



**The shift from early exit to active ageing in  
European societies**

*Towards a better integration of older workers or  
greater social inequality?*

Dirk Hofäcker; WAHE Conference, Wuppertal, 19.9.2016

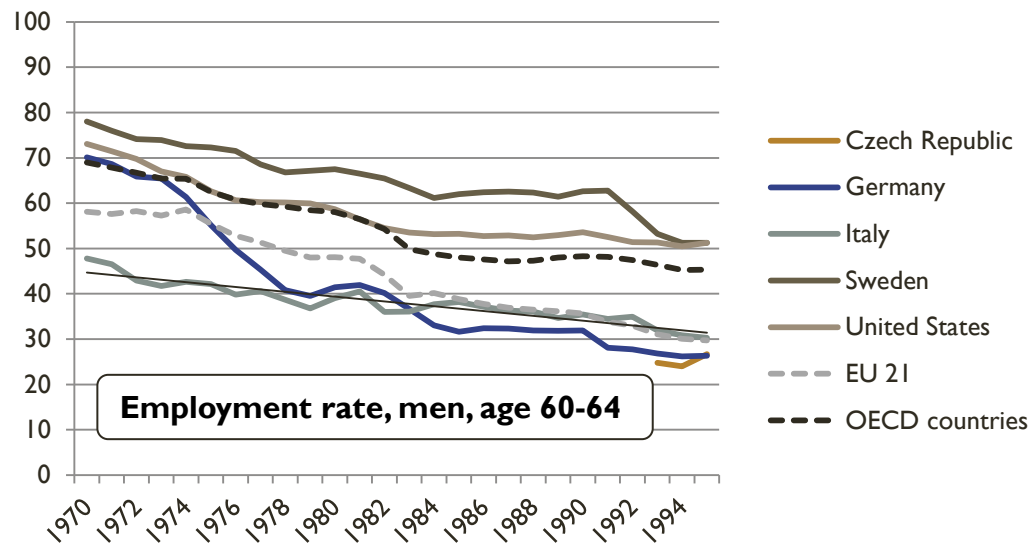
# Outline

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- ▶ 1. Thematic Background:  
Retirement Decisions in a Changing Institutional Context  
    ➔ From Globalization-Based Rationalization to Active Ageing
- ▶ 2. Institutional Changes and Retirement Behaviour
  - ▶ ... from a comparative perspective
  - ▶ ... in four selected countries  
(Austria, Germany, Sweden & Estonia)
- ▶ 3. Conclusions and Outlook

# 1. Thematic Background

*1970s – 1995: The long-term trend towards early retirement*



Source: [www.schoolsworld.tv](http://www.schoolsworld.tv)

- ▶ Early retirement as a common response of OECD-type countries to rising unemployment and competition on worldwide markets in the 1970s
- ▶ Acceleration of this trend throughout the following two decades
- ▶ Often accompanied by the emergence of an 'early retirement culture' (i.e. perception of early retirement as a 'social right')

# I. Thematic Background

## *Explaining early exit*

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### **Econometric research**

#### **Explanation by pull factors**

Early retirement driven by generous economic incentives (indirect tax on continued employment)

### **In Germany:**

Co-existence of various options for early exit

- *Flexible retirement age*
- Often combined with welfare state subsystems (unemployment/disability) insurance
- Block model of partial retirement
- Transitional allowance in former East Germany
- Topped up by occupational / employer benefits („golden Handshake“)

### **International Comparison**

Sweden: high retirement age, little early exit options

USA: low level of benefits, high privatisation of old age income

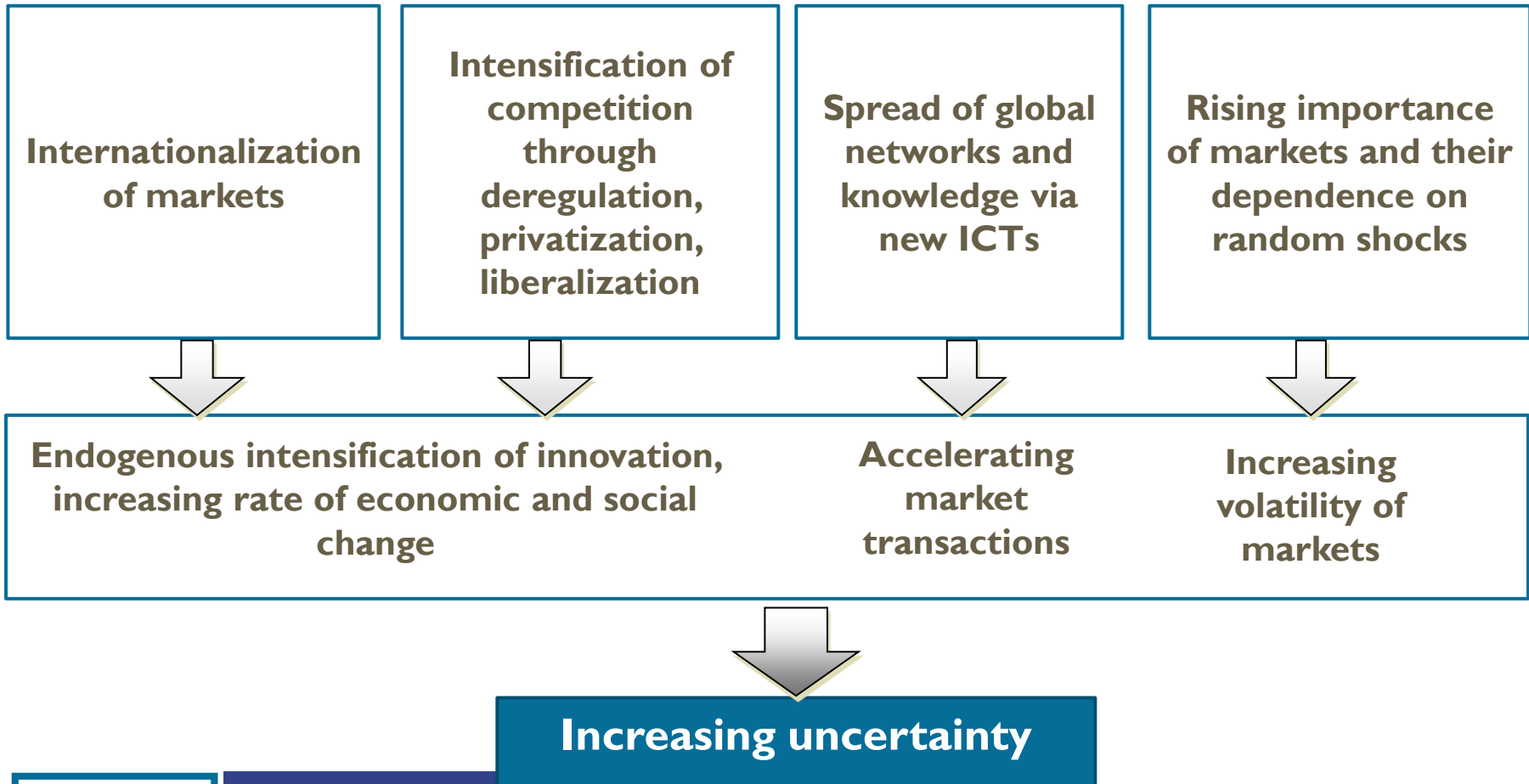
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# I. Thematic Background

*Explaining early exit: Globalization*

## GLOBALIZATION



# I. Thematic Background

*Explaining early exit: Globalization*

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Increasing uncertainty



**Employment  
systems**

Level of employment  
and job stability,  
career mobility,  
security, flexibility,  
work-related benefits

**Education  
systems**

Timing and ease of labor  
market entry, retraining,  
reentry,  
life-long learning

**Welfare  
regimes**

Safety net, employment-  
sustaining policies, child  
care options, insurance  
systems, retirement  
policies

**Family  
systems**

Level of care giving  
responsibility, presence of  
other earners,  
cohabitation, marriage,  
family roles

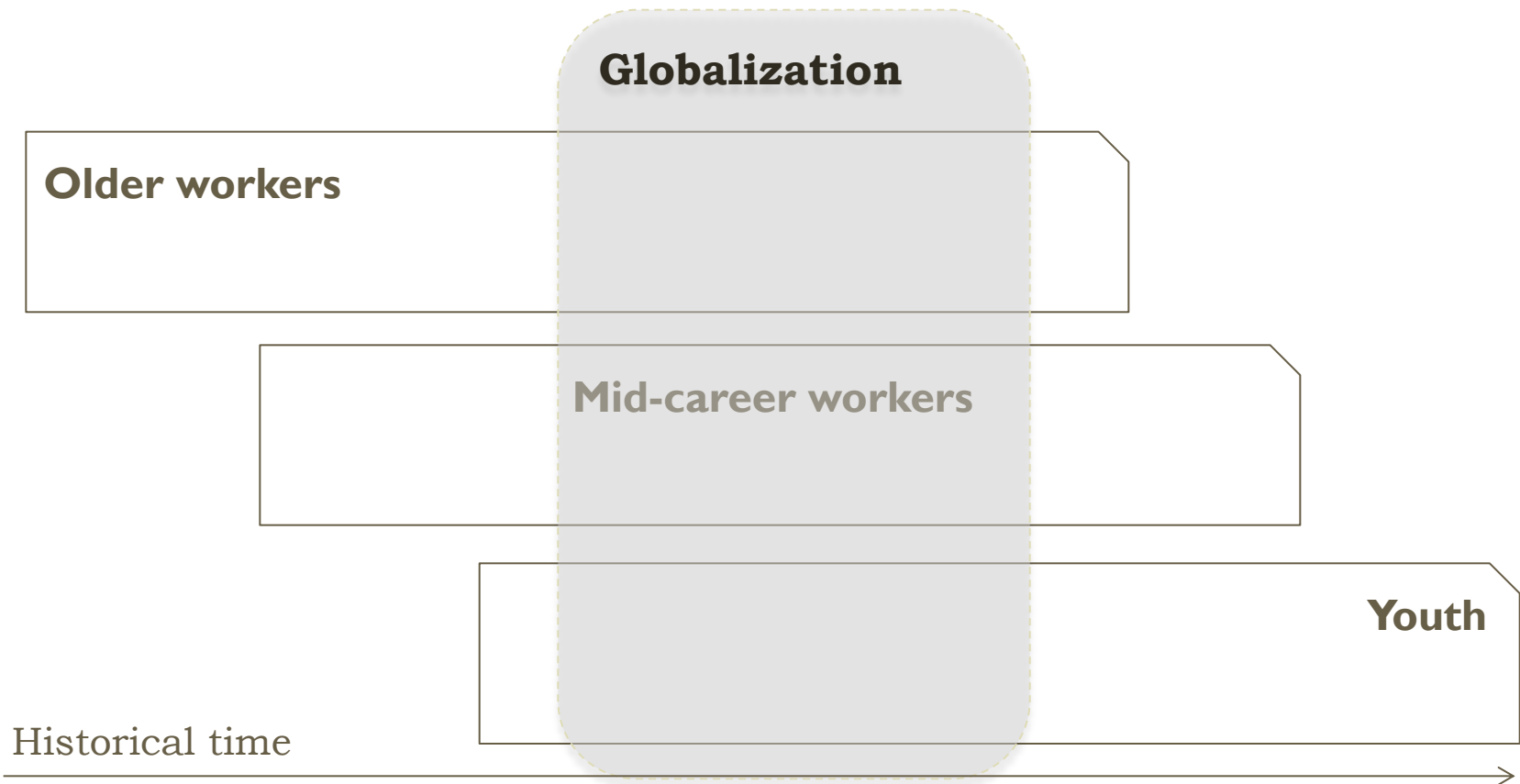


**Individual Life Courses and Employment Careers**

# I. Thematic Background

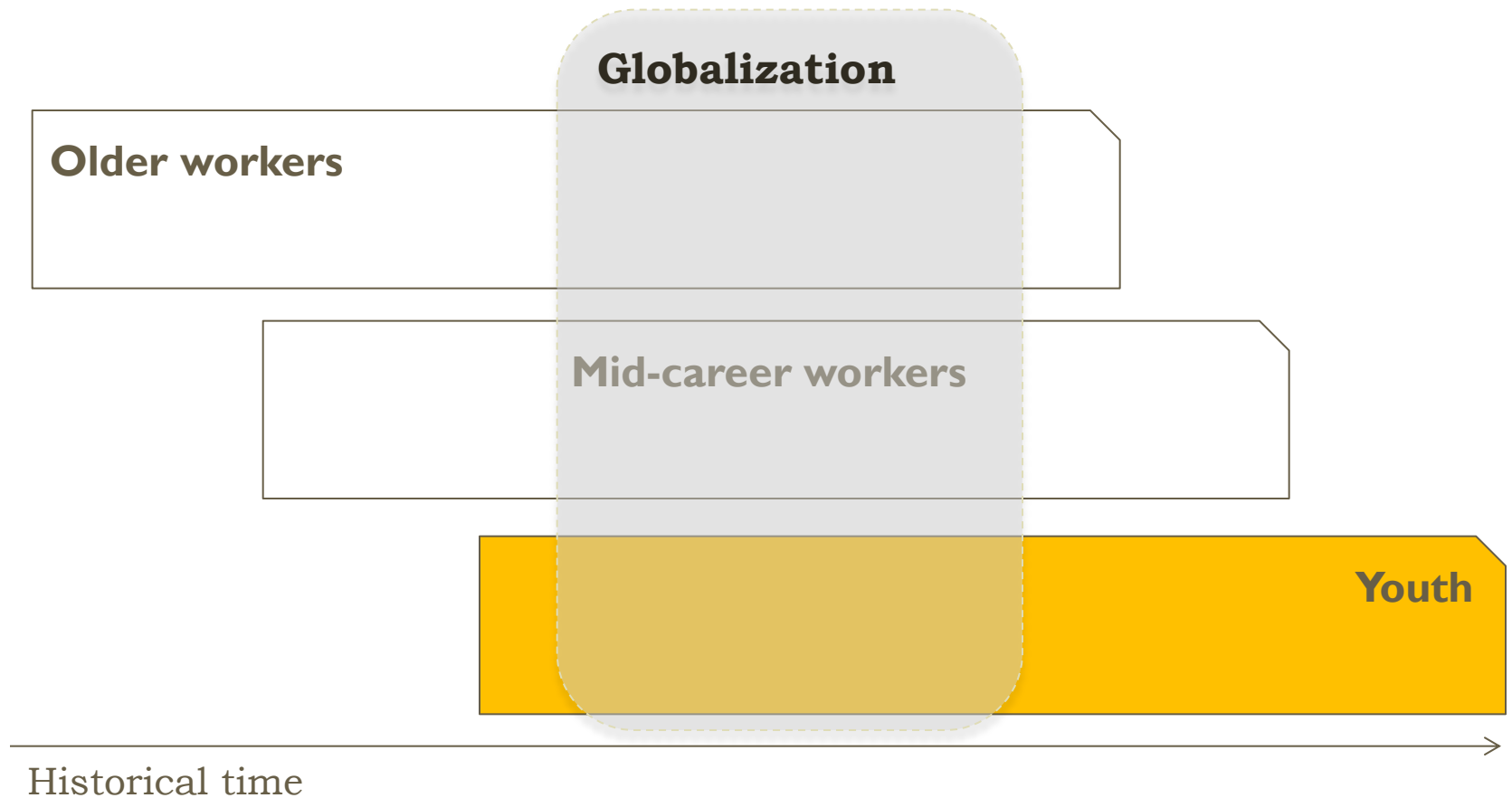
## *Explaining early exit: Globalization*

Labour market cohorts are affected by globalization in different phases of their life courses and employment careers → differential effects



# I. Thematic Background

*Explaining early exit: Globalization*





# I. Thematic Background

## *Explaining early exit: Globalization*

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The specific situation of youth in the globalization process

- ▶ Lack of labor force experience
- ▶ Lack of social networks (work organizations)
- ▶ Outsiders with regard to internal labor markets
- ▶ Labor contracts can be redefined easily for them (as compared to older and established workers with high seniority rights)



Source: [blogs.telegraph.co.uk](http://blogs.telegraph.co.uk)



Source: [if.org.uk](http://if.org.uk)

# I. Thematic Background

## *Explaining early exit: Globalization*

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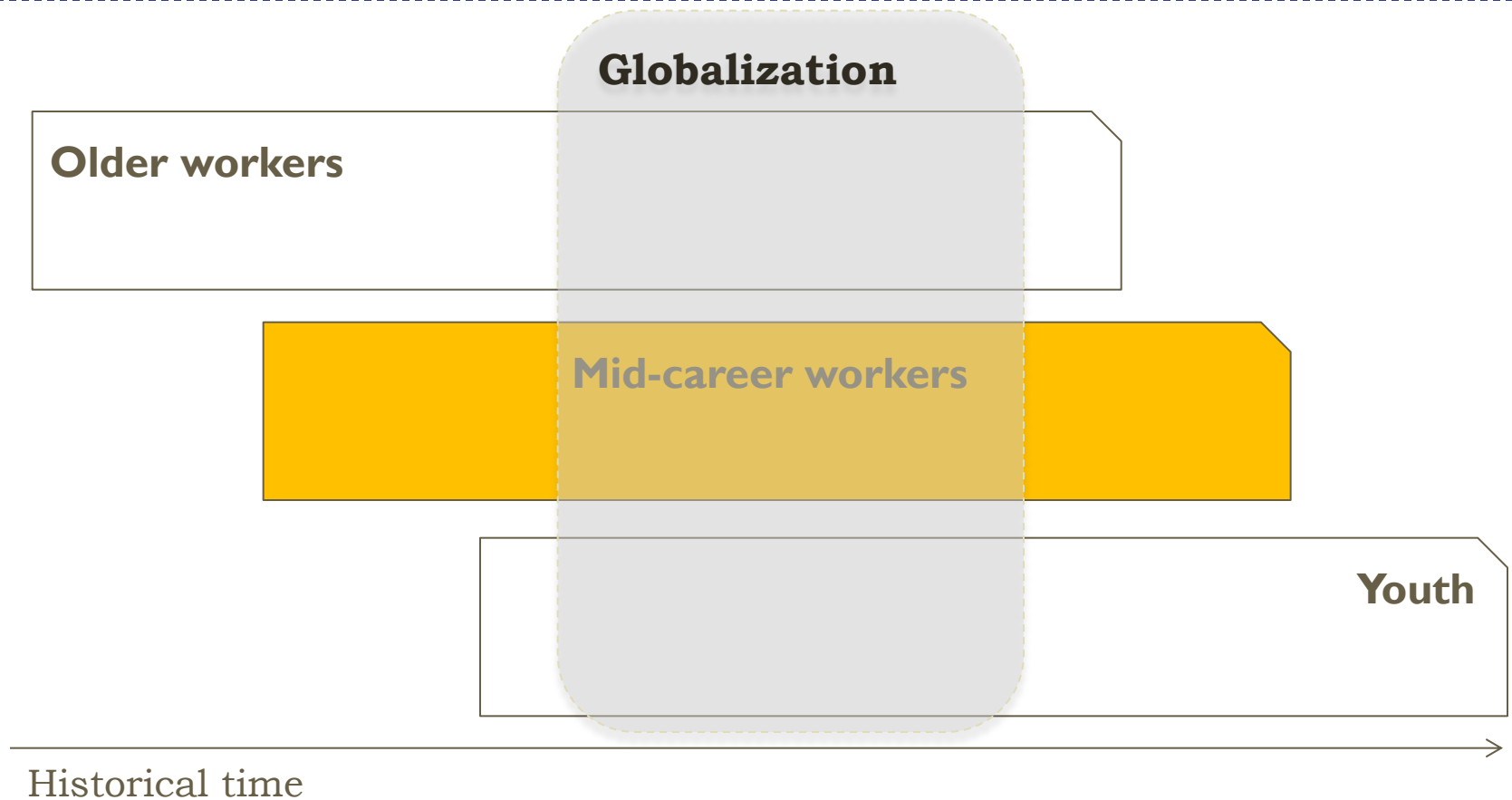
Disproportional affectedness of youth by employment insecurities, e.g. through...

- ▶ More precarious and lower quality employment
- ▶ Higher unemployment (mainly in Spain and Italy)
- ▶ More precarious forms of self-employment (mainly in Spain and Italy)
- ▶ More fixed-term contracts (in most countries, but mainly in countries with insider/outsider markets)
- ▶ More part-time work
- ▶ More irregular work hours
- ▶ Lower occupational standing/income

➔ Young people as **losers of globalization**

# I. Thematic Background

*Explaining early exit: Globalization*





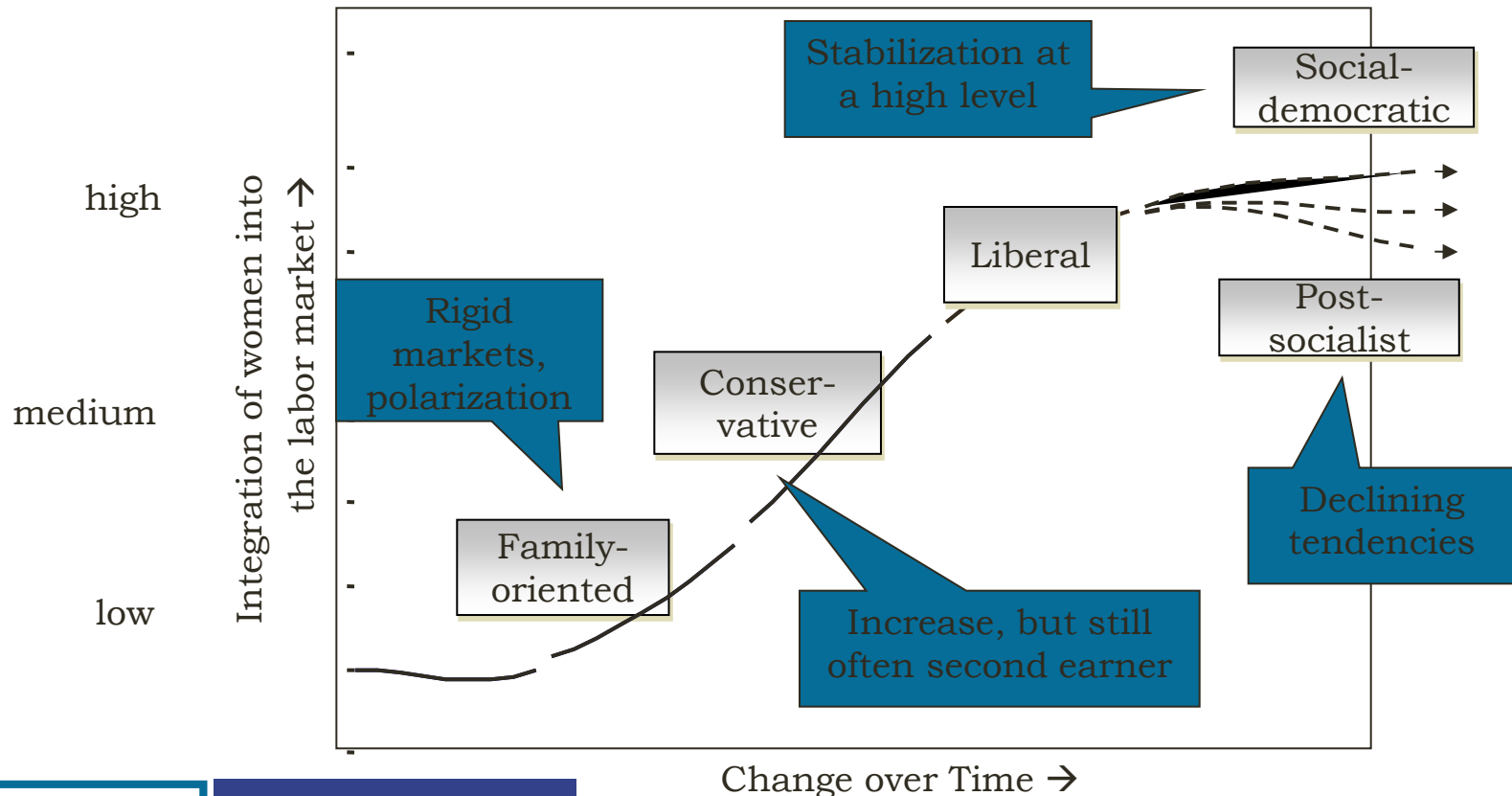
# I. Thematic Background

*Explaining early exit: Globalization*

Mid-Career Women

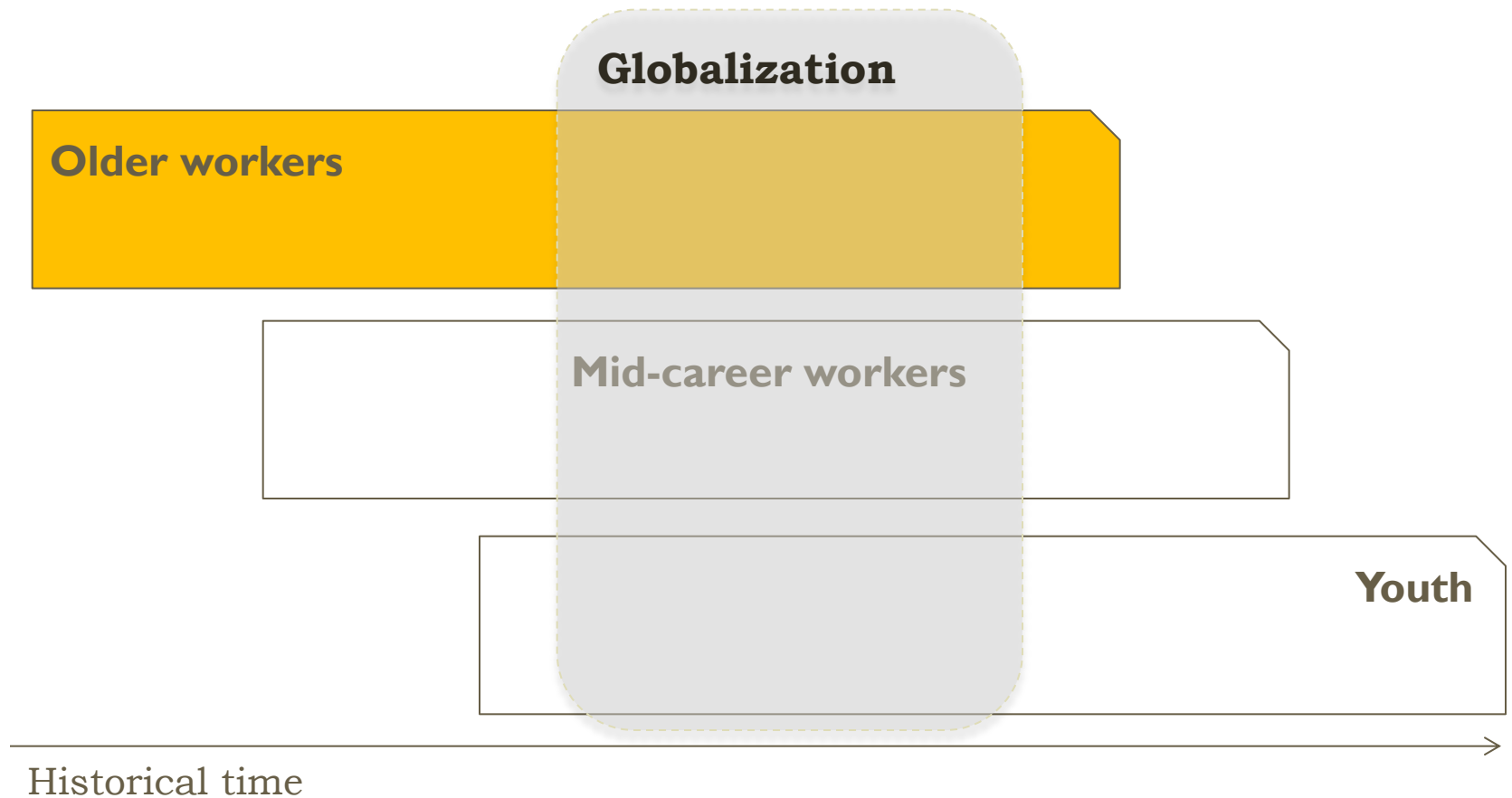
## General Globalization Effect

Disproportionate push of women into new, flexibilized work forms



# I. Thematic Background

*Explaining early exit: Globalization*



# I. Thematic Background

## *Explaining early exit: Globalization*



### **Sociological perspective**

### **Explanation through push factors**

Crowding out of older workers due to a combination of labour market rigidities and insufficient (perceived) qualifications

### **In Germany:**

- *High levels of employment protection*
- *Seniority wages*
  
- *Concentration of skill acquisition on early life course*
- *Standardised occupational system (limited mobility)*



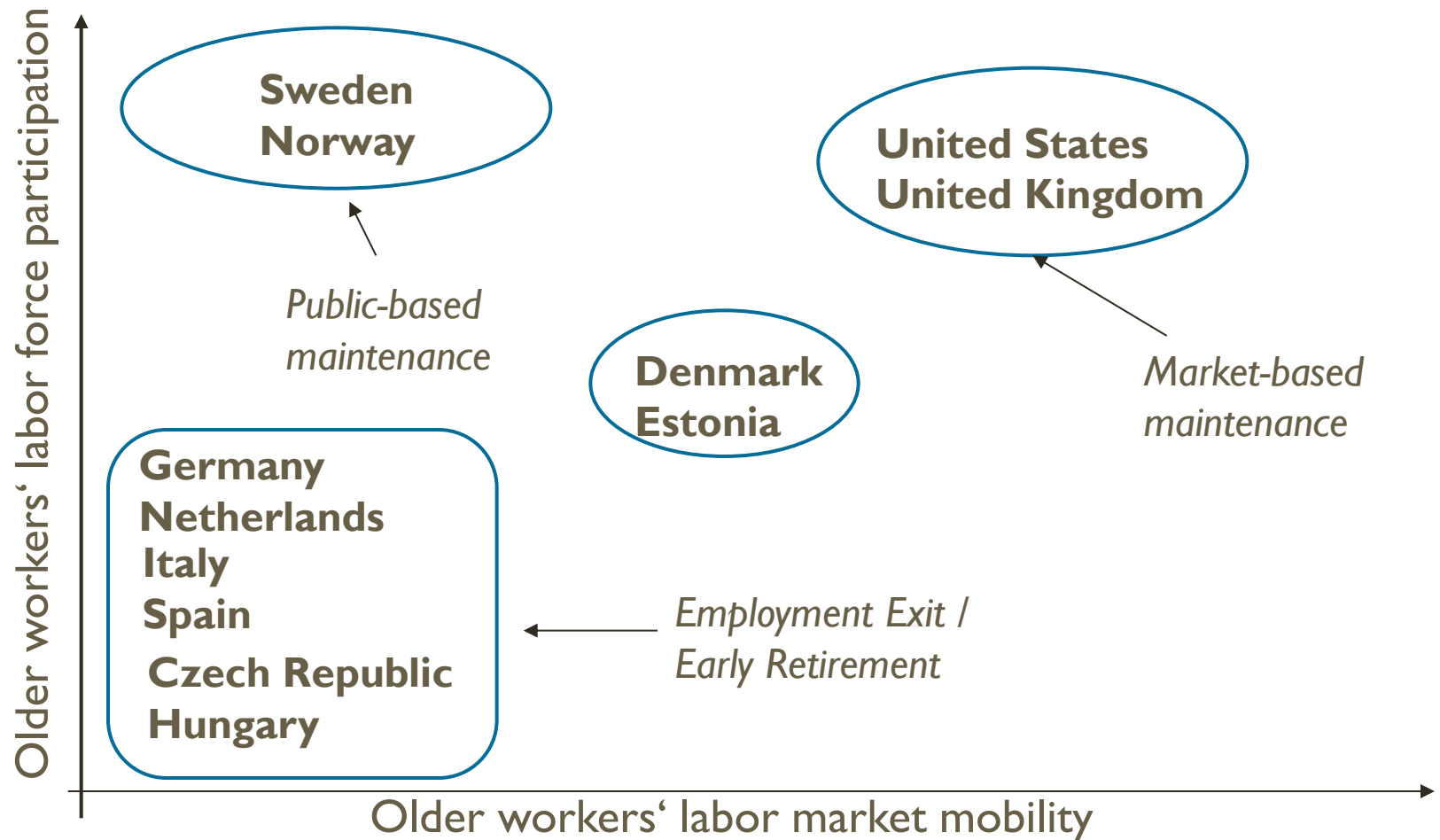
**Contradiction**

### **International Comparisons**

Sweden: high importance of lifelong learning ALMP

USA: low employment protection, training-on-the-job

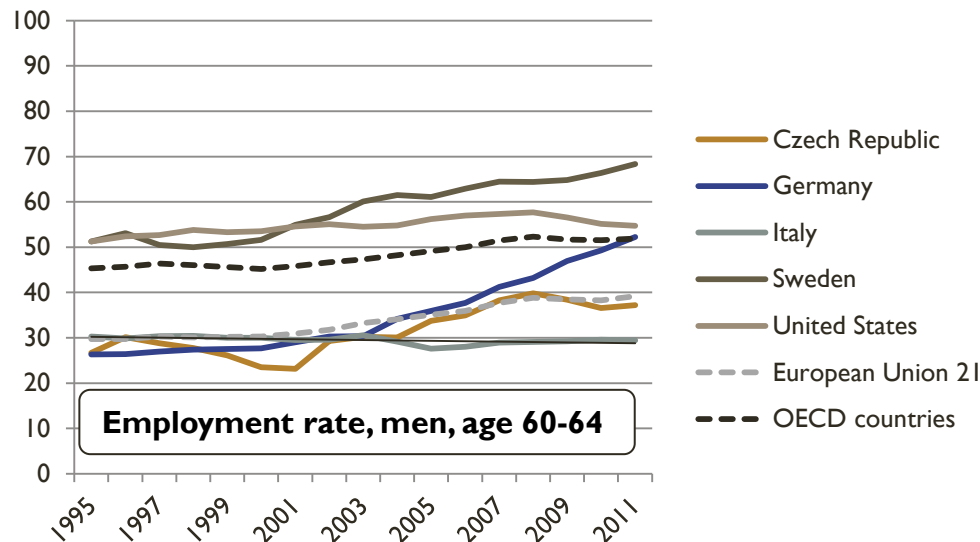
# Globalization, Retirement and Late Careers of Older Workers





# 1. Thematic Background

*1995-today: 'active ageing' and the trend towards late retirement*



Source: [www.careercast.com](http://www.careercast.com)

- ▶ Early retirement increasingly considered as being financially unsustainable
- ▶ Political measures to reverse the early retirement trend, mainly through pension reforms, but also through investment into employability of older workers ('active ageing', Jepsen et al. 2002)
- ▶ Rising employment rates among older workers since the mid-1990s

# Research questions

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→ ***Between-country perspective:***

**What are the institutional preconditions for a successful reversal of the early exit trend?**

→ ***Within-country perspective:***

**How are different groups of older employees affected by active ageing? Is there an increase in social inequalities? And what could be done about it?**

# The research project

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## Determinants of Retirement Decisions in Europe and the United States: A Cross-National Comparison of Institutional, Firm-level and Individual Factors

**Running time:**

10/2012 until 7/2016

**Funding:**

German Science Foundation

**Team:**

Prof. Dr. Dirk Hofäcker

Dr. Stefanie König

Moritz Hess, MA



+ collaborators from 12 countries in Europe, Japan and the US

# Research Questions

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→ **Between-country perspective:**

**What are the institutional preconditions for a successful reversal of the early exit trend?**

→ **Within-country perspective:**

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# Macro Perspective

## *Explaining the trend towards early retirement*

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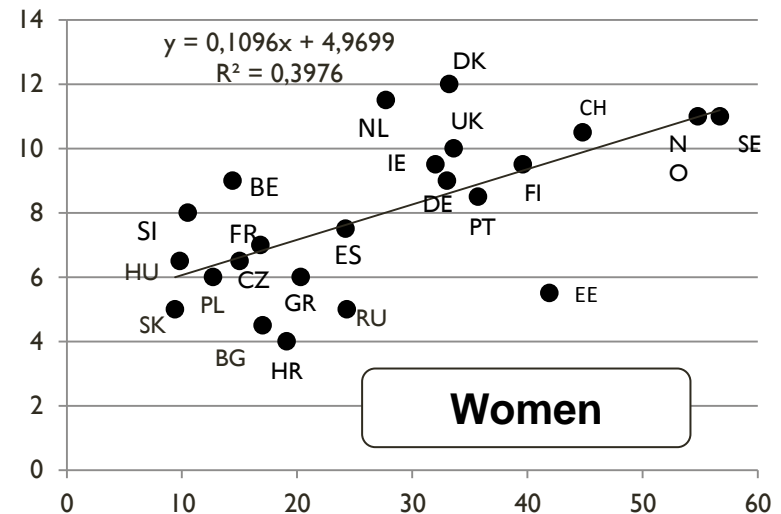
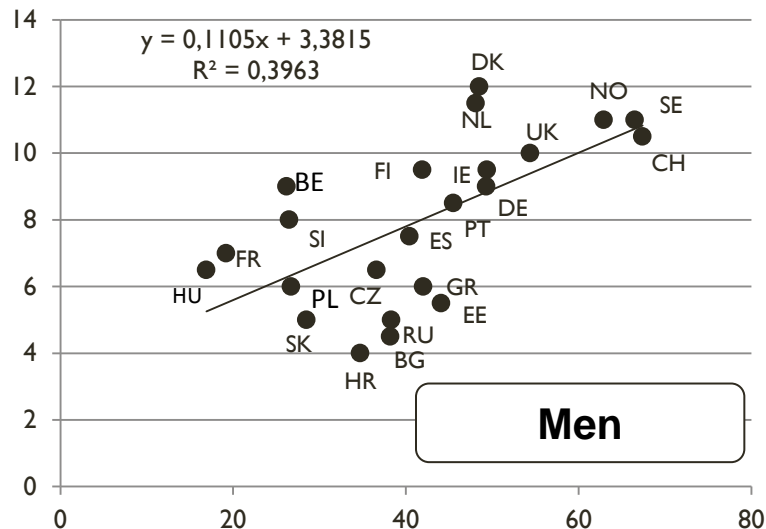
- ▶ Main explanations of cross-national differences through...
  - ▶ **1) Pull factors**  
*Retirement regulations and financial incentives that provide incentives to exit early from employment*
  - ▶ **2) Push factors**  
*'Crowding' out of older workers from employment due to unfavorable economic conditions, lack of skills, high wage costs etc.*
  - ▶ **3) Retention factors**  
*Maintenance of older workers in employment through continuous updating of qualifications and skills ('lifelong learning') and investments into their employability*

(Kohli et al. 1991, Ebbinghaus 2006; Ebbinghaus & Hofäcker 2013)

# Correlation with present employment rates (60-64)

## Correspondence of actual employment with institutional background (Index measure)

Source: OECD Labour Force Statistics, Hofäcker & Unt 2013, Hofäcker 2015  
Employment rate = % of age group in active employment of 1 hour+



# Research Questions

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→ *Between-country perspective:*

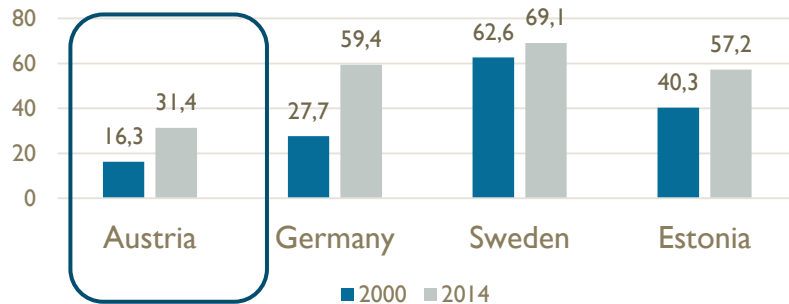
What are the institutional preconditions for a successful reversal of the early exit trend?

→ *Within-country perspective:*

**How are different groups of older employees affected by active ageing? Is there an increase in social inequalities? And what could be done about it?**

# Austria: A persistent early retirement country

Employment Rate, Men, 60-64 years  
selecte countries, 2000 vs. 2014

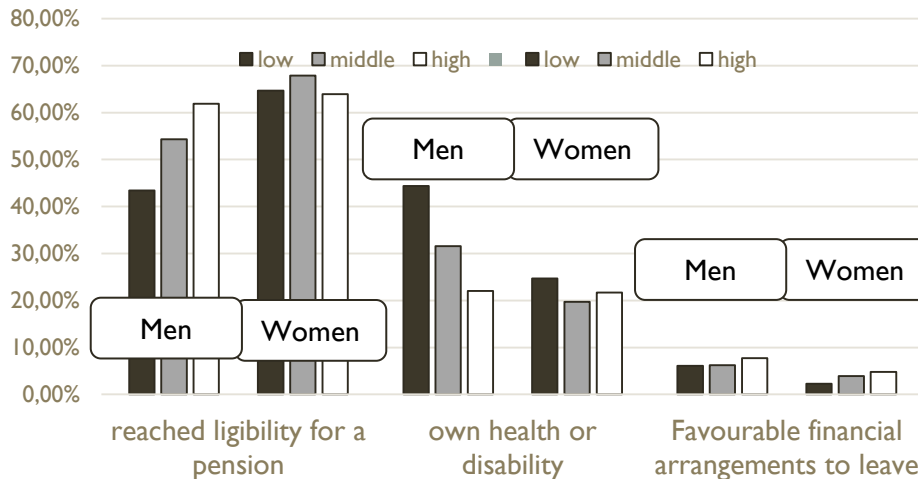


**Pull:** Generous and flexible pension system with still many retirement options

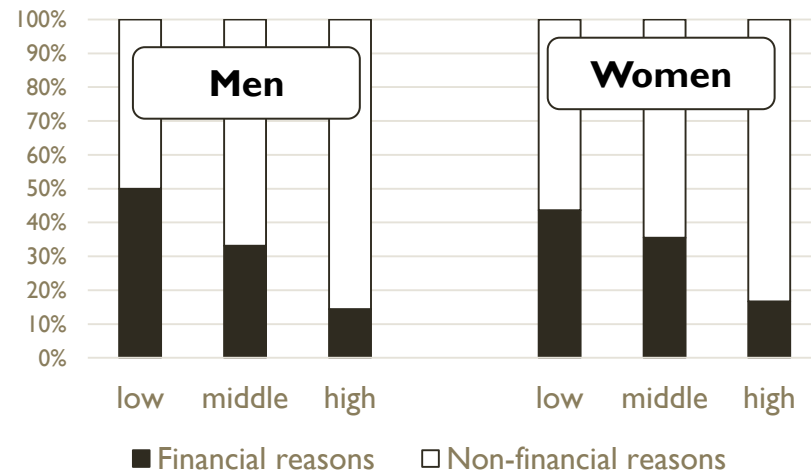
**Push:** rigid labour market, high seniority rights of older workers, limited job opportunities

**Retention:** Little investments into older workers' employability

Reasons for Retirement



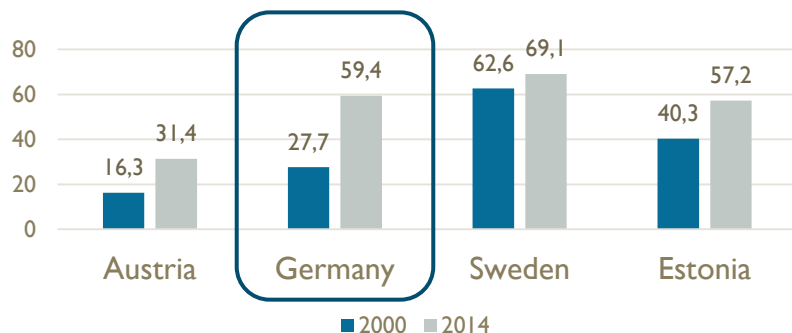
Reasons for work beyond retirement





# Germany: An early exit reversal country

Employment Rate, Men, 60-64 years  
selecte countries, 2000 vs. 2014

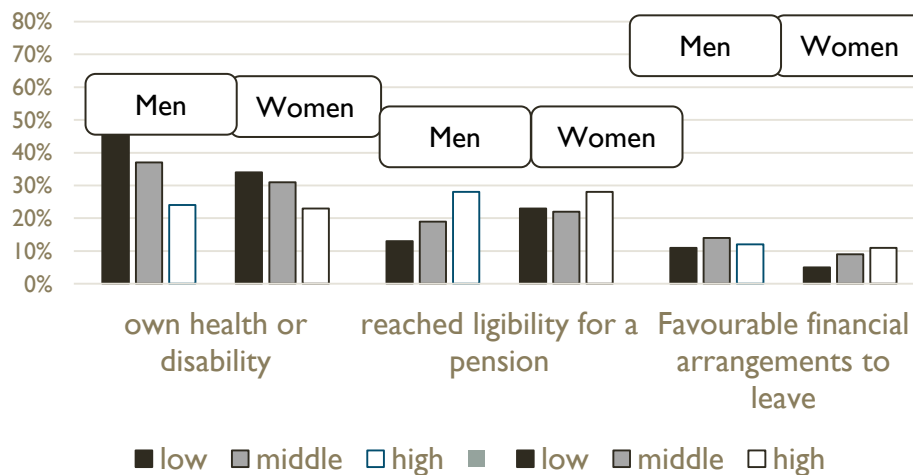


**Pull:** Rising retirement age, closing of early exit routes, decreasing generosity

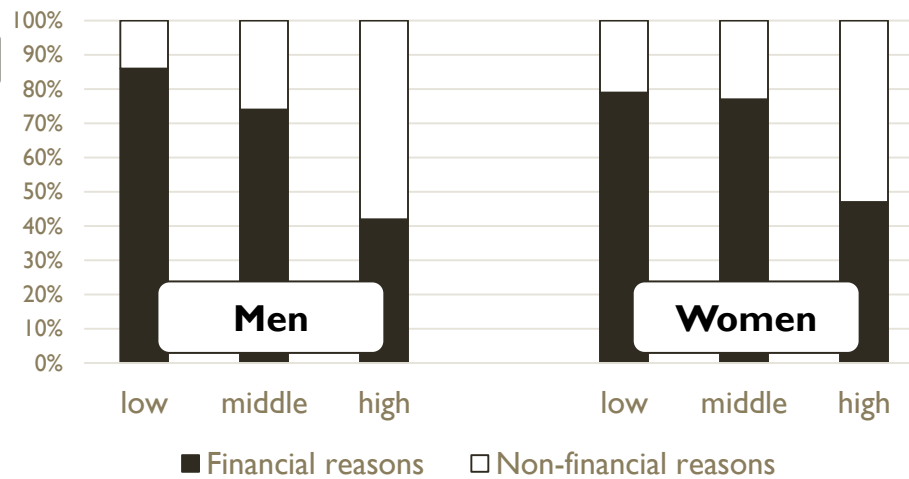
**Push:** Still rigid labour market with high seniority protection, persistent employer discrimination against older workers

**Retention:** Only modest changes in employability policies

Reasons for Retirement

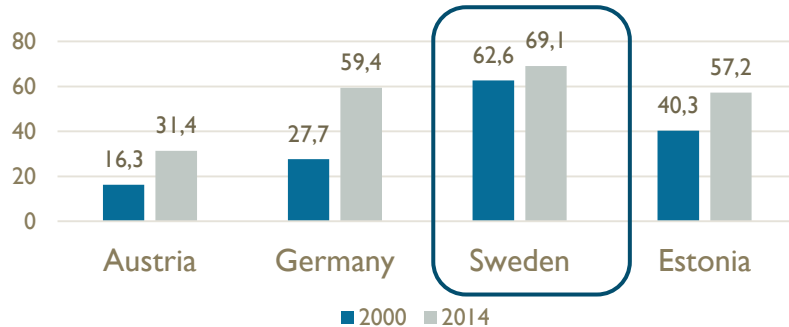


Reasons for work beyond retirement



# Sweden: A persistent late retirement country

Employment Rate, Men, 60-64 years  
selecte countries, 2000 vs. 2014

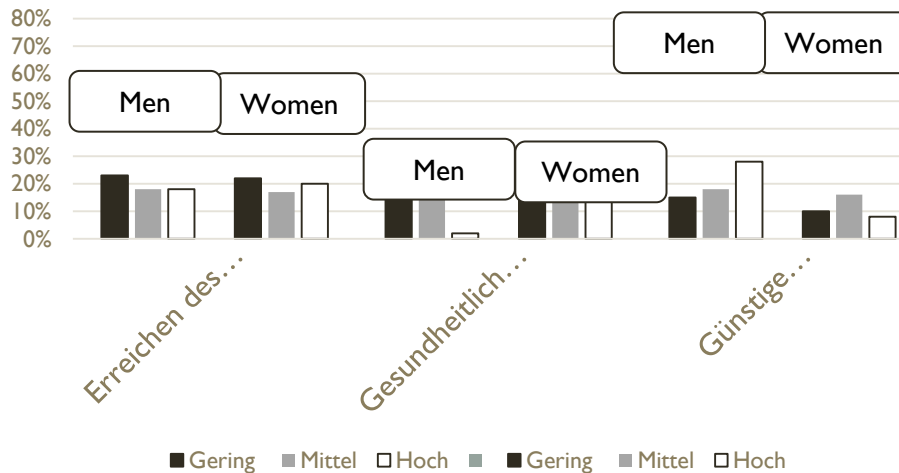


**Pull:** High retirement age, flexible retirement options

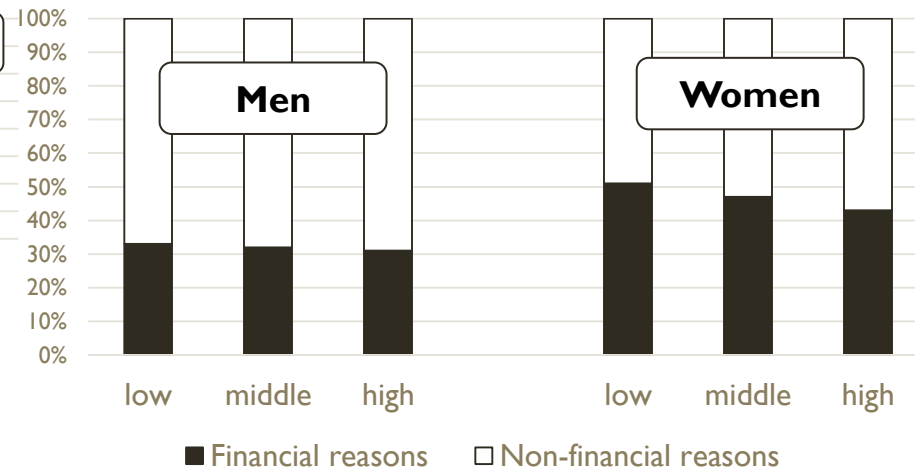
**Push:** more flexible labour market, high re-entry probabilities

**Retention:** High investments into employability, particularly lifelong learning

Reasons for Retirement

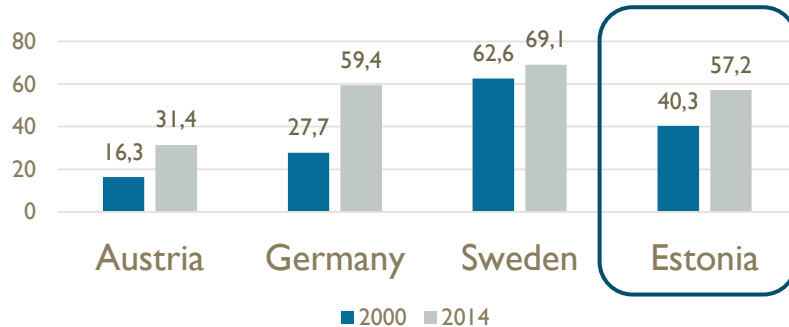


Reasons for work beyond retirement



# Estonia: A transition country

Employment Rate, Men, 60-64 years  
selecte countries, 2000 vs. 2014

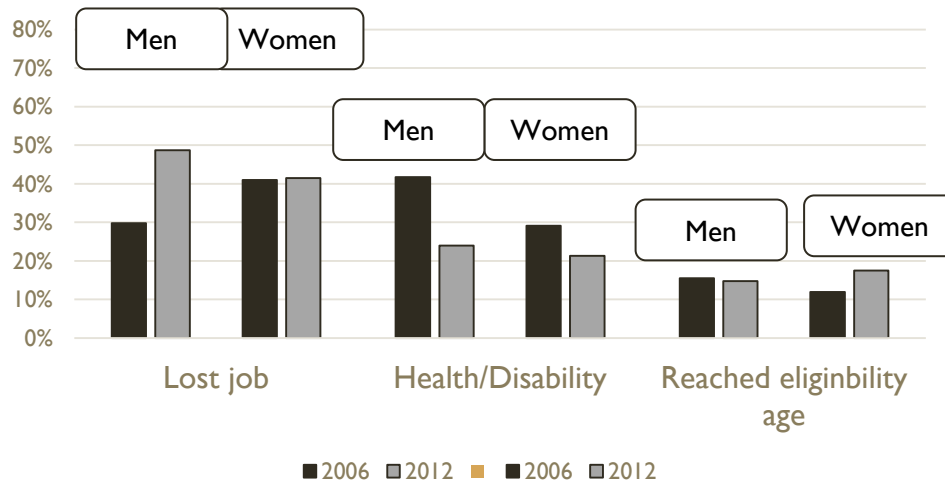


**Pull:** early retirement age and early exit schemes, but low replacement rate

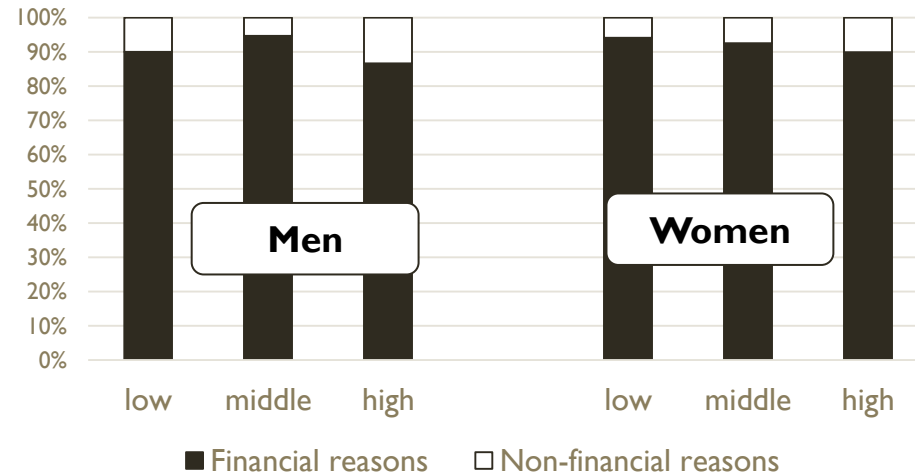
**Push:** flexible labour market, no seniority wage system, strong health impairments (particularly for men)

**Rentention:** weak lifelong learning, rather indirect support (no pension deductions)

Reasons for Retirement



Reasons for work beyond retirement



# Conclusion

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- ▶ Triggered by the prospect of active ageing, the 2000s have brought about a **policy reorientation ('paradigm shift')** from the previously dominant trend towards **early retirement** to a policy of **active ageing**
- ▶ This political reorientation seems to be reflected in a general trend towards **increased employment of older people** in European countries
- ▶ Yet, there are **strong cross-national differences** in the degree of the reforms and the respective employment rates of older people. Most successful cases are those countries which have followed an **integrated approach** of reducing pull/push factors while also promoting employability (Sweden). Least successful are those countries which have **relied solely on reducing pension generosity** without fostering employability (Estonia)

# Conclusion

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- ▶ At the same time, there are also **within-country differences**. Not all employees profit from the paradigm shift from early retirement to active ageing. **Especially lower-educated or unskilled workers** are faced with the dual challenge to continue working for financial reasons despite lacking (human capital and/or health) resources to do so.
- ▶ Again, this is particularly so in countries with a **one-sided pension reform focus** and little investment into employability. Lowest differences are observed in countries using an **integrated approach**.

# Conclusion

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- ▶ Policy reforms alongside the “active ageing” agenda thus are well-advised to rely on a simultaneous focus on **pension reforms, reductions of labour market barriers** and **employability policies**.

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Thank you for your attention!

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