



Nursing Personnel Pensions

Nine out of ten workers in the world are not covered by a pension scheme which is capable of providing an adequate retirement income,¹ and many nurses share this plight. This is despite the fact that social security protection has been clearly defined by both the United Nations and the International Labour Organisation as a universal basic human right.²

Pension schemes are intended to provide adequate, affordable and sustainable incomes in retirement and prevent old-age poverty. To achieve this, pension systems have to be affordable for both individuals and society and financially sound and sustainable over the long term. This is complex as pensions deliver critical income within a context of changing economic, social, demographic and labour market conditions.

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Pensions Defined

A pension is a sum of money *received when a worker reaches a certain age limit or retires from employment. Pensions are supplied from several sources:*

- **Government/State Pension Plans** – Many countries offer their citizens pension benefits when they retire. In some systems, people make contributions to this fund during their working years in the form of taxes or through direct contributions.
- **Employer Pension Plans** – These are plans offered to employees from their employers. Some are funded primarily by the employer, and others demand/allow employees to make additional contributions to the plan from their pay-checks.
- **Personal Pension Plans** – People also have the option of saving for their retirement without the help of their employer or the state in the form of bank savings, personal investments, and saving plans such as an IRA (Individual Retirement Account)

Within this framework, there are differences in the way they are established, funded, accessed, and the type of benefit they provide.

In most industrialised countries nurses are covered by public pension schemes established by law, and may also have access to occupational pension schemes co-funded by employers. However, this may not guarantee an adequate income after retirement. Many other nurses, particularly those in developing nations, have no access to pensions. The Organisation for Economic Cooperation and Development (OECD) has noted that its member states “account for more than 90% of the world’s private pension assets, and the United States for nearly half of the total”.³ Pension reform must continue to focus on the establishment and funding of an adequate, affordable and sustainable pension scheme.

An Ageing Workforce

In many industrialised countries the nursing workforce is ageing. Over the next 10 to 15 years these countries will experience a large exodus of nurses from their workforce as nurses retire just at a time when demand for nursing and health care is on the rise; one of the reasons being the growth in the older population.⁴ While those over 60 make up about 10% of the world population today, it is projected to reach over 20% by 2050.

(For further information, see the ICN Fact Sheet “An Ageing Nursing Workforce”:
www.icn.ch/matters_ageing_workforce.htm.)

Nurses’ Pensions – Issues and Challenges

Pension schemes do not always ensure adequate income in retirement. This is because of a range of factors, including:

- Extended education periods, high youth unemployment, long-term unemployment, early retirement, long periods outside the labour force for child-rearing or care of disabled or older family members, and a growing proportion of ‘atypical’ employment contracts and relatively low pay exclude a growing proportion of people from access to a full public pension benefit, as well as from qualifying for access to private pensions.
- 40% of the nurses presently employed in the industrialised countries may retire in the coming decade.⁵ In most countries, the average age of the nursing workforce is higher than that of the general working population; therefore the impact of ageing will be felt sooner.

The International Labour Organisation’s Social Security (Minimum Standards) Convention 1952 (No.102) establishes worldwide-agreed minimum standards for all branches of social security including old-age benefit.

“The minimum objectives of the Convention relate ... to the percentage of the population protected by social security schemes, the level of minimum benefit to be secured to protected persons, as well as to the conditions for entitlement and period of entitlement to benefits.

The principles anchored in Convention No. 102 are:

- *Guarantee of defined benefits;*
- *Participation of employers and workers in the administration of the schemes;*
- *General responsibility of the state for the due provision of the benefits and the proper administration of the institutions; and*
- *Collective financing of benefits by way of insurance contributions or taxation.”*

(Source: OECD at: www.ilo.org/public/english/protectio/secsoc/areas/legal/conv102.htm)

- International mobility of nurses exacerbates problems, particularly between low and high income countries that have no bilateral agreements on pensions, or where rights accrued may be frozen or not transferable.
- Few developing economies have adequate pension systems to support retired nurses, although 'emerging economies' do have 'first pillar' state funded schemes and some have already developed or are in the process of developing funded 'second pillar', privately managed pension schemes.
- Nursing is a highly feminised workforce, and shares a range of issues associated with gender. In the UK, while older men have some private pension incomes, two-thirds of older women rely on the state pension. In 2005, 70% of women reaching the State Pension Age were entitled to less than the full amount of the basic state pension, compared to 15% for men. In the US, older women are twice as likely to be poor as older men. Only 6 of the 31 countries responding to ICN's survey on pensions indicated there was no gender difference in pensions.⁶

ICN Action on Pensions

In 2008, ICN commissioned a monograph aiming to highlight the problems surrounding existing pension schemes and raising awareness of nurse-specific concerns in pension provision. As part of this effort, a questionnaire was circulated to address the dearth of information on nurses' pension coverage. Forty two responses were received from 31 countries.⁷

The findings included:

"Pensions do not always ensure adequate income in retirement."

- Most industrialised countries' employers and employees contribute to privately managed pension schemes. The responses showed a variety in both the level of contributions and relative contributions of employers and employees.
- The method for calculating benefits varies among countries and has changed over the past decades in the wake of pension reforms. Changes have aimed to contain costs and ensure sustainability of public schemes and have resulted in a generalised reduction of pension benefits. (OECD research notes a clear trend towards reduced pension promise for today's workers, with an average fall in 16 of the 30 member states of 22% for men and 25% for women).⁸
- Several respondents indicated an average retirement age well below the statutory retirement age (refer Table 1).
- Responses in relation to the adequacy of pensions points to major gaps in the adequacy of pension income of important segments of the nursing workforce in several countries.

The Way Forward

Table 1: Employed Nurses: Average Age versus Retirement Age, 2007

	Av. Age of Employed Nurse	Retirement Age in	
		by law	practice
Canada	44.7	65	62
Denmark	43.8	65	61
Iceland	44	70	64.2
Ireland	41.4	65	60
New Zealand	44	n/a	60
United Kingdom	42	65	50-60
USA*	45.4	65	55
Hong Kong	38	60	55-60
Indonesia	38	56	56
Malaysia	23	56	55
Mongolia	35	50-60	50-70
Singapore	35	62	62
Thailand	38	60	60

Source: ICN Workforce Profile 2007 and ICN Workforce Profile Asia 2007.

The report makes the following recommendations:

- Improve working conditions and human resources policies to allow nurses to work longer in their professions, including phased-in retirement options – where older nurses can work shorter hours and also receive part of their pension.
- Adapt pension schemes to take better account of the employment patterns of nurses in a way that enables them to build up adequate pension entitlements. This includes portability of pension schemes when changing jobs or employment status or moving within and across sectors and among countries.

- Address the gender imbalances that disadvantage women in earnings-related pension schemes, such as career breaks, part-time, pay gaps and differences in promotions, statutory retirement age, and gender-based life expectancy.

“40% of the nurses presently employed in the industrialised countries may retire in the coming decade.”

- Ensure that earnings-related public pension schemes provide a decent level of living. At present public schemes offer a better guarantee of pension rights for persons such as nurses with career breaks, 'atypical' employment patterns or transferring among sectors.
- Enable nurses to access private pension provision to complement public pensions, while providing a monitoring and regulatory framework that ensures the security and equity of such schemes.
- Promote better information, education and communication among nurses associations to improve their understanding of the complex pension issues.
- Militate for a 'voice' in pension policy reports. This includes enhancing the role of nurses' associations and their involvement with trade unions in social dialogue to build political consensus on pension reform paths.

For further information, please contact: ichm@secretariat.org

The International Council of Nurses is a federation of 132 national nurses' associations representing the millions of nurses worldwide. Operated by nurses for nurses, ICN is the international voice of nursing and works to ensure quality care for all and sound health policies globally.

The International Centre for Human Resources in Nursing was established in 2006 by the International Council of Nurses and its premier foundation the Florence Nightingale International Foundation. The Centre is dedicated to strengthening the nursing workforce globally through the development, ongoing monitoring and dissemination of comprehensive information and tools on nursing human resources policy, management, research and practice.

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- ⁵ Sarfati H (unpublished 2008). Nursing Personnel Pensions Monograph
- ⁶ Sarfati H (unpublished 2008). Ibid.
- ⁷ Botswana, Bulgaria, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Latvia, Lithuania, Malaysia, Malta, Mauritius, The Netherlands, Norway, Poland, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, Sweden, Switzerland, UK and US.
- ⁸ Sarfati H (unpublished 2008). Ibid.

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