

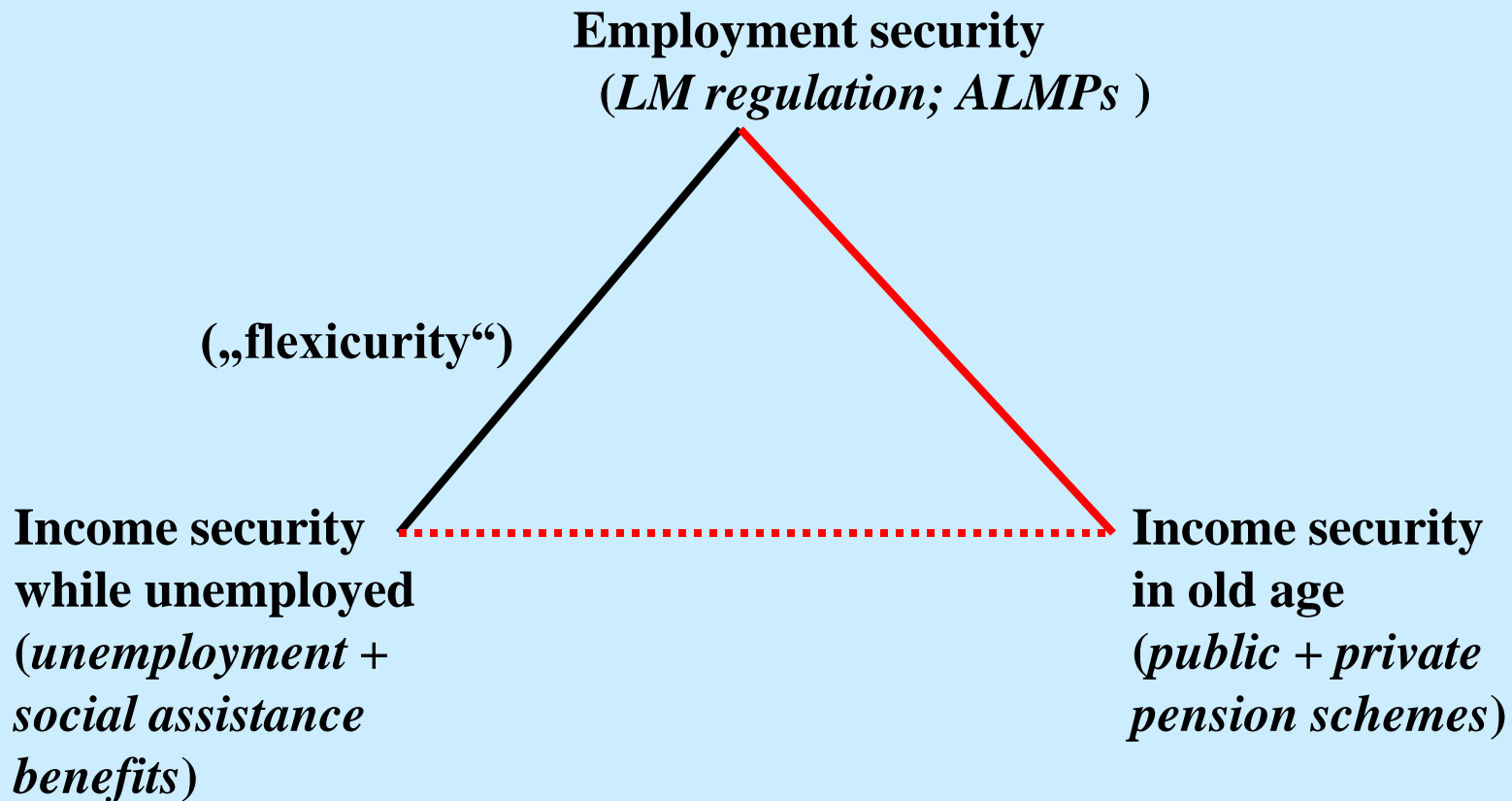
Flexible Today — Secure Tomorrow?

The interplay between labour market changes and pension reforms for income security in old age

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The research idea:



(More) Flexible labour markets:

- Risks while at working age: *increasing?* → „Flexicurity“
- Risks after retirement: *increasing?*



LIFE COURSE PERSPECTIVE

Pension reforms:

- Accommodating (compensating) a more flexible labour market? → („Flexicurity“)
SECURITY

OR

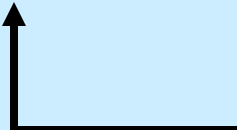
- reinforcing negative consequences of labour market flexibility?
(lower public pensions in general, impairments for workers with irregular employment patterns)
→ **INSECURITY**
(too low earnings-related pensions)

*Classification of New Social Risks**

Socio-economic Developments	New Risk Factors	Potential Remedies
<i>Technological change; post-industrialism; globalization; de-standardization of employment</i>	<i>Low/obsolete skills; atypical jobs</i> → unemployment → working poor → enforced early exit	Active labor market policies; institutions and policies that keep wage inequality in check
<i>Demographic aging; single parenthood; women entering the labor market</i>	<i>Having children/frail relatives</i> → women not (continuously) participating in the labor market	Subsidized child and elderly care ? reconciliation of paid work and family tasks
<i>Welfare state restructuring; too slow adjustment to new risk structures</i>	<i>Insufficient coverage through social protection schemes</i> → pockets of poverty	Broad/universal security at high level (“flexicurity”)

Flexible labour markets → New risk factors:

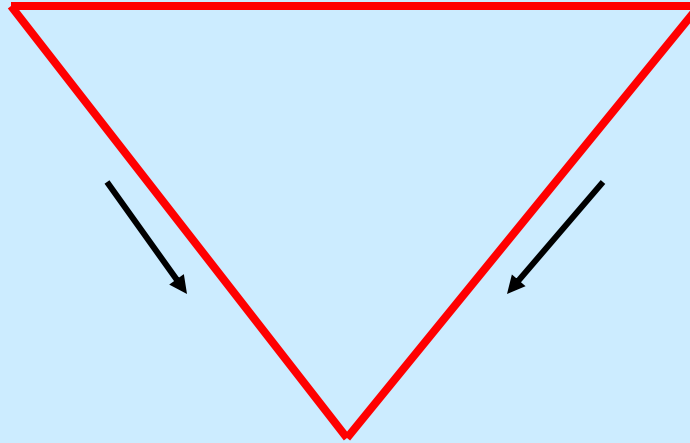
- **„Atypical“ jobs** (*part-time, agency work, false self-employed, fix-term jobs*)
- **„Irregular“ employment careers** (*movement between waged work and self-employment, recurrent spells of unemployment, discontinuous l.m. participation, enforced early exit*)
- **„Working poor“** (*increase of low-wage jobs*)
- **Incomplete coverage** through social protection schemes



caused by endogenous changes in the labour market (post-industrialism), labour market entry of women, labour market de-/re-regulation, welfare state restructuring etc.

**Increased labour
market flexibility**

Pension reforms



**Retirement income
security**



Research questions:

Research questions:

- **Are (new) flexible forms of employment covered by social protection schemes?**
- **To what extent have reforms of *public* pension schemes modified entitlements of atypical workers?**
- **Have atypical workers access to occupational / supplementary pension schemes (and how are they affected by modifications of occupational schemes, e.g. from DB to DC)?**
- ***Consequence I:* What are the pension prospects (benefits from public + private schemes) for workers who spent part of their career in flexible employment relationships?**
- ***Consequence II:* Which is the likely pension security scenario for the next decades?**

Task objective (substantive results):

- **Description of development + extent of flexible / atypical work in countries included in the project**
- **Description of old-age protection rules (AND their changes) for atypical workers (and in contrast to entitlements of workers pursuing a „standard“ employment pattern)**
- **Analysis of how public pension reforms affect income security of atypical workers after retirement**
- **Analysis of data to model the future income situation of workers presently employed at non-standard terms or pursuing a non-standard career**

Countries included in study:

- **GERMANY**
ITALY
SWEDEN
(= *traditional single-pillar countries*)
- **POLAND**
(= *new multi-pillar country*)
- **NETHERLANDS**
DENMARK
UNITED KINGDOM
(= *traditional multi-pillar countries*)

Wage dispersion (D5 / D1) among full-time employees, 1997 and 2007

<i>Country</i>	<i>2007</i>	<i>1997</i>	<i>Difference</i>
Poland	1.95	1.76	+ 0.19
Netherlands	1.65	1.63	+ 0.02
Germany	1.89	1.56	+ 0.33
Sweden	1.38	1.38	+ 0.00
Italy			
Denmark	1.55	1.45	+ 0.10
United Kingdom	1.81	1.84	- 0.03
France	1.47	1.59	- 0.12

Share open-end full-time employment 2008 and 2001/08

<u>Country</u>	<u>2008</u>	<u>2001/08</u> (<i>percentage points difference</i>)
Poland	56.7	- 6.6
Netherlands	44.5	- 5.5
Germany	60.1	- 4.6
Sweden	63.0	- 4.3
Italy	57.7	- 3.6
Denmark	70.1	- 2.0
United Kingdom	64.5	+ 0.6
France	67.6	+ 0.7

Structure of population 15-64 by type of employment, 2007

<u>Country</u>	<i>full-time op.-end</i>	<i>part-time op.-end</i>	<i>self-empl empl.</i>	<i>fix-term empl.</i>	<i>margin. p.-t.</i>	<i>unem- ploym.</i>	<i>inactive populat.</i>
PL	30.5	1.1	12.7	12.5	0.1	4.3	36.9
NL	30.7	18.5	9.3	11.0	5.5	2.3	22.2
GER	38.8	9.1	7.8	9.0	4.5	6.6	24.1
SWE	43.1	11.4	7.2	11.5	0.9	4.9	21.0
ITA	33.2	4.4	14.7	5.8	0.5	3.9	37.5
DK	49.4	10.0	6.5	6.1	5.1	3.1	19.8
UK	44.8	10.2	9.0	3.5	3.3	4.0	25.2
FRA	41.5	6.4	6.7	8.5	1.0	5.7	30.1

At risk of poverty (< 60% of median income) by age group, 2008

<i>Country</i>	<i>65+</i>	<i>< 18</i>
Poland	12	22
Netherlands	10	13
Germany	15	15
Sweden	16	13
Italy	21	25
Denmark	18	9
United Kingdom	30	23
France	11	17

Pension reform measures

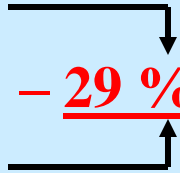
- **Lower public pensions (declining standard replacement ratio)**
- **Strengthened contribution-benefit link (NDC)**
- **(Higher) Deductions for claiming benefits before (increased) statutory retirement age (= more insurance years for “full pension”)**
- **voluntary / mandatory private pension pillar without redistribution (FDC)**
- **increasing role of occupational pensions, but less complete coverage**

Results of comparative study

- **NL and DK: (generous) basic pension → no “pockets of poverty” but increasing income inequality in old age**
- **POL, GER and ITA: declining income level for future pensioner cohorts + more inequality + more retirees dependent on means-tested benefits**
- **UK: notoriously “poor” income situation for (female) pensioners; consequences of latest pension reforms?**
- **SWE: more inequality, but hardships limited to certain groups (e.g. self-employed)**
- **Consequences cannot be fully estimated yet**

Already visible consequences in Germany

average monthly pension paid to men in West Germany who were newly retired in

1990:	€ 793	(= 94.5 % of standard pension level)	
2000:	€ 883	in real terms: - 29 %	
2008:	€ 822	(= 76.7 % of standard pension level)	

in future:

- ➔ more pensioners dependent on comprehensively means-tested minimum security scheme = **no** “return” for contributions paid
- ➔ supplementary savings not worthwhile for workers expecting low public pension = **savings trap**

**Incidence of certain episodes during employment career
(> 1 year) for different birth cohorts - extrapolated after
2002: all MEN in West/East Germany (in %)**

	1942-46 WG	1957-61 WG	1942-46 EG	1957-61 EG
Compulsorily insured GRV	95.9	97.2	99.4	99.5
- full-time	95.7	97.2	99.4	99.5
- part-time	3.0	2.9		
Self-employed	15.1	23.1	11.5	19.2
Marginal empl.	12.5	15.3	15.8	18.6
Education > 16	80.2	97.4	75.0	95.9
Unemployed	37.9	53.7	67.1	55.8

Total number of years (average) episodes last(ed) during employment career for different birth cohorts - extrapolated after 2002: all MEN in West/East Germany

	1942-46 WG	1957-61 WG	1942-46 EG	1957-61 EG
Compulsorily insured GRV	34.3	32.2	38.8	32.4
- full-time	34.3	32.1	38.8	32.4
- part-time	2.8	3.8		
Self-employed	17.4	16.4	9.2	13.2
Marginal empl.	4.8	4.7	3.0	3.4
Education > 16	4.2	4.6	4.1	4.4
Unemployed	5.6	7.3	5.2	10.3