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
Inequalities in pension and retirement: Life-courses and pension systems in comparative perspective
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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

Karl Hinrichs  
University of Bremen  

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

Link to the article
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
twitter.com/B_Ebbinghaus
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!
## 2. Poverty & inequality of elderly people (65+) EU 2018

<table>
<thead>
<tr>
<th>Income Inequality (65+)</th>
<th>Low L (-8.4)</th>
<th>Low-medium LM (-13.2)</th>
<th>Medium (-18.0)*</th>
<th>Medium-high MH (-27.6)</th>
<th>High H (27.6-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>L (-3.1)</td>
<td>SK (6.7, 2.4)</td>
<td>DK (8.9, 3.0)</td>
<td>BE (16.4, 3.0)</td>
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<td></td>
<td>NO (8.1, 3.0)</td>
<td>NL (10.4, 3.0)</td>
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<tr>
<td>LM (-3.5)</td>
<td>IS (6.1, 3.4)</td>
<td>FI (12.8, 3.0)</td>
<td>PO (14.7, 3.4)</td>
<td>SI (17.4, 3.4)</td>
<td>MT (25.2, 3.2)</td>
</tr>
<tr>
<td>M (-3.9)*</td>
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<tr>
<td>Nordics/NL &amp;</td>
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<td>CEE Visegrad</td>
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<tr>
<td>MH (-4.7)</td>
<td>FR (8.1, 4.1)</td>
<td>GR (12.0, 4.0)</td>
<td>ES (15.2, 4.5)</td>
<td>EU (15.5, 4.2)</td>
<td>CY (21.5, 4.6)</td>
</tr>
<tr>
<td>H (4.8-)</td>
<td></td>
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<tr>
<td></td>
<td>LU (12.0, 4.8)</td>
<td>IT (15.5, 4.8)</td>
<td></td>
<td></td>
<td>BG (30.6, 4.9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PT (17.4, 5.3)</td>
<td></td>
<td></td>
<td>HR (28.4, 4.8)</td>
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<td>LV (42.8, 5.0)</td>
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<td></td>
<td>LI (35.6, 4.9)</td>
</tr>
</tbody>
</table>

- **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)

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
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

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

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)

<table>
<thead>
<tr>
<th>Life course age 20-60</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>individual income</td>
<td>HH income</td>
</tr>
<tr>
<td>Years full-time</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Years part-time</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Years married</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Years divorced</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>N children / controlling for years employed</td>
<td>- / 0</td>
<td>- / (-)</td>
</tr>
</tbody>
</table>
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?

**Men: Leave**
- Lateral
- Upward
- Downward

**Women: Leave**
- Lateral
- Upward
- Downward

**Men: Working Hours**
- Lateral
- Upward
- Downward

**Women: Working Hours**
- Lateral
- Upward
- Downward
Different Effects for Different Policies

Men: Leave

Women: Leave

Men: Working hours

Women: Leave

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
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
Still, obvious that pension systems play 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.
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
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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