

ETK Research Webinar

Inequalities in pensions and retirement – Life courses and pension systems in comparative perspective

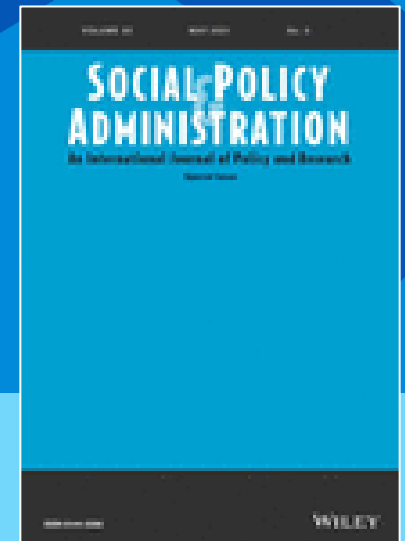
Social Policy & Administration Special Issue 55:3

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10 May 2021



Finnish Centre for Pensions
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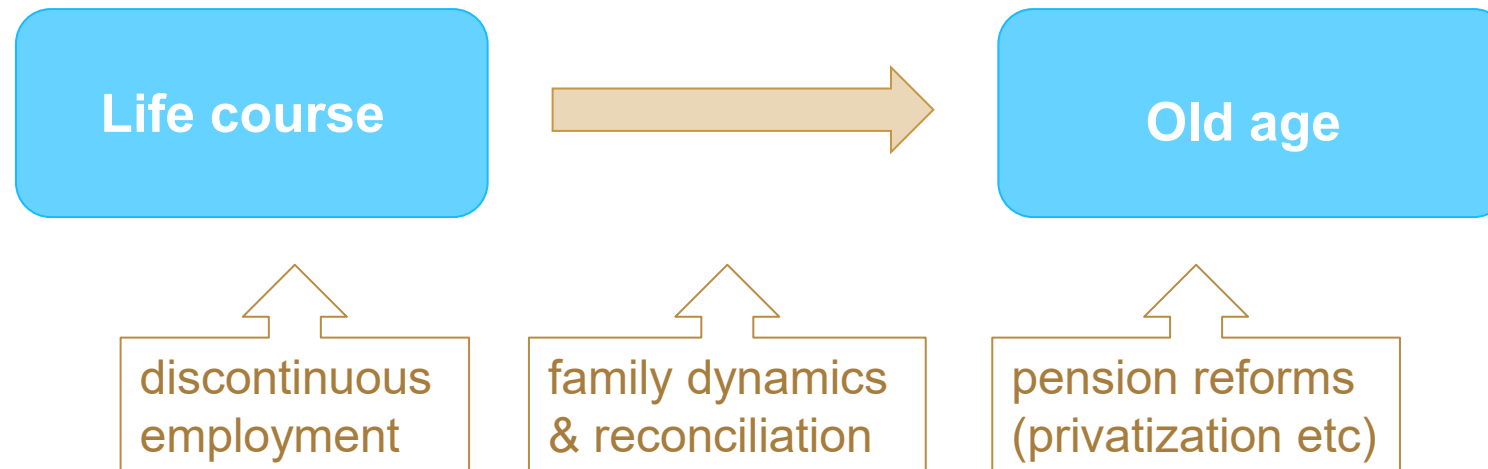
Inequalities in pension and retirement: Life-courses and pension systems in comparative perspective

Guest Editors: Kati Kuitto, Susan Kuivalainen,
and Katja Möhring

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SPA Special Issue: Inequalities in pensions and retirement from a life course perspective



- Previous research: individual-level “small-N” analyses <> macro level “large-N” policy studies
- Gaps: *“New” poverty risks after age of reforms? Changes in generational welfare contract? Impact of “atypical” life courses? Consequences of informal caregiving? ...*

Karl Hinrichs
University of Bremen

Recent pension reforms in Europe: More challenges, new directions. An overview

[Link to the article](#)



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**Universität
Bremen**

socium
Forschungszentrum
Ungleichheit und Sozialpolitik

Studies pensions reforms in EU countries over the last 30 years

- the aim to ascertain common directions of policy changes related to the challenges pension systems in EU member states are facing.
- Typical policy changes:
 - Lowering the benefit ratio
 - Prolonging working lives
 - Building multi-pillar pension systems
 - Linking stricter contributions to benefits

Key messages

- Pension reforms focusing on long-term financial sustainability may increase the risk of old-age poverty, and thus violate a central objective of pension schemes.
- Preserving an effective instrument for poverty alleviation in old age becomes more important than before
- But there is a risk of rising tension between the generosity of non-contributory pensions and the contributory pensions.
- A need to strengthen the public's confidence and perception of fairness.



Inequalities and poverty risks in old age across Europe

Bernhard Ebbinghaus

Professor of Social Policy, Department of Social Policy & Intervention
University of Oxford

Social Policy & Administration, Special Issue, Webinar, 10 May 2021

[Link to the article](#)

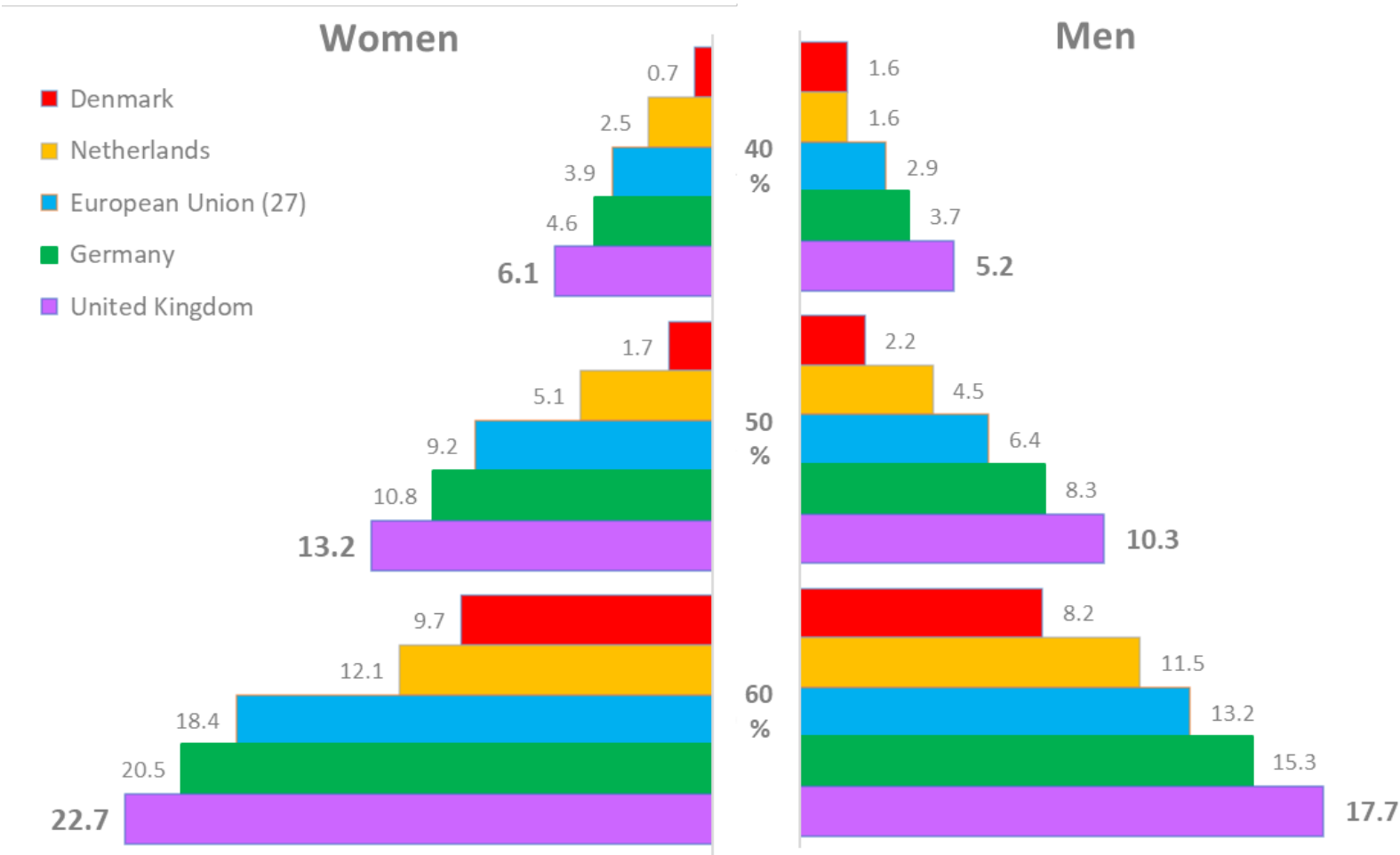


www.ebbinghaus.blog
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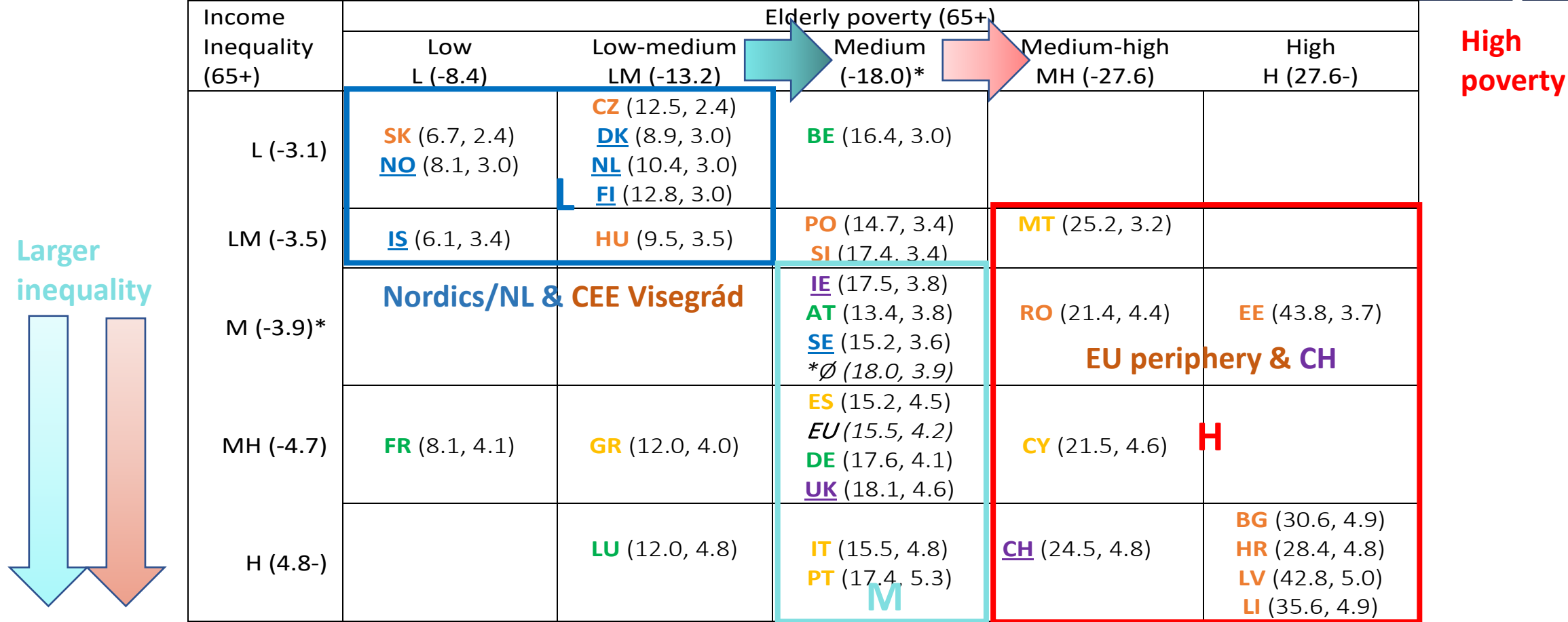
1. Old Age Poverty & Inequality in Comparison

- At-risk-of-poverty (60%):
UK (20.4) higher than
Germany (18.0) &
EU (16.4)
- Best performers (-60%):**
Denmark (9.0) &
Netherlands (11.8) with
generous basic pensions
- UK & D** have **high** poverty
rates across all poverty
levels
- Also gender gap!

Poverty rates among older people (aged 65+), 40-60% levels, 2019 (UK 2018)



2. Poverty & inequality of elderly people (65+) EU 2018



L) Relatively low-medium poverty risk & inequality in some CEE+ (CZ, SK, HU, but M: PO, SI) countries & basic pension systems among Nordics (NO, IS, DK, NL, FI, but M: SE)

M) Medium poverty/higher inequality: liberal UK, IE & CH but also Bism. (BE, AT, DE), except FR, LU

H) High inequality & poverty in EU periphery: Southern EU, CEE lite (Baltics & BG, RO, HR)

3. State vs Private Pension Responsibilities

Bismarckian social insurance system:

- **Social Insurance:** contributions reproduce employment/earnings inequalities in old age
- State pension allows **redistributive** elements (credits for care years)
- State pension (pay-as-you-go financed) faces demographic challenge but serves as an automatic **stabilizer during crisis**
- **Private (funded) pensions** are not mature yet (voluntary/mandatory)

Beveridgean multipillar system:

- **Basic pension:** poverty reduction depends on **generosity** of scheme, but this lowers incentives to save
- **Multipillar system:** private funded pensions important part of retirement income, generates inequalities (coverage, earnings)
- **Financial/economic crisis:** problems of mature funded pensions
- State needs to **regulate** private pension funds (coverage, governance, prudent investment)

See also: Bernhard Ebbinghaus (2015) "The Privatization and Marketization of Pensions in Europe: A Double Transformation Facing the Crisis", *European Policy Analysis*, 1(1) 56-73.

Extending working lives: How policies shape retirement and labour market participation of older workers

Kati Kuitto (Finnish Centre for Pensions) and Jan Helmdag (Stockholm University)

ETK Research Webinar, 10 May 2021

[Link to the article](#)



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Stockholm
University

Background and research design

- Extending working lives and postponing retirement has been one of the main goals of recent pension reforms
 - Increasing retirement age, restricting early exit routes, lengthening the contribution period, adjustment of accrual rules to life expectancy, incentives for working longer
- Not only pension system incentives, but labour market policies, economic situation and welfare policies in general affect labour market exit

Research question: In a comparative long-term perspective, how do macro-level pull, push and retention factors impact retirement and older workers' labour market participation?

Sample and method: 15 OECD countries, 1992-2010, TSCS regressions, gender-specific analyses

Dependent variables: Effective retirement age and employment rate of people aged 55-64



Main findings – impact of pull, push and retention factors

	Effective retirement age	Employment rate 55-64
Pull factors		
<i>Pension policy</i>		
Retirement age	+	+
Qualification period for full pensions	+	+
Pension replacement rate		
Financial incentives to continue working	+	+
<i>Unemployment policy</i>		
Unemployment benefit duration	-	(-)
Unemployment replacement rate		
Retention factors		
Social investment	+	+
Life expectancy at 65	(+)	+
Push factors		
Employment protection	-	
Unemployment rate		-
GDP	+	
Growth	(+)	

Pension system incentives (scaling down pull factors) and social investment (strengthening retention factors) exert strong impact both on effective retirement age and employment rate of people aged 55-64.



Key messages

- Pension policies for extending working lives work – but how much leeway is there still to increase retirement age or restrict early exit routes?
- Social policies that strengthen human capital and ease labour market participation during the whole life course (**social investment**) help extending working lives
 - Social expenditure focus on education, ALMP and elderly services go with higher **effective retirement age**, higher spending on income compensating cash benefits with lower
 - Public child and elderly care grant flexibility and employability and are particularly important for **employment rates of older workers and women**
- Institutions and policies have in part gender-specific impacts
 - Women may compensate fragmented careers if qualification period for full pension is longer, while men exit earlier, if pension benefits are generous
- Results apply for the aggregate – more attention needed for those who cannot continue working and measures to support them
 - Meaning of non-contributory pensions and minimum income for adequate old age income security increases
 - Preventive health care, rehabilitation, employer/workplace cultures, flexible work





The consequences of non-standard working and marital biographies for old age income in Europe

Contrasting the individual and the household perspective

Katja Möhring, University of Mannheim

www.katjamoehring.de twitter.com/MoehringKatja

Social Policy & Administration Special Issue Presentation, 10 May 2021

[Link to the article](#)

In a nutshell

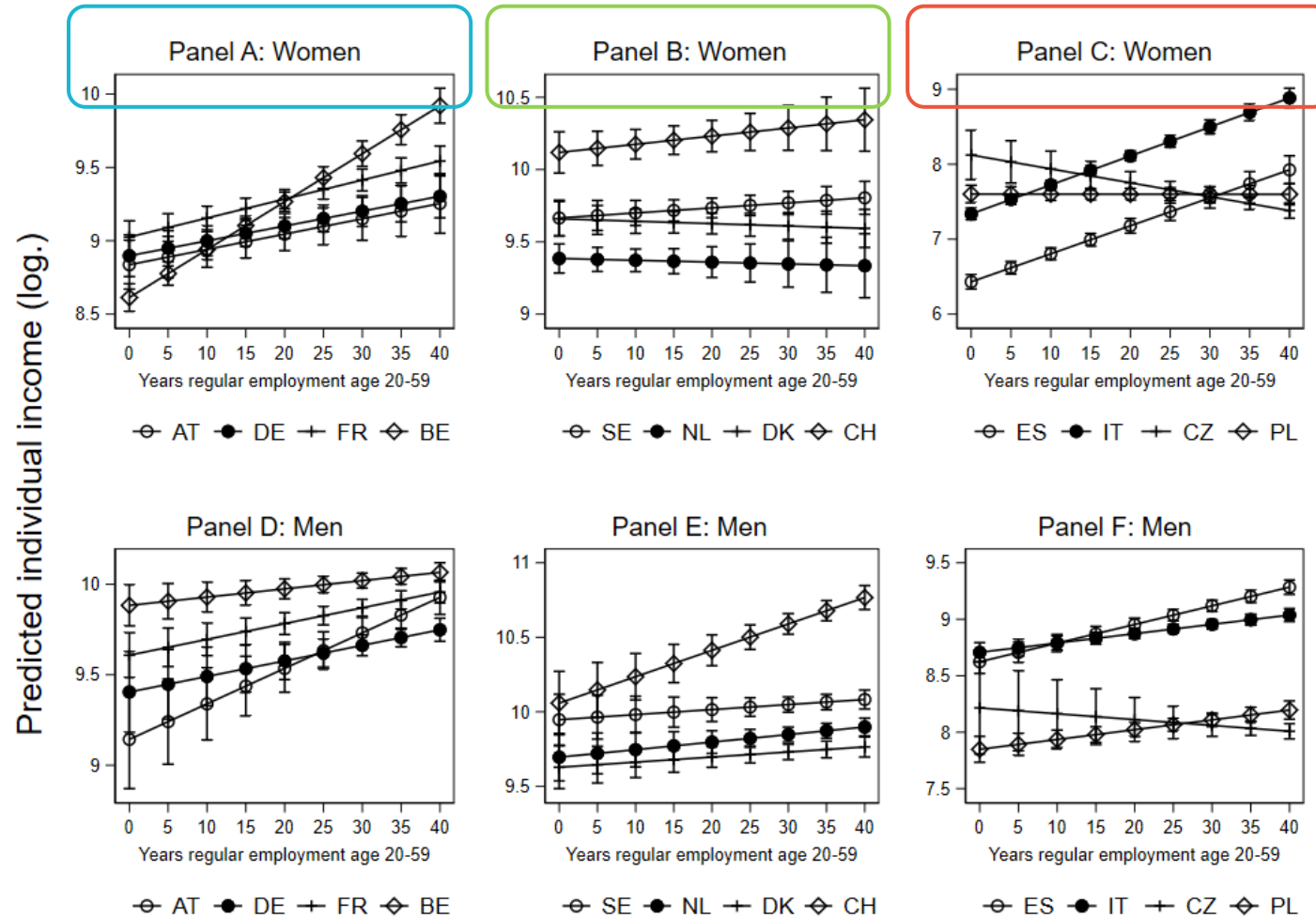
- Research question: How do individuals with non-standard work or family histories fare under different national pension systems in terms of their old age individual and household income?
- Innovations: Integration of individual and household perspective for Large-N of countries
- SHARE Life history data for 12 European countries
- Pension systems: Beveridge-plus, Beveridge, Bismarckian, Bismarckian-lite

Main results individual level

(Country Fixed Effects models)

	Women		Men	
Life course age 20-60	individual income	HH income	individual income	HH income
Years full-time	+	+	+	+
Years part-time	+	+	-	0
Years married	-	0	+	0
Years divorced	+	0	0	0
N children / controlling for years employed	- / 0	- / (-)	0 / 0	- / -

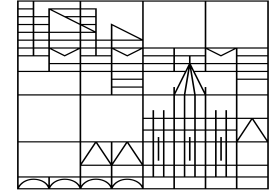
Main results country level



Bismarckian
(AT, DE, FR, BE)

Beveridge Plus
(SE, NL, DK) vs
Beveridge (CH)

Bismarckian Lite
(ES, IT) vs
CEE Plus (CZ, PL)



Work-family balance in the second half of life: Caregivers' decisions regarding retirement and working time reduction in Europe

SPA Webinar, 10th of May 2021

Ariane Bertogg, Tiziana Nazio & Susanne Strauß

[Link to the article](#)

Outline & Research Questions

Relevance

- Challenges of population ageing: Pension financing & increased care need
- Welfare states cannot shoulder everything → Individuals need to work longer and care more

Does Caregiving Threaten Labour Market Participation?

- Yes, but...
- ...depends on intensity of care and caregiver's gender
- ...varies between countries

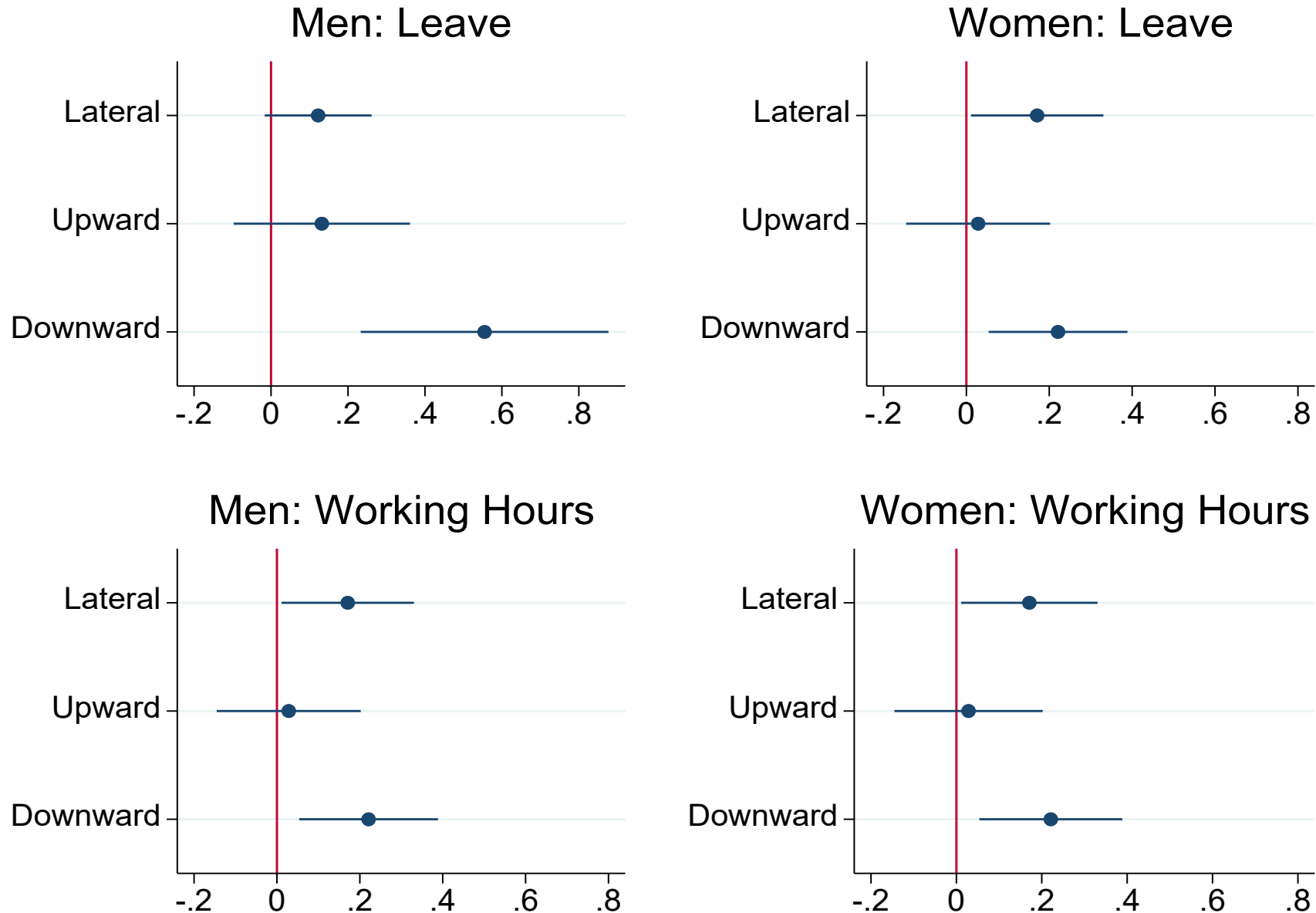
Contribution (What is New?)

- Distinction: Care to parents (**upward**), Care to spouses, siblings, neighbours (**lateral**), Grandchild care (**downward**)
- Policies instead of typologies! Expenditures on: Caregiver allowance (**cash-for-care**), Elder care services (**care-in-kind**), Formal **childcare** services
- Labour market **exit** vs. **working hours**

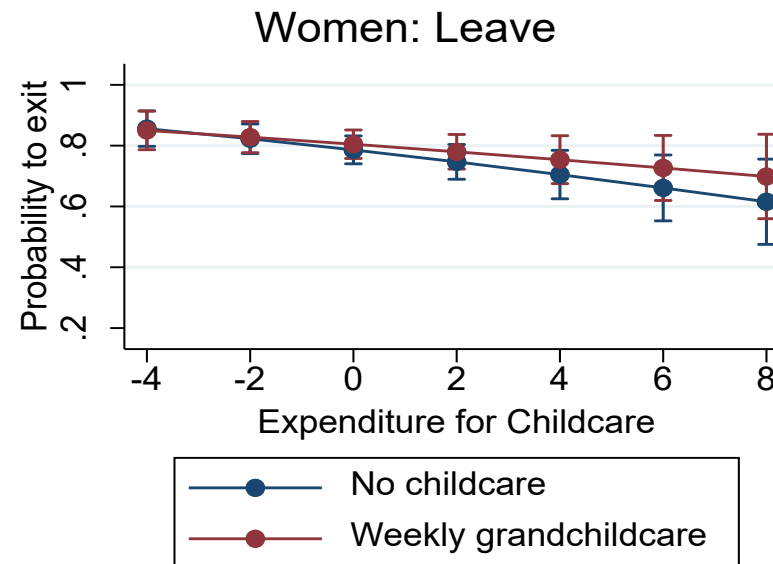
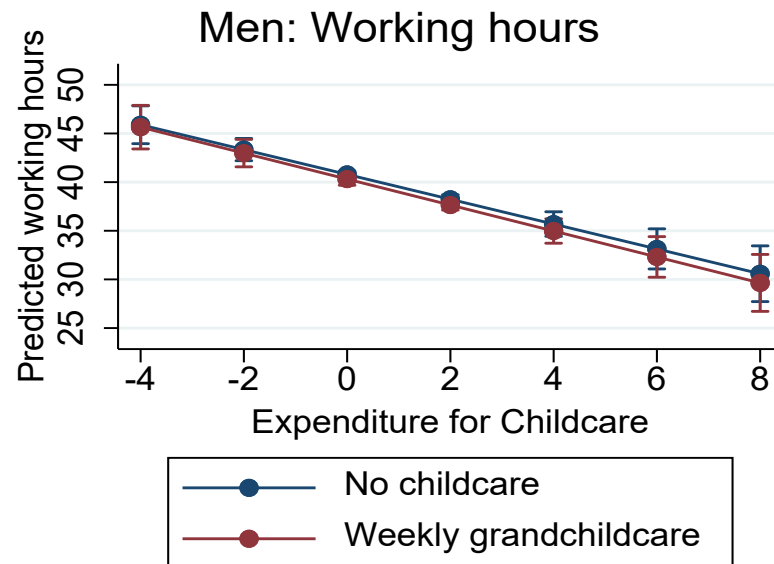
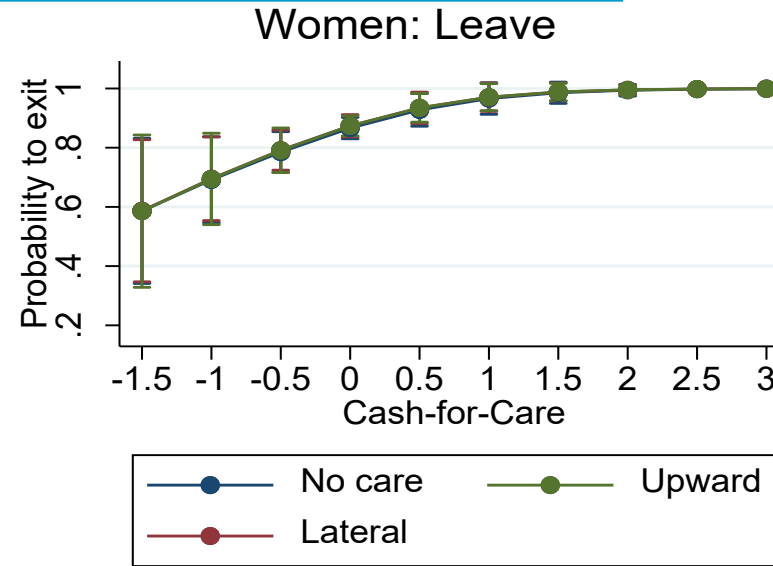
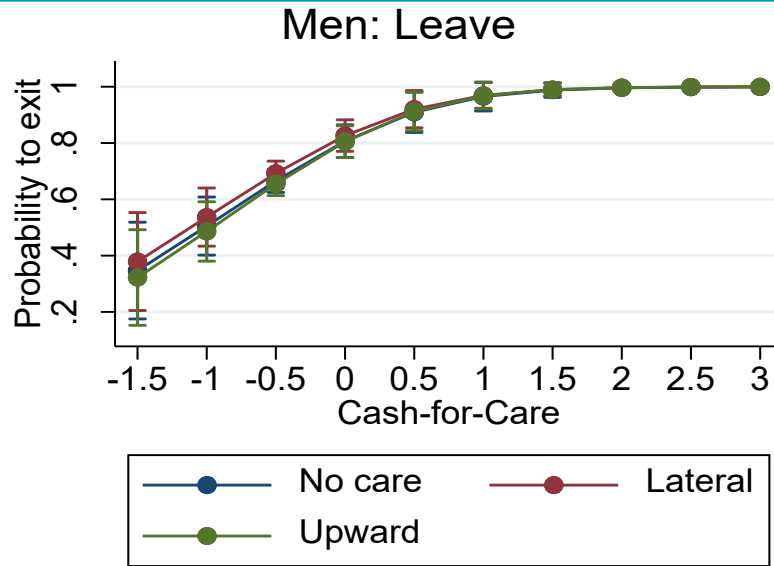
Research Questions

- (1) How do different types of caregiving influence labour market exits or working hours?
- (2) What gender-specific patterns can we observe?
- (3) How does the welfare context moderate these linkages?

Different Effects for Different Types of Care?



Different Effects for Different Policies



Summary

Different Types of Care → Different Labour Market Outcomes

- Grandchild care predicts exit / reduction better than lateral care. Care to parents does not seem to matter
- Working women / caring men in some contexts are selective

Different Effects for Different Policies

- Cash-for-Care (allowance): Promotes labour market exits for all groups
- Childcare: Non-caring women benefit more than caring women

Conclusion

- Cash allowances discourage labour market participation
- However: Caregiving can also be anticipated
- More formal childcare: Part-time friendly societies
- „Sticky“ gender norms

Pension reforms, the generational welfare contract and preferences for pro-old welfare policies in Europe

Aart-Jan Riekhoff

Finnish Centre for Pensions

ETK Research Webinar, May 10, 2021

[Link to the article](#)



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Background

- Under a generational welfare contract (GWC), people support a variety of age-related social policies even if they prefer some
- In times of population ageing:
 - Financial pressure on the welfare state
 - Intergenerational (redistributive) conflict
- Varieties of pension reforms can redistribute the burden of population ageing in various ways
- Can the type of pension reform affect preferences for age-related social policy of people in different life course stages?
 - > Can pension reforms reinforce or weaken the GWC?



Research design

- Dependent variable: relative preference for policies that benefit the old
- Measurements from European Social Survey data, 2008 and 2016
- Four cohorts
- 18 countries
- Four types of pragmatic pension reform
 - > Changes in preferences within cohorts, comparing countries that did and did not introduce these reforms between 2009 and 2016



Main findings

- There was a decline in relative preferences for policies that benefit the old in most European countries
- BUT: This was due to a strong decline among the oldest generations, not the youngest -> convergence between cohorts
- No effects found for reforms that raise contributions or reduce benefits
- Countries that raised the retirement age or expanded private pensions saw greater decline in preferences for pro-old policies
- The impact of these reforms on preferences varied somewhat by generations, but not as anticipated in the hypotheses
- Reform countries tended to initially have higher levels of pro-old policy preferences -> convergence between countries



Conclusions

- No signs of a deteriorating generational welfare contract, rather a recalibration of age-related social policy preferences
- No impact of reforms that increased contributions or lowered benefits
 - > Technical and incremental reforms, “politics of indexation”?
- Raising retirement ages and expanding private pensions showed impact
 - > Public salience
 - > Catching-up effect
- Policy-makers should keep in mind a balanced and well-functioning GWC and:
 - > Consider the burden of pension reforms on different generations
 - > Consider possibilities to compensate with other age-related social policies
 - > Consider adequate communication strategies when implementing reforms



Comments

Bent Greve Roskilde University, Editor-in-Chief of
Social Policy & Administration

Mikko Kautto Finnish Centre for Pensions



Reflections on the articles in the special issue on Pension and Retirement

Professor Bent Greve, University of Roskilde


Inequality, poverty and pension system

- Still, obvious that pension systems plays an extremely important role – even and despite the various mixes
- Generosity as well as Minimum pension most important for poverty reduction – so if generosity is changed higher risk pensioners live at risk of poverty
- Mix public/private more impact on overall level of inequality




Ways of changing pension system

- There is an abundant ways of changing generosity and coverage
- This range from, as already done in many countries, defined benefit to defined contribution to changing formulas for indexation, age of retirement, means-testing benefits etc.

A large orange circle on the left side of the slide, partially cut off by the edge.

New working patterns - life course

- New working patterns and changed working careers will influence economic security in old age
 - Those without stable permanent positions on the labour market are at higher risk in the future – not only in the active life years – but also when retiring
- 
- A series of four yellow curved dashes in the bottom right corner, arranged in an upward-curving sequence.



Development
in contrast to
voters
expectations?

- Many voters support that the state has responsibility for health care, long-term care and pension – and despite this a number of changes has taken place, but also in most countries more money is available for pension purposes as well as health and long-term care

Conclusion

- The pension system is still important due to:
- Risk of poverty
- Level of inequality
- Intergenerational transmission as well as acceptance of welfare states policies.

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