12. Comparing late working life and retirement in Europe and the US: The development of social inequalities in times of globalization and aging societies

Karin Kurz, Sandra Buchholz, Alberto Veira-Ramos, Annika Rinklake and Hans-Peter Blossfeld[1]

INTRODUCTION

The main purpose of the country studies assembled in this book is to examine systematically how late employment careers, the timing of retirement and the level of pension incomes have changed over the last decades in the course of globalization, economic restructuring and demographic aging in a wide range of European and North American countries (Denmark, Estonia, Germany, Hungary, Italy, the Netherlands, Spain, Sweden, the United Kingdom and the United States). Not so long ago, the late employment career was considered to be a relatively stable phase in the life of workers, and early retirement a secure bridge into a comparatively well-paid pensioner's life. Of course, countries have always differed somewhat in the paths they travel. Early retirement was the major option installed to ease a tight labor market in countries such as Germany, Italy, the Netherlands, or Spain, whereas in societies shaped more strongly by the liberal market ideology (United Kingdom, United States) or by the goal of full employment (Denmark, Sweden), working until higher ages was fostered either passively or actively. Nonetheless, in modern societies, a relatively secure late employment career with lower than average or only average unemployment risks and a trend toward retiring early were visible throughout the 1970s, 1980s, and partially the 1990s (Kohli et al. 1991; Blossfeld, Buchholz and Hofäcker 2006).

However, macro-economic as well as demographic dynamics have changed over time, and public pension policies have been redirected.

Globalization has introduced an ever more speedy process of change into the economic sphere and has decreased the predictability of events, obliging actors at all levels to be more flexible in order to deal with increased uncertainties. For employees, this practically means higher risks of unemployment and of precarious work and, therefore, a greater instability of working biographies in general. However, these risks do not grow linearly during the course of globalization, because national labor markets still go through recessions and booms – that are linked in complex ways to global economic processes. In a booming economy, labor market risks are expected to be clearly lower than during times of recession.

Furthermore, as a number of studies have shown, labor market risks do not strike workers evenly in all phases of their employment career, and it is particularly young people entering the labor market who are confronted with higher risks. However, we believe that workers in the late phase of their career are also exposed to increasing labor market risks, especially because a large proportion of them work in traditional industries that have been hit hard by the economic restructuring accompanying intensified global competition. Moreover, the speed of technological change that comes with increased economic competition is also a threat for older workers, because they received their vocational training decades ago, and retraining is typically not seen as an efficient strategy for workers who have only a few more years in employment. In addition, many countries have severely cut back the most prominent exit option for older workers, early retirement programs, and have introduced or strengthened private pension schemes in recent years. A main reason for these policy adjustments is that public budgets have been under heavy strain for years because of high levels of unemployment and rising numbers of pensioners relative to the number of young workers (linked to demographic aging and the trend to early retirement). Thus, there are several arguments leading us to the apprehension that the labor market chances of older workers and the incomes of recent pensioners have deteriorated compared to their predecessors.

To be sure, similar to young people, risks among older people are unlikely to be spread evenly. We expect a growth of inequalities between occupational classes and educational groups because those with relatively weak labor market positions, such as low-skilled manual workers in the manufacturing industry, are likely to be hit hardest by cutbacks in early retirement options. Without the exit option of early retirement, these workers are likely to end their working lives in unstable and low paid jobs with subsequently low pensions. Furthermore, the introduction or strengthening of private pensions favors workers with medium or high wages and, thereby, constitutes a further factor strengthening inequalities.

In sum, we expect the following general trends (see, for details, Chapter 1):

1. An increase of unemployment risks and downward income mobility in the late employment career,
2. A decline of early retirement,
3. A lowering of pensions as a result of employment instability, decreasing wages and pension reforms,
4. Increasing inequalities between occupational classes with respect to labor market risks and pension entitlements.

However, national institutional frameworks might impact heavily on the strength and specific expression of the expected trends. Hence, one of our main aims was to find evidence for the diverse filtering processes of macro socio-economic trends through national contexts and policy measures. As outlined in the introductory chapter, we start from the assumption that the countries under study are shaped by different traditions with respect to their employment relations systems, their occupational systems and their welfare state and pension systems. Ideal-typically we distinguished four regimes (see, for more details, Chapter 1 in this book): (1) the conservative regime with the Netherlands and Germany, (2) the liberal regime of the United States and the United Kingdom, (3) the social democratic (or Scandinavian) regime with Sweden and Denmark, and (4) the fragmented (or Southern European) regime with Spain and Italy. Fifth, we distinguish a post-socialist regime with Hungary and Estonia. Yet, it has to be noted that countries in this final regime can still not be clustered unequivocally, even though they are similar in having experienced a profound transformation from a state socialist society to a Western-type capitalist regime. Their paths have also diverged, with Estonia following a much more liberal route than Hungary that took a direction closer to that of Continental European welfare states.

We expect that the effects of macro socio-economic forces on workers' and pensioners' lives are shaped in a clearly patterned way by the aforementioned national contexts. But before we go into details on our specific expectations and confront them with empirical results, it is useful to summarize the basic characteristics of the country study designs, the empirical data available for the analyses and the statistical methods used.

DATA AND METHODS

Given the aim of analyzing change over time, both between birth cohorts as well as within the life courses of the elderly, almost all country studies employed longitudinal micro-data on individual life courses over an extended period of historical time. To analyze the late employment career, the country studies focused on individual risks of unemployment and re-employment

Table 12.1 Periods, age spans and cohorts analyzed with the number of cases by country and type of analysis

		Unemployment[a]			Downward income mobility[b]		
	Period	Age	Cohorts	Persons	Age	Cohorts	Persons
Germany	1984–2007	50+	1934–51	3,108	50+	1934–51	3,108
Netherlands[c]	1990–2001	50–64	1939–46	1,564	50–64	1939–46	1,224
Italy	1980–2005	50–65	1930–54	2,443	–	–	–
Spain	1981–2006	58–65	1941-48	5,726	–	–	–
UK	1991–2006	–	–	–	50+	1940–55	1,265
United States	1981–2006	50+	1931–41	4,972	50+	1931–41	4,065
Denmark	1980–2006	50–65	1930–56	72,917	50–65	1930–56	63,611
Sweden [d]	1981–2007	51–64	1931–51	47,629	52–64	1931–51	6,059
Estonia [e,f]	1981–2004	50+	1940–54	902	50+	1930–54	2,335
Hungary	1988–2003	40+	1934–48	938	–	–	–

		Retirement			Pension income		
	Period	Age	Cohorts	Persons	Age	Cohorts	Persons
Germany	1984–2007	50+	1934–51	3,415	50+	1934–51	1,206
Netherlands	1990–2001	50–65	1939–46	3,329	50–65	1939–46	1,000
Italy	1980–2005	50+	1930–54	2,528	–	–	–
Spain	1981–2006	58–65	1941–48	5,726	50+	1901–54	945
UK	1991–2006	55+	1935–50	1,533	50+	1940–55	1,250
United States	1981–2006	50+	1931–41	5,094	50+	1931–41	7,139
Denmark	1980–2006	50–69	1930–56	78,020	50+	1930–41	19,738
Sweden	1981–2007	60+	1931–47	46,147	60+	1931–47	22,248
Estonia	1981–2004	50+	1930–54	2,378	–	–	–
Hungary	1988–2003	40+	1934–48	938	50+	1929–53	913

Source: Own illustration.

Notes:
Blank cells indicate that no models were implemented.
a Unemployment status is determined by self-assessment or was provided by register data.
b Downward income mobility implies a salary loss of at least 10 percent.
c Analyses for the Netherlands refer to all transitions out of employment.
d Analyses on income mobility refer to mobility after unemployment.
e The period covered for the analyses on unemployment was 1990 to 2004.
f Due to data restrictions, the mobility analysis addressed *occupational* mobility.

along with income mobility; to analyze retirement, the focus was on the timing of the transition to retirement and on pension incomes. Table 12.1 provides information on the basic characteristics of the data used for these analyses in the countries of our study. For Denmark, Estonia, Germany, Hungary, Italy, Spain, Sweden and the United States, observations started in the 1980s; for the other countries, at the beginning of the 1990s. The observation window ended in 2005 or later in all countries except for Estonia (2004), Hungary (2003) and the Netherlands (2001). Individuals' working lives were observed from age 50 (except for Hungary[2]). Cross-national comparisons are possible because all data sets contained information on the generations born during the 1930s and the 1940s; the only exception being the United States, where generations born after 1941 could not be taken into account. For some countries like Denmark, Estonia and Italy, people born during the first half of the 1950s were also followed. At the same time, it must be pointed out that analytical strategies had to adapt to the characteristics of the available data sets. For instance, analyses on mobility in Estonia focused on occupational mobility and not on income mobility, because income information was not available in the data. Analytical strategies are also a consequence of choices made by authors about what is empirically relevant in each given country. For example, detailed analyses on re-employment after retirement ('unretirement') were conducted only for the United States, because this transition is relevant in this country alone and not in the others included in our study.

The statistical methods employed were, on the one hand, transition rate models (Blossfeld, Golsch and Rohwer 2007; Yamaguchi, 1991) for the analyses on the risk of unemployment, re-employment, income mobility, and retirement timing; and on the other hand, OLS regressions and growth curve models for the analyses on pension incomes.

MAIN FINDINGS

The empirical findings summarized in the following are based on the country-specific individual level microanalyses. Besides our expectations on general trends, we formulated specific hypotheses on how macro-economic developments such as increased global competition and economic restructuring impact on employees and pensioners within different regime types.

For the conservative regime, we assumed that the long-standing trend toward early retirement has come to a halt in order to reduce the strong burdening of the pension systems. Indeed, the authors of the German and Dutch country studies in this book find clear changes in their countries' pension policies in the past years. As the institutional assessment of both countries shows, early retirement options as well as welfare state subsystems such as unemployment insurance in Germany and disability pensions in the Netherlands have been cut back severely in recent years. The main question for these countries is whether today's older workers have to struggle increasingly with employment instabilities and financial insecurities. This question is based on the assumption that the latest pension policy reforms in these countries expecting older employees to prolong working life were not accompanied by changes in other institutional features that would also enable them to remain employed. For example, Germany and the Netherlands still lack an elaborated infrastructure for lifelong learning and exhibit closed employment relationships hindering easy reentries into employment. Therefore, we expected increasing employment risks particularly in these countries that originally strongly supported early and generous employment exits. However, we also anticipated social inequalities to be on the rise, because it is especially low qualified workers who are unable to meet the new expectations and are at the same time no longer compensated for their early withdrawal from employment by generous pension regulations.

Indeed, in line with our expectations, we find the most recent cohorts are retiring later than earlier ones in Germany. Especially the unemployment pathway to retirement became less prominent in younger cohorts, whereas it was a commonly used and financially supported early retirement pathway in older cohorts. Yet, as the German country study shows, lower qualified members of recent cohorts were unable to profit much from these latest developments. Instead, this part of the older workforce still has to make use of the unemployment pathway to retirement – however, with major financial cutbacks and a significant reduction of the later pension income compared to earlier cohorts. Unfortunately, due to data restrictions, we are unable to capture the latest changes in the Netherlands because the existing data document developments only until 2001. However, for both countries – even when taking into account the latest postponement of retirement in Germany – the majority still retires before mandatory retirement age. Thus, a significant share of the older workforce still does not meet the expectation of prolonged working life. For Germany, we observe the well-known class- and education-specific pattern that low qualified employees – primarily those in the manufacturing industries – retire earlier than other workers. These developments are – in line with our expectations – accompanied by an increase of downward and a decrease of upward income mobility in Germany.

In sum, our expectations for the conservative regime were supported by the country studies for Germany and the Netherlands. In both countries, we find policy changes that expect people to prolong working life. However, as anticipated, early retirement is still very prominent in both countries, even when the latest developments in Germany are taken into account. At the same time, however, results indicate a strengthening of inequalities between high- and low-skilled workers with respect to unemployment risks in Germany that are now connected with a significant reduction in pension income. All in all, these results highlight that in conservative countries, which traditionally offered generous early retirement programs in order to relieve the regulated labor market, the latest changes in pension policies have been connected with a growing cleavage between those older workers who are able to meet the new expectations of the pension system and those who fail to do so and have to pay for this 'failure'.

In contrast to our expectations for the conservative regime, we anticipated early retirement in the Southern European regime still to be an attractive retirement path simply because the governments of Spain and Italy only quite recently introduced pension reforms targeting mostly future retirement cohorts. As a result, early exit pathways are still largely open and financially attractive for today's older workers. In fact, our earlier research (Blossfeld et al. 2005, 2008) has shown that in the Southern European countries with their strong insider/outsider boundaries, it is especially labor market entrants and young cohorts who face high labor market risks and are hardly covered by welfare systems. In contrast, former insiders and pensioners are (still) highly protected. Therefore, we also did not expect a steep increase in instabilities in the late career and a rise in inequalities, given the still existing generous early retirement exit option.

Indeed the results for Italy and Spain show that there has been only a small rise in the retirement age. With respect to changes within the late employment career, the Italian study reveals a slight growth in unemployment risks for younger birth cohorts.[3] Finally, pension incomes do not seem to have declined across cohorts in Italy. For Spain, analyses on changes in the late employment career or in pension incomes were not rigorously comparable due to data restrictions. Thus, we can summarize that elderly workers and pensioners cannot be considered particularly at risk in Italy due to the early retirement options and the still very generous income replacement rates of pensions at least up to 2005. However, one has to bear in mind that a sizeable share of the workers in Italy are not covered by the pension system due to self-employment or informal work. Thus, the fragmented regime in Italy protects only part of the elderly.

The countries in the social democratic cluster, Sweden and Denmark, differ in several respects from those in the conservative and fragmented regimes. Although early retirement schemes have also been important in these countries, retirement typically did not take place quite as early as in the other countries discussed so far. Especially Sweden has had a long-standing tradition of fostering employment through active labor market policies and keeping all men and women in employment up to relatively high ages. All in all, we therefore did not expect a strong rise in employment instabilities; in particular, not in downward mobility. However, because the Danish labor market is characterized by weak employment protection, unemployment risks should be higher there. Keeping social inequalities low by tax and social policy measures is another prime feature of the social democratic welfare states of Scandinavia. Accordingly, the pension system is characterized by a strong public pillar. However, both countries have introduced individualizing pension elements in recent years. Thus, we suspected that even in the Scandinavian world, income inequalities among pensioners might have been growing.

The empirical results reveal that retirement has been delayed to a somewhat higher age in more recent birth cohorts in both countries. This is due to pension reforms cutting back early retirement incentives. Furthermore, the analyses point to unemployment risks being strongly influenced by macro-economic conditions. In the most recent years covered by the data, these have been relatively good and unemployment risks have declined. At the same time, however, inequalities between educational levels in unemployment risks have grown somewhat across cohorts in Denmark, but not in Sweden. Still, the re-employment chances of unemployed persons are quite high in both countries, which is in line with our expectation of the late career being quite stable in the Scandinavian world. Getting back into employment is clearly more likely than in all the other countries – with the exception of the United States – pointing to the success of retraining measures in Sweden and Denmark. With respect to downward income mobility during the late career, the empirical analyses found no change across cohorts in Denmark and a decline in Sweden. Finally, there are no signs yet that pension incomes have decreased across cohorts. Quite in contrast, there has been a significant growth in average pension levels in both countries. However, according to the empirical analyses for Sweden, the gap in pension incomes between high and low educational levels has widened across cohorts pointing to an increase in social inequalities over time.

In sum, we observe no general worsening of late careers and pension incomes in the two Scandinavian countries. Nevertheless, there are signs of increasing inequalities between educational levels in both: in Denmark, linked to the relatively direct impact of market forces on labor market chances in the Danish employment system; in Sweden, related to the individualization of pension plans. Still, compared to other regimes, the strengthening of inequalities is relatively moderate.

Yet another interesting case is presented by the liberal regime with the examples of the United Kingdom and the United States. To a greater extent than in the conservative, Southern European and Scandinavian regimes, labor market participants in the liberal regime are exposed directly to market forces, and the economic well-being of individuals is highly market-dependent due to a weak welfare state. This makes it likely that the employment risks and financial insecurities of older people (as well as of people in early and mid-career) are relatively high and strongly dependent on economic ups and downs. Although early retirement options have never been implemented as extensively as in the conservative and fragmented regimes, they were also offered in the liberal regime. Thus, we anticipated some increase of retirement age due to cutbacks of early retirement options. Finally, we suspected pronounced inequalities between occupational classes (and educational groups) with respect to late career instabilities and pension levels, given the weakness of alleviating social policies and the restricted relevance of public pensions in the United Kingdom and the United States compared to other countries.

The empirical results are in line with our expectations. Risks of unemployment[4] and income mobility in either direction are relatively high. Unemployment risks, but also re-employment chances, have increased across cohorts in the United States. Furthermore, both countries reveal a clear link between macro-economic developments and late career employment and income chances. In general, age at retirement has risen slightly across cohorts in both countries, due to not only restrictions in early retirement regulations but also – in the case of the United Kingdom – improved employment chances in a booming economy. Moreover, in the United States, the timing of retirement depends increasingly on unemployment rates and stock market development. These macro-economic trends have a growing impact, because public pensions have been curtailed and private pensions and defined-contribution occupational pension plans have become more important in recent years in the United States. Whereas pension incomes have generally increased across cohorts in the United Kingdom, in the United States, in contrast, there is a clear trend toward lower levels of public pensions (due to pension reforms) accompanied, however, by a rise in average levels of private pensions. Most importantly, though, we observe a trend toward 'unretirement' in the United States, meaning that pensioners return to employment to make ends meet given the low pension incomes they receive. This trend is most pronounced in the youngest cohorts of pensioners in the United States. Regarding the development of social inequalities, the analyses detected no consistent general tendency toward more social inequality between occupational class positions or educational levels in either the United States or the United Kingdom. However, one has to bear in mind that inequality was relatively high in these countries to begin with. Nevertheless, the United States study reveals increasing inequalities between educational levels in the risk of unemployment for men as well as in the risk of unretirement (for men and women). For the United Kingdom, analyses show increasing inequalities between occupational classes in the chances of upward mobility and in pension incomes across cohorts. This means that in both countries, those at the low end of the educational or occupational ladder have experienced growing problems in some aspects of their late employment career and their retirement phase.

Finally, for the two Eastern European countries in our study we expected much larger changes across cohorts than in all other countries given the transition from a socialist to a capitalist regime. This transition was marked by liberalization, privatization and an opening up to global competition. The socialist right-to-work ideology was replaced by the rule of market and efficiency principles. Consequently, many workers were laid off, in particular, elderly workers who were disproportionately employed in the shrinking manufacturing and agricultural sectors and as low qualified employees. Thus, we expected a tremendous rise of late career risks (in particularly, unemployment), an increase in early retirement during the transition phase, and generally a growth of inequalities between occupational classes. At the same time, we suspected market dependencies and social inequalities would be stronger in Estonia, because this country has struck a more liberal path with respect to employment protection and welfare state than Hungary.

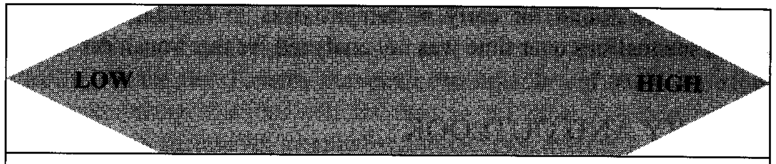
The empirical results for Estonia and Hungary are quite clear-cut. Early retirement was typical in both countries during the transition period, but this trend reversed during the course of the 1990s due to pension reforms and the improved macro-economic situation. In Hungary, the extended use of disability pensions compensated partially for the reduction of early retirement options. Unemployment risks have grown across cohorts in both countries and are linked closely to macro-economic trends. During the transition period, unemployment risks were lower in Hungary than in Estonia, because, in the former, redundant workers were often channeled directly into early retirement. At the same time, other career risks – such as downward occupational mobility – have remained very low in Hungary, but not in Estonia, where downward mobility is relatively widespread and strongly dependent on the economic cycle, reflecting the liberal market and welfare strategy applied after the fall of the Iron Curtain. For Estonia, no pension income analyses were possible (due to data limitations), and those for Hungary were restricted to one survey year (2003). Thus, not much can be said on pension incomes for the two countries, except that pensioners in Estonia receive relatively low pensions resulting in high shares of poor households among the elderly, whereas Hungarians typically obtain pensions putting them above the poverty line. Again due to data restrictions, almost no inferences can be drawn from the two country studies with respect to the development of inequalities between occupational classes or educational groups. What can be stated is that unemployment and early retirement risks are clearly structured by education in both countries. Whereas there is no change in inequalities of unemployment risks across cohorts in Estonia, a slight significant increase was detected for Hungary. In contrast, no change in inequalities was found for early retirement risks in Hungary; for Estonia change of inequalities over time was not analyzed for this transition.

SUMMARY AND OUTLOOK

The starting point of this edited volume is the assumption that globalization and the aging of populations have changed the lives of older people in modern societies. Globalization has markedly accelerated market processes and economic restructuring since the 1980s. As outlined in our introductory chapter, these developments should have an above average impact on older workers, because they are overrepresented in those industries and jobs that have come under competitive pressure. Indeed, especially Continental and Southern European societies have reacted to this growing discrepancy between the demands of globalized labor markets and the limited possibilities to adapt older employees and their qualification profiles by engaging in the massive use and expansion of early retirement options in order to relieve national labor markets and adjust to accelerated economic transformations in a socially peaceful way. As a result, a sharp decline in old age employment rates could be observed in modern societies for several decades (Kohli et al. 1991; Blossfeld, Buchholz and Hofäcker 2006; Ebbinghaus 2000, 2008). All in all, older people have been pushed and lured systematically out of employment, especially in Continental and Southern Europe, by offering them generous and attractive early retirement programs.

Yet, one of the major challenges facing European and Northern American societies today is their severe demographic aging. The increasing share of older people puts pension systems under substantial pressure because of the rising imbalance between those claiming pensions and those contributing to the pension system. This makes it necessary to maintain older people in employment instead of sending them into early retirement. Indeed, it can be observed that in the more recent past, governments have tried to increase the labor market attachment of older employees by retrenching early retirement benefits. However, it is an open question whether the various reforms are effective and successful. In particular, it is necessary to investigate whether *all* older workers are really able to meet the expectation of the latest reforms to prolong working life or whether specific parts of the older population, in particular the lower qualified, fail to find appropriate jobs. If the latter scenario holds, social inequalities will rise.

Figure 12.1 Employment instability and economic insecurity in late life – general level, development across time, and consequences for social inequalities



Country showcases			
Denmark Sweden	Italy Spain	Germany Netherlands Hungary	USA United Kingdom Estonia
General level of instabilities and insecurities in late life			
Low due to universal social policies	Mostly low due to strong insider/outsider ideology, but high for irregularly employed	Medium due to status dependency of social policy	High due to strong dependency on macro-economic developments, strong privatization of risks
Development across time			
Moderate increase of instabilities due to recent privatizations	Few changes for recent cohorts, strong uncertainty for currently young generations	Increasing instabilities especially for lower qualified and less privileged groups	Persistently high level of uncertainty with increasing volatility due to dependence on (stock) market developments
Consequences for social inequalities			
Moderately rising social inequalities in old age	Little change among retirees, but strong rise of inequalities between the generations	Growing social inequalities in old age due to pension reforms	Remaining on a high level, rising risks of social exclusion in old age

Source: Own illustration.

As the country studies in this edited volume have shown, there is no general trend toward increasing employment instabilities and economic uncertainty in late life. In fact, in most of the countries under study, late careers and retirement are still very secure for large parts of the older population. All in all, it can be said that despite pension reforms, no significant overall worsening of the situation for pensioners has taken place so far in the countries analyzed. Nonetheless, the main reason for this is that older people have managed to remain employed because of either, first, the favorable context of the economic upswing that started during the second half of the 1990s in many of the countries, second, the buffering effect of social policies aimed to either reintegrate unemployed workers into the labor market or to offer them an easy way out via early retirement, or, third, the cohorts under study have been able to compensate for late career risks by having experienced a good employment situation in their early and mid-careers. However, we also observed a growth of intra-cohort inequalities in countries that have already retrenched early retirement programs for recent cohorts of pensioners and display a stronger privatization of pension systems.

Yet, as outlined in our introductory chapter, we did not expect a uniform and univocal trend toward more insecurity in late life across all countries. Actually, we expected strong variations between countries dependent on their specific historically grown institutional backgrounds. In line with this expectation, the empirical studies in this book have captured quite remarkable cross-country differences, indicating that country-specific welfare institutions as well as national employment and occupational systems have played a major role in shaping all the above-mentioned processes and supporting the idea that national policies are able to alleviate or aggravate inequalities (see, for a summary overview, Figure 12.1).

Especially in countries with a high level of privatization and individualization of risks (i.e., the United Kingdom, the United States and Estonia after the fall of the Iron Curtain), we find a strong market dependency of employment stability and economic well-being in late life. Also, social inequalities have traditionally been very strong due to the passive role of the welfare state. All in all, these countries directly pass on the effects of globalization to the micro-level, making individuals strongly dependent on macro-economic developments.

In contrast, despite some variation between different welfare regimes, late life was well-protected for a long time in Northern, Central and Southern Europe. However, in the more recent past, we find hints of a growth in social inequalities that seem to be related to the latest changes in pension regulations. In the social democratic countries of Scandinavia, the universalistic and active welfare state traditionally kept employment risks and economic uncertainty on a very low level for the whole population, including the elderly. However, as the Danish and Swedish country studies have shown, these countries also reveal a moderate increase of inequalities, partly driven – as the Swedish study has shown – by efforts to privatize pensions. The same is true for the conservative regime (as well as Hungary after the fall of the Iron Curtain) that provided strong and generous support for early retirement for several decades, but recently introduced several reforms expecting people to prolong working life. Older people now have to pay the price and face a severe reduction of their pensions if they fail to find appropriate employment at the end of their career and retire early. Indeed, the German country study (which was already able to cover the effects of these reforms in its data) has shown that market risks are increasingly privatized in late life and social inequalities have been rising. Whereas in earlier periods, lower qualified and less successful employees were also cushioned against market risks by very attractive early retirement options, they are now left 'empty-handed' because they can neither claim the formerly generous pensions nor face good job prospects. It can be expected that these inequalities will increase even more in the future because the effects of the latest pension reforms will impact even more strongly on today's middle-aged workers.

The Southern European welfare states of Italy and Spain are a remarkable exception in Europe and in our study. In these countries, governments left the generous retirement programs mostly untouched for recent and immediately succeeding cohorts of the insiders of the welfare and labor market systems. As the authors have shown in their country studies, there is hardly any change observable until now. Instead, it is especially the young generation that is burdened and hardly compensated for risks by the fragmented welfare states of Italy and Spain.

Comparing these results with those obtained from our earlier research (Blossfeld et al. 2005, 2008), it can be said that institutions protect the elderly better than the younger workers from the effects of globalization, especially in Europe. However, future research will have to see whether this also applies for the forthcoming generations of retirees. Our results suggest that this will no longer be the case, because early retirement programs and public pensions are being increasingly retrenched. This impacts especially on the lower qualified who are currently being pushed out of employment and are thus unable to meet the expectation of the latest reforms to postpone retirement. However, this may well change as soon as companies and governments start to feel the effects of increasing labor shortages due to declining fertility and demographic aging. These will probably make it necessary and possible to maintain less qualified older people in employment as well instead of pushing them out of the labor market.

NOTES

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2. The Hungarian study observed persons after they turned 40 because retirement began to take place at earlier ages.
3. For Italy, analyses were conducted on unemployment risks, but not on income mobility in the late career.
4. Unemployment risks and reemployment chances were studied for the United States but not for the United Kingdom.

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