

The road less travelled?

The role of labor policies for older workers' labor market pathways in European countries.

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Abstract

The population and the workforce in European countries is ageing. It is often discussed that labor policies can aim at increasing individuals' labor market participation, and that older workers' pathways towards retirement seem to be increasingly disrupted. In this contribution, the link between those two topics is made by answering the research questions whether older workers' pathways differ in countries with dissimilar labor policies, and how labor policies relate to traditional and untraditional pathways. In the first step, we assess to which extent European countries apply flexicure labor policies and depict the individual pathways in five different countries using sequence analysis. It appears that more disrupted pathways are found in countries with more flexible labor policies. In the second step, we associate the fraction of older workers in traditional pathways, bridge employment and un-retirement to three labor policies often used to 'measure' flexicurity. The results for more than 20 European countries support our hypotheses that policies aiming for flexibility relate to more disrupted pathways, while policies emphasizing security associate with traditional pathways. We discuss these results in the context of the ageing population and recent policy changes.

Extended abstract

The population in many Western countries, and with it the workforce, is ageing. Recent policy agreements between European countries underline the importance of increasing older workers' labor market participation and their retirement age in order to keep the welfare state sustainable in the long run (European Commission 2001, 2009). Two topics are often discussed in this context: labor policies to increase individuals' labor market participation and the transitions older workers make in their pathways towards retirement. However, the link between those two topics is researched infrequently.

Many policies are discussed as possible solutions to the low labor market participation of older workers. The most prominent examples are for sure the increase of the official retirement age and a more encompassing participation of older workers (European Commission 2001, 2009, Schippers et al. 2013, Schils 2008). The aim to increase the mobility on the labor market, as formulated in the European employment strategy, is much less discussed as a possible solution to

problems related to ageing. Generally, the idea is to jointly increase flexibility and security on the labor market in order to increase labor market participation. This so-called concept ‘flexicurity’ is regarded in contrast to the mostly one-sided European policies that focus either on security or on flexibility (European Commission 2007). The role of flexicurity is until now hardly considered in research on older workers. However, especially as older workers’ labor market participation needs to augment, flexicure labor policies might gain importance (Bredgard and Tros 2008, Hancock 2006, Hartlapp and Schmid 2008, Tros 2005). In this paper, we will therefore discuss the role of flexicurity-related labor policies for older workers’ labor market participation.

Directly interlinked with the discussion around flexicure policies is the life-course perspective (Elder and Pavalko 1993) and the Transitional Labor Market (TLM) model (Schmid 1998). Both emphasize the importance of individuals’ transitions on the labor market. Rather than studying individuals’ labor market participation at one point in time, in this paper, we investigate older workers’ succeeding transitions on the labor market in the years preceding their retirement in multiple countries. Stated differently, instead of investigating single transitions, we acknowledge their pathways towards retirement. Taking this longitudinal perspective on older workers’ labor market participation also connects with the discussion about recent changes in pathways towards retirement. It is argued that the former ‘traditional pathway’, characterized by direct and complete retirement after participating on the labor market, might change towards new and ‘untraditional pathways’ (Blau and Shvydko 2011, Buchholz et al. 2011, Han and Moen 1999, Hofäcker and Pollnerova 2006, Purcell 2009). Research shows that older workers increasingly make labor market transitions before retiring completely. For example, older workers move to part-time employment, self-employment or choose positions that involve less burdensome tasks before retiring (Blau 1994, Blau and Shvydko 2011, Buchholz et al. 2011, Cahill et al. 2006, Elder and Pavalko 1993, Hayward et al. 1998, Purcell 2009, Shultz 2003). Also, retiring (early or at official age) but returning to the labor market shortly afterwards becomes relevant (Blau 1994, Buchholz et al. 2011, Maestas 2007). Changes in older workers’ labor market participation are observed in many countries and the associations with labor policies are sought. However, hardly any research theorizes and investigates how individual pathways of older workers relate to institutional arrangements and policies. Therefore, we pose

the following research questions: *Do older workers' pathways differ in countries with dissimilar labor policies? And how do labor policies relate to traditional and untraditional pathways?*

By investigating older workers' pathways towards retirement in a comparative perspective we contribute to the debate about ageing and social security in the 21st century. First, by depicting differences between countries, we add to the discussion about how institutional arrangements relate to older workers' labor market participation and their employment pathways. Second, as multiple countries are considering to implement (or recently implemented) policy changes aimed at older workers, our comparative perspective on a wide range of European countries helps to assess how adaptations of policies relate to individual-level decisions. This might also stimulate the discussion about whether increasing variation in older workers' participation is desirable and whether welfare states can deal with an increasing variation in individual participation. Third, getting more insight into labor market pathways provides the basis for possible interventions from employers or policy makers. This means, assessing the quantitative importance of older workers' pathways and transitions will underline the relevance for specific arrangements for older workers. If their labor market participation gains importance due to e.g. shortages in the labor force, employers will need to respond to requirements or wishes older workers bring forward (Purcell 2009, Shultz 2003). Last, we add to the current literature by applying sequence analyses, a technique that allows describing several consecutive events, such as labor market pathways of older workers. Instead of focusing on single transitions, we will depict 'complete' pathways in the years preceding retirement.

To approach the question how labor policies relate to older workers' pathways, we take two steps. First, we discuss labor policies and the (dis)incentives they provide for individuals to 'engage' in specific pathways. By depicting individual pathways in five exemplary countries, namely Denmark, the United Kingdom, France, Italy and Hungary, we assess how older workers participate on the labor market. Using sequence analysis (Abbott 1995) we provide a first impression how individual pathways differ in the years preceding retirement. Our results show that many older workers follow the 'traditional pathway' in France and Hungary. This means, they participate in the labor market until their direct and complete retirement. In contrast, labor market pathways in Denmark and the UK are much more diverse. There, we find proof of the pathways 'bridge employment' and 'un-retirement', meaning that older workers engage in different employment before retirement and return to the labor market after an initial retirement

period, respectively. In the second part of the paper, we assess how labor policies relate to individual pathways. Doing so, we associate the extent to which individuals in more than twenty European countries take ‘traditional’ and ‘untraditional’ pathways with three labor policies often used in the ‘flexicurity’ context; these are employment protection, pension provision and life-long learning, in those countries. First results show that labor policies directed towards flexibility, such as e.g. lower employment protection, are related to fewer ‘traditional’ and more ‘untraditional’ pathways towards retirement. Furthermore, we assess that more generous pension benefits, which decommodify work and, thus, increase the security of workers, relate to more ‘traditional’ and fewer ‘untraditional’ pathways towards retirement.

For all analyses, we make use of the European Union Statistics on Income and Living Conditions (EU-SILC). The longitudinal character of this dataset allows following older workers multiple years before their definite retirement and depicting their pathways in these last years. Furthermore, the data can be used to compare individuals between countries.

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