

## Transitions to Retirement in EU15 Countries based on Income Statuses.

For nearly twenty years European policies followed by the member states have tried to increase employment rate of older workers. Targets have been set to reduce early retirement and increase participation in employment. The Lisbon European Council of March 2000 had promoted the European Employment Strategy for the next 10 years, focused on quantitative targets for employment rates: by 2010, it should have reached 70% for the working age population and 60% for women. Following the European Council meeting in Stockholm in 2001, the employment rate of people aged 55-64 years (men and women) was required to reach 50% in 2010. Furthermore, the European Council of Barcelona had set the target of a five years increase of the average effective age of retirement by 2010 and had recommended the development of "flexible retirement" – *i.e.* allowing older workers to leave employment gradually. In responses to the demographic challenge, the rise in employment appears now as an essential target for the funding of retirement pensions, and of the whole welfare state.

In all European countries, employment rate of older workers increased during the first decade of the 21<sup>st</sup> century. However, the observable convergence in terms of employment rate hides relatively specified national practices of early retirement (Wels, 2014). In European countries, public policies concerning older workers change slowly and gradually. At the same time, countries have implemented and/or reinforced transition pathways to retirement. These transitions – called also "bridges" (Börsch-Supan & Schnabel, 2010; Ruhm, 1990) – are characterized by composite statuses in and outside the labour market. The individual can combine, for instance, a part-time employee contract with an unemployment benefit or an early part-time retirement benefit, etc. These bridges directly increase the employment rate but at the same time the labour market becomes more complex and individual situations more specific (Vanheerswyngheles, 2004). From an monetary point of view, an increase in employment rate do not necessary implies a decline of the social benefits.

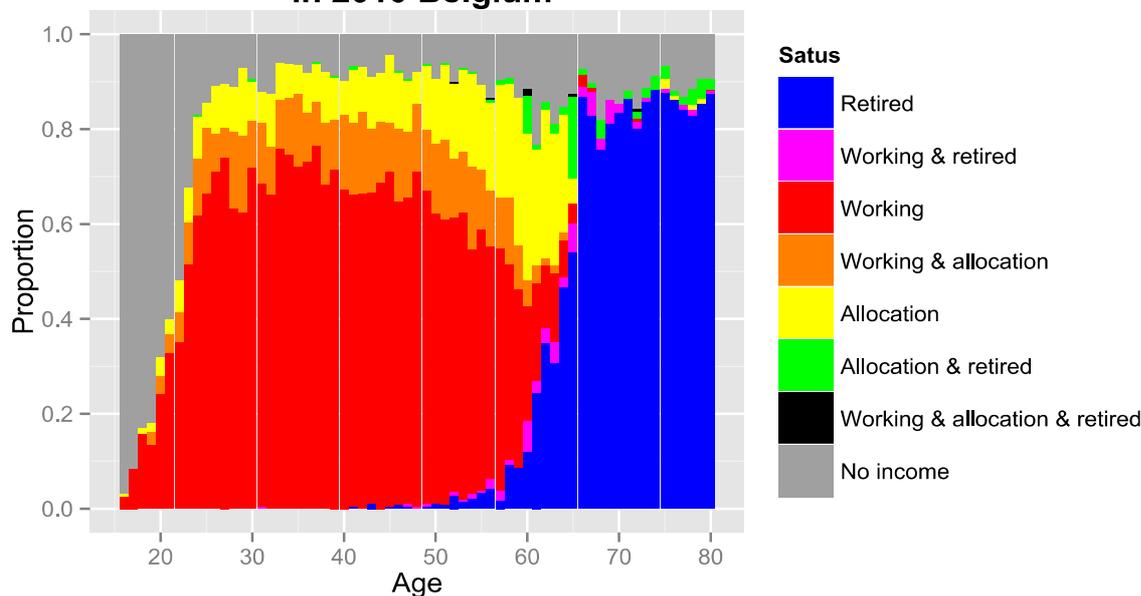
According to these considerations, this communication aims at providing empirical elements to better understand labour market transitions regarding older people. While sociologists often study these transitions through "statuses" on the labour market (Guillemard, 2010), we assume that the true question of old age employment rate is not employment *per se*, but financial transfers of the welfare state (*e.g.* pension, unemployment, disability). In other words, we suggest that employment rate variations (following the current definition of "employment rate") do not necessarily imply an increase or a decrease of the use of other status and do not mean an equal variation in welfare state transfers. We will develop this hypothesis in three points.

First, the evolution of the various component of income – employee income (PY010G + PY020G + PY021G), self-employed income (PY050G), private pension plans income (PY080G), unemployment benefits (PY090G), old-age benefits (PY100G), survivor' benefits (PY110G), sickness benefits (PY120G), disability benefits (PY130G) and education related allowance (PY140G) – according to age and gender in the EU15 countries. This provides information on the retirement transition financial flux at the macro (aggregated) level, and, therefore, enables to compare the importance of the different financial flux, especially during the retirement transition ages (50-69) among EU15 countries.

Second, categorising respondents' situation according to their income, instead of self-defined or ILO categories, enables to portraits individual (financial) situations according to age and gender, in EU15 countries. We are clustering the many various income into three main categories : work income – wages (PY010G + PY020G + PY021G) and self-employed profits (PY050G) – pension income – private pension plans income (PY080G), old-age benefits (PY100G) and survivor' benefits (PY110G) – and social benefits – unemployment benefits (PY090G), sickness benefits (PY120G), disability benefits (PY130G) and education related allowance (PY140G). Those incomes categories not being mutually exclusive, eight individual situations are possible: (1)

“retired”, (2) “working & retired”, (3) “working”, (4) “working & allocation”, (5) “allocation”, (6) “allocation & retired”, (7) “working & allocation & retired”, (8) “no income”.

### Proportion of income-constructed statuses by age, in 2010 Belgium



To illustrate what this means, graph 2 presents variations of statuses depending on the age, for Belgium (2010). It is clearly noticeable that there is a real decline in “working” from about age 40. Similarly, the “working & allocation” variable followed the same trend. However, there is not a corresponding percentage increase in retirement pension. It reflects a lag between end of working life and the beginning of the retirement age. This difference is covered by a significant increase in the Allocation variable (unemployment, disability, inactivity) which bridges the gap between employment and retirement. To put it another way, the transition between employment and retirement seems more transitional than the transition between allocation and retirement.

Third, we will realise a hierarchical classification based on the eight “statuses” variables. Each variable will be calculated by age (50-69 y) and by sex. In this way, we will be able to distinguish types of transitions by group of countries. This classification helps us to understand dynamics of retirement by countries and the similarities among countries.

### References

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