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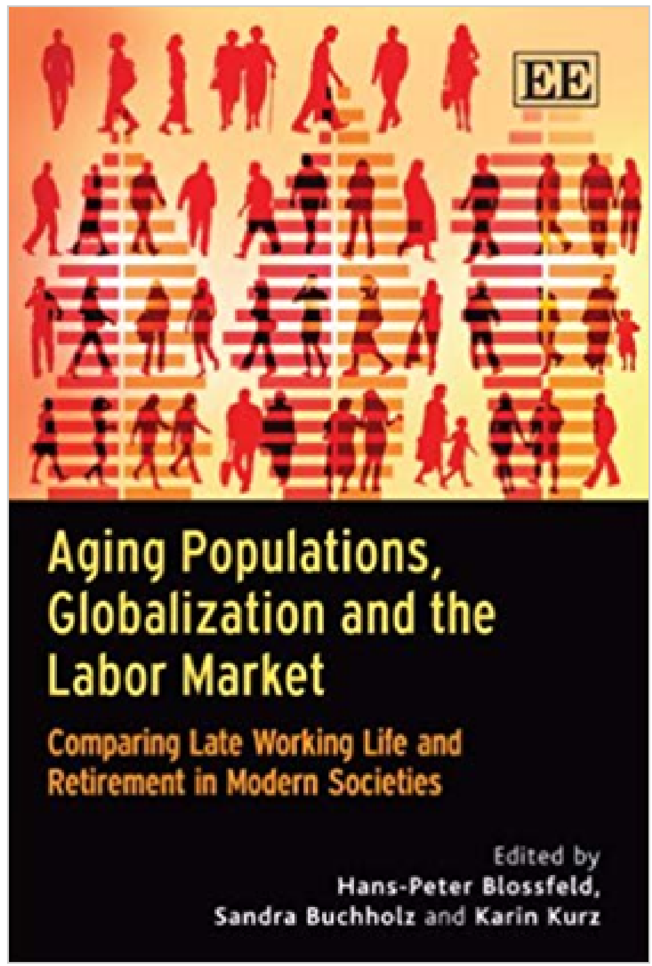
Are your nest eggs toast? The evolving transition to retirement in Western economies

Aging Populations, Globalization and the Labor Market: Comparing Late Working Life and Retirement in Modern Societies. Edited by Hans-Peter Blossfeld, Sandra Buchholz, and Karin Kurz. Northampton, MA: Edward Elgar Publishing Inc., 2011, 360 pp., $143.10 hardback.



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Thirty years ago, many workers in Western economies could retire with a pension before they reached age 60. Today, people often work into their late sixties or even seventies, and private pensions have become rare. However, most observers cannot point to why this shift has occurred. *Aging Populations, Globalization and the Labor Market*, edited by sociologists Hans-Peter Blossfeld, Sandra Buchholz, and Karin Kurz, seeks to answer this question by compiling an impressive list of comparative empirical analyses for 10 Western economies. The book is structured into three parts, with an introduction, a set of case studies by country, and a conclusion with a discussion chapter. The introduction is an essential aid to the reader, as it sheds light on how each case study fits into the book's overall conceptual framework.

The Western economies included in the cross-national analyses are those of the United States, the United Kingdom, Germany, the Netherlands, Italy, Spain, Denmark, Sweden, Hungary, and Estonia. Twenty-one professional economists, sociologists, and research scientists contributed to these analyses, discussing the variety of labor market experiences observed in one's late career and detailing country-specific retirement norms. Researchers in each country gathered data from different periods between 1980 and 2007. The countries are grouped into five types of welfare regimes, which, as described in the book, "differ strongly with regard to the priority given to publicly supported (full) employment, for example by measures of active

labor market policies, and with regard to the level of decommodification for those who are not employed." These regimes are categorized as conservative (Germany and the Netherlands), fragmented (Italy and Spain), liberal (the United States and the United Kingdom), social democratic (Denmark and Sweden), and postsocialist (Hungary and Estonia).

While this grouping is intuitive in light of national history and institutions, it is imperfect at times. For example, as the postsocialist countries transitioned to a capitalist system in the 1990s and early 2000s, they tended to resemble one of the other welfare regimes. In Hungary, for instance, there was a shift toward a conservative system, whereas in Estonia, toward a liberal one. Thus, it is unclear whether the fifth regime category (postsocialist) is necessary. Nor is it clear why one should look only at Western countries. Some developed Asian economies would surely put forth an interesting case study as well. I couldn't help it but think how Japan and South Korea would compare with others as some sort of an "Asian tiger" regime. Such omissions are noticeable, especially since these countries are experiencing a demographic crunch, where the median age of the population is steadily increasing, as it is in Western countries. Regardless, the regimes are well explained and defined in the introduction, which sets the stage for developing hypotheses about how each regime would react to globalization and demographic changes.

Several key results of these global and domestic developments are addressed in the book. Changes to Western economies due to globalization include the internationalization of labor markets, the opening of domestic markets to greater foreign competition, and the increasing privatization of formerly state-owned enterprises. The latter two points are especially important. The authors note that exposing workers to foreign competition can cause worker migration and increased pressure on firms to relocate or dismiss workers. On the other hand, population aging can increase the burden on pension systems, putting pressure on states to maintain employment. Further, privatization can affect publicly managed pension plans (as opposed to private pension plans). Although the difference between private and state-owned firms is noted in the empirical analyses for some countries, it is not a central theme in the book, and no argument is made about the effectiveness of private pensions. Instead, the emphasis is on the increasing inequality faced by workers as wealthier employees reap more benefits from privatized plans than do their poorer counterparts. Cutbacks to old safety nets and workers contributing little to no money into retirement funds add to this inequality. The authors' discussion of inequality is ominous, as it pertains to periods *before* the Great Recession. It would be interesting to see a similar analysis for an updated period that includes the recession and its aftermath.

The demographic shifts within each of the countries examined are simpler to observe. Over the last two decades, Western societies have experienced significant population aging. This fact, which highlights the relevance of the book, points to the need to study how the welfare systems of these countries are handling increasing numbers of older individuals. In many Western economies, demographic changes have stressed institutions that focus on full employment, early retirement incentives, or alleviating inequality in aging populations.

The national case studies anchor the book. Most of them have the same structure: overview of national institutions, hypotheses, data and methodology, analysis, and conclusions. Every case study is written by a different set of contributors with expertise in the subject country. However, since the book covers 10 different countries and pools analyses from many authors, it struggles to draw unifying linkages across case studies. Because data are collected from a variety of sources (often a nationally based survey), information available for, say, Germany may not be available for Italy. In the book's conclusion, the authors indeed concede that their

"analytical strategies had to adapt to the characteristics of the available data sets." I find this limitation to be one of the main issues with the book, preventing a straightforward comparison between any two countries.

For the most part, the authors use the case studies to compare regime types. This comparison is convincing, albeit less detailed than a cross-national comparison. The regime types introduced earlier are the conceptual frames within which expectations are drawn. According to the authors, it is reasonable to expect that liberal states (the United States, the United Kingdom, and, to an extent, Estonia) would face more volatility in late-career employment. This is due to their greater dependence on private pensions and less regulated labor markets than those of fragmented states (Italy and Spain), which still provide relatively generous benefits to their pensioners. Unfortunately, a comparison of pension income between, for example, the United States and Italy is not possible, because the case study for Italy does not use a model that tests for that variable.

The book's concluding discussion seems to support the regime-type hypotheses. In most cases, the observed empirical trends followed the authors' expectations of how certain regime types would react to changing labor market conditions for older workers. Conservative regimes were found to adopt policies that move away from early retirement options and extend working life, although early retirement was still somewhat common. These regimes also experienced increasing inequality in unemployment risks and pension income between high- and low-skilled workers. Fragmented regimes saw less change in late-career outcomes, because their pension reforms targeted younger workers who were yet to enter the retirement stage. However, these regimes were characterized by a stark insider–outsider structure, whereby the insiders kept most of their generous pension benefits while the outsiders faced greater exposure to globalization risks. As a result, inequality did increase in terms of late-career incomes. The social-democratic regimes saw increasing pension levels, but these gains accrued mainly to workers with more education. Sweden and Denmark, both having social-democratic institutions, showed increasing—yet still very moderate—inequality. Lastly, liberal regimes also faced increasing inequality by education level. The trends for these regimes were more pronounced because, naturally, they have greater exposure to market forces. Workers with less skill and education saw little or even decreasing benefits, whereas those with more skill and education experienced better pension outcomes as a result of higher labor demand and greater access to private pensions.

I found the similarity in inequality trends across regimes to be a little surprising, but perhaps it isn't too farfetched for a period that predates the Great Recession. In the past decade, many sociologists and economists have been focused on the labor market impacts of the recession. Perhaps the book's empirical work, which covers relatively stable economic times from the early 1980s to the mid-2000s, can serve as a control in future recession analyses. I also think that the authors could have discussed in greater depth which regime types, or even specific countries, adapted best to the changing environment for late-career workers. Despite these minor shortcomings, the book is a detailed and laudable read that will appeal to professionals interested in how modern economic developments have shaped the retirement experiences of aging workers.