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

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Outline

1. Motivations and Theoretical Background
2. Data and Methodology
3. Empirical Findings
4. Conclusions
Motivation

- **EU Lisbon Targets for 2010:**
  - 50% employment rate of 55-64 year olds
    *(EU-15 in 2007: Men: 55.3% / Women: 38.1%)*
  - Average effective retirement of 65 years
    *(EU-15 in 2007: Men 62.0 / Women: 61.1)*
- **Main Policy Strategy:**
  - Cuts in early retirement benefits and actuarial reductions of old-age pensions
- **“New Social Risks“?**
Theoretical Background

**Pull Approaches**
- Retirement as voluntary decision
- Early retirement is caused by generous benefits provided by social security schemes

**Push Approaches**
- Involuntary early retirement
- People are forced into early retirement due to unemployment or disability
Research Questions

Social Stratification

• To which degree is the risk of involuntary early exit attributable to social class and gender?

Institutional Diversity

• In how far do countries differ with respect to class and gender differentials in involuntary retirement?
Hypotheses

- **H1**: As a consequence of differences in skills, working conditions, and employment security, sequential retirement depends on class membership.
- **H2a**: Women carry a lower risk of involuntary early exit than men because they work less often in manual jobs.
- **H2b**: Under *ceteris paribus* conditions, women carry a higher risk of involuntary early exit than men due to gender discrimination.
**H3: Regime Hypotheses**

<table>
<thead>
<tr>
<th></th>
<th>Denmark</th>
<th>Germany</th>
<th>Spain</th>
<th>Ireland</th>
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<tbody>
<tr>
<td><strong>Class Differentials</strong></td>
<td>low</td>
<td>medium</td>
<td>medium</td>
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Data and Sample

Data
• EU-LFS 2006
• Ad-hoc module: „The Transition from Work to Retirement“ (11 variables)

Sample
• Aged 50-69
• Working or having been working at age 50
• At least ten working years at age 50
Methodology

Retirement Concept

- Exit from work (rather than start of pension receipt)
- Self-assessed employment status not available for all countries
- Retired is who is…
  a. not working & not searching for a job
  b. unemployed, but having definitely stopped working for pay
  c. working less than ten hours & receiving old-age pension
Diversity of Pathways

• Pathway into retirement identified via „main labor status just after last job or business“:
  1. Retirement or early retirement
  2. Unemployed
  3. Long-term sick or disabled
Social Class

- Class Schema: European Socio-economic Classification (ESeC) (7-Class-version)
- Using ISCO-88 for last job
  - Only available if employed within last 8 years
    - Only employment exits since 1999
  - ISCO only at 2-digits in EU-LFS
    - But correspondence >90% for 7-class ESeC
Logit Model

- Direct vs. Sequential Retirement
- Separate models for 4 selected countries
- Regressors:
  - Class (ESeC)
  - Gender
  - Class-gender interactions
  - Age (5-year age group dummies)
  - Marital status
- N= 7,113
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### Selected Countries

**Average Retirement Age**

(Ø 2001-2006)

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<tbody>
<tr>
<td><strong>Men</strong></td>
<td>62.1</td>
<td>61.5</td>
<td>61.5</td>
<td>63.2</td>
</tr>
<tr>
<td><strong>Women</strong></td>
<td>61.1</td>
<td>61.0</td>
<td>61.8</td>
<td>63.5</td>
</tr>
</tbody>
</table>

Source: Eurostat, Sustainability Indicators.
Divergent Pathways in Comparison
Estimates from Logit Model

- Graphs instead of tables
- Predicted probabilities of sequential retirement by class and gender, taking account of interaction effects
- Reference actor:
  - Age 60-64
  - Married
Department of Political and Social Sciences

Denmark

Higher Salariat
Lower Salariat
Intermediate Occupations
Petty Bourgeoisie
Lower Sales & Service
Skilled Workers
Routine Workers

Predicted Probability of Sequential Retirement

95 % CI - Men
95 % CI - Women
Pred. Prob. - Men
Pred. Prob. - Women

Source: EU-LFS 2006; own calculations.
Germany

Department of Political and Social Sciences

Higher Salariat
Lower Salariat
Intermediate Occupations
Petty Bourgeoisie
Lower Sales & Service
Skilled Workers
Routine Workers

Predicted Probability of Sequential Retirement

Source: EU-LFS 2006; own calculations.
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Predicted Probability of Sequential Retirement
95 % CI - Men 95 % CI - Women
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Source: EU-LFS 2006; own calculations.
Outline

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## Summary of Findings

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<tbody>
<tr>
<td><strong>Incidence of Sequential Retirement</strong></td>
<td>medium</td>
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<td>high</td>
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<tr>
<td><strong>Class differentials (within sexes)</strong></td>
<td>low</td>
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Conclusions (I)

- The risk of sequential retirement affects classes adversely → support of H1
- There exist some gender differences within classes → partial support of H2b
- Women probably compensate for within-class disadvantage by being less likely to be employed in traditional working class jobs
Conclusions (II)

- Regime hypotheses largely supported, though surprisingly low gender differentials in Germany
Thank you

Feedback is welcome:
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