

## **Labour Market, Retirement and Generation Contract**

### **Abstract**

Ageing societies provide a new context and challenge to rethink our traditional theories of ageing. One important element in the ageing process is the individual's experience of retirement. It means a considerable change in balance-work and the structure of learned opportunities for everybody gainfully employed, and results in different types of hopes and plans for the future: on the individual level pessimistic, pragmatic and optimistic views and conceptions are of importance according to the opportunity-structure people have learned during their life.

### **Some doubts at the beginning**

Gerontological research of recent years may leave the impression that there is remarkable empirical knowledge about the changes under way and those to be expected in the future concerning the situation of the elderly in society. The discussion becomes difficult, however, when we start to see that out of all the dimensions we should take into consideration, only a few allow us to make predictions, i.e. to say with what degree of probability which event will take place at which point of time in the future. In fact, we are only able to predict some demographic and economic developments, and even these with remarkable uncertainty. Thus, the

following considerations are explicitly meant to be only reflections about the changes demographers tell us are likely to occur in the future - reflections made in the light of what is known about policy and research in the field of gerontology.

Besides the questions of demographic and economic concern which dominate the public discussion in most European countries today, there are developments which deserve more attention; the changing social meaning of age, the influence of interrelationships between the labour market and the social security system on the whole process of retirement, the questions of the so-called generation contract, and the consequences of these systems' changes for individual biographies. Research knowledge seems to be especially poor concerning the consequences of changing structural conditions for the biographies of people.

### **Processes of change in ageing societies**

What we can call systems - without going into details about systems' theory and how to define systems under an empirical perspective - are the different areas in society where, during historical development, institutionalized patterns of societal organisation have emerged by differentiation. We have to distinguish three main systems relevant to our topic: the system of occupation and labour, the system of the welfare state, and the system of marriage, family and other social relations. Using a different terminology one could speak of state, market and life-world. The system of population and its characteristics being the bio-social basis for all the other systems.

### *Policy consequences*

Given the pattern of a steadily growing proportion of adult age groups within European populations we have to reckon with policy problems in three main areas: the

labour market; the systems of social security, health care, social assistance; and the family and intergenerational relations. Two political measures intended to ease the tensions of the labour market are the policies of reducing daily working-time and of forcing "early retirement". The number of people retiring earlier is rising in almost all countries largely due to the second measure.

In Austria, 90% of men and 59% of women becoming pensioners in 1987 were below 65 and 60 years of age respectively, i.e. the age where men and women in Austria formally become pensioners; the actual average retirement age is 58,2 years among men and 57,9 years among women. That strategy failed in two ways - replacement of the retired by younger people only occurred slowly and the cost of increasing numbers of early retirees rose more steeply than any politician had expected. The "progress" of the early seventies turned out to be a boomerang and "new" strategies are now under consideration or have already been adopted (see Nusberg 1988).

Discussion is intensified by anticipation of a special demographic-economic problem: the increase in the "dependency-ratio" - a statistical rate of measure which has to be used carefully. In Austria there are, at the moment, 4,7 million people in the (economically) active age groups and 1,5 million over 60 years; in the year 2041, provided that the birth rate remains as low as it is, there will be 3,1 million people in the active age groups and 2,2 million over 60 years.

### *The changing social meaning of age*

Closely connected with the demographic and social changes are the *changing social meanings* of age. The major disadvantage - and this is the central point of the problem - is "that the validity of using age as a proxy depends on how well age corresponds with the characteristic for which it stands" (Neugarten; Neugarten 1986). Sensitised by

that methodologically motivated caution, we have learned that the presumed correspondence between age and health, age and retirement, age and life cycle stages, etc. has lost its significance and is increasingly at risk of conflicting with empirical evidence. Laws change over time, and the most striking example of the changing significance of institutionally defined age limits is the large number of regulations in European countries regarding "early retirement". Given that the social definition of age has usually been closely connected with the legal definition of pensionable age, these limits vary across Europe from 52 to 67 years of age. The old and widely-held notion that age comes with retirement (at 65 or even 70) is crumbling. It has become difficult to distinguish between middle-age and old-age. As a consequence of the changes taking place in the system of retirement and social security since the seventies, we have to consider the possibility that the young and middle-aged are now questioning the extent of their commitment to an older population that is increasingly affluent when compared to earlier decades (Morrison 1986) - the "generation contract" seems to deteriorate and discussion is growing about the necessity for formulating a new generation contract. However, first the understanding of the character of that contract has to change: it is erroneous to view the transfer - the heart of the idea of a contract - as a one-way-flow from the young to the old, and it would be shortsighted to make the exchange of material resources between the generations the only and central point of consideration.

### **Is there a need for a "new" generation contract?**

Pension insurance (in the case of an obligatory state pension system) establishes an artificial contract between the generation of working age and that which has already left the labour market. The contract's meaning is the transfer of an appropriate

part of the labour income of the active generation to the retired one. We see what the metaphor of a "contract" means, however and we see how fragile it is as well: neither of the two parties has promised the other to do something or to refrain from doing it; prerequisites for the establishment of a contract. The two parties in the contract are tied together anonymously and their mutual obligations are defined and brought to fulfilment by the coercive power of the state. That leads to the central problem of the generation contract: it is a compulsory contract under state control, financed by the active to guarantee financial subsistence to those who are not active any more (here we find a central indication for the next problem to be discussed: the interrelations between the social security system and the labour market). In this sense we speak of the "old" generation contract which might be replaced, or at least completed, by a "new" one, as many people seem to believe. Contrary to the old contract which provides benefits stemming from gainful employment, a modified generation contract raises another problem: the possible contributions of those who "work" within the intergenerational setting without being gainfully employed. We all know that such work done by women, grandparents, volunteers etc. is indispensable to the functioning of the system, but we have systematically failed to award it its proper place in our "theories" about the generation contract. The question would be far easier to answer if it concerned only financial transfers, but more is involved: solidarity between the generations, social relations, the ethics of the common existence of different generations in a given society. A few examples will demonstrate the broad basis of these concerns. The increasing number of the very old will probably lead to higher demands for social services and private help, and to initiatives for social integration; the increasing number of one-person households, a considerable proportion of which consist of old people, especially women, the rising proportions of women gainfully employed, the growth of

mobility and of incomplete families, is already undermining the old idea of a helping, supporting and nursing family which cares for all those old people's needs not met by the welfare system. There is convincing empirical evidence that families are already overtaxed by all these tasks - particularly women in their middle years who have to carry the burden.

There is therefore a rising demand for social investment (social integration of work, help and care) which cannot be supplied solely by the traditional systems of the family and the welfare state. We have to rethink our usual models; the notion of solidarity needs to be adapted to new conditions. One big hindrance lies in lack of experience with models of solidarity which are restricted in time and based on pragmatic criteria. At this time we can only discuss possible ways in which groups might act in solidarity with others - the young - old with the old, the young with the unemployed, the old with the children - but without such discussion our traditional models will remain what they have been. After all, it may not be necessary to establish a new generation contract significantly different from the old one; it may be sufficient to supplement that contract by a culture of integrating and supporting relations which adapts itself continuously to changing conditions in an ageing society.

#### **On some relations between the labour market and the social security system**

One important question often ignored in social policy studies is: how, in recent decades, did older workers increasingly become a target group for labour market policies? According to classical theories of the market and the state, two main functions have to be fulfilled by such policies: (1) the total work-force has, in all its diversity, to be allocated to special activities and production processes by the labour market; (2) the "fruits" of labour (monetary income) have to be distributed (through public and private

households) among the active persons and among those who are legitimately not economically active: pensioners, invalids, dependants, the unemployed, etc., by the labour market and the state. (This differs from a statement published earlier by me [Amann 1989]).

### *The unequal distribution of "labour market risks"*

The linking of the market system with the social security system allows us to take special measures against certain risks. Illness, accident, unemployment, old age, etc. are acknowledged and legally defined risks, and the benefits people receive under these conditions are without exception dependent on gainful employment. Looking back through recent years we can see developments which demonstrate the characteristic distribution of such risks among the gainfully employed; a recent experience is the unemployment of millions of people in the OECD-countries, rapidly increasing numbers of retirees below traditional retirement age because of invalidity, unemployment, and special regulations for certain groups in the work-force. Thus, exit from the labour market is distributed unequally between groups according to their characteristics; there is a "power difference" on the labour market, resulting in differential labour market risks. Certain groups have less chance of being offered a job accordingly because of age-, sex-, and qualification-specific characteristics. This phenomenon can be explained on two levels: (1) on a general level involving the nature of the commodity labour power, and (2) on a more specific level where the peculiar quality of "labour power" is aggravated among certain groups. I shall first concentrate on the general level and, in particular, on two main properties typical of labour power.

### *The role of labour power*

Labour power can only present itself on the market in constrained figurations. The members of a cohort entering the labour market are not able to reduce or increase their numbers according to the demands for labour power. Also, whilst suppliers of labour power differ in their qualifications and occupational experiences, they may not be able to wait for optimal opportunities to sell their labour power because they would otherwise lack the means of subsistence (Amann 1989). These constraints are particularly prominent among *older* workers.

The second level is concerned with the concrete situation of groups on the labour market, rather than with the abstract category of labour power. For older workers, the situation of a general gap between labour power demand and labour power supply is aggravated when adaptational difficulties appear because of supposed or actual physical, psychic, and socio-cultural impairments and deficiencies. Different institutions are meant to step into the breach caused by lost abilities and outdated qualifications; one of them is "early retirement" because of unemployment, invalidity, or special regulations for certain groups, as for instance, workers in the declining steel-making industry. Such institutions have increasingly taken over the task of compensating for unfavourable conditions of demand for labour power. It is only in this exact understanding that we can speak of the "alternative role" of the pensioner. During recent years lower demand for labour has resulted in older workers being more at risk on the labour market than most other groups. In order to guarantee the livelihood of suppliers of labour power who are no longer able to meet actual demands, especially the subsistence of older workers, the coverage of social security has been expanded. In other words: the linking of the labour market system with the social security system has resulted in an expanding channelling of one of the most vulnerable

groups into the status of pensioners - with all its economic, social, and psychological consequences. So far, I have tried to discuss the systems' effects only in quantitative terms. However, individuals also experience limited freedom for their perception, planning, and practical preparations for retirement. White-collar workers often experience a loss of status (and of course income) through early retirement, with consequent feelings of dissatisfaction. Blue-collar workers, on the other hand, often welcome early retirement as an opportunity to end a physically exhausting job. How the structural components of the interplay between labour market and social security system, especially in the case of early retirement, influence the conditions for individual planning and action, how people anticipate retirement, what their plans are and how the unavoidable transition from work to retirement and its consequences is perceived, are discussed below.

### **Biographical elements in the expectation of retirement**

The material I use in this part of my analysis has been, contrary to the structural perspective of the first part, gathered from qualitative interviews with steel workers facing early retirement. In 1983, the Austrian Ministry of Social Affairs implemented a regulation whereby women in the steelmaking industry would retire at 52, and men at 57 (the so called "Action-52/57"); this regulation is an example of a step-into-the-breach measure discussed above. In analyzing 24 biographically oriented interviews of an exploratory study, I have tried to develop a frame of reference by which it would be possible to link aspects of the life course of an individual with his/her expectations of future life and development. The concepts are those of "Balance-Work" and "Structure of Learned Opportunities" (see also: Amann 1989).

We have to see people as agents in their

own development, but they are agents only under external conditions characterised by opportunities and limitations. All narrated experience, however subjective it may seem, is a genuine individual experience only in that it is shaped and mediated by objective conditions. Experiences are reference points both of individuality as well as sociality, they are sediments of past and actual and future action as well (Lorenzer 1980). We shall see in the analysis that plans (and even dreams) about future activities are indeed part of people's thinking but that this thinking is modelled on external realities. Social action, needs, plans and expectations are interpretable only in the context of these external conditions and the ways in which people have or have not learned to make use of them.

### **Balance-work and structure of learned opportunities**

We are familiar with the idea that the resources people use to organise and build their lives are scarce. Money is scarce, physical strength is scarce - and scarcity requires coordination. Beyond the biological-anthropological, psychological, and economic basis, a general concept of scarcity could be developed. We draw attention here to the different forms of social organisation, the "institutions", within which people are forced to coordinate their resources because they have only limited potential in the physical, mental and psychological fields as well as in the economic and social ones. I distinguish *three* areas in which the different social institutions influence, steer, or even control orientations, expectations, and the action of individuals - these areas are partly identical with the systems mentioned above. The first is that of the *occupational or work world* with its characteristic formation through the division of labour, industrial production, and its specific types of organisation of work and control of performance. The second is that of *family*

*and partnership*. It is often taken to be external and independent from the first, even as its clear counterpoint. There are also, however, obligations and assignments that are anchored in institutions and are accepted as unavoidable. Finally, the third area is that of "*free*" *social relations* which, in contrast to the two others, contains fewer institutionalised and unavoidable regulations.

What is now important is that people have to divide their strength and energy between these areas, considering what is demanded and what they themselves would wish. They must achieve a balance between the multiple elements of coercion and freedom. They have to do *balance-work*. For most of their life until now the first area has dominated and influenced their potential for conformity and adaptation and for opposition and resistance, and they have learned all this by doing *balance-work* in the areas mentioned. The occupational and working world takes energy away which then is missing from other areas so that they are considered interference in the working process, as opposition to the occupational world. It is only by the dominance of this area in the life of people that the other areas become conceivable as their opposition. In this area, perceptions of opportunities and limitations in life are formed and chances are used and lost as in the case of the other areas. But pressure for economic security gives the first area primary importance. Measuring by the degree of institutionalisation and range of obligation of the specific norms, we find a hierarchy in the areas in such a way that the occupational world possesses the greatest sense of obligation, with the highest amount of formal (instrumental) relations and capacity for guidance, whereas the area of "*free*" social relations has the least. In all three areas, individual obligations, expectations, and chances or offers develop. Wishes and needs are fulfilled; joy and sorrow is experienced; challenges, expectations, opportunities and choices are specifically structured within the areas and highly stratified according to

priority. Engagement and investment of strength and awareness devoted to the different areas may change. In times of building up a family or overcoming a crisis in partnership, in times of caring for illness in the family or taking over responsibility as a volunteer in a care institution, orientations, expectations, and actions are more strongly directed towards these areas, although the occupational or work area seldom loses its coercion on the individual. Retirement then is one of the most remarkable changes in this *balance-work*, because it is perhaps the first and only time that almost all the obligations and demands of this area are cancelled at one point of time, and forever. But choices and decisions are never the result of individual preference alone, they are bound to the *priority- and opportunity-structure* formed by the three areas themselves, with all their concurrent interplay. These structures are not only represented in moments of an objective reality, they are also inherent in learned patterns of successful action. To put it more precisely: the experiences and actions (habits) of individuals reflect - within considerable degrees of freedom - the structure of priorities and opportunities which are institutionalised in these areas. It is in this perspective that retirement makes a change in the *balance-work* *and* in the structure of learned opportunities; it is the cessation of working life; at one stroke putting out of commission a number of obligatory and institutionalised regulations and opportunities and favouring others. It is widely known and acknowledged that after half a year or a year at the longest, contact with old work colleagues dies off. This is an expression of the changed balance on the level of social relations and actions.

The theoretical notion of "labour market risk" gains its importance exactly at this point; the linking of the labour market with the social security system results, in the case of a labour market in functional disorder, in an unequal distribution of the risk of release from the labour market. The structurally

created risk of being released from the labour market and being channelled into the retirement system is complementary to the risk of changing the conditions of balance-work and of suddenly facing the necessity suddenly of adapting plans and actions to a new situation, a situation that often contains worse conditions than had been expected: retirement comes earlier in life than expected, financial loss may hit harder, plans have to be changed.

The expectations and orientations which were learned over a long period of time and which have been integrated into the personality, keep working after retirement. They lead, on the one hand, to expectations of future retirement almost identical with those previously held, on the other hand they lead to the intention of certain kinds of behaviour although they are no longer required by institutionalised regulations.

#### *Plans between optimism and pragmatism*

Within the structure of learned opportunities and facing the new situation of a suddenly decreed pre-retirement, individuals show great variations, but they have some elements in common. Leisure time was used by workers to do handicrafts, extend the house, help the neighbours to build, go hunting, photograph, make leather bags for the grandchildren, work in the garden, go for walks, but above all leisure time was needed to recuperate, to rest, to use opportunities for activities "which you don't get around to otherwise". Quite often leisure time showed, in a way similar to that of working time, a clear time structure, with recurring patterns of activity, e.g. a meal after coming back from shift work, then a 30-minute rest, gardening afterwards, dinner at a fixed time, then looking at the TV, but only during the early evening, and then going to bed at 9.15 p.m. in order to get up at 4 a.m.

Respondents include present activities in their description of what will take place in the time after retirement. Three of those

questioned were remarkable for their euphoria and the number of ideas they had about everything they were going to do and how little fear they had that it would be boring or uninteresting for them. These three I called *expectation-optimists* who exude certainty and purposefulness for the coming years in retirement. A second minority is formed by those to whom retirement only meant stopping work without any ideas regarding the new situation, except that the stress and burdens would become less and that one could perhaps enjoy things still a bit, experience a little pleasure, if this were possible and health remained good. Then there are the *expectation-pessimists*. Among them are those who are conspicuous due to their own worsening health, and the lowered life span expectations of their colleagues. Their future years no longer appear so rosy to them. The area of planned and hoped-for activities is small, their hopes are reduced. Numerically, the *expectation-pragmatists* were in the majority; about 15 of the 24 questioned fall into this category. They were going to do in retirement what indeed they were already doing: devote themselves to their children and grandchildren, improve or repair the house, travel and pursue hobbies, but with more time; that no longer had to be taken up by occupation and work.

#### *Between dreams and the achievable*

Mr. S. (57 years old, to retire within 2 months)

- I: Do you have any wishes that you've had for a long time, but have kept back, and that now you're retiring you'd like to fulfil?
- S: Well, I would say: to see a little more of the world. What I've missed out on doing, would be (...) it is, well, dreams.
- I: What kind of dreams do you have?

S: Well, I'd like to see South-America, and I'd like to have 4 weeks to see Alaska. Okay, up until now we've been hindered in getting around. That would be really something; to be able to see something else. To see something else, a bit of other countries. Just a part, because one can't do a lot.

I: And will you be able to do that?

S: What? Oh yes, we'll be able to do that. If we get the "40 years" (a premium for working for the company for 40 years) then we can buy a camper and do something. And even if it's only in Austria that's good too. We haven't seen everything in Austria yet because we haven't had enough time. And then naturally, when you're retired, you have all sorts of projects. Here and there, and this and that. Okay, and what happens when you can't do that any longer and when you have to put up with bad health? You can just forget about it. You either sit at home or are in the hospital. And that happens too, right? You don't know what's going to happen to you tomorrow or the next day (...). If you have to go to work again on Monday, who wants to do that? And Saturday and Sunday there are just too many people. A young man has it, sure, because everywhere he has a good time. That's the way it is. And the young man says: "What has the old guy lost?", when someone goes up somewhere or someone comes around. Or one will say: "Listen, are we on the right route? There's a lot of invalids here"; if you get irritated and say: "Listen, you still have to go where we were", you don't dare say that because then he explodes. That happens too, right? He sees that this is an old man with white hair. That he sees. And how he came here makes him think.

Wishes and plans, even dreams are similar to those that the young workers and

other older workers also cultivate and attempt to realise. They include what the social economic and conditions allow, but also what might remain unrealised. To travel and see something of the world plays an important role not only for Mr. S. The moment he thinks about it, it already makes him uncertain in the face of the obstacles that stand in his way. The goals that are to be seen in these desires or even dreams now mark every advertisement that modern tourism sells attractively: the general flurry of impression and expectations, the invitation to experience other countries, especially exotic ones - Alaska, South-America. One wants to see at least a part of all those places offered because it's not possible to see a lot. That which is possible is kept within limits by the availability of money and the state of health. This became especially clear through the answers given to our insistent question as to whether such things could be realised. Bringing dreams down to the level of what can be realised functions automatically through thinking of the money necessary, the state of health, and other things pensioners hope they can accomplish. The "reality principle", the consciousness about one's own room to manoeuvre, goes so far that even in thinking about travelling when one isn't concerned with anything definite, the dream is reduced step by step until the individually achievable wins the upper hand over the exotic. Looking at the sequence of these steps, the picture becomes obvious: in the beginning it was the money that was necessary, and then there wasn't any time to fulfill the wishes, finally, there arises, even when you do everything to prepare yourself for retirement, the insecurity about whether your health will let you do these things. Suddenly, the limitations of what is possible are visible. The unpredictability about what's going to happen makes one cautious about plans for the future.

### *The status of diminished life energy*

Mr. L. (57 years of age, to retire within half a year) in answering the interviewer's question about what the "Action52/57" means to him:

L: Yes, those (...), okay, those who are 57, what that is, yes every year is a gift. Because when someone works 41 years he sure has the right to relax sometime.

I: I believe that!

L: Since some people give up the ghost earlier. They don't even get a pension, at least they don't live to get it.

I: Are you happy at any rate that you can stop?

L: I'm happy about it; anybody would be happy about it who's been going at it for 41 years. And then when you're older everything gets to be too much; then you see everything differently. A young man, he has more energy and he wants this and that and he needs the other (...). What, what, what, he already has a house and he has (...). This is the way it really looks. Then he says, "It's later than you think, we have to go somewhere, let's go, let's go see it, let's get out of here so that we really get out from under a bit!" And so life runs out. When you're healthy it's okay. But later when you are not so well ...

The common thought that retirement and giving up work is desirable because of their drained life (at 57!) is bound up with the conviction that a working life, especially one like that, has given one a right to some peace. It is certain that being pensioned off is seen as an act of charity, even as a *gift*; but at the same time it is something that, because of long years of hard work, you *deserve*. Whoever grows older has "served out his time". The phrase shows in its double sense what has happened: the service (to the

production) is no longer expected, reaching the right age lets the legal regulation take its course. Besides this, the man is exhausted and can no longer serve (work). Every year not spent at work "is a gift". But whose? People work for this right, and in this duality one can see the answer objectively: it's a true gift, this right that one has "earned".

It is not only arduous work that has earned a right to peace, but also the widely acknowledged norm that age plays a demarcation role (how old must one be?) as opposed to the younger workers. The combination of the two elements results in a new quality of experience. Expressions like: "Anyone would be happy if they've been working for 41 years" and "A younger man has more energy", come close to expressing it. One could call it the *status of lowered life energy*.

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