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Pushed out prematurely? Comparing objectively forced exits and subjective assessments of involuntary retirement across Europe

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ABSTRACT

Given the efforts in raising the statutory pension age in an aging Europe, this cross-national analysis investigates constrained retirement from a comparative perspective. Based on a conceptualization of retirement transitions as a multi-faceted phenomenon, the study distinguishes objective (external) constraints and the subjective self-assessment of involuntary retirement. Exploiting two survey items from the fifth round of the European Social Survey (ESS Round 5, 2010/2011), we examine which workers were objectively forced to retire due to economic or health reasons as well as which workers subjectively evaluate their retirement as involuntary as they would have wished to work longer. Using multi-level modeling, the study investigates the impact of national context conditions on both the individual risk to be objectively forced to terminate work and the subjective perception of retirement as occurring too early. We analyze institutional factors such as statutory pension ages and pension generosity, but also explore the role of structural factors such as unemployment and health. At the individual level, the empirical analysis reveals that objectively forced exits and subjective involuntariness do not always overlap. Objectively forced exits are more readily explained by socio-economic characteristics like social class and unemployment experience. At the macro level, there are considerable cross-national variations that cannot be explained by compositional factors only. Relevant predictors of international differences in constrained retirement include early retirement options, statutory pension conditions, unemployment rates, labor market regulation and life expectancy.

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1. Introduction

Across Europe retirement has been institutionalized as a major transition ending an individual's working life. Many experts thus see the decision to retire as a free choice of

leisure over work, largely induced by generous pension benefits that "pull" people out of work by providing sufficient income in old age. The retirement decision, however, is not always without constraints: some older workers are pushed out of work through mandatory retirement rules; others are forced to retire because of economic problems of their firm or personal health reasons. The individual retirement decision is thus dependent on the opportunities provided by national social policy arrangements but it may also be due to socio-economic conditions at the time

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of exit from work. Cross-national variations in the causes and timing of retirement have therefore been attributed to a combination of both pull and push factors varying across Europe. However, whether retired people perceive such constrained retirement as “involuntary” remains an empirical question. In some cases, retirees would have liked to work longer, while others preferred leisure over continued work. In order to disentangle external constraints and personal motivation, we analyze the cross-national and individual predictors of the incidence of forced exits due to economic or health-related reasons as well as the individual self-assessment of involuntary retirement indicated by the wish to have worked longer.

By conceptualizing constrained retirement in both its objective and subjective dimensions and by analyzing it from the pull and push perspectives, this study can contribute to a better understanding of involuntary retirement as a multifaceted phenomenon. This topic is of policy relevance given recent reforms to postpone retirement driven by concerns about financial sustainability in ageing societies. Many European welfare states have experienced a trend toward early retirement since the onset of mass unemployment in the 1970s, leading to expectations about ever earlier retirement. Yet, more recently a paradigm shift has led to reform efforts to reverse early exit from work by raising statutory pension ages and reprimand early exit through benefit deductions. It remains an open question whether retirement will become less voluntary as people are forced to work longer or get less favorable conditions when retiring prematurely. Moreover, as long as older workers are being made redundant before statutory pension age or have to quit work for health reasons, retirement may not be voluntary but forced upon them. Such forced exits have negative consequences for individual workers' well-being: leading to lower old-age income (Heisig, 2015), worse self-rated health and poorer life satisfaction (Shultz, Morton, & Weckerle, 1998) as well as higher risk of depression and anti-depressant prescriptions (Hyde, Hanson, Chungkham, Leineweber, & Westerlund, 2015). Given these severe implications, it is important to understand the conditions under which forced exits and involuntary retirements occur.

To our knowledge, this study is the first to examine constrained retirement in respect to the objective (external) forces as well as subjective self-assessment of (premature) retirement from a comparative perspective, combining macro-social context indicators and individual level survey data. We are interested in studying to what degree premature exit from work is forced for economic or health-related causes that are beyond an individual's own choice. We analyse individual and contextual factors that shape these risky life events. In addition, we are investigating whether retirees (retrospectively) evaluate their retirement decision as “involuntary”, measured by the wish to have worked longer. Again we study whether these constrained retirements depend on individual factors such as gender and other socio-demographic factors or are shaped by the context. Our analysis explores the role of social stratification, in particular social class, labor market experience and sectoral employment, for the individual exposure to forced exit and involuntary retirement. At the macro-level, our multilevel

analysis tests whether certain institutional and structural contexts mitigate or exacerbate employment constraints, thus explaining cross-national variations in constrained retirement across Europe. Specifically, we examine the potential influence of welfare-state arrangements – such as statutory pension ages, early pension opportunities, pension generosity, and employment protection – as well as structural conditions in the form of unemployment rates and life expectancy.

In a first step, we discuss different conceptualizations of constrained retirement transitions and review the available evidence on the prevalence of involuntary retirement across Europe. Even when adopting a subjective perspective, our analytical focus in this sociological study lies on the objective factors that potentially affect the individual self-assessment of involuntary retirement, we abstain from explaining motivations with other subjective factors. Our analysis is based on the fifth round of the European Social Survey (ESS) from the years 2010/2011 (ESS, 2010/2011), featuring a special module on “Work, Family, and Well-Being”, which included specific questions on the timing and voluntariness of work-exit transitions. In terms of methodology, the comparative study applies a hierarchical (multilevel) design to examine the macro-social context factors contributing to forced exits and involuntary retirements for 24 European countries. Although the survey is cross-sectional, we use birth cohorts and the self-reported timing of work exits or retirement transitions to test time-variant macro-context covariates within a cross-classified model. Our multilevel analysis thus not only exploits cross-national variations in context but also their changes over time to gain additional analytical leverage.

2. Constrained retirement transitions: Previous research and conceptualizations

Since early retirement became a widespread phenomenon across Europe, several comparative studies on retirement patterns have established solid knowledge on the institutional and structural variations between early-exit and late-exit countries (e.g. Blossfeld, Buchholz, & Hofäcker, 2006; Ebbinghaus, 2006; Ebbinghaus & Hofäcker, 2013). We thus expect context factors to matter in explaining cross-national variations in the occurrence of constrained retirement, even after controlling for individual characteristics. These national institutional and structural contexts shape the opportunity and incentive structure for individuals exiting from work as well as choosing to retire at a particular age.

Comparative research on early retirement has taken two explanatory approaches (Ebbinghaus, 2006; Hofäcker, 2010; Radl, 2013b): the *pull* perspective focuses on institutionalized pathways towards retirement (Kohli, Rein, Guillemard, & van Gunsteren, 1991) and the incentive effect to retire early as an implicit tax on continued work (Blöndal & Scarpetta, 1998; Gruber & Wise, 1999), whereas the *push* perspective investigates the impact of economic and other external pressures that compel older workers to early exit from work (Lazear, 1986), or public benefits that are used to subsidize labor shedding (Hutchens, 1999; Naschold, de Vroom, & Casey, 1994). The pull perspective

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