

Age regulations in pension systems and labour market participation

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Försäkringskassan

Which factors affect older workers' retirement decision?

- Institutions (pension systems, retirement ages, other social insurances)
- Individual characteristics (health, education, wealth)
- Labor demand factors (changes of occupational or industry structure, demand for different skills, self-employment, discrimination)

Does an increase of the age limit in a pension system lead to an increase of the actual retirement age?

Or is there a substitution to other exit routes?

- Disability insurance
- Unemployment insurance

Literature review on pension age reforms and labour supply and retirement decisions

- Cover pension reforms during the 21th century.
- Only empirical studies identifying casual effects.
- Pension reforms in Australia, Norway, Portugal, Switzerland, US and Austria are covered.

The evaluated reforms cover changes in

- The earliest age for pension withdrawal
- The normal or full retirement age
- The age limit for mandatory retirement

Austria – an increase of the earliest age for pension withdrawal

- Labor force participation is low: 53 % for men and 34 % for women aged 55-64. (OECD average 68 % and 49 %, resp.)
- Normal retirement age 60 years for women and 65 years for men.
- Pension reforms in 2000 and 2004: The earliest age for pension withdrawal is raised from 55 to 60 for women and from 60 to 65 for men.
- No mandatory retirement.
- The age limits are raised gradually between 2000 and 2017.
- New increase for women from 60 to 65 years starting in 2024.

Austria – an increase of the earliest age for pension withdrawal

- Exception for those with 37,5 years of labour income.
- The length of the unemployment insurance period is increased from 1 year to 1,5 years. Then means tested unemployment insurance.

Austria – an increase of the earliest age for pension withdrawal

- Staubli and Zweimuller (2012) studies the period 2000 to 2010.
- Pension age is increased from
 - 55 to 58,25 years for women.
 - 60 to 62 years for men.
- For every year the pension age was increased, 20 % used to retire early but are now hindered.
 - 45 % of the women continued to work and 46 % became unemployed.
 - 36 % of the men continued to work and 57 % became unemployed.

Norway – a decrease of the pension age

- Labour market participation in ages 55-64 years is 73 % for men and 66 % for women (2011).
- In the old pension system, the normal retirement age was 67 years.
- Occupational pension (AFP) includes an early retirement scheme. Covers all in the public sector and 50 % in the private sector.
- The earliest age for withdrawal was lowered from 66 to 62 years of age between 1989 and 1998.

Norway – a decrease of the pension age

- The majority leaves the working life before the age of 67.
(2011)
- Public sector: 15 % works at age 66,5 years.
- Private sector: Companies with AFP agreement 10 % works at age 66,5 years.
- Private sector: Companies without AFP agreement 1/3 works at age 66,5 years.

Norway – a decrease of the pension age

- Lotherington Vestad (2012) examines how the possibility to retire early with AFP affect labour supply and other exit routes between 1992 and 2009.
 - 1/3 would have continued working until age 66,5 if AFP was never introduced.
 - 2/3 would have left the labor market using disability pension or with no income at all.
- If the decrease from 64 to 62 years was never introduced
 - 2/3 of those who used AFP at age 62 would have worked at age 63
 - 1/3 would be unemployed or on sick leave.

US – an increase of the normal retirement age

- Labour market participation is 69 % for men and 60 % for women between 55-64 years of age.
- The normal retirement age was raised from 65 to 66 years between 2000 and 2009. (Decision in 1983.)
- Early withdrawal from 62 years of age.
- No mandatory retirement age (against the law since 1986).

- 50 % withdraw pensions at age 62 and 20 % at age 65.
- The retirement pattern at age 65 is pushed upwards as the retirement age increases to 66.

US – an increase of the normal retirement age

- Mastrobuoni (2009) and Song and Manchester (2007) shows that both the age for labour force withdrawal and the age for the first pension withdrawal increases by 1 month when the retirement age is increased by 2 month.

Switzerland – an increase of the normal retirement age

- The labour force participation is 82 % for men and 62 % for women.
- The normal retirement age for women is increased (decision in 1991).
 - From 62 to 63 between 2001 and 2004.
 - From 63 to 64 in 2005.
- Normal retirement age for men is 65 years of age.
- Early withdrawal can be made 2 years before normal retirement age.

Switzerland – an increase of the normal retirement age

- Hanel and Riphon (2012) shows that
 - When women's retirement age was raised from 62 to 63 years, the actual retirement age was raised by 2,3 month.
 - When women's retirement age was raised from 63 to 64 years, the total increase of 2 years led to that the actual retirement age was raised by 7,7 month.
 - Low educated women raised their retirement age the most.

Australia – an increase of the normal retirement age

- 55 % of the women and 72 % of the men aged 55-64 years participate in the labour force.
- Only means tested public pension. Flat rate pension.
- In 2010, 70 % received old age pension.
- Employers are obliged to provide occupational pensions.
- No mandatory retirement.
- Normal retirement age for men is 65 years of age.
- The retirement age for women was 60 until July 1995. Increased gradually to 65 years in July 2013.
- No early withdrawal.
- From July 2017, the retirement age is gradually increased to 67.

Australia – an increase of the normal retirement age

- Atalay and Barrett (2012) examines how women's (60-64 years) labor force participation is affected by an increase from 60 to 63,5 years between 1993 and 2008.
- The labor force participation increased from 15 % to 40 %. Half of the increase depends on the increase of the retirement age.
- The share of the women who had a disability pension increased from 2 percent to 14 percent!

Portugal – an increase of the mandatory retirement age

- 47 % of the women and 54 % of the men aged 55-64 years participate in the labor market.
- The mandatory retirement age is 65 years for men.
- Untill 1994 the mandatory retirement age for women was 62 years.
- The mandatory retirement age was raised gradually to 65 years between 1994 and 1999.

Portugal – an increase of the mandatory retirement age

- Martins et al. (2009) studies women's labor force participation.
- The probability of working after 55 years of age increases by 30 % for the women who are affected by the increase of the mandatory retirement age.

Summary of effects from changes in the retirement age

- An increase in the earliest age for pension withdrawal or in the full retirement age leads to an increase in the retirement age of about 20-50 % of the increase in the age limit.
- The fraction that stays in the labor force increases by 20-50 % when either the age limit for early, full or mandatory retirement are increased by one year.
- When retirement age limits are raised, there is a substitution to other exit routes.

The Swedish pension reform

- New pension system decided upon in 1994 and 1998.
- Those born in 1938 and later are affected.
- Those born in 1954 and later receive the whole pension according to the new system.

- In the old system pensions were based on the 15 year of best income out of 30 years of work.
- In the new system, the whole working life counts.
- In both system pensions can be withdrawn from age 61.
- In the old system, normal retirement age was 65.
- No normal retirement age in the new system.

The Swedish pension reform

- According to labor law: The mandatory retirement age is 67 years since 1991.
- However, the mandatory retirement age of 67 was set aside by collective agreements. The collective agreements lowered mandatory retirement to 65 up to 2003.
- Since 1 January 2003, all collective agreements stating a lower mandatory retirement age than 67 are forbidden.

Percent of the population withdrawing pensions

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
61-64 years	10	13	15	16	20	22	22	24	26	27	30
65 years	77	76	76	73	71	66	63	62	59	57	55
66-70 years						10	12	15	13	13	14

Percent withdrawing pensions



Men

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
61-64 years	13	15	17	18	22	24	25	26	28	29	32
65 years	72	70	71	68	66	61	58	57	55	52	50
66-70 years						11	13	16	14	14	15

Women

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
61-64 years	8	11	12	14	18	20	20	22	23	25	27
65 years	83	82	81	79	76	72	69	67	65	63	61
66-70 years						9	11	13	12	12	13

Percent withdrawing pensions

Men

Age	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
61	5,1	5,5	4	3,9	4,3	4,9	5,7	6	6,6	6,8	6,7	6,5	6,6	7,3	7,8
62		3	2,4	2,7	2,7	3,4	3,7	3,9	4,8	5,3	5,2	5,5	6	6,1	6,9
63			2,7	2,5	2,8	3,3	3,9	3,9	5,2	5,8	6	6,6	7,2	7,2	8,3
64				2,6	2,8	3,4	4,1	4,3	5,8	6,5	6,7	7,2	7,9	8,3	9,2
65					71,8	70	71,3	68,2	66	61,2	58,2	56,7	54,6	52,2	50,3

Women

Age	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
61	2,1	2,3	2	1,9	2,5	3	3,6	4,2	5,5	5,9	5,4	5,3	5,2	5,8	6
62		1,6	1,3	1,5	1,7	2,2	2,4	2,8	3,6	4,2	4,1	4,4	4,9	4,9	5,8
63			1,9	1,7	2,2	2,6	2,9	3,2	4,3	4,7	4,9	5,5	6,3	6,8	7,3
64				1,5	1,9	2,8	3,2	3,4	4,8	5,3	5,5	6,3	7	7,6	8,3
65					83	81,5	80,7	78,5	76,1	71,9	68,5	67,1	64,5	62,5	60,7

Percent withdrawing pensions

Men

Age	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
66	4,5	7	5,4	6,7	6,6	7,5	8,2	7,5	7	7,4
67		3,5	2,5	2,8	3	3,6	4,8	4,2	4,2	4,5
68			0,9	0,9	0,9	1,1	1,4	1,4	1,3	1,4
69				0,4	0,4	0,4	0,6	0,6	0,5	0,6
70					0,4	0,4	0,6	0,6	0,5	0,6
71						0,2	0,3	0,2	0,3	0,2

Women

Age	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
66	3,7	5,8	4,7	5,8	5,7	6,6	7,6	6,9	6,4	6,6
67		3	2,1	2,4	2,5	3,1	4	3,8	3,8	4,1
68			0,6	0,7	0,6	0,6	0,9	1	0,9	1,1
69				0,3	0,2	0,3	0,4	0,4	0,3	0,3
70					0,3	0,3	0,4	0,3	0,3	0,4
71						0,1	0,2	0,1	0,1	0,1

Average age for pension withdrawal

	1998	2000	2002	2003	2005	2007	2009	2011	2013
Women	64,9	64,9	64,9	64,9	64,8	64,7	64,7	64,7	64,6
Men	64,8	64,7	64,7	64,8	64,7	64,5	64,6	64,6	64,5

Presentationen baseras på rapporten:

“Om effekter på arbetsutbud och pensionering av
förändringar av pensionsåldern – en
forskningsöversikt”

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