Spain: New incentives to postpone retirement.

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Spain's government has approved a more flexible pension scheme to encourage workers to voluntarily postpone their retirement beyond the legal retirement age. The reform of the pension system, agreed with the most representative trade unions and employers' organisations, includes a modification of incentives to be received by workers who voluntarily delay their retirement age beyond the legal age. Thus, workers who voluntarily delay their retirement age, will receive an incentive for each full year of delay.

There are two ways to receive this incentive:

1) A 4% increase in the pension base for each full year of postponement of the retirement age
2) A lump sum, which is paid at the time of retirement, depending on the number of years of contributions paid when the retirement age is reached, and which ranges from approximately 5,000 to 12,000 euros.

There is also a possibility of receiving a mixed formula calculated according to the number of years of working life.

If a period of 2-10 full years of contributions between the ordinary date and the effective date of retirement is demonstrated, the supplement consists of the sum of a percentage of 4% for each year of half of the period, and a lump sum for the rest of the period considered. If the length of service is 11 years or more, a lump sum could be paid for the first 5 years, plus 4% for each of the following years.

This new combined formula includes both the effects of the lump sum paid at the later exit date and more generous monthly pension payments through a modified calculation basis.

One of the main pillars of the Spanish government's pension reform was to bring the effective retirement age as close as possible to the statutory retirement age. This legal age of 65 was modified in 2011 to increase progressively to 67 in 2027, and currently stands at 66 years and four months. However, the average effective retirement age is 64 years and 8 months, and it is this difference that the government is trying to reduce.

Edited by industriAll Europe.