

Demographic Insights



WORKING LIFE & RETIREMENT

Ageing and shrinking populations put social systems under pressure across Europe. Raising the retirement age seems therefore inevitable to most governments. But is that really a sufficient response to demographic change? Recent research takes a closer look at the many different ways in which Europeans work and organise their lives today, and develops ideas for better social policies. Find some of them here – and many more on our website: www.population-europe.eu.

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Social policies for changing lives

Five questions to the demographer Jane Falkingham

When we compare the courses of people's lives today with those fifty years ago, what are the most significant differences?

The biggest change is that people are living longer and therefore the period they can expect to live beyond the current retirement age of 65 has lengthened. At the same time the length of time people spend in education has been increasing and so we have a shifting up of the life course, whereby everything happens later. We are also having children later and maybe we're having fewer or none – family is another area, where we can see a lot of changes.

Do you think that policies in Europe are adapting sufficiently yet to these changes?

They are starting to adapt to some of these changes, particularly in northern Europe. Certainly family policy has been adapting in terms of more parental leave and more extensive childcare. The pension systems are the part that has less well adapted: The systems often do not reflect our changing working lives.

Which further policy adjustment would you consider most necessary?

It is difficult to point to one single change because I think what we actually need is a complete rethinking of social policy to make it more life course sensitive. We tend to have different policies that focus on different phases of the life course and what we actually need is to start thinking holistically about a welfare system that operates smoothly across the life course.

No country will be able to create a whole new social system, so where do you start?

You could start with pensions by thinking about how you might have individual accounts across peoples' lives. When people are doing non-paid work, perhaps raising children, then the state pays transfers in to cover those. You could then extend it from pensions and think about how the same system of individual accounts might apply to education. Many countries in Europe are already introducing student loans and fees, you go into debt and pay back when you earn. But it will be difficult to do that at the same time as you're expected to buy a house, and to be saving for your pension. We need to start thinking how these systems interact.

Will we still have to work longer in the future?

We definitely need a rise in the pension age. If a child born today knows it is going to have a 60, 70, 80% chance of living to be 100, it is not practicable for people to stop working at 65. So I think that we're right now living in a transition.



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85 % of Danes have been able to set aside financial resources for their old age, whereas in the Ukraine this is only the case for 25% of the respondents. These are two results from a recent cross-national study investigating money saving behaviour and financial worries around retirement in Europe. It involved more than 20.000 respondents aged 18 to 60 years from 19 EU countries as well as from Switzerland, Ukraine, Norway and the Russian Federation. One central question was whether they fear that their income in old age will not be sufficient. Such worries were strongest in Poland, Bulgaria, Portugal and the Russian Federation, whereas respondents living in Scandinavian countries expressed the least overall concern. Across all countries people worry more when their current economic situation is vulnerable and they therefore have little opportunities to additionally provide for their old age on a private basis. [Read Pop Digest](#)

60 is the new 50

In many highly developed countries around the globe, population ageing is seen as the biggest threat to the welfare state. With more and more people ageing, so the chant goes, social and health care costs will explode and pension schemes collide. However, the threat to the welfare state might well be overrated, as the researchers Warren C. Sanderson and Sergei Scherbov suggest in an article published in *Science*.

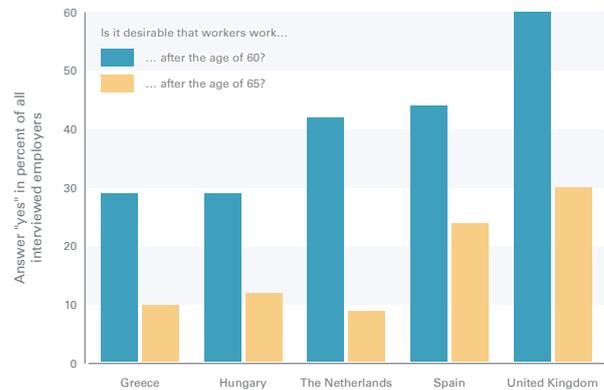
According to the authors, this new perspective is based on the fact that while people live longer, they do so in healthy conditions. In other words, rising life-expectancy also means gaining healthy years. Therefore, instead of applying the conventional old-age dependency ratio (OADR), which considers people dependent upon others when they reach age 65, Sanderson and Scherbov have developed disability-adjusted aging measures (ADDR). And while the conventional OADR is expected to rise starkly in most of the developed countries, the ADDR is likely to stay almost the same over the next four decades.

[Read press release "Remeasuring Aging"](#)

Employers still prefer the young

Working longer and retiring later is not only a matter of whether older individuals want to remain active in the labour market as long as possible, but also depends on employers' capacity and willingness to employ and retain older workers. A recent study by four Dutch researchers compares employers' opinions and expectations about an ageing workforce and postponing retirement across five European countries: Greece, Hungary, Spain, the Netherlands and the

United Kingdom. Across all five countries, 60 percent or more of the employers surveyed associate an older workforce with more know-how and experience. Nevertheless, many more employers expect increases in labour costs than expect increases in productivity. This leads the researchers to the conclusion that most of the employers surveyed perceive work force ageing as a burden rather than as an opportunity.



Graph 1. Opinions of employers on the timing of retirement within their own organization

Instead of switching from full-time career to full-time retirement, part-time work can contribute to the transfer of knowledge and experience to younger employees. At the same time it can help to deal with the desire of the older worker to reduce their work stress and enjoy more leisure time. Almost half of the employers in the Netherlands and a third in the United Kingdom offer such possibilities for gradual retirement to their older workers, whereas in Spain and Greece, this is only the case for about 10 percent of the employers surveyed. [Read Pop Digest](#)

Women still earn less

In 2009 women's gross hourly wage in the European countries was on average 17 percent less than men's, whereby the difference varies between 3 percent for Slovenia up to 30 percent in Estonia. This so called unadjusted Gender Pay Gap (GPG) increases with the level of education. One reason could be the decision of women to work part-time after having children or that they set different priorities for their careers. The GPG also rises with age: Whereas the gap between women and men for those under 30 was about 3.1 percent, it rose to 21.8 percent for the age group of the over fifties measured in 2006. The impact of the inequality in pay includes an increased risk of poverty in old-age for women. [See Eurostat](#)