

# A1.2 Determinants of Retirement Decisions in Europe and the United States: A Cross-National Comparison of Institutional, Firm-level and Individual Factors



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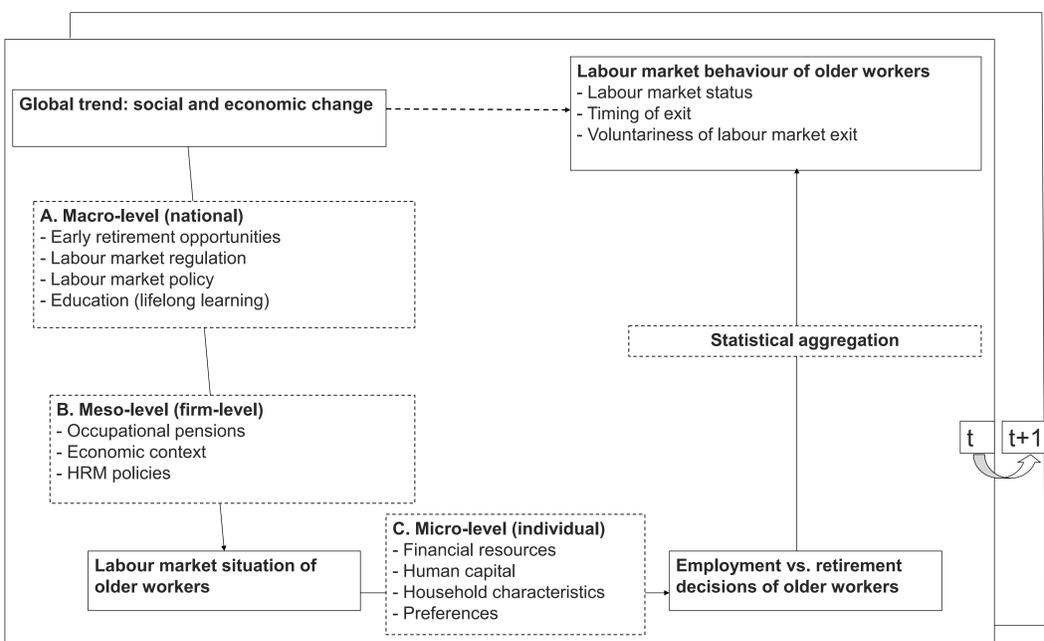


## Project Goals

The project aims to reconceptualise **retirement decisions** and their **determinants** under the modified institutional **conditions of political early exit reversal** from a multi-level perspective. Key questions of the research project are:

- How far have relevant **institutional settings at the national level** – including labour market, welfare and educational policies – changed throughout the paradigmatic turn from ‘early exit’ to ‘active ageing’?
- How have these recent political changes affected **firm-level policies** towards older workers within European countries?
- Given these changes in institutional and workplace level conditions: How do **older workers decide** between (early) labour market exit and employment continuation, and how have these **decisions developed over time**?

## Analytical Model



## Main Results

### Phase I (Macro-Perspective): Gradual Shifts in Policies

Based on cross-national institutional data as well as detailed country studies, Phase I reconstructed the shifts in institutional background patterns for individual retirement decisions. Extending previous research (e.g. Ebbinghaus 2006, Blossfeld et al 2006, 2011), four types of institutions affecting individual decisions to work or retire were identified:

Institutional mechanisms	Policy Regime: Early exit policies	Policy regime: active ageing policies
Economic incentives	<b>Pull</b> (incentives enabling early exit)	<b>Need</b> (financial pressure forcing late exit)
Employment Chances	<b>Push</b> (market pressures forcing early exit)	<b>Retain</b> (active policies enabling late exit)

Note: Shaded area = involuntary retirement.

Applying this institutional differentiation, our macro analyses demonstrate:

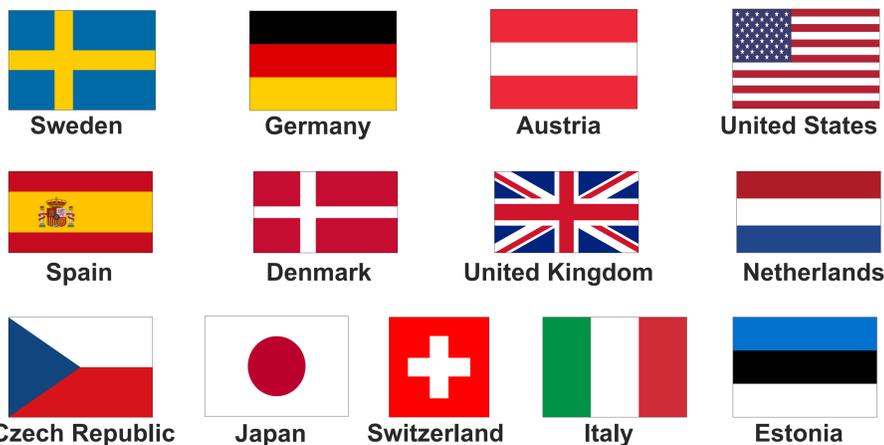
- A general shift from policy of **Early Retirement** to **Active Ageing** and **Late Retirement** (raising of official retirement creates increasing need for working longer, active labour market policies better enable continued work)
- Pronounced cross-regime differences in the dominant institutional orientation
  - **Social-democratic countries** (DK/SE): Promotion of late exit through universal retain policies (Active labour market policies, Lifelong learning)
  - **Liberal countries** (UK/US/CH/J): Promotion of late exit through “need” factors (low pension levels, high importance of private old age insurance)
  - **Conservative** (D/NL/AT) & **Southern European Countries** (I, E): Increasing focus on financial late exit incentives (Need), yet persistence of targeted early exit routes (Pull)
  - **Eastern European countries** (EE, CZ): Strong focus on incentivising late exit (Need), yet accompanied by persistent labour market rigidities (Push)
- Detailed analyses of nation-specific firm-level policies indicate that these tend to reinforce public policy incentives

### Phase II (Micro-Perspective): Shifts in Retirement Behaviour

Based on micro-data analyses from two **Labor Force Survey ad-hoc modules** (2006 & 2012), we find:

- An overall **increase in the exit age from employment across countries**
- Pronounced regime-specific differences in the timing and voluntariness of labour market transitions and in related patterns of social inequality, in line with institutional backgrounds
  - **Social-democratic countries:** Late exit from employment, high degree of choice in decision to work or exit employment, low level of social inequality
  - **Liberal countries:** Late exit from employment, low degree of choice in decision to either work or exit employment, social inequalities related strongly to financial (access to private pension insurance) and human capital factors (education, occupational class)
  - **Conservative & Southern European:** Moderately late exit from employment, yet both exit age and choice in retirement decisions strongly stratified by human capital factors (both groups) and gender (Southern E.)
  - **Eastern European countries:** Early exit, very low incidence in decisions to retire (forced exit through labour market boundaries) or continue working (almost exclusively for financial need), strong differences alongside human capital, strong vulnerability to economic cycles

## Included Countries



## Selected Publications

Hofäcker, D., Hess, M., & König, S. (Eds.). (in press). *Delaying Retirement: Progress and Challenges of Active Ageing in Europe, the United States and Japan*. Basingstoke: Palgrave Macmillan.

Hess, M. (in press). *Expected and Preferred Retirement Age in Germany*. *Zeitschrift für Gerontologie und Geriatrie*.

Hofäcker, D., Schröder, H., Li, Y., & Flynn, M. (2016). *Trends and Determinants of Work-Retirement Transitions under Changing Institutional Conditions: Germany, England and Japan compared*. *Journal of Social Policy*, 45(01), 39–64.

Hofäcker, D. & Naumann, E. (2015). *The emerging trend of work beyond retirement age in Germany*. *Zeitschrift für Gerontologie und Geriatrie*, 48(5), 473–79.

Hofäcker, D., Neumann, I., & Hess, M. (2015). *Generationenpolitik für "Junge" und "Alte"*. *Neue Zeitschrift für Familienrecht*, 2(23), S. 1108–1111.

Hofäcker, D. (2014). *In line or at odds with active ageing policies? Exploring patterns of retirement preferences in Europe*. *Ageing and Society*, 35(7), 1529–1556.