considerably. This has driven up the average retirement age of the early retirement group.

As stated in the introduction, one of the 2011 reform's most important measures was the gradual increase in the statutory retirement age from 65 in 2013 to 67 in 2027. However, it should be noted that there are three mechanisms limiting the impact of this increase.

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2 The data for the 2016-September 2018 period were obtained from the *Informe Económico y Financiero del Proyecto de Presupuestos de la Seguridad Social, Ejercicio 2019* (Economic and Financial Report on the Draft Social Security Budget for 2019). The June 2020 figure is available at: http://www.seg-social.es/wps/portal/wss/internet/EstadisticasPresupuestosEstudios/Estadisticas/EST23/EST44.

3 See eSTADISS - Estadísticas del INSS - Estadísticas de pensiones: https://w6.seg-social.es/ProsaInternetAnonimo/OnlineAccess?ARQ.SPM.ACTION=LOGIN&ARQ.SPM.APPTYPE=SERVICE&ARQ.IDAPP=ESTA0001.
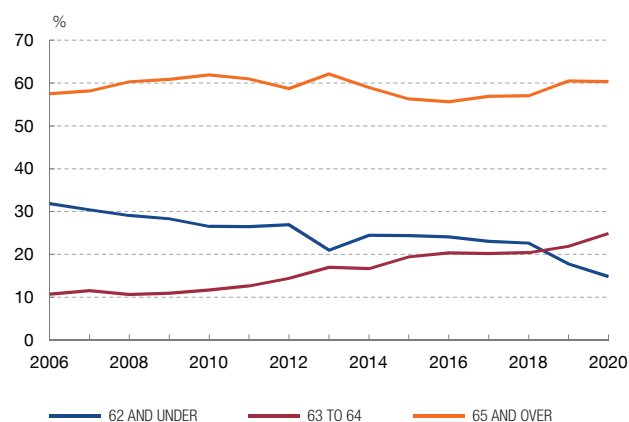
Chart 1
RECENT DEVELOPMENTS IN THE RETIREMENT AGE

The effective retirement age rose by almost nine months between 2006 and 2018. At present, almost 40% of new retirees take retirement before the ordinary retirement age of 65.

1 AVERAGE AGE OF NEW RETIREES
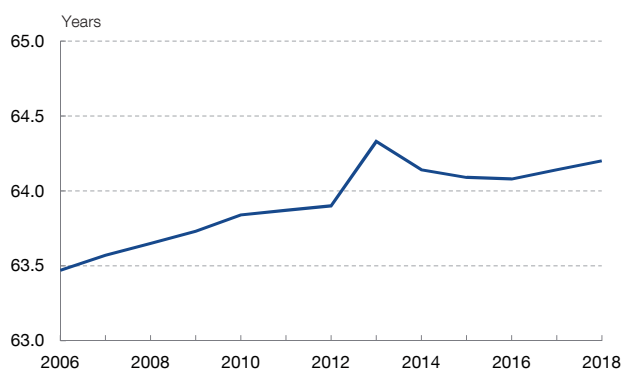
2 NEW RETIREES BY AGE GROUP

— 62 AND UNDER   — 63 TO 64   — 65 AND OVER

SOURCE: Seguridad Social.

First, the legislation includes a series of provisions exempting certain workers from the application of Law 27/2011, so that their retirement remains regulated by the previous rules. For example, individuals whose employment relationship was terminated before 1 April 2013, provided that they have not subsequently been included again in any of the Social Security system schemes, or workers whose employment may have been suspended prior to 1 January 2021 as a result of, inter alia, labour force reductions, insolvency proceedings or collective agreements formalised prior to 1 April 2013.[4] Nonetheless, it should be highlighted that these specific exemptions will cease to apply to retirements taken from 1 January 2021.

Second, the increase in the retirement age established in the 2011 reform affects solely new retirees with contribution histories below a set threshold. For example, in 2020 the ordinary retirement age remains 65 for workers that have made contributions over at least 37 years. Under the prevailing legislation, in 2027 workers will be able to take ordinary retirement at 65 provided they can evidence at least 38.5 years of contributions. In 2018, somewhat more than half of new retirees satisfied this requirement, so that the statutory retirement age applicable to those new retirees would remain 65, despite the 2011 reform being fully effective.

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4   See the Fourth Transitional Provision of Royal Legislative Decree 8/2015 of 30 October 2015 approving the consolidated text of the General Social Security Law.
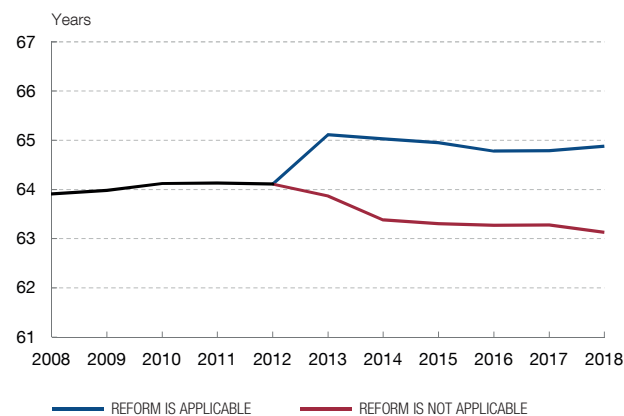
Chart 2
IMPACT OF THE 2011 REFORM

In 2018 somewhat less than 65% of new retirees retired under the 2011 reform and the statutory retirement age changed for slightly more than 35% (a). The average retirement age of new retirees subject to the reform is higher than the average age of the new retirees availing themselves of the previous legislation.

1 IMPACT OF THE 2011 REFORM

% of total new retirees

REFORM IS APPLICABLE — THEIR RETIREMENT AGE CHANGES (a)
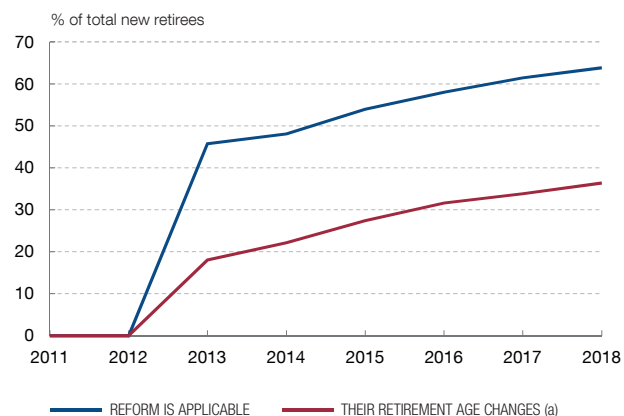
2 AVERAGE RETIREMENT AGE BY IMPACT OF THE REFORM

Years

REFORM IS APPLICABLE — REFORM IS NOT APPLICABLE

SOURCE: Banco de España, based on the *Muestra Continua de Vidas Laborales* (MCVL).

a This group includes ordinary retirees whose statutory retirement age under Law 27/2011 was over 65 and voluntary early retirees.

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Third, the 2011 reform introduced the possibility of workers taking voluntary early retirement provided they are no more than two years from the ordinary retirement age and have at least 35 years of contributions.

Chart 2.1, based on micro data from the Social Security administrative labour records (MCVL by its Spanish initials), shows that in 2018, five years after the reform entered into force, the percentage of new retirees retiring in accordance with Law 27/2011 was still under 65%. Furthermore, the retirement age only changed for 36% of new retirees: those whose statutory retirement age was over 65 due to an insufficiently long contribution period and those taking voluntary early retirement, which, as stated above, was established in the 2011 reform. Chart 2.2 shows that the average age of the new retirees subject to the legislation preceding Law 27/2011 was 1.7 years less than that of the new retirees subject to that reform.

This evidence suggests that changes in the effective retirement age are determined by the interaction of various factors, which may not all operate in the same direction. First, the upward path of the effective retirement age appears to be driven by the increase in the statutory age to 67 and by the decrease of the population cohorts that have traditionally retired earlier, e.g. new retirees who are mutual society members, as detailed below. Second, a large proportion of new retirees appear to be exempt from the 2011 reform's provisions and therefore take retirement on the basis of pre-Law 27/2011 legislation. Furthermore, within the group subject to the

reform, a large proportion are still able to retire at the ordinary age of 65 or are able to take voluntary retirement at an earlier age (from 63).[5]

Broadly speaking, the foregoing analysis shows that in order to examine the developments in the effective retirement age, the composition of the various groups of new retirees each year and the trends relating to the retirement age within each group must be taken into consideration. These issues are analysed in the following section.

Forms of retirement and changes in the effective retirement age

Forms of retirement

There is a broad range of forms of retirement, each determined by certain parameters defining the eligibility requirements and benefit amounts, such as age, number of contribution years and compatibility with continuing to work.

In order to analyse the relationship between these forms of retirement and the effective retirement age, in this section the different forms of retirement are grouped into six categories, based on the age requirements of each. As indicated above, this characterisation is very useful to analyse changes in the effective retirement age, since the latter is the result of two factors: the number of workers retiring under each form of retirement and their average retirement age. The six categories considered are described below.

First, ordinary retirement is retirement at the statutory retirement age, which, as mentioned above, is gradually being raised, from 65 in 2013 to 67 in 2027. In particular, in 2020, the ordinary retirement age is 65 for workers with at least 37 years of contributions, and 65 years and ten months for those with fewer contribution years. In 2027, the year in which the transitional period introduced by the reform ends, the retirement age will be 65 for workers with at least 38 years and six months of contributions, and 67 otherwise. The minimum period of contributions necessary to qualify for an ordinary pension was not changed by Law 27/2011, and continues to be 15 years. Also, 36 years of contributions (37 in 2027) are required for entitlement to 100% of the regulatory base.[6]

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5   There are also more structural trends that have a determinant effect on the effective retirement age. These are not analysed in this article. They include, for example, the increase in training periods or the type of occupations pursued by the workers.

6   The ordinary retirement category includes a form of retirement that was in force until 2013, called special retirement at 64, which allowed retirement one year early, without the application of reduction factors, provided that the retiree was replaced by an unemployed worker. This category also includes most of the special retirement schemes, such as those for coalminers and seamen. These schemes allow reduction coefficients to be applied at the retirement age.

Second, involuntary early retirement is retirement before the statutory age as a result of a business restructuring that prevents continuation of the employment relationship, such as a dismissal on economic, technical, organisational or production grounds. The maximum number of years before the ordinary retirement age is four, and each quarter or fraction of a quarter before the ordinary retirement age is associated with a reduction factor that reduces the amount of the pension. At least 33 years of contributions are required to be eligible for this type of retirement.[7]

Third, voluntary early retirement also takes place before the ordinary retirement age, but in this case as the result of a voluntary decision by the worker concerned. As mentioned above, this form of retirement was introduced by Law 27/2011 and came into effect from 2013. Under this form of retirement, the retirement age cannot be more than two years before the ordinary retirement age, and the reduction factors applied are larger than for involuntary early retirement. Also, the required contribution period is longer (35 years).

Fourth, there are two forms of retirement under which drawing a pension is compatible with work: partial and flexible retirement. Under the former, the worker begins to receive a pension when switching to part-time employment. This may occur before the ordinary retirement age if a worker is hired to replace the one retiring. Under flexible retirement, workers who are effectively retired may work part time while drawing their pensions.[8]

Fifth, late retirement occurs after the statutory retirement age. From a legal standpoint this is not strictly speaking a specific form of retirement, but it is useful to consider it separately, since it is the form with the highest retirement age. Under late retirement, pensioners are entitled to additional percentages of the regulatory base, depending on the number of contribution years after the ordinary retirement age, such that the total percentage applied to the base may exceed 100%. However, to be entitled to these additional percentages, workers taking late retirement must have satisfied the minimum contribution period of 15 years at the ordinary retirement age.

Sixth, and lastly, all the other forms of retirement are included in a single category. This mainly includes the retirement options of workers who are mutual society members. Provided they meet certain requirements, these workers are entitled to

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7   The possibility of early retirement for reasons not attributable to the worker was introduced by Law 35/2002 of 12 July 2002 on measures to set up a system of gradual and flexible retirement and has been amended on various occasions, in particular by Law 40/2007 of 4 December 2007 on Social Security measures and, in order to adjust the age requirement to the increase in the statutory age, by Royal Decree-Law 5/2013 of 15 March 2013 on measures to encourage older workers to remain in the labour force and to promote active ageing. The involuntary early retirement category therefore includes early retirement of different types, their factor in common being that unemployment is the trigger for retirement. It also includes early retirement owing to certain disabilities of over 45%.

8   The possibility of partial retirement dates from Law 32/1984 of 2 August 1984 amending Law 8/1980 of 10 March 1980 on the Workers' Statute. The eligibility requirements were tightened by Law 40/2007.
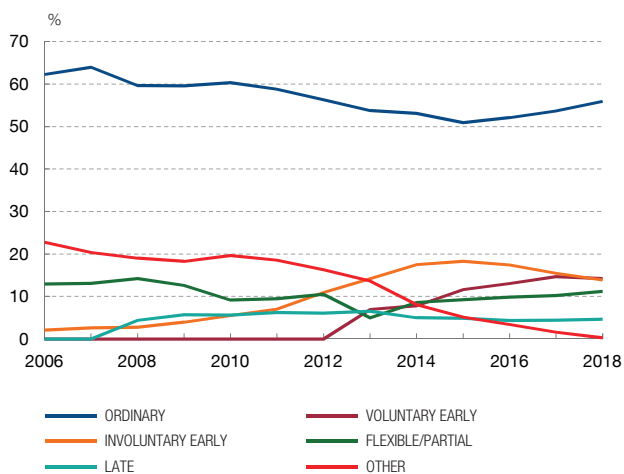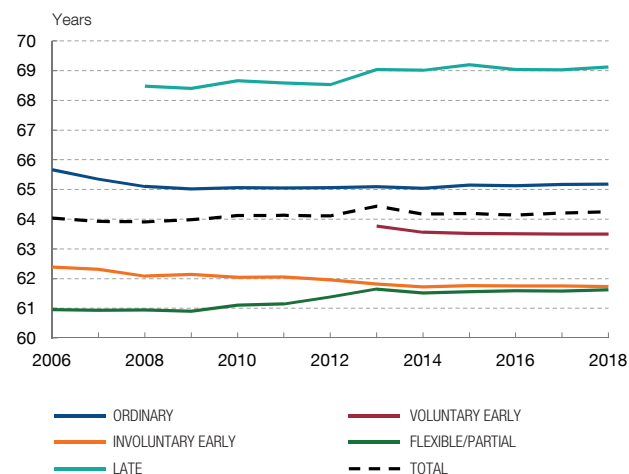
Chart 3
NEW RETIREES BY FORM OF RETIREMENT AND AVERAGE RETIREMENT AGE

Ordinary retirements declined between 2010 and 2015 and increased subsequently. By contrast, involuntary early retirements increased during the crisis and voluntary early retirements did so when they were introduced in 2013. There are important differences in the average retirement age within each form of retirement.

1 NEW RETIREES BY FORM OF RETIREMENT

2 AVERAGE RETIREMENT AGE BY FORM OF RETIREMENT

ORDINARY — VOLUNTARY EARLY
INVOLUNTARY EARLY — FLEXIBLE/PARTIAL
LATE — OTHER

ORDINARY — VOLUNTARY EARLY
INVOLUNTARY EARLY — FLEXIBLE/PARTIAL
LATE — TOTAL

SOURCE: Banco de España, based on the *Muestra Continua de Vidas Laborales* (MCVL).

retire from the age of 60. It should be noted that the weight of this group has been falling in recent years and is now very low.[9]

Chart 3.1 shows how the relative shares of the six types of retirement have changed since 2006. First, there was a notable fall in ordinary retirement from 2010, when it accounted for 60.3%, to 2015, when it was down to 51%. Since then its weight has risen again, to 56% of all new retirements in 2018.

The decline in ordinary retirement since 2010 partly reflects the increase in both forms of early retirement. On one hand, the significant labour shedding associated with the financial crisis that began in 2008 generated a very sharp increase in involuntary early retirement, which rose to 18.3% of all new retirees in 2015. The economic recovery in subsequent years led to a fall in the share of this type of early retirement, so that in 2018 it accounted for 13.9% of all new retirees. On the other hand, 7% of all new retirees took voluntary early retirement in 2013, the year in which it was introduced. Since then, its weight has grown without interruption, accounting for 14.2% of all new retirees in 2018.

In 2013, when the 2011 reform began to be implemented, just 5% of new retirees took partial or flexible retirement, as against 11.7% on average over the period 2006-

9   Mutual society membership is held by workers who have contributed to one of the mutual societies for employees prior to 1967, as well as workers who joined various industries, e.g. the railways, by a certain date.

2012. Since then, its weight has increased, and in 2018 11.1% of new retirement was of this form. Late retirement, meanwhile, appears to have remained largely steady over the period of analysis and accounts for around 5% of new retirement each year.

Finally, the ongoing decline in the share of retirement of mutual society members is notable: in 2006 they represented more than 20% of all new retirees, while in 2018, they accounted for only 0.3%.

There are significant differences in the average retirement age in each of these six categories. As one would expect, late retirement has the highest average age: in 2018 it was already over 69, and in recent years it has followed an upward trend. At the other end of the scale, are involuntary early retirement and retirement associated with remaining in the labour force (flexible and partial). These forms of retirement have an average retirement age of less than 62. The average age of voluntary early retirement has been around 63.5 since 2013 (see Chart 3.2).[10]

The average ordinary retirement age was 65.2 in 2018, having risen by barely 0.1 years since 2013. This relatively slow increase may be a consequence of the impact of the 2011 reform, which is still limited. In fact, although between 2013 and 2018 the percentage of new retirees taking ordinary retirement under Law 27/2011 increased from 42% to 69%, the percentage of retirees with a statutory retirement age of over 65 (on account of their being subject to Law 27/2011 and not meeting the minimum contribution period associated with retirement at 65) has grown less, from 20% in 2013 to 35% in 2018. Thus, up to 65% of new ordinary retirees in 2018 continued to have a statutory retirement age of 65.

Contributions to changes in the retirement age

This section presents a simple breakdown of changes in the retirement age in order to shed light on the determinants of its recent behaviour. This breakdown shows the changes in the effective retirement age as the sum of two components.

The first component is the change in the overall average retirement age resulting from the changes in the average age within each form of retirement. For example, this factor would reflect the increase in the overall average effective age as a consequence of ordinary or early retirement occurring at an older age, owing to an increase in the statutory retirement age.

The second component captures the effect on the overall average age stemming from changes in the weights of the different forms of retirement over time. For

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10 The chart does not show the average age of the retirement category associated with mutual society members as its weight has been very low in recent years. Between 2006 and 2012, the average retirement age of this category was 61.8 years.

example, the overall average age declines if the share of forms of retirement with a lower average retirement age increases. This component is the sum of two factors: one, which captures the change in weight of each form of retirement, while its average retirement age is held constant, and the other reflecting the relationship between the change in the average age of each form of retirement and the change in its weight.

The breakdown formula is as follows:

$$\text{age}_t - \text{age}_{t-1} = \sum_i (\text{age}_{i,t} - \text{age}_{i,t-1}) \cdot \text{weight}_{i,t-1} + \sum_i (\text{weight}_{i,t} - \text{weight}_{i,t-1}) \cdot \text{age}_{i,t-1} +$$

$$+ \sum_i (\text{age}_{i,t} - \text{age}_{i,t-1}) \cdot (\text{weight}_{i,t} - \text{weight}_{i,t-1})$$

Hence, the change in the average retirement age between two consecutive periods (t–1 and t) may be written as the sum of the change in the average retirement age of each form of retirement i, keeping the weight of each constant (the first addend of the right-hand side of the equation), and the change resulting from the changes in the weights of the different forms of retirement (the last two addends of the right-hand side of the equation).

Chart 4 shows a breakdown of the cumulative changes in the retirement age since 2008.[11] According to the MCVL, the average retirement age increased by around four months during this period.[12] However, these two components appear to have had opposite effects. First, the increase in the average retirement age for each form of retirement appears to have added 7.6 months to the average retirement age, with a positive contribution throughout the period. By contrast, the increased weight of the forms of retirement with a lower retirement age, appears to have reduced the increase in the effective age by 3.6 months. This negative contribution appears to have been especially pronounced between 2013 and 2016, and to have stabilised thereafter.

Characteristics of workers by form of retirement

The requisites for the various forms of retirement largely determine the different characteristics of the workers who take each form of retirement. In addition, these characteristics may be useful for analysing the potential savings in pension system

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11 2008 is taken as the base year because, since then, the average retirement age estimated using the MCVL has more closely reflected that reported by the Social Security system. Specifically, according to the MCVL, the average retirement age rose from 63.91 to 64.25 years between 2008 and 2018, while, according to Social Security data, it increased from 63.65 to 64.20 years between 2006 and September 2018.
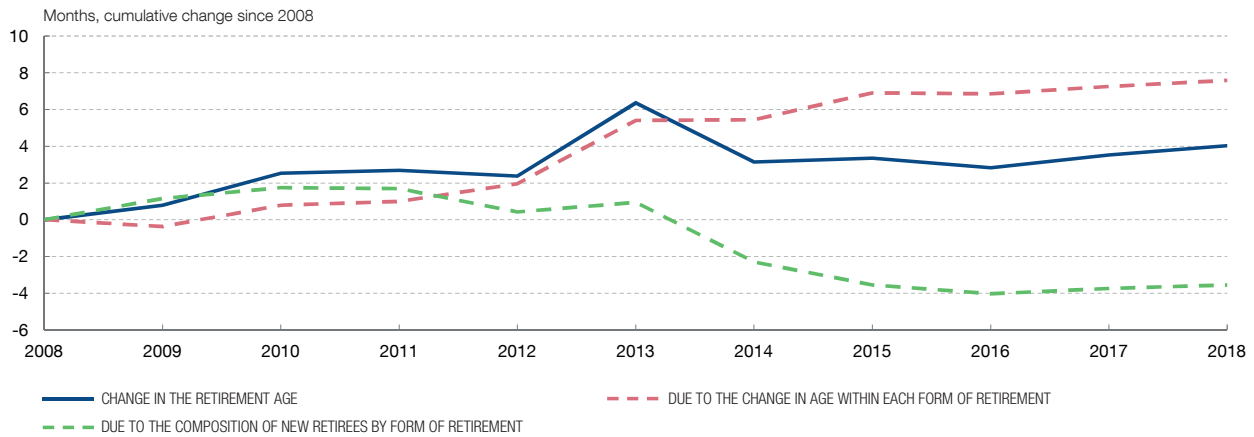
12 According to data published by the Social Security system, shown in Chart 1.1, the increase recorded to September 2018 would be greater (by around 6.6 months).

Chart 4

BREAKDOWN OF THE CHANGE IN RETIREMENT AGE

The increase in the retirement age since 2008 seems to be the result of two opposing factors. On the one hand, a positive contribution owing to the increase in the retirement age within each form of retirement and, on the other, a negative contribution due to the change in the composition of the new retirees.

1 BREAKDOWN OF THE CHANGE IN RETIREMENT AGE

Months, cumulative change since 2008

CHANGE IN THE RETIREMENT AGE

DUE TO THE CHANGE IN AGE WITHIN EACH FORM OF RETIREMENT

DUE TO THE COMPOSITION OF NEW RETIREES BY FORM OF RETIREMENT

SOURCE: Banco de España, based on the *Muestra Continua de Vidas Laborales* (MCVL).

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funding deriving from an increase in the effective retirement age. Table 1 sets out the characteristics of the 2018 new retirees.

As indicated above, the new retirees with the lowest average age are those who take early retirement or partial or flexible retirement. However, on average these workers have longer contribution periods: around 39 years in the case of workers taking involuntary early retirement, over 40 years in the case of those taking partial retirement (who collect their pension while at the same time remaining on the labour market), and 42 years in the case of workers taking voluntary early retirement. By contrast, the average contribution period for those taking ordinary retirement is 34.1 years. The contribution period for workers taking late retirement is mid-way between that of those taking early and ordinary retirement and was 36.2 years in 2018.

Workers who take partial retirement have the highest regulatory base (over €2,100, compared with an average regulatory base for all new retirees equivalent to €1,507). This appears to be because workers who take partial retirement have higher contribution bases during their working lives. In addition, the mean regulatory base of workers taking either form of early retirement appears to be substantially higher than that of those taking ordinary and late retirement.

Regarding the percentage applied to the regulatory base of the pension (including age reduction factors and the percentage for fewer working hours in the case of partial retirement), partial and flexible retirements are those with the lowest

Table 1
CHARACTERISTICS OF NEW RETIREES IN 2018 BY FORM OF RETIREMENT

Those workers taking some form of early retirement and those only taking partial retirement have, on average, lower retirement ages. However, they also have longer contribution periods and higher regulatory bases.

	Percentage of the total	Women	Retirement age	Contribution period	Regulatory base	Percentage of the regulatory base	Initial pension
	(%)	(%)	(years)	(years)	(€)	(%)	(€/month)
Total new retirees		42.6	64.2	36.7	1,507	85.9	1,325
		(2.4)	(9.1)	(828)	(15.8)	(722)
Ordinary	55.9	49.2	65.2	34.1	1,267	88.0	1,194
		(1.7)	(10.5)	(781)	(17.7)	(734)
Involuntary early	13.9	35.1	61.7	39.1	1,717	77.0	1,369
		(1.1)	(5.0)	(851)	(7.7)	(707)
Voluntary early	14.2	30.4	63.5	42.0	1,824	88.7	1,597
		(0.6)	(3.7)	(735)	(4.0)	(640)
Partial/flexible	11.1	35.6	61.6	40.4	2,133	76.5	1,635
		(1.0)	(4.4)	(595)	(9.8)	(519)
Late	4.6	40.8	69.1	36.2	1,334	102.1	1,236
		(3.2)	(9.1)	(795)	(18.2)	(798)

SOURCE: Banco de España, based on the 2018 *Muestra Continua de Vidas Laborales* (MCVL).
NOTE: The statistics show the mean. The standard deviation is in brackets.

percentage (76.5%), due to application of the percentage for fewer working hours. The average percentage for voluntary early retirements is 88.7%, on account of the earlier retirement age. Note that the average percentage applied to the regulatory base is higher than it is for ordinary retirements. Although these are not penalised for earlier retirement age, in many cases they do not reach 100% of the regulatory base because the contribution period is shorter. Specifically, in the case of ordinary retirements the average percentage applied to the regulatory base is 88%. In the case of late retirements, the percentage applied to the regulatory base averages over 100%, on account of the late retirement bonus.

One noteworthy aspect of the characteristics of new retirees is that the standard deviation of their contribution years and of the percentage applied to the regulatory base in ordinary retirements is 2.8 and 4.5 times higher, respectively, than the corresponding standard deviation in voluntary early retirements. This suggests that workers taking ordinary retirement share more different characteristics. For instance, 25% of workers taking ordinary retirement in 2018 had a contribution history of less than 26 years, while 25% of those taking voluntary early retirement had a contribution history of 39.1 years. By contrast, 25% of workers taking ordinary retirement had a contribution history of more than 43 years, which is more similar to the figure for those taking voluntary early retirement (44.9 years). Similarly, if the percentage

applied to the regulatory base ranges from 80% to 100% between the 25th and the 75th percentiles in ordinary retirement, the range narrows to between 86% and 92% in voluntary early retirement (see Table 2).

The combination of all these elements results in an average initial pension that is highest in the case of partial retirements (€1,635), followed by voluntary and involuntary early retirements (€1,597 and €1,369, respectively). Late and ordinary retirements receive the lowest initial pension (€1,236 and €1,194 respectively), although in this case the dispersion is greater.

Lastly, it is important to note that there is a gender imbalance between different forms of retirement. Overall, around 42% of new retirees in 2018 were women, and in almost 50% of cases these were ordinary retirements. In the case of early and partial or flexible retirements, new female retirees account for between 30% and 35% of the total (see Table 1). In addition, the greater degree of heterogeneity among workers taking ordinary retirement could largely reflect past gender differences in the labour market. For example, the median contribution period of those taking ordinary retirement is 28.3 years for female retirees, compared with 41 years for male retirees.[13]

Analysing the characteristics of workers who take the different forms of retirement is important, because it facilitates contextualisation of the effect of the measures designed to increase the effective retirement age. In this respect, Devesa et al. (2019) show that increasing the effective retirement age has several effects on pension system funding. On the one hand, it boosts the sufficiency of pensions, as it increases the percentage per contribution year and decreases the age reduction factors. And on the other, it lowers the average period of enjoyment of benefits and allows Social Security to collect additional social contributions.

Drawing on the new retiree data from the 2017 MCVL, the findings of Devesa et al. (2019) suggest that a one-year increase in the effective retirement age translates into a net saving, from an actuarial standpoint, of 0.9% in the expense associated with new retirees, provided the ordinary retirement age and, in consequence, the age reduction factors established by law remain the same. However, this saving would not be uniform for all forms of retirement. Devesa et al. (2019) show that in the case of voluntary early retirements the saving could be negative, because these higher pension benefits (higher because they are not subject to age reduction factors) would offset, from an actuarial standpoint, the extra months of contributions and the shorter expected period of receipt of the pension. According to this analysis, an increase in the effective retirement age would give rise to a greater saving in pension expenditure if it were accompanied by an increase in the age reduction

13   For an analysis of the gender gap in the pension system, see L. Fuster (2019), "Brecha de género en las pensiones contributivas en España", in J. A. Herce (coord.), *Pensiones del Futuro,* Instituto Santalucía, Madrid.

Table 2

DISTRIBUTION OF THE CHARACTERISTICS OF THE NEW RETIREES IN 2018 BY FORM OF RETIREMENT

There is greater unevenness across the characteristics of the workers taking ordinary and late retirement than across those of the workers taking early retirement.

	Mean (standard deviation)	25th percentile	Median	75th percentile
A: Contribution period (years)				
Total new retirees	36.7 (9.1)	31.8	39.2	43.5
Ordinary	34.1 (10.5)	26.0	36.3	43.0
Voluntary early	42.0 (3.7)	39.1	42.3	44.9
Involuntary early	39.1 (5.0)	35.3	39.9	43.1
Partial/flexible	40.4 (4.4)	37.2	41.0	44.0
Late	36.2 (9.1)	30.3	36.6	42.9
B: Percentage applicable to the regulatory base (%)				
Total new retirees	85.9 (15.8)	75.6	87.0	100.0
Ordinary	88.0 (17.7)	80.0	100.0	100.0
Voluntary early	88.7 (4.0)	86.0	87.0	92.0
Involuntary early	77.0 (7.7)	72.0	76.0	82.0
Partial/flexible	76.5 (9.8)	75.0	75.0	85.0
Late	102.1 (18.2)	95.3	104.0	112.0
C: Initial pension (€/month)				
Total new retirees	1,325 (722)	703	1,113	1,914
Ordinary	1,194 (734)	657	830	1,678
Voluntary early	1,597 (640)	1,042	1,458	2,298
Involuntary early	1,369 (707)	760	1,101	2,100
Partial/flexible	1,635 (519)	1,206	1,622	2,066
Late	1,236 (798)	668	923	1,556

SOURCE: Banco de España, based on the 2018 *Muestra Continua de Vidas Laborales* (MCVL).

factors.[14] By contrast, from an aggregate standpoint, the Spanish Independent Authority for Fiscal Responsibility (AIReF), drawing on its pension model, estimates that each one-year increase in the effective retirement age represents an approximate saving in pension expenditure of 0.4 pp of GDP.[15]

Conclusions

This article analyses recent retirement age trends in the context of the 2011 pension system reform, which increased the statutory retirement age, and recent discussions of a possible reform whose aims include bringing the effective retirement age closer into line with the statutory age.

The findings of the analysis are as follows. First, the retirement age rose from 63.5 to 64.2 years between 2006 and September 2018, and in June 2020 it stood at 64.6 years. The increase in the effective retirement age in recent years appears to have been the result of a net increase in the average age of pension entitlement within each form of retirement, partially offset by the increase in the weight of forms of retirement with a lower average retirement age. Second, the impact of the 2011 reform, from the standpoint of the retirement age, is still limited, owing to the notable percentage of retirees who retire under previous legislation, as well as the provisions that keep the statutory retirement age at 65 for persons with sufficiently long contribution histories. Third, early and partial retirees have the lowest average retirement ages, but they also have longer contribution periods and higher regulatory bases.

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14 These findings coincide with those of Moraga and Ramos (2020), who estimate that the financial returns expected for new retirees taking voluntary early retirement would be lower than for all other forms of retirement. See also the Spanish Institute of Actuaries (Instituto de Actuarios Españoles) (2020). This report calculates that the actuarial equivalence factor, defined as the number of euro received in pension (in expected value terms) for each euro contributed, tends to be lower for workers with long contribution histories and for those who retire before or after the ordinary retirement age.

15 See AIReF (2019).

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