

Globalization, Uncertainty and Late Careers in Society

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Preface

This volume is a product of the international and multidisciplinary research project “*GLOBALIFE – Life Courses in the Globalization Process*,” funded by the Volkswagen Foundation (Hanover, Germany). This project studied the implications of the globalization process for the life courses of individuals in modern societies. In particular, the project examined how globalization impacts four phases of the life course: (1) the transition to adulthood, (2) men’s mid-career mobility, (3) women’s mid-career mobility and the work/family link; and (4) late careers and retirement. There is an edited volume on each of these life phases.

This edited book presents the findings of the fourth phase of the *GLOBALIFE* project. It examines how accelerating changes in the (labor) market, induced by globalization, and the incentives engendered by national pension systems affect the position of older employees in the labor market as well as their rate of exit to early retirement. In a globalizing world, the higher job security and wage levels of late-career employees are often at odds with the faster obsolescence of their skills and competences, the lower profitability of their re-training investments and their lower competitiveness with regard to the better qualified younger generation for newly created jobs. In a period of accelerated global change, companies therefore often view late-career employees as an increasingly expensive and inflexible burden. Employers can (1) either re-train late-career workers and adjust their skills to the new needs of the workplace, which is comparatively costly, or (2) lay them off, which jeopardizes the motivation and trust of mid-career employees in the company, or (3) cut their wages, which is often difficult and de-motivating, or (4) they can try to send them into early retirement – if this option structurally exists in their country. In other words, in a globalizing world older workers increasingly face a more difficult structural labor market position. In particular, in nations with so-called insider-outsider labor markets, where the job security of older workers is particularly high and layoffs as well as wage cuts are hardly possible, the response of the welfare state to accelerated structural change has been the introduction of various early retirement schemes for the older workforce. These measures offer incentives for older employees to leave the workforce earlier and give companies an opportunity to adjust their personnel’s qualification structure through the hiring of a younger generation with modern education. Such early retirement programs also help to unburden the labor market in general and to reduce the number of

people who are counted as unemployed. However, not all countries have adopted this relatively costly early retirement solution, as will be demonstrated in this book. How late-career employees are affected by globalization varies strongly based on national institutions, such as occupational structures, employment relations, labor market policies, as well as welfare and pension systems, which together systematically filter the globalization forces. A central aim of this volume is therefore to compare the consequences of globalization for older employees across various country contexts of modern societies.

The *GLOBALIFE* project started in 1999 and ended in 2005. It was first located at Bielefeld University, but then moved in September 2002 from Bielefeld to Bamberg, when its director, Hans-Peter Blossfeld was appointed as Professor of Sociology at the Otto-Friedrich University Bamberg. During the analyses and the writing of drafts, the project consisted of the following core project members at the University of Bamberg: Hans-Peter Blossfeld, Sandra Buchholz, Daniela Grunow, Dana Hamplová, Steffen Hillmert, Dirk Hofäcker, Heather Hofmeister, Karin Kurz, Detlev Lück, Štěpanká Pollnerová, Jan Skopek, and Kadri Täht. We would like to thank all of these colleagues for their superb support and their excellent comments in the weekly *GLOBALIFE* research seminars.

As editors of the book and organizers of the cross-national comparisons, we would also like to thank all the contributors of the country-specific chapters in this volume for their wonderful co-operation and for the enormous effort they put into their analyses and manuscripts. We tried to use comparable data and made a commitment to apply a common research design to the study of effects of globalization on late careers. However, the contributors did not simply carry out a previously designed analysis. As demonstrated by the wealth of information in the country-specific chapters, much of the work in this book represents the creative contributions of our international collaborators. It is also important to note that all of the book chapters were peer-reviewed and revised several times.

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Foreword

Globalization has increased the uncertainty of late work careers, forcing many older workers to retire earlier than during the Golden Age of full employment prior to 1973. As shorthand for diverse economic changes, “globalization” can be seen as accelerated international economic competition, as restricted space for national public policies, and as ongoing transnational diffusion of labor saving technologies. These economic changes affect the life courses of individuals in their transitions from work to retirement. While globalization has pushed some older workers out of the labor market, it also considerably limits today’s welfare states in providing generous early retirement options. For current reform debates, we need to understand how global economic pressures have affected the late career life course. Why have some countries been more capable of maintaining high employment rates in older age groups, while other countries have excluded them from work and externalized costs on to welfare states? The present study looks at work-retirement transitions for older workers from a life course perspective. Instead of assuming globalization to have similar effects or leading to convergence, this comparative cross-national study takes into account the differential institutional “filters” of welfare state regimes, labor market regulation, and education-qualification profiles, mediating the impact of globalization on the late career life course.

The present collaborative study of the impact of globalization on late-career phases is part of the *GLOBALIFE* Project (“Life Courses in the Globalization Process”), generously funded by the Volkswagen Foundation over the last five years (1999-2004). In previous studies, *GLOBALIFE* has covered the earlier phases in the work-related life course: the labor market entry phase, the mid-career patterns for men, and the work participation of women during the phase of childrearing. An understanding of these earlier life course phases is not only important in its own right, but also informs our understanding of transitions from work to retirement. Differences in general and vocational education have a long-term impact on an individual’s employment chances and career opportunities. Vocational training systems that focus on early phases often lack appropriate (re-) training thereafter – to the detriment of older workers’ skill profiles. Mid-life career patterns such as steep seniority wages, insufficient up-skilling, work-related health impairments, and unemployment spells are even more closely related to early retirement of men. Finally, increased female labor force participation in the mid-career phase may put more pressure on the labor market

and may affect the quantitative impact of female (early) retirement. Due to the increased female employment participation, a life course analysis is particularly appropriate to study actual end-career exit patterns.

This fourth volume in the *GLOBALIFE* series presents a comprehensive cross-national analysis of late career transitions from work to retirement and the differential patterns of maintaining active employment of or exclusion from work for the age groups aged 50 and older. Let me sketch an “archaeology” (Mayer 2004) of the comparative and life course analysis of early retirement over the last decades in order to situate the current study and highlight its considerable contribution. The advances made by the *GLOBALIFE* study can be best understood as standing “on the shoulders” of previous work seeking to grasp the seemingly general phenomenon of ever earlier exit from work.

The observation that “older workers are one of the groups whose labor market situation, as unemployment became increasingly structural in its nature, has deteriorated considerably in the last decade” (Casey and Bruche 1983: vii), initiated a study at the *Wissenschaftszentrum Berlin (WZB)*, comparing labor market problems of older workers in Germany, Britain, the Netherlands, Sweden, and the USA. The project looked at early retirement as one of multiple adjustment problems connected to rising mass unemployment since the mid-1970s. Others included adjusted working conditions, dismissal protection, working time reduction, long-term unemployment, and re-integrative labor market policies. That analysis reflected the various strategies of trade unions, employers and governments used at the time to cope with structural unemployment: some unions called for working time reduction (most prominently the German metal workers union’s 35-hours-per-week-campaign), others sought to buy out older workers and bring in young unemployed persons (for instance, the German pre-retirement scheme of 1984).

During the 1980s, life course analysis advanced to an exciting sociological perspective that had immediate relevance for studying (early) retirement (Mayer 2004). On the one hand, welfare states *institutionalized* retirement as a final exit from work and as the *third* phase of the life course. On the other hand, the actual retirement age became increasingly *destandardized*, as workers would leave employment ever earlier. By the early-1990s, *Time for Retirement* compared various *pathways* to early retirement (Kohli *et al.* 1991), such as flexible old age pensions, disability pensions, special pre-retirement schemes, and long-term unemployment benefits. Although many European countries, including Hungary, and the USA showed a trend toward early exit from work, the publicly financed pathways differed considerably across welfare states. During the 1990s, several specialized comparative studies investigated particular aspects related to early retirement, such as the (mis-) use of disability pensions (the “Dutch disease”) and the active employment strategy of gradual (or partial) retirement (the “Swedish virtue”).

Esping-Andersen’s influential *Three Worlds of Welfare Capitalism* (1990) provoked much comparative research, and it was not unrelated to the early retirement problematic. In his view, Continental “welfare states without work” face an “impasse” of “labor shedding” strategies, such as early retirement, to

alleviate labor market pressures (Esping-Andersen 1996). Similarly, Fritz Scharpf criticized the “Continental dilemma”: the vicious circle of passive labor market policies that increases social labor costs and thereby unemployment rates even further (Scharpf 1998). His international comparative project on *Work and Welfare in the Open Economy* at the Max Planck Institute in Cologne explored the capability of welfare states to adapt to globalization (Scharpf and Schmidt 2000), including a study on reversing early retirement policies (Ebbinghaus 2000). These comparative welfare state analyses showed the importance of understanding the different macro-regime constellations and the difficulties of changing policies given institutional path dependency and political veto points.

In contrast to macro-level studies, economists took macro-configurations as given and asked to what degree social protection would provide a “pull” towards early exit from work for older workers. A special study for the OECD (Blöndal and Scarpetta 1998) became the influential starting point for economic analyses of the disincentives to work provided by welfare states. A comparative international study used benefit simulations to show the incentive effects of current public old age pension schemes (Gruber and Wise 1999), although it excluded other pathways such as disability pensions and unemployment benefits. Yet employers may have fostered early retirement through private occupational pensions or golden handshakes. Many economic studies seem biased in looking mainly at the labor supply side, the “pull” incentives of welfare programs, while they ought to also take into account the demand side, the “push” factors, such as the interest of firms in shedding older workers.

That early exit from work results at least partly from economic “push,” was a convincing new perspective in the comparative project under the direction of the late Frieder Naschold at the WZB investigating the externalization or internalization strategies of firms across Europe, Japan, and the USA (Naschold and de Vroom 1994). Some companies use early retirement as a strategy to restructure, keeping younger workers with new skills and shedding older workers with outdated skills in a socially accepted way. In Sweden and Japan, companies use more internalization strategies to maintain these workers in the firm or reemploy them after their mandatory retirement from career jobs. More broadly, the *Varieties of Capitalism* (Hall and Soskice 2001) approach draws attention to the differences between Anglo-Saxon “free” versus Rhenish “social” market economies, or liberal uncoordinated versus non-liberal coordinated market economies. Recent research in political economy has explored the institutional complementarities and elective affinities between welfare regimes, production systems, and labor relations (Ebbinghaus and Manow 2001). In order to explain variations in early exit from work, one should apply a more integrative macro-sociological perspective to look at the “pull” of different welfare regimes and the “push” of different economic systems as well as the mediating role of the social partners (Ebbinghaus 2006).

The comparative studies reviewed thus far have largely used macro-comparative analysis to study “pull” and “push” factors on early exit from work patterns. Even micro-economic analyses use pension benefit rules set nationally to simulate micro-level incentive effects. Besides individual national studies,

truly comparative projects with micro-level analysis of early retirement decisions are rare, partly due to the problems of availability and comparability of survey and panel data. The *GLOBALIFE* project is a welcome endeavor empirically to study the impact of cross-national regime variations across welfare states and employment systems with the help of national micro-level data that allow longitudinal analysis. Just recently, a comparable micro-level database for older working and non-working people was launched in Europe with the SHARE-Project (Börsch-Supan *et al.* 2005), allowing comparisons utilizing similar data in Britain and the USA.

Interestingly, many of the mentioned international research projects have been initiated or coordinated at German research institutions. Given the long record of using early exit from work in response to labor market problems since the mid-1970s, the societal and political debate in Germany (and in many other neighboring European countries) has naturally also affected the research agenda and funding decisions. Although the impetus may have been to understand national developments, from the very start these research projects were international in comparing experiences in other European countries and abroad, and collaborating with many non-German academics. This holds also for the *GLOBALIFE* project, thanks to the considerable coordinating skills of Hans-Peter Blossfeld at the University of Bamberg.

The *GLOBALIFE* project has brought together a truly international team of collaborators to cover developments in eleven European countries and the USA. Compared to many previous studies concentrating only on social-democratic, conservative and liberal welfare state regimes, the *GLOBALIFE* scope of countries extends to include the post-socialist regimes of Eastern Europe. This is of particular significance, because no other area in Europe has gone through such dramatic exposure to globalization in the 1990s, with older workers forced out of work, especially in Central Eastern Europe (less so in the Baltic countries). Each national *GLOBALIFE* study provides an in-depth analysis of late career employment patterns and work to retirement transitions, based on the analysis of national micro-level data. These collected studies provide the most comprehensive analysis to date of individual work to retirement transitions in a life course perspective, enabling the comparison of different cohorts across time. Given the data upon which such retrospective cohort analyses rely, the findings concern past and current cohorts of retirees. Thus, in order to study the impact of current and future reforms, further studies will be needed in the years to come. For such endeavors, the *GLOBALIFE* project provides an impressive model of how to combine macro-comparative and micro-level analyses of the life course to illuminate social change.

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