

Direct or Sequential Retirement? The Selectivity of Exit Pathways in Denmark, Germany, and Spain

It is well-known that unemployment and disability benefits are frequently used as bridging schemes into early retirement. Indeed, this alleged misuse of social protection instruments has become a major concern for policy-makers. Due to a lack of adequate data, however, the relative empirical importance of the various kinds of sequential retirement transitions in different European societies has remained rather elusive. Moreover, while a vast body of economic literature focuses on the adverse incentives embedded in formal institutions, the crucial question of individual choice in retirement behavior has not been linked systematically to the selective accessibility of divergent exit pathways thus far. In this vein, the paper aims at understanding the social mechanisms that lead to differences in the timing of retirement via diverse exit trajectories (unemployment; disability; firm-sponsored; direct). In theoretical terms, cross-national variation in the timing of labor market withdrawal is attributed on the one hand to the different financial preconditions established by the welfare state, but also to varying labor market constraints. On the other hand, following a life course approach, inner-country differences in retirement behavior are explained with reference to the sorting mechanisms behind group-specific retirement trajectories. Particularly, in addressing the genuine impact of social class and gender respectively, the paper highlights the influential interaction of structural and dispositional factors that has been largely disregarded thus far in the existing retirement literature. In detail, the analysis builds on the large-scale sample properties of the European Union Labor Force Survey (EU-LFS) in order to compare the specific career-exit trajectories for men and women from distinct social groups in Denmark, Germany, and Spain. Particularly, the ad-hoc module on retirement in the 2006 edition of the EU-LFS facilitates the analysis of patterns of social heterogeneity in retirement transitions. Exploiting retrospective information on the temporal sequencing of job exit and pension benefit receipts included in the module, different pathways into retirement are scrutinized by applying techniques of event-history analysis. To be more specific, a set of competing risk models of employment exit is estimated to establish how various socioeconomic characteristics relate to the usage of the available retirement pathways in the countries under analysis.