

Reversing early retirement in OECD countries

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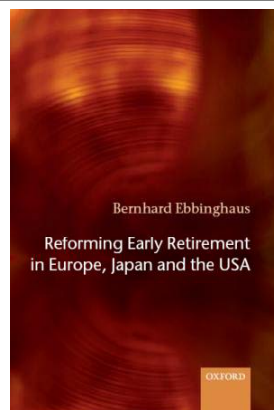
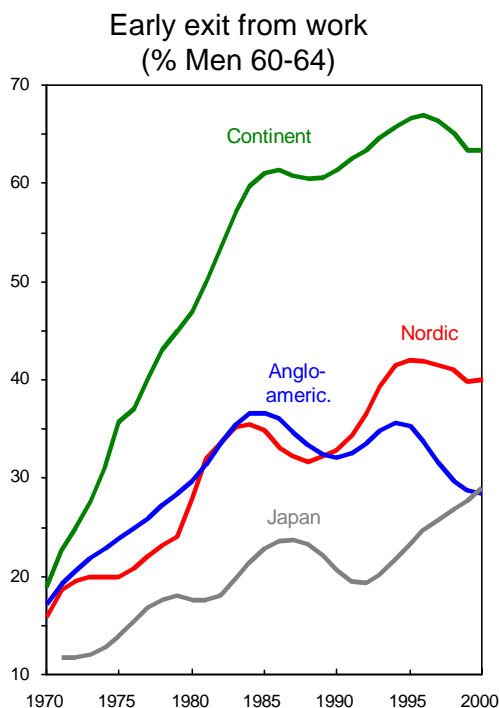
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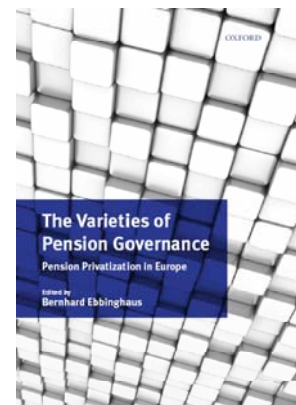


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Overcoming early exit from work and its consequences



OUP 2006,2008

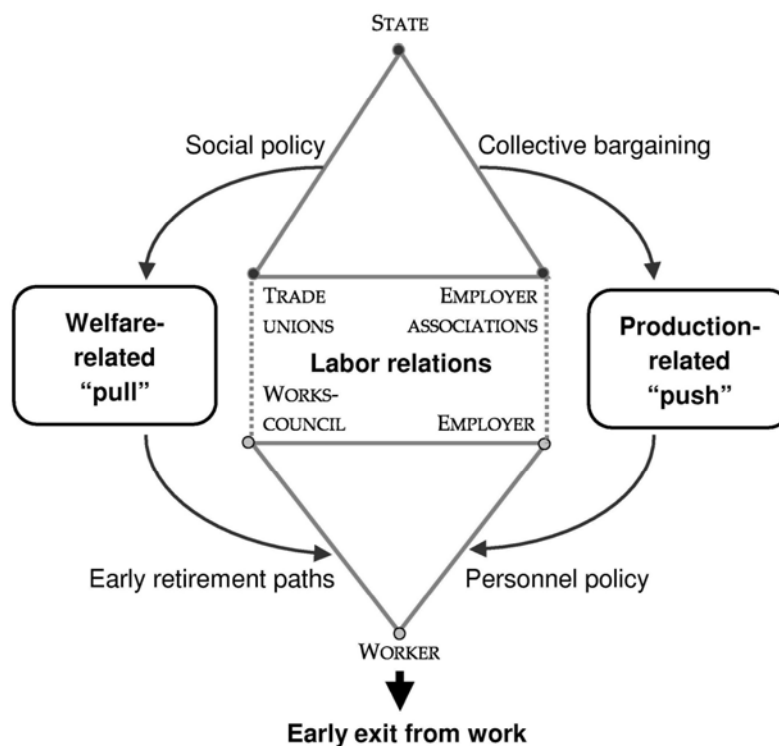


OUP 3/2011

International Comparison

- 1) Why do **early exit trends** differ?
(regime variations)
- 2) Why is **policy reversal** difficult?
(path dependency)
- 3) What are the **consequences of reforms**?
(future old age poverty / Inequality)

Early Exit Factors: Welfare “Pull” and Economic “Push”



B. Ebbinghaus: *Reforming Early Retirement in Europe, Japan and the USA*, Oxford: Oxford University Press, 2006.

Social benefits as “pull” into early retirement?

Protection – Pull Thesis:

- Benefits as **incentives** to exit earlier
- also **social context** important

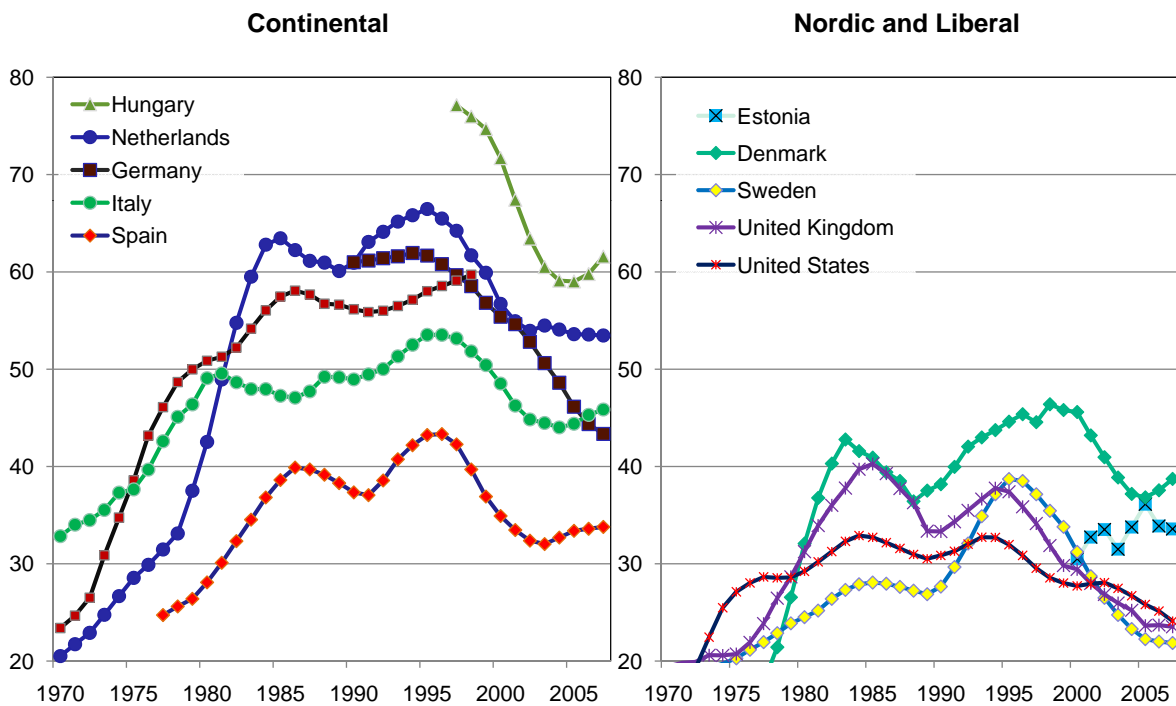
Pathways to retirement:

- **Early** pensions (for women, for long careers)
- **Special** schemes for early retirement (with/out reemployment pledge)
- **Unemployment** as bridge to retirement
- **Disability** pensions (age related conditions, labour market conditions, social criteria)
- Early drawing of **private pensions**



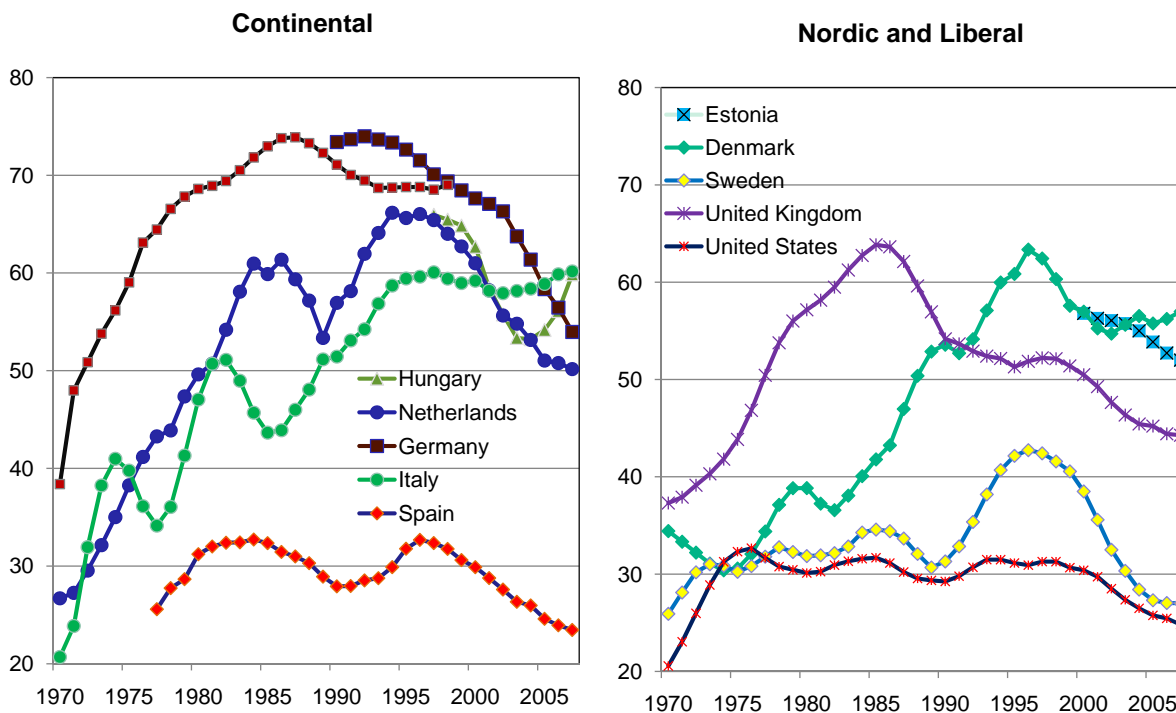
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Exit Rate: Men Aged 60-64 (cohort adjusted, 5-year-average)



Bernhard Ebbinghaus: *Reforming Early Retirement in Europe, Japan and the USA*, Oxford University Press, 2006; pbk. 2008; and updates from OECD and Eurostat.

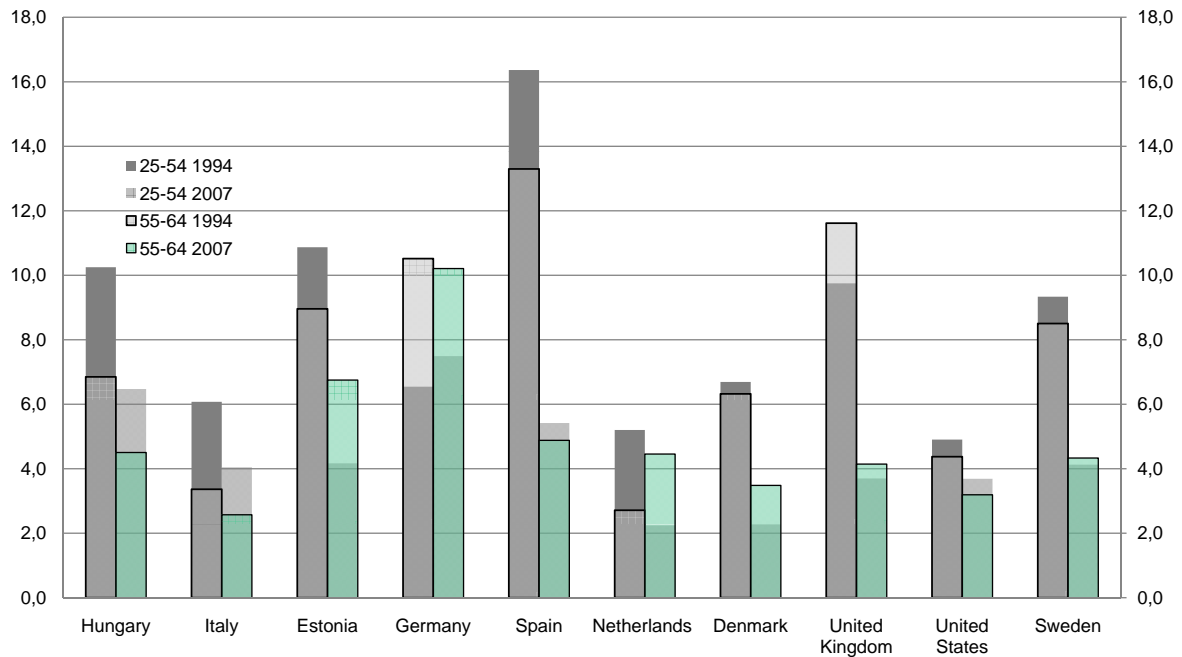
Exit Rate: Women 60-64 (cohort adjusted, 5-year-average)



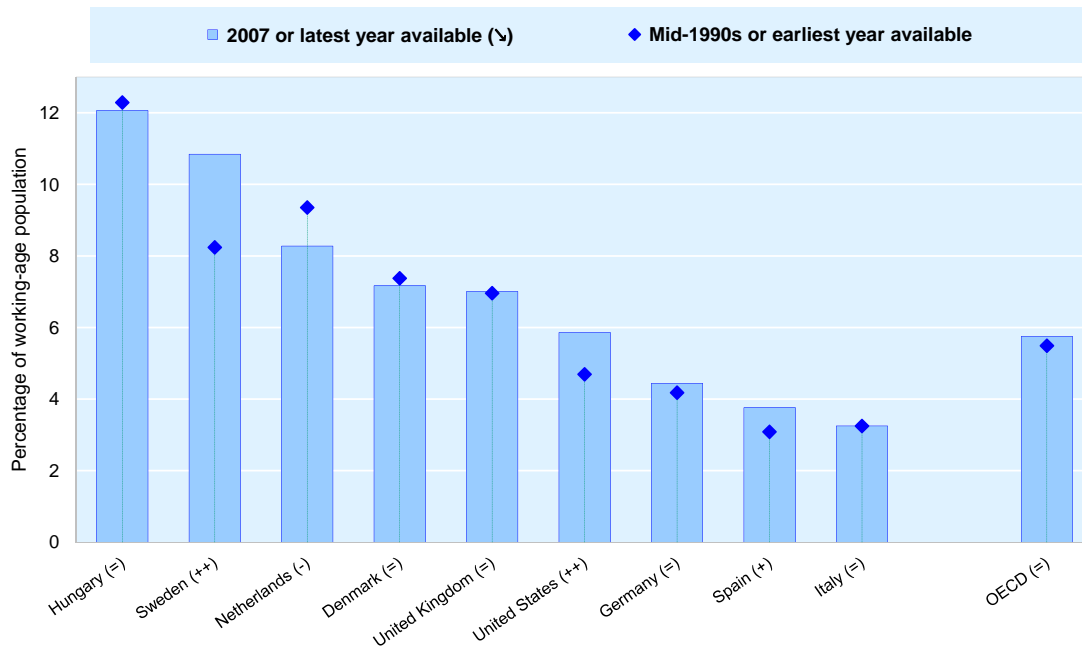
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Unemployment pathway: push or pull?

Unemployment rate, men aged 55-64 and 25-54



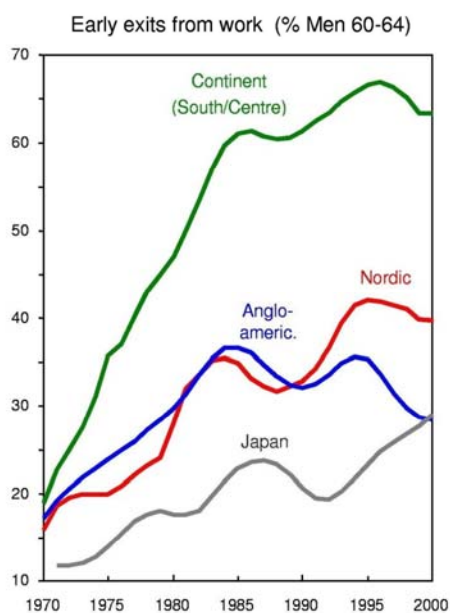
Disability pathways: recipient rate (%) aged 20-64 (OECD 2009)



Welfare and exit regimes

	Exit (M/W)	Regime	Public pensions	Disability pensions	Unemployment	Special exit schemes	Firm-based OP/PP
Sweden	Low	Social-Dem.	Basic 65 -> Flexi	**(*)	-1990s		(DB->DC)
Denmark	Low/Medium	Social-Dem.	Basic 67->65	**	Bridge	Efterlön	(DC)
USA	Low	Liberal	65; Flexible 62+	*	*		** (DB->DC)
UK	Low /Medium	Liberal	Basic 65; W: 60!	**	(*)*	(1980s)	** (DB->DC)
Germany	High	Conservative	63/60+ ->Flexi	*	Bridge	Parttime	*
Netherlands	High	Conservative	Basic 65	**(*)	(1980s)	VUT	OP **
Italy	High&Early	Southern	M60/W55->	(1980s)	(*)	Baby pensions	
Spain	Low	Southern	65; Flexible	*	(*)*		*
Hungary	High&Early	Post.-Soc.	60/55->62	***	**		
Estonia	Low /Medium	Post-Soc.	60/55->63; 60+ flex.	(*)*	(*)*	(late 1990s)	(1998- DC)

Cross-national comparison of early exit patterns



Regime (Trend)	“Pull”	Mediation	“Push”
South (very early)	+ multiple (public) pathways	+ socially buffered restructuring	+ internal labor market
Centre (early)			
Nordic (increasing)	◇ part-time pensions	◇ proactive	
Anglo-am. (cyclical)	– few (private) Pathways	– only in union firms	– market-induced
Japan (belated)		◇ company unions	◇ re-employment

Policies reversing early exit

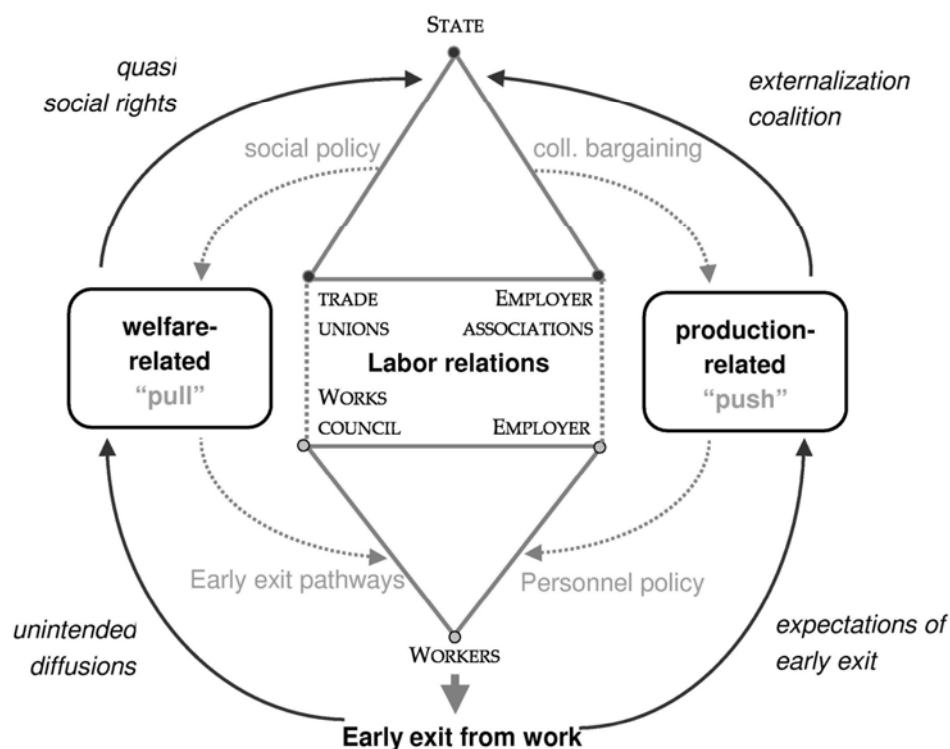
Demographic challenge leads to **pension reforms**

Paradigm shift away from passive policies to **activation**

Measures:

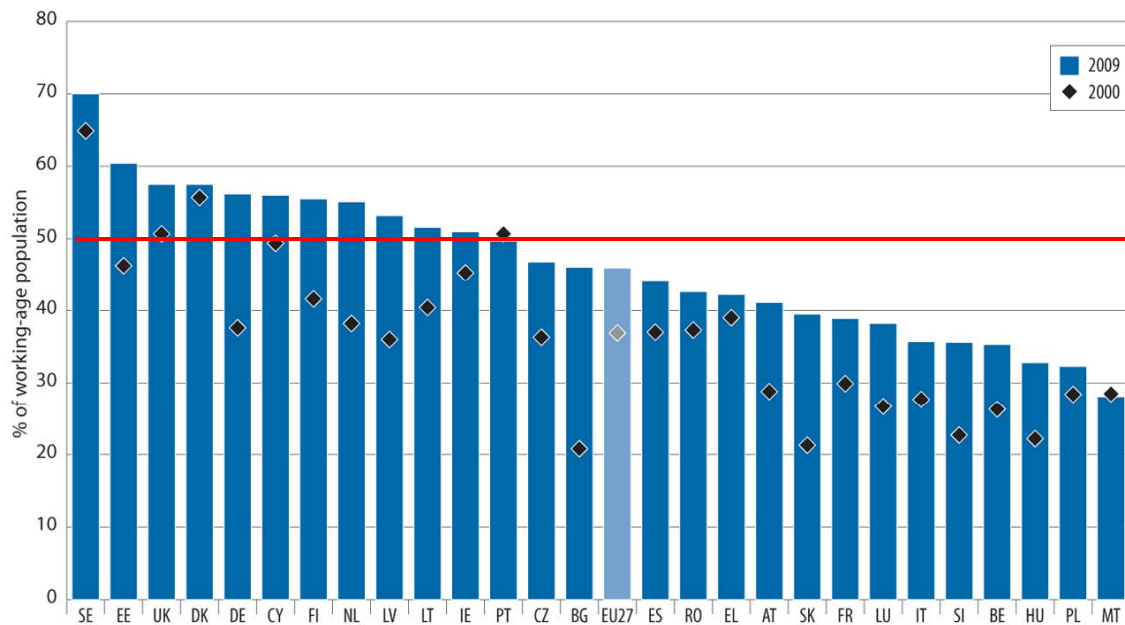
- Closure of **special** preretirement schemes
- Extending early / normal **retirement ages** in pensions
- Shorting / reducing long-term **unemployment** benefits
- More conditionality in **disability** pensions
- **Anti-age-discrimination** legislation
- **Skilled** labour shortage due to smaller young cohorts
- **Life long-learning** strategies
- Adaptation of **working conditions**, gradual transition

Difficult policy reversal (path dependency)



Meeting the EU target of 50% by 2010?

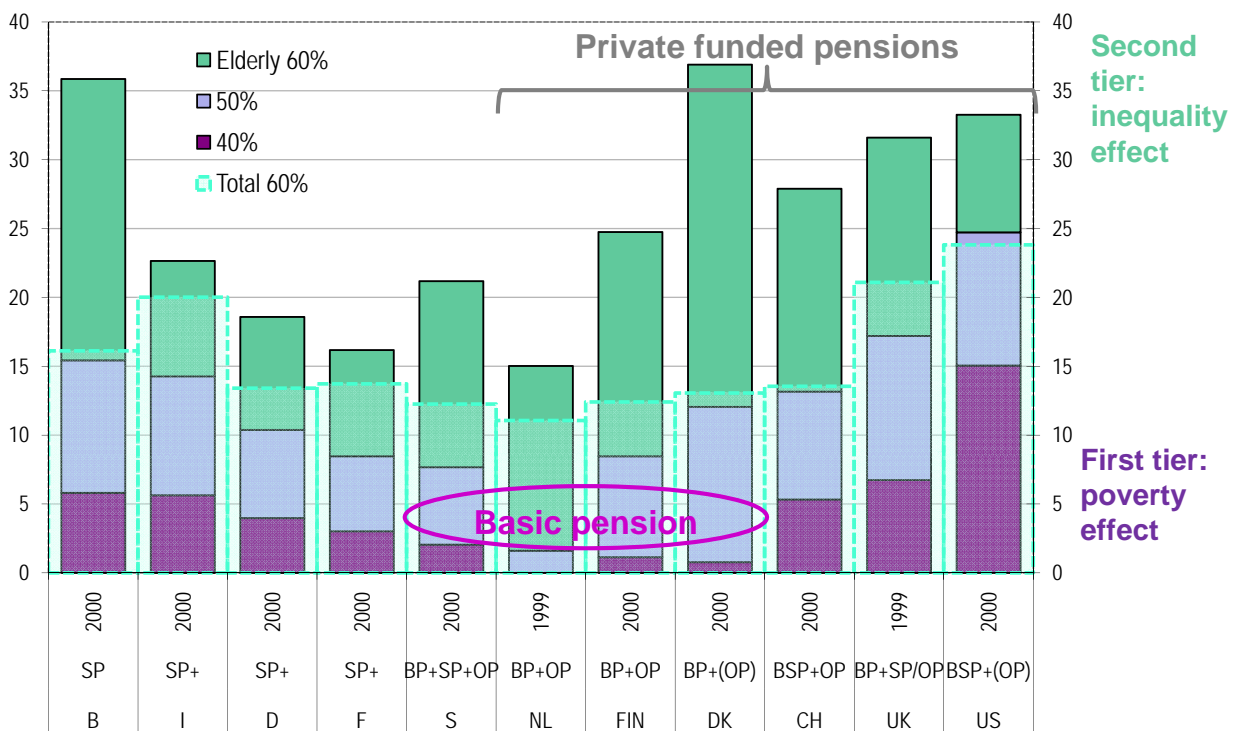
Chart 67: Employment rates for persons aged 55–64 for Member States, 2000 and 2009



Source: Eurostat, EU LFS.

Note: Data for RO 2002 instead of 2000.

Poverty rates (40-60%) for the elderly (65+)



Source: LIS data, "Governance of Supplementary Pensions in Europe" (GOSPE), Project funded by Deutsche Forschungsgemeinschaft (DFG), MZES, University of Mannheim

Conclusion: Main Findings

- 1) Cross-national **variations** in **exit patterns**:
 - Early exit was often **socially accepted restructuration strategy**
 - Early retirement became **social right / norm**
- 2) **Problems in reversing early exit**:
 - **Unintended consequences** through social diffusion and expectation trap
 - **Policy reversal** difficult due to status quo defense and externalization coalition
- 3) **Consequences of reversing early retirement**:
 - Restrained exit pathways lead to **later exit** (but maybe also **unemployment**)
 - Reforms may lead to more **poverty and inequality**