

Labour Market Perspectives and Activity Patterns of the Elderly in an Ageing Society

Abstract

The definition of an "ageing society" is based upon the existence of a cut-off point between being a member and not being a member of the work-force. It would thus seem that the problems associated with an ageing society could be solved by simply raising - or even better: abolishing - this cut-off point. But in reality, the age of exit from the work-force during the past two decades has dropped considerably. This paper documents this trend and explains it by referring to the interests of the key actors. It shows that early of retirement from work is the result of a cooperative "effort" of companies, unions and the older workers themselves, with the state either actively creating institutional pathways for acceptable forms of early exit, or at least letting the other actors use existing social security schemes for that purpose. With the exception of Sweden, partial or flexible forms of retirement have not met with success, and with the exception of the U.S., there has been little interest in abolishing mandatory retirement. While early exit is a popular solution for coping with (some of) the over-supply of labour, it is questionable on other grounds. But whether it will be possible to reverse it depends closely on the evolution of the labour market.

The problem

It is obvious that the very definition of an "ageing society" is based upon the existence of a cut-off point between being a member and not being a member of the work-force. The degree of population ageing is routinely defined as the proportion of those over a given chronological age, usually 65 or 60. This has of course less to do with biological processes, that might be indexed by these age limits, than with the basic change in social participation - for most males but increasingly also for females - that is coupled to them: the transition from work to retirement.

It would thus seem that the problems associated with an ageing society could be solved by simply moving - or even better, abolishing - this cut-off point. Moving it would change the proportions of age groups and the dependency ratios. Moving it to a higher age would do away with most economic problems of population ageing - such as financing retirement. Abolishing it would seem to allow for "flexible life scheduling" (Best 1980), and thus to finally bring us the "empire of freedom" in which we could oscillate at liberty between activity and leisure - if not from morning to noon and evening, at least during our lifetime.

But reality has chosen a different path. The cut-off point has not disappeared, and it has moved in a highly surprising and even paradoxical way. Over the last decades, while life expectancy has increased, the mean age of exit from the work-force has dropped considerably. The result is a lengthening of retirement that has led to increasing alarm over the viability of what is metaphorically called the "generational contract". It is also a major challenge to life course theory. Why is the present life course regime, with its rather strict tripartition into a period of preparation, one of "activity" and one of retirement, so pervasive and resistant to change, in spite of the recent demographic evolution and in spite of all the good reasons that would seem to run against it?

To answer this question, it is necessary to

examine more closely how the life course is socially constructed. The term "social construction" refers to two dimensions: (1) that the life course is not simply a given but the result of a process of construction, and (2) that this process is a social process. The first dimension is important in avoiding the "naturalist fallacy", i.e. in refuting the idea that the life course is nothing more than a codification of the natural rhythm of life. The second dimension is important in avoiding the "subjectivist fallacy", i.e. in refuting overly optimistic assumptions about the responsiveness of life course programs to individual preferences and action. It also cautions us with respect to their responsiveness to any intentional manipulation, even that of aggregate actors such as the state. In fact, many people - even many social scientists - erroneously assume that because a phenomenon is a social construction, it can easily be reconstructed. This error is an expression of the materialism embodied in the venerable distinction between "basis" and "superstructure" (today, one would rather speak of "hardware" and "software"). The concept of "social definition" lends itself to the same error. Thus, Samuel Preston (1987), in analyzing the negative consequences of population ageing, writes: "One of the most straightforward responses is to redefine the socially relevant ages. We can reduce the slope of the transfer possibilities curve as much as we want by raising the age at which one is entitled to social security." The question is to what actors Preston's "we" refers. In fact, all of us may individually want to change the age limit, but this does not necessarily produce the desired change - there is a problem of aggregation. And if the "we" refers to the state, the subject of public social policy, there is another surprise: it turns out to be not so straightforward even for social policy to effectively change the age limit of retirement. What is required is to clarify how the process operates and by what and whom it is controlled, in other words, where the locus of construction is.

In this paper, I will first present some

descriptive evidence of the trend towards early exit from work (section 2), and then examine possible explanations - how it has been constructed (3). Specific attention has to be given to the issue of softening the cut-off point through flexible or partial retirement, including transitions from formal work into other activities (4). Finally, some thoughts about the future evolution of the trend are in order (5).

Changes in the retirement process: the emergence of early exit from work¹

The historical record shows that retirement is by no means a "natural" part of life. It is on the contrary a social construction - a construction, however, which is linked to some rather fundamental features of modern capitalist societies, and thus not easily overthrown.

Retirement is a fairly new phenomenon. It was only a century ago that old age began to emerge as a phase which is defined by retiring from the work-force. For an account of this process, we need to examine the evolution of work-force participation. The data on work-force participation in the first half of this century (or even earlier) are not very good: because of different definitions and age brackets, they are not easily suitable for a comparison across countries, and even for single countries, they are available only in rough age-breakdowns which moreover have sometimes been changed over time. Nevertheless, these data allow some broad conclusions.

The data for France, Germany, Sweden,

¹ The material in this section is based on a comparative study of early exit from work in Europe and the U.S. (Kohli; Rein; Guillemard; Van Gunsteren, 1991), and specifically, on the chapter that documents the work-force participation trend (Jacobs; Kohli; Rein 1991a).

the U.K., and the U.S.A. are shown in table 1. For all of these countries, we can see that from the beginning of the century until about 1970, retirement among men has become much more prevalent, and the age of exit has increasingly clustered around 65. Work-force

participation of men over 65 has dropped from 65.6% (France, 1901), 47.4% (Germany, 1925), 62.1% (Sweden, 1910), 56.8% (U.K., 1911), and 68.4% (U.S.A., 1900) to around 20% in 1970 (about 25% in Sweden and the U.S.). In the same period, work-force

Table 1:
Long-term development of work-force participation rates

FRANCE						Women					
	50-54	55-59	60-64	65-69	65+		50-54	55-59	60-64	65-69	65+
1896	/	86.4	/	/	66.6	1896	/	32.2	/	/	24.9
1906	91.8	/	85.1	78.0	/	1906	50.4	44.4	37.8	/	/
1911	93.5	89.2	83.4	/	65.6	1911	51.0	48.3	43.4	/	27.7
1921	95.1	91.7	85.7	78.6	/	1921	54.0	51.6	47.0	41.0	/
1926	94.2	89.2	82.4	73.8	/	1926	47.8	44.8	39.9	33.5	/
1936	91.0	83.2	74.0	65.4	/	1936	46.1	42.2	36.4	29.0	/
1946	93.1	85.4	76.3	66.5	/	1946	50.2	46.1	40.1	31.3	/
1954	94.0	82.0	69.6	49.3	/	1954	46.8	42.0	33.5	20.2	/
1962	93.0	83.5	67.9	36.5	/	1962	45.3	41.5	31.9	16.9	/
1970	/	82.9	68.0	/	19.5	1970	/	46.0	34.3	/	8.6
1985	/	67.8	30.8	/	5.3	1985	/	42.8	18.9	/	2.2

GERMANY						Women					
	50-54	55-59	60-64	65-69	65+		50-54	55-59	60-64	65-69	65+
1882	91.5	/	79.3	/	/	1882	24.9	/	22.2	/	/
1907	90.4	/	71.2	/	/	1907	36.6	/	30.1	/	/
1925	92.4	79.7	/	47.4	/	1925	37.3	31.9	/	17.6	/
1933	86.9	67.0	/	29.7	/	1933	34.8	27.0	/	13.1	/
1939	89.7	71.4	/	29.5	/	1939	36.9	28.0	/	14.0	/
1950	93.4	87.4	73.0	/	26.8	1950	33.9	29.4	21.2	/	9.7
1961	93.9	88.9	73.0	/	22.9	1961	37.8	32.5	21.1	/	8.4
1970	/	88.4	71.8	/	17.2	1970	/	36.4	20.4	/	6.1
1985	/	75.3	31.8	/	5.1	1985	/	34.5	9.7	/	2.1

SWEDEN						Women							
	50-54	55-59	60-64	65-69	70-74	75+		50-54	55-59	60-64	65-69	70-74	75+
1910	91.8	/	82.7	/	62.1	/	1910	17.2	/	11.3	/	/	/
1920	95.3	/	82.7	/	47.1	/	1920	23.6	/	18.0	/	10.6	/
1930	94.7	/	85.5	71.5	41.5	/	1930	26.0	/	21.0	17.0	11.0	/
1940	94.9	91.5	79.8	59.8	/	/	1940	25.1	22.1	17.1	12.9	/	/
1950	94.1	/	69.2	/	23.7	/	1950	28.1	/	15.7	/	5.4	/
1960	95.1	92.3	82.5	50.6	20.3	7.3	1960	35.2	31.3	21.1	9.6	2.8	1.0
1970	91.9	88.4	75.4	31.3	5.0	/	1970	50.3	41.1	25.5	7.6	0.9	/
1980	89.2	84.4	65.9	14.4	7.4	2.6	1980	77.8	66.4	41.4	6.1	2.1	0.5

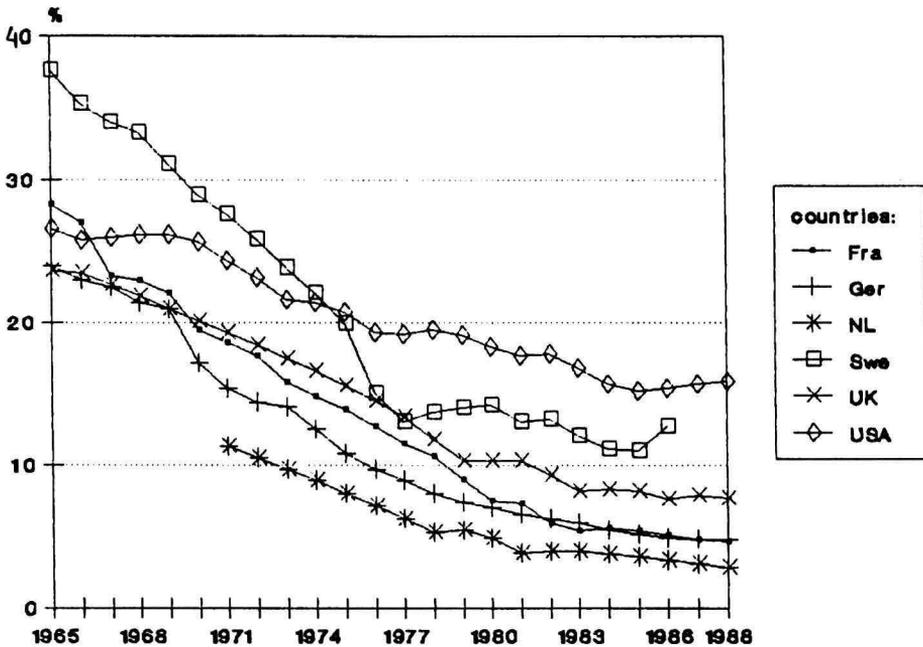
U.K.						Women					
	45-54	55-59	60-64	65-69	70+		45-54	55-59	60-64	65-69	70+
1911	94.1	/	56.8	/	/	1911	21.6	/	11.5	/	/
1921	96.8	91.9	79.8	41.2	/	1921	20.7	19.1	15.1	6.5	/
1931	96.7	94.1	87.6	65.4	33.4	1931	21.0	18.8	16.3	12.2	5.5
1951	97.9	95.4	87.8	48.7	20.9	1951	34.0	27.7	14.4	9.0	3.2
1961	98.6	97.1	91.0	39.9	15.2	1961	43.3	36.9	20.4	10.3	3.1
1970	97.5	95.3	86.7	20.1	/	1970	59.4	50.1	27.9	6.4	/
1985	92.1	81.8	54.5	8.2	/	1985	69.1	51.6	18.6	3.0	/

U.S.A.					Women				
	45-54	55-59	60-64	65+		45-54	55-59	60-64	65+
1890	95.2	/	73.8	/	1890	12.6	/	8.3	/
1900	95.5	90.0	68.4	/	1900	14.7	13.2	9.1	/
1910	92.1	/	63.5	/	1910	16.2	/	8.9	/
1920	93.8	/	60.2	/	1920	17.1	/	8.0	/
1930	96.5	90.2	58.3	/	1930	20.4	16.1	8.0	/
1940	92.0	87.9	79.0	41.8	1940	22.5	18.5	14.8	6.1
1950	92.0	86.7	79.4	41.4	1950	32.9	25.9	20.6	7.8
1960	93.3	87.7	77.8	30.6	1960	46.7	39.7	29.4	10.4
1970	93.2	88.3	71.7	25.7	1970	54.2	48.8	34.8	9.0
1985	90.4	78.9	55.1	15.2	1985	64.2	50.1	33.2	6.8

Sources: For France, Germany, U.K., U.S.A.: till early 1960's: "The Working Population and its Structure", Brussels 1968 (the German 1939 numbers are taken from "Bevölkerung und Wirtschaft 1872-1972"), from 1970 onward: OECD Labour Force Statistics, Paris 1988; for Sweden: population census.

From: Jacobs/Kohli/Rein, 1991a

Figure 1:
Work-force participation rates: men 65+



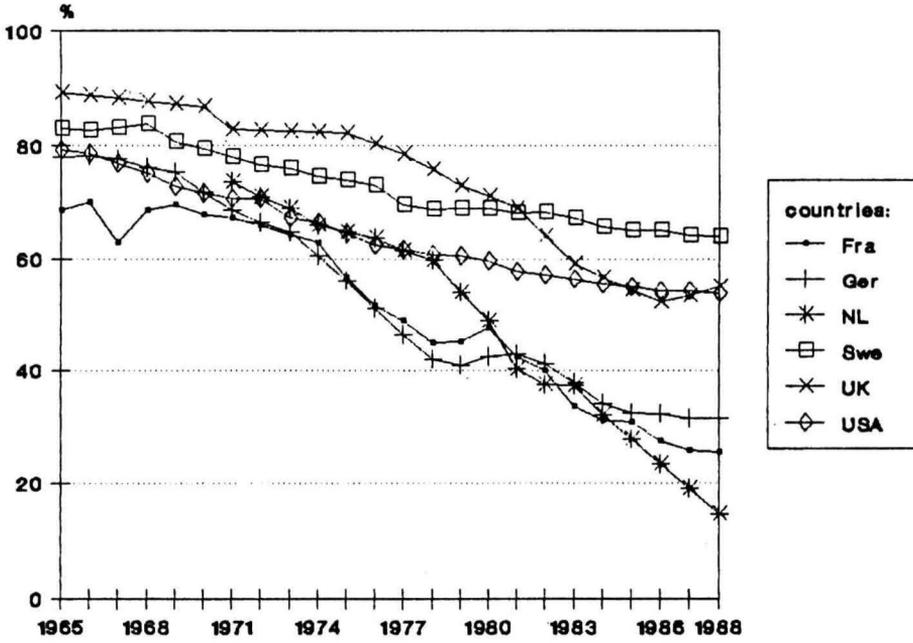
participation of men aged 60-64 has - with some fluctuation - remained fairly high. The largest decline for this age group can be seen in France (from 85.1% in 1906 to 68% in 1970), but there are only small declines in Germany, Sweden, and the U.S.A. (from 79.7% in 1925, 85.5% in 1930, and 79% in 1940, respectively, to still clearly above 70% in these three countries in 1970), and no decline at all in the U.K. (with a high rate of 87% in 1970). To the extent that appropriate measurement points are available, the downward fluctuations seem to be largest during the 1930s, especially during the Great Depression (France in 1936, Germany in 1933)².

Thus, up to the end of the 1960s, retirement for men had become a normal feature of the life course, a taken-for-granted part of one's biography. Old age had become synonymous with the period of retirement: a life phase structurally set apart from "active" working life and with a relatively uniform beginning defined by the retirement age limit as set by the public old-age pension scheme. This process is part of the historical "institutionalisation of the life course" (Kohli 1986) as a chronologically standardized sequence and a set of biographical perspectives.

Over the last two decades, the situation has changed: the work-force participation of men over 65 has further decreased, but more importantly, that between the ages of 55-64 has also dropped considerably. The data for some western countries are presented in fig. 1-3 (cf. also Rein; Jacobs, in this volume). For women, the pattern is less obvious because of their generally increasing work-force participation. But cohort data (such as those given in fig. 4 for Germany) show that

² For women, the picture is less uniform. For women over 65, work-force participation (with the exception of France) has never been an important factor. For those below 65, exit trends are masked by the general increase in female work-force participation (see below).

Figure 2:
Work-force participation rates: men 60-64



From: Jacobs/Kohli/Rein (1989)

Figure 3:
Work-force participation rates: men 55-59

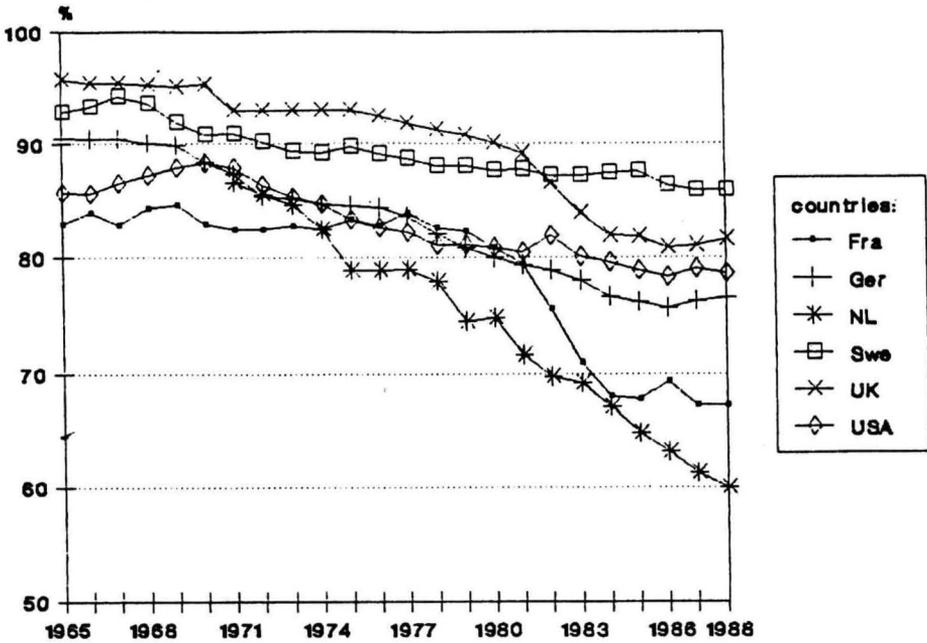
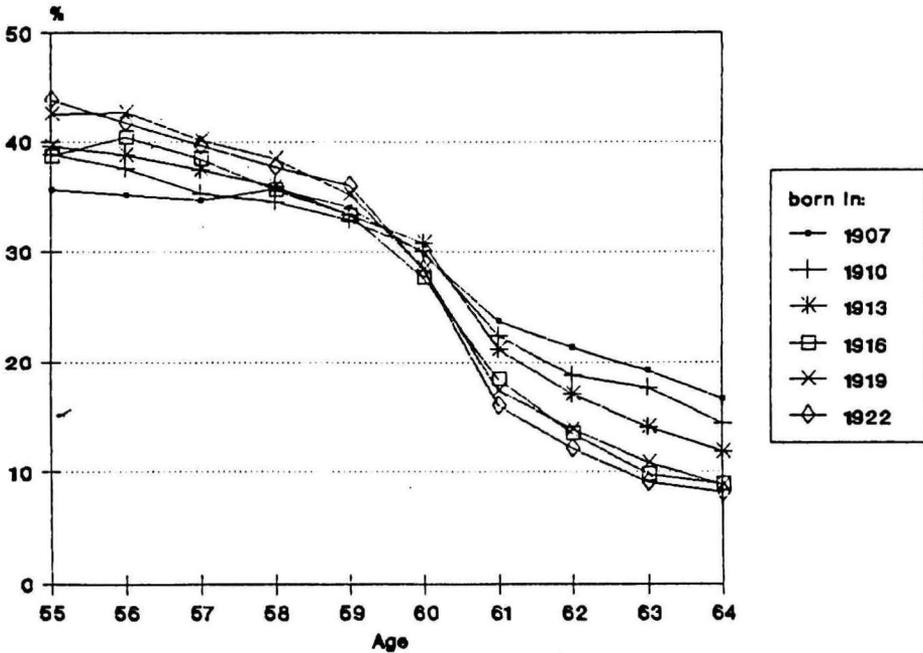


Figure 4:
Work-force participation rates of birth cohorts by age. Germany: women



From: Jacobs/Kohli/Rein (1989)

the trend towards early exit applies to them as well: each successive cohort starts the exit process from a higher level, has a steeper decline, and reaches age 61 on a lower level.

Obviously, the shortening of the work life has been a key mechanism of adaptation to the shrinking demand for and/or the increasing supply of work. To be sure, it has not been the only such mechanism - it has been paralleled by a shortening of yearly work time³. But the tripartition of the life

course has been retained (even though the transition periods between the three parts have become longer and more diffuse). The early exit of older workers has made it possible to conserve this basic structure of the life course. It should be added that the work phase has also been shortened from below, by extending the period of schooling. The trend is even stronger if we substitute employment activity rates for work-force participation rates which include unemployment; in many countries, the latter is highest at both ends of the work phase.

It may be useful to examine the change at age 65, which is mostly still the "normal" limit for access to public pensions (in the sense of eligibility for all those who have not entered the system earlier via a "special" scheme - which may be by far the majority). For German men, among the 10.2% who at age 65 were still "active" in 1988, more than half (5.8%) were self-employed, and another fifth

³ In Germany, the mean number of hours worked has decreased between 1960 and 1985 from 2144 to 1705 hours, i.e. by over 20% (Reyher, Kohler 1986). In Sweden, the total work-force has increased by 10% since 1970, while at the same time, the total number of hours worked has decreased by 4% (Kruse; Söderström 1989).

were family helpers (probably mostly in agriculture); only 2.5% were wage earners (Jacobs et al. 1989). This gives an idea of how rare it is to continue working after 65, or to enter new employment. In a comparative study of "additional jobs" by age and job-status groups, the retirees have turned out to be those with the lowest proportion - lower than the unemployed, students, and even the fully employed (Helberger, Schwarze 1986).

For the U.S., the aggregate work-force participation rate of those over 65 is (still) substantially higher than in Germany and most other industrialised countries (see table 1). Also, U.S. individual-level longitudinal data (from the *Retirement History Survey*) show that there is a considerable amount of counter-transitions from retirement back into work (see Burkhauser, Quinn 1989; Reimers, Honig 1989)⁴. It is not clear how much of this is linked to the higher aggregate rate of the U.S. - and thus to the specifics of its institutional regime - and how much would be found in other countries if longitudinal data were available for them as well.

Explaining the trend: structures and actors

The drop of the age of exit from gainful work has come at a time when many factors seemed to point in the opposite direction. The "hardest" one has already been mentioned: life expectancy (even at age 60) has considerably increased during this period. Also, the newer cohorts of aged people have increasingly better health and better educational resources. But there have also been dramatic changes in the cultural "software" of ageing. One is the steady stream

⁴ The amount depends of course on how "retirement" is defined: by leaving the work-force (fully or partly), by an income reduction, by receiving an old-age pension, or by a combination of these criteria.

of (psycho-)gerontological literature which - starting around 1960 - has been arguing over and over again that the process of ageing is not necessarily associated with a loss of functional capacity and productivity (at least not in the age bracket that is at issue here), and that the commonly held "deficit model" of ageing should therefore be abolished. Another is the increasing emphasis on activity and social participation as beneficial for "successful" ageing. And finally, fixed age limits as criteria for the exit from gainful work and for the allocation of welfare benefits are increasingly seen as alien to the universalistic normative regime of modern societies, with their emphasis on achievement instead of ascription, and even as a violation of basic constitutional rights. In the countries of Western Europe, this notion has not had any immediate institutional impact, but in the U.S., it has become institutionalised in the legislation against mandatory retirement as well as in a broad discourse on whether to replace chronological age by "functional" age as the basic criterion (see Neugarten 1982).

In spite of these factors then, people have been leaving the work-force at increasingly earlier ages. Together with the increase in life expectancy, this has resulted in a massive lengthening of retirement. The median age of leaving work for German men (as measured by the aggregate work-force participation rates) has dropped by about 5 years (from 65 to 60)⁵ between 1960-1985, and their life expectancy at age 60 has increased by 1½ years (from 15½ to 17 years). The mean duration of retirement has thus increased by almost two thirds.

Why this highly paradoxical evolution? When looking for an explanation, it is tempting to focus on the variation between

⁵ Because the distribution is highly skewed, the mean age is lower, but cannot be ascertained exactly for lack of individual-level data. The latter are available only for program participation, i.e., entry into the public pension system.

countries and between periods. There are indeed differences in levels and slopes of the trend towards early exit; the most salient features of the trend, however, are its overall generality and homogeneity. If one considers these features, it is plausible to seek for an explanation not so much in social policy provisions - which differ considerably between the countries - but in common structural conditions of the labour market, especially in the combined pressure of the high rates of unemployment that have plagued most Western economies since 1970, and of increasing technological and organizational rationalisation. The social policy differences should not be neglected - especially as they coalesce into specific welfare regimes (e.g. Esping-Andersen 1990), which in turn are articulated with specific work regimes - but as a first step, it is important to stress the unity of the process. Thus, while most of my examples refer to the German case, they are not intended to highlight its specificity, but rather to illustrate the features that are common to most or all countries⁶.

However, the structural explanation can only be a first approximation. The term "structure" has several meanings, which may be the reason why it is so popular; on closer inspection the implied meaning often turns out to be simply "that which is given and cannot be changed". This is important in pointing out the resistance of social phenomena to easy manipulation, but it needs to be specified as to the processes involved; in other words, the language of structure needs to be translated into the language of action. The actors here are obviously not only the elderly workers themselves, but also (and more importantly) corporate actors such as the companies, the unions, and the state.

⁶ See Kohli et al. (1991) for a more detailed comparative assessment.

Companies

There is by now a considerable literature both in sociology and in economics pointing out the interests of employers, based on conditions of internal labour markets (such as the form of the employment contract, see Sørensen, in this volume), in having their older workers leave early. It sets straight two deficiencies of previous research: a concentration on the individual retirement decision on the one hand, and a restricted model of the organization of work on the other. Many gerontological researchers (e.g., Thomae, Lehr 1973; Foner, Schwab 1981) have argued that the companies, in trying to rid themselves of their older workers, do not act in their objective self-interest but are instead acting on the commonly-held deficit model of ageing, i.e., on deeply entrenched but faulty stereotypes or "labels". This argument is however based on too narrow a view of the employment contract. There are indeed good reasons for such an interest on the part of the companies.

The most controversial reasons - and the ones that the gerontologists have mainly concentrated on - are those pertaining to the work performance of older workers. The empirical evidence here is mixed. On the whole, older workers are less physically fit and healthy than younger ones - partly due to the normal ageing process, partly to their long exposure to hazardous and stressful working conditions (that may have improved for younger cohorts), and partly to the special hazards that today's elderly cohorts had to bear e.g. during the war and the immediate post-war years. But while this is true in terms of means, only a minority of older workers has serious health impairments, and it has been argued that most jobs do not demand performance at the level of maximum capacity (Robinson 1986). As to job performance, a meta-analysis of age differences (Waldman, Avolio 1986) - restricted to the relatively small number of U.S. studies that fulfill the requirements for such analysis - has even resulted in a positive

correlation between age and productivity (in terms of unit output over a period of time) (see also the overview by Habib 1990).

Economists who rely on indirect estimates of productivity usually find a decrease with age (e.g. Kotlikoff 1988).

This is only part of the picture, however, it has to be complemented by the issues of costs and job deployment. First, it has been broadly documented that the older workers usually earn more than comparable younger ones, due to formal or informal seniority arrangements, and thus are more costly for their employers. Relative earnings usually peak at ages 45 to 50 and then decline, but still tend to remain above those of younger workers (Habib 1990). For older German workers, it has been shown that even this slight decline disappears if age is replaced by work years (Göbel 1983). Older workers also enjoy a series of other seniority-based prerogatives, making them less easy to move around or to fire as the interests of the company change, in other words, they present higher transaction costs. Economists have used these age-earning profiles to refute the neoclassical spot-market model of employment, replacing it with the notion of a lifetime earnings contract consisting of sub-productivity earnings at the beginning and above-productivity earnings towards the end of work life, which makes it profitable for the companies to terminate their older workers early (e.g. Lazear 1979; Kotlikoff 1988).

Second, older workers are on the average less well-educated - and educated in technologies that have long since become obsolete. In spite of all the exhortations, since the 1960s, for "recurrent education" during the whole life course, there has been no regular requalification of middle- and lower-level workers after their initial training - even in countries (such as Germany) where turn-over is comparatively low, and where good occupational training is considered important for the productivity of the work-force. As a consequence, older workers are also less flexible; given the amount of time

that has elapsed since their last formal training, they cannot easily be requalified when the need arises.

Third, the costs of requalification would have to be discounted more rapidly because of the shorter period of usability as retirement approaches. And fourth, the structure of the internal labour market may also contribute to the interests of companies to terminate their older workers, such as for clearing the vacancy chains (see Sørensen, in this volume).

There is another reason, one that has nothing to do with productivity or costs, and is often overlooked: the availability of a pension system, and the fact that retirement is an expected part of one's life course, makes early exit the most legitimate way of shrinking the work-force. It offers a possibility of dismissing workers in a manner that - given some institutional programs that bridge the gap until the age of eligibility for normal pensions - is acceptable to them (and to their unions). One of the most important social functions of retirement is "control of unemployment" (Atchley 1985).

This last reason applies to those companies that face the pressure to reduce their work-force. The other reasons also apply to those which maintain or even expand the number of their workers. Replacing older workers by younger ones is reasonable in terms of the cost issues just mentioned, and it becomes even more so if new job qualifications are required. As an example, in the German chemical industry - whose pre-retirement program we have studied in detail (Kohli et al. 1989) - there has been no decline of the overall size of the work-force but a large structural shift towards more highly qualified jobs, both within production-line work and away from the latter towards laboratory work. The overall result of this configuration of interests is that early exit takes place in almost all industries - not only in the declining ones but also in the expanding ones (see Jacobs et al. 1991b; Rein, Jacobs, in this volume).

Unions

In Germany, the first post-war recession (in 1967) showed the older workers to be particularly vulnerable. As a result, the Unions in the years to follow adopted a policy of work-place and salary protection for them (thus increasing the transaction costs that they represent for the companies), and were successful in implementing it to the degree that it became a standard feature of most contracts. But the unions had also long been calling for a lower retirement age. Early exit, if financially and procedurally acceptable, was therefore very much in line with their long-standing demands. These demands became more urgent as the labour market crisis unfolded, with early exit being increasingly viewed as an instrument to redistribute the available work from the elderly to the young. In 1983, a bitter fight broke out within the German union movement over where to put the priorities: whether on the reduction of weekly hours or on the shortening of working life. But it has since been acknowledged by both sides that the two ways of reducing work time have to be balanced. The main conflicts between unions and employers have now shifted to the arena of weekly work-time (and of its flexibilisation), but the unions remain opposed to raising the retirement age.

The state

For the state, the problem has become one of managing three competing demands. The first is to keep the "social contract" viable, by finding ways out of the employment crisis that are socially legitimate and acceptable, and that make room for the integration of the young into the work-force. This leads to a strong interest in early exit from work. The two other demands, however, hold this interest in check. The second is to keep the public finances viable, which applies to the pension insurance as well as to the publicly funded pathways of early exit (e.g. via

unemployment or disability insurance or special pre-retirement programs), and to the costs that accrue to the state as an employer⁷. The third is to keep the private economy viable, by allowing the companies flexibility in the management of their elderly work-force, and the possibility to externalise (part of) the costs.

The pressure of these competing demands has led to a "muddling through" - or, to use a more upgraded term, an "incrementalist" policy style - than can be discerned, e.g. in the German policies towards early exit (see Jacobs, Rein 1988). The state let the companies and unions turn existing institutions that had been created for special risks, such as unemployment and disability insurance, into regular pathways for early exit from work. When this became too costly for these institutions, the state opted for programs (such as pre-retirement) which made the companies assume most of the costs. However, pre-retirement has been discontinued in turn as the cost for the companies has risen, and their control over the exit process weakened, being replaced with a program of "partial retirement" that is meant to appease the unions and workers but in effect imposes more of the costs on the latter, and deprives them of the power to decide for themselves when to leave. This has created a considerable amount of dissatisfaction and pressure from the workers and unions, which may force the state to again do some accommodation work. The "muddling through" is likely to continue as long as the high rates of unemployment persist.

⁷ While it may be sufficient here to treat the state as a homogeneous actor, it is of course highly simplified. The social insurance organisations have varying degrees of partial independence from the state administrations, and some of the dynamics of the process of early exit are due to the differences between these public (or semi-public) actors.

The older workers

For the older workers themselves, early exit has been a somewhat mixed blessing. In our comparative study, this is one issue where the evidence is not sufficient to make unequivocal general statements. In the literature of some countries, the elderly workers are pictured as the unwilling victims of a process of exclusion from work, while in others they are seen to willingly present themselves for early exit. The data from the German pre-retirement study (Kohli et al. 1989) support the second view. Many workers would like to continue to do some work - if it were "good work": less stressful and more self-controlled. But with the work they have, their preference is clear: the great majority of them accept early exit, and even view it as a blessing that sets them free from a work place that becomes increasingly hard to endure physically, and where they find themselves increasingly less "at home" with the changing technology and organisation.

The preference also depends of course on what institutional pathways are available to bridge the time until normal pension age. The pathways differ in terms of cost, control and moral meaning. The German pre-retirement program, e.g., proved to be favorable for the workers, and our data show that after some initial hesitation it was met with overwhelming acceptance. There was a small proportion of those eligible that rated the financial loss as too heavy, but for most, the financial arrangement (about 75-80% of former salaries) seemed well worth it. Also, pre-retirement - in contrast to the unemployment or disability pathway - was seen as a morally legitimate, non-degrading way of bringing one's working life to a close. This was reinforced by the aspect of intergenerational solidarity built into the program (and stressed in public discourse): leaving the work-force as a means to give the young a chance to be employed. And finally, the program left the ultimate decision with the workers themselves: within the rules of eligibility, they were the ones to decide

whether to leave or not. Although there was some pressure from companies and union representatives, we have ample evidence that it was not nearly as powerful as to invalidate the workers' freedom of choice.

Contrary to many beliefs, early exit from work is thus broadly popular with most of the actors involved. It is the result of a cooperative "effort" of companies, unions and the older workers themselves, with the state either actively creating institutional pathways for acceptable forms of early exit, or at least letting the other actors use existing social security schemes for that purpose.

Alternative forms of exit: partial or flexible?

With the trend towards early exit, the cut-off point between work and retirement has not only moved downward, but also has been softened somewhat at least on the aggregate level of the population, by creating a longer and more diffuse transition period. On the individual level, softening the cut-off point would mean partial (gradual) or flexible retirement.

In Germany, partial retirement was offered as an option by the pre-retirement program, but it was almost universally rejected. This has also been the case with other partial or gradual ("gliding") retirement schemes: they have consistently been turned around and "subverted" to allow for full exit at the earliest possible moment. While partial retirement is recommended by many psychologists (e.g. Lehr 1984) to ease the transition to retirement, those in charge of the transition seem to view it differently. Most companies so far have no interest in it, and neither have most workers (in part due to the fact that for many it would mean being moved from their work-place and losing their seniority prerogatives). It is only in Sweden that partial retirement has met with success, in the context of a labour shortage that gives the companies an incentive to retain and accommodate their older workers even on a part-time basis.

Similarly, there has been little interest outside the U.S. in abolishing mandatory retirement, and replacing it with more flexibility. Why is this so? Should not the elderly workers themselves at least be in favor of flexibilisation if - as the psychologists tell them - it is so good for them? The problem is that the psychologists' position contains an error of aggregation. In a country with a well-developed public pension system, abolishing mandatory retirement could easily turn into an excuse for retrenching the benefit levels, because it would mean that retirement is not to be seen any more as a collective process to be taken care of by collective arrangements, but as the result of an individual decision, with the individual having to assume the financial responsibility for exiting earlier than would be necessary.

On the other hand, flexibilisation as such may be a doubtful gift. For some, flexibility is equated with more individual choice. But we need to ask "flexibility for whom?". Under many institutional conditions, it will be the company that is in control of flexibility rather than the older worker⁸.

Partial retirement can also mean retiring from one's main job to take up another one

⁸ In Germany, the issue of flexibilisation of what is called the "normal work contract" (Normalarbeitsverhältnis) is today one of the most heated areas of conflict between companies and unions. It concerns the modalities of part-time work and of temporally limited work contracts as well as the loosening of the boundaries of the workday and work week through more evening and week-end work. It is obvious that some of the heat has to do with the organisational interests of the unions that may be jeopardized by flexibilisation. Moreover, it involves a certain trade-off between those who are presently in normal work and those who are not. But it is also clear that for those who are in work, many forms of flexibilisation would turn out to be a disadvantage.

that is (temporally or in some other sense) more marginal. There are several patterns of such a process. One is the Japanese pattern, where those in "lifetime" employment in the core sector of the economy retire (or are retired) rather early, but due to the lack or low level of pensions are forced to continue in some secondary job, often arranged for them by their former employer (Kii 1987). On an aggregate level, this process may be seen as one form of labour market segmentation, with the marginal segment being stripped of the high employment security and salary typical for the core segment. It is plausible to interpret much of the U.S. work after retirement (as discussed above) along the same lines. A different pattern has emerged in Hungary before the recent changes (Szalai 1991), with the workers retiring from the "first" (state-controlled) economy to take up more gainful activity in the "second" private one. Retirement from the state-controlled economy has been a positive event: it has meant achieving more autonomy as well as being able to gain more money; and the possibility to do so rather early has been conceded by the state as a measure of appeasement.

But it is also possible to "use" a full pension as a basis from which to take up a part-time job. While some retirees find their pension not sufficient, and thus have to go back to the labour market to earn some additional income⁹, it is evidently preferable for retirees to be able to take up some job again without being forced to do so by the necessities of survival, because this leaves them the option to accept the kind and

⁹ This seems to account for a considerable proportion of the counter-transitions from retirement back to work in the U.S., where after some years of retirement the lump-sum exit payments and the pensions without inflation indexing turn out to be inadequate, and often much more so than was previously anticipated.

amount of work that they find intrinsically rewarding. In a qualitative study of several groups of male retirees who engage in different types of activities outside the primary world of the family and neighbourhood - self-employment, part-time work, voluntary work, political activity and self-organisation and highly institutionalised "hobby work" - we have found (Freter et al. 1988) that for those who take up part-time work, the fact that they do not have to do it for financial reasons is highly significant. They are comfortable, even with work of lower status than they did before retirement, because it is of their own choice - it is up to them to leave it any time they want - and also because they do not have to prove themselves any more: they have "done their part" in life up to the point that is socially expected, namely, the normal age of retirement. Work after retirement thus has a completely different character than before, due to the institutionalisation of normal retirement both in terms of a claim to financial security and of a measure of the legitimate work life.

A final pattern is the transition to some form of productive activity outside of gainful employment, such as voluntary work or household production. There is an increasing interest in sociology to view these activities in terms of their (partial) similarity to gainful employment, and thus to broaden the concept of work beyond its traditional core (not to mention all the other activities to which the term is now being applied, e.g. "emotion work" or "body work"). However, the similarity is often exaggerated; it should be kept in mind that in modern societies, the differentiation of a sector of formally organised gainful employment has simultaneously redefined the status of work outside its boundaries, turning it into a residual "private" activity. This is not to say that such work is not productive. The former disregard for its productive value is now being rectified, most clearly for the work done by housewives, and increasingly also for that done by the elderly (see Herzog et al.

1989). And the structural importance of it is likely to grow as the time taken up by gainful employment is shrinking (in the week-time as well as in the life-time dimension). Thus, early exit itself is likely to contribute to a higher salience of non-gainful work.

Possible futures

It is easy to see that the process of early exit cannot go on indefinitely: if we extrapolate the trend of the past two decades, we would reach, somewhere in the second half of the next century, the point where people at about age 38 move from college directly into retirement. It seems safe to say that trend extrapolation here is not a good manner of prediction.

Moreover, while early exit is a popular solution for coping with (some of) the oversupply of labour, it is questionable on other grounds (cf. Riley, Riley 1991). In the long run, a solution which concentrates the available work on an ever shorter proportion of the lifecourse, and keeps an ever larger proportion of the population completely out of work, does not seem reasonable. There are good reasons - psychological ones concerning activity and competence, sociological ones concerning social participation and integration, and economical ones concerning the financing of social security - for preferring the opposite scenario, of trying to distribute work more evenly among all age groups (e.g. by further decreasing weekly work hours, by encouraging part-time work among the "active" population, and by opening the possibility for sabbaticals or periods of "retirement" over the whole life course). But good reasons alone do not produce the preferred outcome; it is the dynamics of interests among the actors involved that is decisive.

These interests in turn closely depend on the labour market conditions. Abolishing an institutional program such as pre-retirement,

and thus closing one pathway for early exit, will not result in making people work longer if the labour market will not accommodate them and if other pathways exist (such as disability or unemployment insurance). The likely result is that they will move to these other pathways. Specific social policy decisions have only limited impact¹⁰; they cannot by themselves reverse the trend. What they can do is shift the burden, even to the point where the older workers themselves have to bear most of it¹¹. For them, the pathways differ greatly in their acceptability in terms of cost, control, and moral meaning, and it is in these terms that social policy matters most.

The main limiting condition for attempts to reshape the lifetime distribution of gainful work is thus the evolution of the labour market. In all ageing societies, the supply of potential young entrants into the labour market is declining rapidly. It is usually argued that this will lead to a labour shortage as well as to a financial crisis of the pension (and health) system. The most obvious way out of this demographic trap - as mentioned at the beginning - would seem to be by raising the age limit of retirement. However, whether the elderly workers would indeed be

absorbed by the labour market is still an open question. A few years ago, it was generally predicted in Germany that with the decreasing size of the entry cohorts, the oversupply of labour would disappear at the beginning of the 1990s. Then, the predictions - even before the prospects of unification - moved this date to the year 2000 or beyond. Now, the unification process has created, in the East, mass unemployment on an unprecedented scale, and again early exit is used to cope with (some of) it, with a pre-retirement scheme, starting at age 54. And for the next decades it remains to be seen whether the effects of the demographic change will outweigh the effects of job loss through rationalisation. In order that a higher retirement age would take, the labour market situation would need to be different. If the retirement limit for entry into the public pension system is raised, and the labour market does not offer jobs to the elderly, then it is simply a process of shifting the burden between the different welfare programs and the elderly themselves.

It is of course not sufficient to look at the aggregate labour market balance only; unemployment on the aggregate level may (and indeed does) coexist with a labour shortage in some (regional and/or qualification-specific) segments of the market. From the standpoint of the companies, the most advantageous solution would therefore be to get control over the exit process so that they could retain the needed workers longer and get rid of the others early and without undue costs. Such a solution could consist of raising the age limit of access to pensions but retaining an array of publicly financed pathways of early exit for the "problem groups" among the elderly.

It should be no surprise that this solution is not overly attractive to the unions and to the older workers themselves. Raising the age limit may however become more acceptable in the long run if manpower policy over the whole life course is changed, with less hazardous and health-threatening working conditions, a regular schedule of

¹⁰ Even in the U.S. system, where availability of pathways is rather restricted, the legislated increase in the age of eligibility for full Social Security benefits is predicted to have relatively small effects on the age of exit from work (Gohmann, Clark 1989; Ruhm 1989). Larger impacts could ensue from altering the incentives implicit in many private pension plans (Ruhm 1989).

¹¹ In some cases, as in the U.K., early exit continues even after most pathways have been shut down, resulting in increased poverty among those exiting (Laczko, Phillipson 1991).

requalification, and shorter working hours. (The last point is also relevant in terms of the relation of demand for and supply of labour.) In this sense, the various dimensions of manpower and work time policy depend on each other. What this also shows is the importance of differentiating between short-term and long-term policy options. In the long run, the conflicts may be less dramatic than they now appear to become.

Labour shortage and financial strain for the welfare system are moreover alleviated by migration: internal "migration" of women into the work-force (which is likely to continue), and immigration of workers from outside the country. The harmonisation of the E.C. labour market after 1992 will generally increase labour mobility (not to speak of the possibility of incorporating high-fertility countries such as Turkey into the E.C., and of illegal immigration). Older workers will thus face increasing competition by younger women and immigrants. In Germany, the events of the past three years have demonstrated the fragility of the assumption of a closed system; and in Western Europe more generally, the perception is slowly sinking in how difficult it will be to insulate these ageing and rich populations from the pressures of mass migration.

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