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**The Impact of Values and Institutions on the
Retirement Behaviour of the
Low and High Skilled Worker**

GUSTO-project WP3

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Abstract

The research presented in this paper examines the influence of values and institutions on the early retirement decision of low and high skilled workers. It not only views the influence of economic incentives to retire early, it also examines the impact of individual values, social norms, and institutions. The study analyses transitions out of work into retirement and uses comparative panel data in 23 countries including the Baltic and many East-European countries from EU-SILC¹ 2005-2008, matched with EVS data for 2008 to estimate multinomial logit models. The results suggest that social norms do influence the early retirement decision, yet not entirely in the way as expected, whereas the effects of individual-level values appear to be negligible. The early retirement age and the statutory retirement age both appeared to be important, but they affect the retirement decision differently. The generosity of old-age pensions, expressed in terms of replacement rates, has the expected pull effect on early retirement. Furthermore, attention was paid to the position of women and low skilled workers facing more uncertainties accompanied with early retirement. The results indicate that there are some gender differences concerning the effects of social norms, and that mainly the institutional factors are more important for women than for men. As to differences across skill levels some social norms appeared more influential for high skilled workers, whereas work ethos exerts a stronger effect on the low skilled workers' retirement decision. Replacement rates were of greater impact on the low skilled worker decision, but the effects of individual values and the early and statutory retirement age appear not to differ by education or skill level. Lastly, no clear differences were found across the six distinguished welfare regimes including the Eastern regime type.

Keywords: Early retirement, low skill, uncertainty, social norms, SILC, European Values Survey (EVS), welfare state regimes, work ethos, leisure values

¹ EU-SILC = EU Statistics on Income and Living Conditions.

EVS = European Values Study.

1. Background

Since the 1970s, across all advanced industrialised economies, older workers have increasingly been exiting the labour market prior to the statutory retirement age (Ebbinghaus, 2006), whereas only a small fraction defers retirement beyond that age. In order to provide an insight into the question which factors are most important in choosing for an early exit, this article analyses data from the European Values Study (EVS) and the EU Statistics on Income and Living Conditions (SILC). Whereas most studies tend to focus on country-level and organisation-level institutional factors such as the pension system (e.g. Fischer and Sousa-Poza, 2006) and labour-shedding strategies of firms (e.g. Ebbinghaus, 2006), less is known about the role of individual values and social norms. Therefore, besides the effect of institutional differences, this study also takes the effect of individual values and social norms into account. Furthermore, the differences in retirement decisions of low and high skilled workers are explored, and attention is paid to gender differences and differences between welfare regime types. Expressed differently, the central research question is as follows: ***“What are the differences in early retirement patterns for low and high skilled men and women across Europe and can these differences be explained by value and institutional differences?”***

Although early retirement may be tempting because of the increase in leisure time, an early exit from the labour market creates uncertainties about whether one will receive the predicted or presumed level of benefits. These consequences are unpredictable because of which they are called “incalculable” uncertainties (Crouch, 2010) since the economy may not behave as expected, demographic trends may alter, political systems may change, and private and public sector institutions important to the pension system may fail to execute the responsibilities they have been assigned” (Thompson, 1998: 3). Also, the ageing of the working population aggravates pensions’ financial burden, since the benefits for the larger cohorts of older workers leaving are largely paid by the contributions of the smaller cohorts of young workers. The recent financial crisis has also aggravated these financial problems, because of which entitlements may be substantially lower than initially expected. People may also simply receive less than they expected due to lack of information or unawareness.

Incalculable uncertainties also pertain to the consequences of particular adverse life events. For example, people may get divorced at some point in time, which can have a huge impact on their career and financial situation. Especially women are likely to have an interrupted employment history; that is, women are more likely to work part time or to stop working altogether for a number of years to fulfil caring duties, leading to reduced entitlements to occupational pensions. Especially after the dissolution of a marriage, they cannot rely on their husbands’ resources, e.g. in the form of pension income, anymore. For these women retiring early may have adverse consequences for their incomes in later life.

Low skilled workers are also likely to be more exposed to these uncertainties. First of all, those with a low education are less likely to have sufficient financial assets to draw on during early retirement because they have fewer opportunities to save money. On top of that, low skilled workers more often work in less profitable sectors paying lower wages and providing less generous pension schemes. For those reasons, unexpected drops in early retirement benefits are more likely to have serious

consequences for their income than for higher educated people, who usually have higher wages and are better able to save money during their lives. For instance, a drop in pensions of, say, 10 percent is more likely to have consequences for someone close to the poverty line than for someone who has a better financial position. Furthermore, those with a low education face greater risks of exiting the labour market through unemployment or disability, partly because they are exposed to less healthy working conditions than high skilled workers. It is therefore not surprising that there is a large degree of inequality in retirement incomes by educational level, with households that are over-annuitized versus households that are living in low income situations or even in poverty (Börsch-Supan and Reil-Held, 1997). A worker's perception of these incalculable uncertainties may be important when it comes to making the decision to retire early or to work up to the official retirement age. If a low skilled worker is well aware of his vulnerable income position he or she may be more inclined to postpone early exit in order to delay the reduction in income associated with early retirement, whereas a higher skilled worker has better income prospects and better pension entitlements and may therefore be more inclined to leave the labour market earlier. On the other hand, low skilled workers have less attractive jobs than high skilled workers and may therefore be more inclined to accept early retirement offers, especially when the reduction in net income is small.

Besides the uncertainty of receiving insufficient income, not working creates uncertainty for one's well-being, since a job can fulfil much more roles than providing for income alone. Work also gives status, and it can be an important source of social capital, since work involves companionship and forms of solidarity with colleagues (McDowell, 2003). Moreover, the occupation can be a source of satisfaction and it can give a sense of meaning and identity (McDowell, 2003). In industrial society, wage labour has become one of the most important phenomena in life. Not only because of the amount of time spent working during people's lives, but also because of the time spent beforehand and afterwards pondering over work and working towards it (Beck, 1992). As pointed out by Beck (1992), when two strangers ask each other "what are you?" they usually answer with their occupation, and not with for example their hobby or religious identity. Leaving the labour market may therefore feel as losing a part of one's identity.

This paper is divided into six sections, the first one being this introduction. Section 2 highlights the theoretical framework of this study. In section 3 some information will be given about the data used and about the sample, followed by a description of our measures in section 4. In section 5, the results of the bivariate and multivariate analyses will be presented, and lastly, section 6 contains the conclusions and some implications for further research.

2. Theoretical framework and expectations

2.1. Exit trajectories

The literature on liquid asset holdings indicates that a substantial part of the older working population has little savings to draw on in retirement, especially those with low educational attainment. Hence, if the authorities would not provide benefits for non-working persons prior to the statutory retirement age, most people would not have the option to retire early (Blöndal and Scarpetta, 1998). The benefits associated with early retirement are disability benefits, unemployment-related benefits, and special

early retirement benefits, so besides exiting the labour market through old-age retirement, three other exit trajectories are possible: unemployment-related retirement, disability- retirement, and special early retirement (Blöndal and Scarpetta, 1998).

Unemployment benefits

First of all, becoming unemployed at a later stage in life often means moving into early retirement. In many countries, unemployment-related benefits for older workers are supplied up to the pensionable age, and the active job-search requirement is removed for those workers, which turns unemployment benefits into *de facto* early retirement benefits (Blöndal and Scarpetta, 1998). For example, in Sweden, workers who become unemployed at 60.5 years of age can receive unemployment benefits up to the official retirement age (Dahl, Nilsen and Vaage, 2000). Furthermore, according to Blöndal and Scarpetta (1998) “there is also evidence that work tests are applied more leniently in countries which do not formally exempt older workers from standard job-search criteria” (p. 29). This may also have to do with the fact that companies are generally hesitant in hiring older workers, which makes finding a job a great uncertainty for unemployed older workers. For example, Taylor and Walker (1998) indicate that in the UK some non-working people in their fifties and early sixties feel discouraged by employers and representatives from official agencies and resign to the fact that they probably will not work again. They often cite age restrictions in job advertisements as barriers to employment, and they suggest that a greater number of potential working years, “paper” qualifications and adaptability are a few reasons why employers are more likely to hire younger workers (Taylor and Walker, 1998). In addition, employers may be reluctant to hire older workers because of the age-wage-productivity gap, which pertains to the assumption that older workers may have wages that are relatively high in comparison with their productivity levels (Van Ours and Stoeldraijer, 2010).

Disability benefits

Retiring through disability benefits is another possible exit route. Research has shown that a bad health status is an important motivation for retirement, as it can force people out of the labour market. According to Blekesaune and Solem (2005), “reduced health may create a discrepancy between job requirements and working capabilities, which in turn may lead to early retirement, usually with a disability pension” (p. 6). Health risks are especially high when work entails mental stress and hard physical tasks (Blekesaune and Solem, 2005). Moreover, in most countries disability schemes are the most generous schemes (Blöndal and Scarpetta, 1998), so once someone is receiving disability benefits it might be attractive to remain in the disability programme up to the official retirement age. In addition, bad health is a socially accepted reason to enter early retirement (Schils, 2005), and therefore people on disability benefits may feel less of a moral duty towards society to return to work.

Occupational and private pensions

Besides retiring through public benefit schemes, it is also possible to retire through occupational pensions or private pension funds. In fact, there are three so-called pension pillars. The first one comprises public pensions, which are state-managed, and in most cases mandatory. The second pillar comprises occupational pensions, which are usually established by the employer or at the sectoral level. Participation is generally voluntary, but in some cases it is quasi-mandatory as participating in the scheme might be specified in the workers’ labour contract. In countries with quasi-mandatory

occupational pension schemes (Denmark, the Netherlands, UK, Sweden) the coverage rate is much higher than in the countries where participation is voluntary. The third and last pillar comprises private pensions (Schils, 2005). Just like occupational pensions, private pensions are becoming increasingly important for building up a satisfactory retirement income, but the private sector is still developing (Schils, 2005). When asking pensioners from the EU-15 countries² about their main source of income, the vast majority (78%) reports state or public pensions. Occupational pensions constitute the most important income source for 8 percent of the respondents, a mere 3 percent reports personal or private pensions, and even fewer respondents report another main source of income, such as returns from savings or real estate (European Commission, 2004). However, there are quite some cross-country differences. Over three-quarters of the incomes of people over 65 in for example Hungary, Slovakia, Belgium, and Austria comes from public transfers, but at the other end of the spectrum less than half of old-age income is state-provided, e.g. in the Netherlands and Great Britain (OECD, 2009). Within the private sector a distinction should be made between defined benefit and defined contribution systems. According to Clark and Pitts (2002) “defined-benefit plans promise a specified benefit at retirement, whereas defined-contribution plans are based on contributions into individual accounts, with benefits being determined by the value of the fund at retirement” (p. 18). The expected value of the two pension plans are both influenced by various factors, e.g. “[the] probability of job changes, financial market fluctuations, probability of employer-initiated changes in pension rules, and uncertainty concerning retirement timing” (Clark and Pitts, 2002: 20), but the worker’s perception of uncertainties might be smaller when participating in a defined benefit plan, since it suggests a secured retirement income.

2.2. Incentives for early retirement

Push and pull factors

There are several incentives for older workers to retire early and, in that context, the role of push and pull factors often comes up in the debate on early retirement. The literature on retirement defines push factors as negative considerations, and pull factors as positive considerations (Schultz, Morton and Weckerle, 1998). For example, poor health and dislike of one’s job push older workers into retirement and are therefore push factors, whereas the desire to pursue leisure interests or volunteer activities is a more positive factor which attracts older workers into retirement and is therefore a pull factor (Schultz et al., 1998). The pull view assumes that early exits result from attractive exit possibilities that are created by social policies, such as lowering age boundaries to early retirement, whereas the push view assumes that early exit results from the evolution of labour markets and that early exit takes place regardless of the available institutional pathways (Dahl et al., 2000).

Implicit tax and replacement rates

² EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, UK (European Commission, 2004).

According to the economic theory of labour supply individuals choose to stop working when the expected gain from leisure is larger than the expected future income loss due to early exit (Ebbinghaus, 2006). Central in this economic idea is the concept of an “implicit tax” on work. If the costs of early retirement in terms of foregone pensions and paid contributions are not counterbalanced by an increase in future pension benefits, there is an implicit tax on continued work (Duval, 2003). For example, the disincentive to work is particularly strong after the earliest age at which pension benefits become available: from that age on, one extra year of work entails one year of foregone old-age pensions and one extra year of paying pension contributions, with often little or no increase in the ultimate pension level (Blöndal and Scarpetta, 1998). Hence, the implicit tax on continued work becomes quite high and the availability of old-age pensions constitutes a strong disincentive to continue working.

Also related to the implicit tax on work is the replacement rate of the available social benefits. Replacement rates are the ratio of post-retirement income (pension) to pre-retirement income (wage), and can be used to assess the generosity of benefits such as old-age pensions (Schils, 2005). According to Duval (2003), country differences in expected replacement rates match the differences in implicit tax rates fairly well (but not perfectly), since “countries with high replacement rates often also have large implicit taxes on continued work (...) and *vice versa*” (p. 22). Hence, when replacement rates are low, for example less than 50 percent, the incentive to retire is low as well. Likewise, higher replacement rates lead to an increased incentive to retire (OECD, 2002).

Retirement decision a rational choice?

However, we have to take into account that people cannot always act as rational beings and that the early retirement age does not always come forth out of free choice. In theory, rational individuals could set their age of retirement at an optimal level through a trade-off between consumption and leisure time, but empirical evidence indicates that choosing one’s optimal retirement age is limited by four factors (Duval, 2003). First of all, some individuals are not able to borrow in capital markets in order to finance their early retirement. Second, custom or accepted practice within a company or a sector may stimulate individuals to retire at a customary age. For example, Schils (2005) mentions the Dutch banking sector, where workers are expected to retire at the customary age of 62, which is three years prior to the official retirement age in the Netherlands. In such cases, an employee is more or less forced to retire or to seek employment outside the banking sector (Schils, 2005). As a third factor Duval (2003) mentions that some individuals do not assess the (dis)incentives to continue working and simply tend to retire at the earliest age possible. Lastly, in some cases workers are not allowed to work after the standard retirement age. Although a small proportion of retirees seeks “bridge employment”, which is the labour force participation observed among older workers between their career employment (e.g. jobs held more than ten years) and complete withdrawal from the labour market (Schultz, 2003), in most cases there are few options to continue working at the company where you had a career. With regard to Duval’s second factor, Vickerstaff and Cox (2005) also indicate that the decision to take early retirement may be a more or less a forced one. For instance, one might be compelled to retire early due to bad health, one might be pressured by his employer when getting an offer that is hard to refuse or simply be made redundant in his fifties or sixties (Vickerstaff and Cox,

2005). Firms may use wage and pension structures to push older workers toward early retirement. According to Dorn and Sousa-Poza (2005), “the option of continuing work might be so restricted by firms that workers no longer perceive their early retirement as an individual choice, but as a forced one” (p. 2).

2.3. The influence of individual values and social norms

Work values and work ethos

In this paper, one of the main subjects of interest is the role of values as an explanation for early exit. The focus is on the importance of work versus the importance of leisure time, and a distinction is made between work values and work ethos. Drawing from Weber’s work on the Protestant work ethic (in Furnham, 1990) work ethos is “a self-imposed willingness of the individual to identify and conform to the goals of society and to volunteer his or her services to the abstract ethic of industrial acquisition, effort, enterprise, and growth” (p. 142). Believing in the Protestant work ethic led to work in itself becoming satisfying, regardless of job characteristics (Furnham, 1990), so work ethos is more about the extent to which people are devoted to work and see work as part of a social norm to work. Work values, on the other hand, represent the meanings that individuals attach to perceived job characteristics (Kalleberg, 1977). A distinction can be made between intrinsic and extrinsic work values. The first type refers to characteristics associated with the task itself, e.g. whether a job is interesting and allows a worker to develop his skills, whereas the latter refers to characteristics that are not associated with the task itself, such as job security (Kalleberg, 1977).

Higgs, Mein, Ferrie, Hyde and Nazroo (2003) describe several ideal types of early retirement decisions, one of them being the “traditional work ethic”. This type comprises people who believe that one should work until the mandatory retirement age and that retiring prior to that age should not be considered. These individuals typically remain working even if they could afford to retire (Higgs et al., 2003). Another ideal type they discuss comprises people who do not retire early because they simply enjoy work. These individuals find their work engaging and an important part of their lives. They typically remain working despite being financially secure enough to take early retirement. Some even express the hope to continue working after the mandatory retirement age (Higgs et al., 2003). Drawing from these ideal types, we expect that having strong work values or a strong work ethos lowers the probability of taking up early retirement. On the other hand, people with relatively weaker work values and a lower work ethos are expected to be more inclined to leave the workforce prior to the statutory retirement age.

Leisure values

Another type of value that is of interest for this paper is the importance of leisure time. Consequently, if valuing work and having a strong work ethos are associated with a lower chance of choosing early retirement, then the opposite must be expected for the degree to which leisure time is valued. Drawing back upon the proposed pathways to early retirement of Higgs and his colleagues (2003), due to increased life expectancy and the overall better health status of the older population, life after work can be identified as a “third age”, with opportunities for leisure and self-fulfilment, so valuing leisure time strongly is expected to increase the probability of taking a so-called “third age exit”.

Interplay between individual values and social norms

However, besides individual values, social norms³ within a society are also expected to influence the retirement decision. Lindenberg (2001) speaks of “social rationality”, which represents the intertwining of human beings’ social and rational side. On the one hand, people act as rational beings, weighing costs and benefits, but on the other hand, people have social tendencies such as assigning meaning to beliefs and actions of their own and others, such as their peers, colleagues et cetera. Our norms and values play a part in decision making, but which ones are dominant and which ones are in the background depends on the social context we find ourselves in. According to Lindenberg’s (2009) theory of goal framing, there are three overarching goals: (1) a hedonic goal, which is individual and short-term, and focused on improving the way one feels at the moment; (2) a gain goal, which is individual and longer-term, and focused on guarding and improving one’s resources; and lastly (3) a normative goal. Regarding the present study, we could say that the leisure values and intrinsic work values are associated with the hedonic goal, and the extrinsic work values are associated with the gain goal. The normative goal is collective and focused on acting appropriately, so one might say this goal is about conforming to social norms. Since people are relatively one-sided, only one of these goals can be the central goal at the moment. This goal (i.e. the focal goal) creates a goal-frame within which all other processes take place, with the other two goals in the background (Lindenberg, 2009). For example, in making the retirement decision, one can have a hedonic focal goal and be inclined to retire early because it entails more leisure time, but within that goal-frame the normative goal to act appropriately and be diligent can be active in the background and lower the effect of the focal goal; furthermore, the longer-term gain goal to maximise financial resources during retirement may also discourage early retirement, since retiring early usually means handing in a percentage of one’s old-age income.

We argue that there is interplay between the economic rationality and the social rationality model. We might say that the economic rationality model focuses on the gain goal only, as it assumes that the retirement decision is based on the net present value of the economic costs and benefits only. The social rationality model, on the other hand, presumes that behaviour is also influenced by the hedonic and normative goals. The consequence is that behaviour is the outcome of the interplay between individual values (hedonic and gain goals) and social norms (normative goal). For instance, a strong social norm regarding labour participation may affect one’s individual work values, eventually leading to one being less inclined to retire early. On the other hand, we also believe that strong individual values will be reflected in the social norm.

2.4. (Early) retirement age

³ Elster (1989) describes social norms by the feature that they are not outcome-oriented, as opposed to rational action which is concerned with outcomes. Social norms are characterized by (a) being shared by other people and (b) being partly sustained by their approval and disapproval.

The age at which early retirement benefits become available is also expected to influence the retirement decision. The statutory retirement age may once have been the age when people were expected to retire, nowadays only a small proportion of the working population works until that age. The early retirement age has become more important than the “normal” retirement age (Gruber and Wise, 1998). As was mentioned before, the availability of early retirement benefits puts an implicit tax on continued work, but moreover, the early retirement age also reflects a social norm. According to Neugarten, Moore and Lowe (1965) there is a normative pattern that most persons adhere to, which might be called a “prescriptive timetable for the ordering of major life events: a time in the life span when men and women are expected to marry, a time to raise children, a time to retire” (p. 711). Of course social norms may vary across different groups of people, and major life events are also subject to a number of contingencies in life, but generally speaking, people are aware of age norms and whether they are “early”, “late” or “on time” (Neugarten et al., 1965). Furthermore, social norms are accompanied by sanctions affecting the self or others. For instance, a middle-aged woman dressed as a teenager may be criticized for not acting in accordance with her age and for having poor judgement, or a middle-aged couple who decide to have another child may be criticized for embarrassing their adolescent children (Neugarten et al., 1965). Since the 1960s some shifts have taken place regarding, for example, the “appropriate” age to get married, but the underlying mechanisms of social norms still apply. The early retirement age is a social construct which acts as a social norm prescribing the “appropriate” age to retire. People living in countries with relatively high (early) retirement ages may feel retiring at an early age is not accepted by the society they are part of and may therefore be less inclined to retire early because they feel it is their moral duty to continue working or because they are afraid of being criticised by the people in their social contexts. Those who live in countries with a relatively low early retirement age, on the other hand, might feel it is their duty to leave the labour market, e.g. to make way for the younger generations, and may be more inclined to retire early. Hence, it is expected that the early retirement age and the official retirement age have negative effects on the probability of actually retiring early.

2.5. Replacement rates

Besides values and social norms, the literature indicated the importance of institutional differences for the retirement decision, particularly regarding the generosity of the social protection benefits expressed in terms of the replacement rate. As was indicated earlier, a higher replacement rate puts an implicit tax on working, so as public benefits become more generous, the disincentive to work becomes stronger. Duval (2003) supports this by calculating implicit taxes on continued work for five more years, created by old-age pensions. His calculations indicate that the implicit tax rates are quite small at age 55, and even negative in some cases, with an average of five percent across 22 OECD countries. However, at age 60 and 65 the implicit tax rates on continuing working for another five years increase to an average of more than 30 percent. Furthermore, social benefits available prior to the statutory retirement age, i.e. early retirement schemes, and unemployment and disability benefits, often have high replacement rates and thus also put high implicit taxes on continued work (Duval,

2003). Therefore, we expect that people living in countries with relatively high replacement rates are more likely to exit the labour market prior to the official retirement age.

2.6. Interaction with skill

Based on human capital theory, it may be expected that higher skilled workers tend to retire later. Before deciding whether to invest in their human capital or not, people weigh the benefits and costs associated with the investment (Becker, 1993). The costs pertain to the opportunity costs of the time spent on the human capital investments, whereas the benefits include improvements in occupational level and earnings (Becker, 1993; Schils, 2005). A higher educational level signals abilities and higher productivity levels, which makes trained workers more valuable to employer. Consequently, higher educated workers usually have “better” occupations (e.g. less physically demanding jobs, more interesting, stimulating jobs, higher autonomy levels, higher earnings, higher future pension rewards) and therefore they may feel less pushed to early retirement than lower educated workers. According to Blekesaune and Solem (2005), higher educated workers retire later, primarily because their chance of making a transition into disability retirement is smaller. A higher education particularly reduces the chance of retirement due to musculoskeletal diseases. Blöndal and Scarpetta (1998) also indicate that workers in professional occupations tend to leave the labour market at a later age than white-collar and especially blue-collar workers, and that the same counts for better educated workers.

Assuming that lower educated workers have a higher tendency to retire at the earliest age possible, it is expected that the official early retirement age is of greater importance for them than for higher educated workers. Replacement rates might also be more important for lower educated workers making the retirement decision, since future state pension benefits seem to be relatively more important to those workers. The proportion of people who report that the state pension is their main source of income is highest among the lowest educated pensioners, and lowest among the highest educated pensioners (European Commission, 2004). With education the importance of occupational pensions increases (European Commission, 2004).

On the other hand, Blöndal and Scarpetta (1998) indicate that even after controlling for earnings and other sources of income, workers with a higher education tend to stay in the labour market longer than lower educated workers, which suggests that the preference for either work or leisure may depend on the satisfaction extracted from working at later ages. Assuming that higher educated workers are less constrained by financial factors, we expect that their values concerning work and leisure time are relatively more important in deciding to retire early or not than for lower educated workers.

2.7. Interaction with welfare regime type

Esping-Andersen's welfare regime typology

Esping-Andersen (1990) defined three welfare regime types: liberal, corporatist, and social-democratic. The first one is characterised by a low level of de commodification as shown by means-tested assistance, modest universal transfers or modest social insurance plans. Benefits have strict entitlement rules and often there is a stigma attached to receiving benefits. Instead, the state tries to give room to the market by only providing a minimum for the demonstrably needy, or by subsidising

private welfare schemes. Anglo-Saxon countries such as Great Britain and the United States, and to a lesser extent Canada and Australia, are archetypical examples of the liberal regime. In the corporatist regime, on the other hand, the level of de commodification is much higher as the market plays a marginal role as provider of welfare. Social benefits mainly depend on former contributions and are linked to professional status, and “the direct influence of the state is restricted to the provision of income maintenance benefits related to occupational status” (Arts and Gelissen, 2002: 142). Corporatist regimes are typically featured by their solid religion-based or Church-bound structure and their commitment to preserving traditional familyhood, with men as breadwinners and women as wives and mothers. On that account, these regimes handle the so-called principle of “subsidiarity”, indicating that “the state will only interfere when the family’s capacity to service its members is exhausted” (Esping-Andersen, 1990: 168). Continental European countries such as Austria, France, Germany and Italy can be clustered under this regime type. The third, and smallest, regime type Esping-Andersen defined is the highly de commodified social-democratic regime, assigning a large role to the state. Instead of only fulfilling basic needs, this model is characterised by its pursuit of equality at the highest standard, in the form of universal benefits, and a high degree of benefit equality (Esping-Andersen, 1990; Arts and Gelissen, 2002). In contrast with the liberal regime, the market is crowded out, and the welfare state is based on universal solidarity, in which everyone benefits, and everyone is presumed to feel obliged to pay (Esping-Andersen, 1990). Understandably, maintaining such a welfare state comes with substantial costs and hence, the social-democratic state must reduce social problems and maximize revenue income, which can be achieved by making sure that as many people as possible are working, and as few people as possible are living off social transfers. Social policy is therefore aimed at maximizing capacities for individual independence and promoting full employment. The welfare state takes responsibility for the care of children, the elderly, and the helpless, and women are thereby encouraged to choose work rather than being a fulltime homemaker. The Scandinavian countries generally fit the social-democratic ideal-type (Esping-Andersen, 1990).

Classification of remaining countries

Besides the countries covered by Esping-Andersen’s typology, our sample also contains Southern, Eastern and Baltic countries, which are not covered in this typology. The last two share a socialist past. Therefore, we add three more regime types: (IV) Baltic States, (V) Eastern European countries, and (VI) Southern European countries⁴. Although generally speaking these countries are featured by less developed welfare systems compared to the Scandinavian countries, the literature indicates that they have made progress over the last few decades. In the socialist past of the Eastern European and Baltic countries, there used to be a unified state pension scheme that mainly relied on employers’ contributions. There is an ongoing debate in these countries on pension reforms focusing on “the raising of the retirement age, the abolition of branch privileges, the separation of pension schemes from other social insurance plans and from the state budget (except for non-contributory benefits), and the introduction of an employees’ contribution” (Müller, 2002: 160). Furthermore, governments took

⁴ (IV) Baltic States: Estonia, Latvia, Lithuania;

(V) Eastern European countries: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia;

(VI) Southern European countries: Cyprus, Italy, Portugal, Spain.

measures to tighten eligibility to early retirement and disability benefits (Müller, 2002). As for Southern Europe's underdeveloped welfare system, Guillén and Matsaganis (2000) take Spain as a representative, and although they recognize that Spain has a long way to go before it can measure up to the level of social security in Scandinavian countries, they stress that Spain has clearly made improvements. For instance, a growth in social expenditure has led to reforms, including "the universalization of the pension system in terms of coverage" (Guillén and Matsaganis, 2000: 128). According to Guillemard and Rein (1993), the differences in early exit patterns across welfare regimes can be explained by the different combinations of push and pull factors. Taking Germany as the archetype of continental Europe, they argue that both push and pull factors are at work in these countries. On the one hand, few job opportunities are available for elderly workers, and on the other hand, social legislation makes early retirement "feasible and attractive" (Guillemard and Rein, 1993: 483). In Scandinavian countries, such as Sweden, mostly pull factors are of interest. Relatively high activity rates among elderly workers are present in those countries, which the authors explain by pointing out that the attractive possibilities for early retirement also act as pull factors, but that they are counterbalanced by the absence of push factors, since government policies provide older workers with opportunities to remain in the work force. However, in liberal countries such as the UK or the US the opposite is true, as in those countries push factors are at work (e.g. in economic downturns), but "pull factors have had a rather limited effect" (Esping-Andersen, in Guillemard and Rein, 1993: 483). As to the three additional welfare regimes (Baltic States, and Eastern and Southern European countries), little research has been done on the early retirement patterns in those countries and on the factors involved in making the retirement decision. Perhaps our analyses can provide some insight into the early retirement patterns during the last decade.

2.8. Control variables

Values, social norms, (early) retirement age, replacement rates, and educational level have been defined as the main independent variables that are of interest in this study, which are all expected to influence the probability of making a transition from work to early retirement. However, previous research has suggested other factors that also need to be considered. The individual predictors of early retirement that have been studied the most are age and health (Kubicek, Korunka, Hoonakker and Raymo, 2010), along with gender differences (Kim, 2009; Schils, 2005) and marital status (Kubicek et al., 2010). Self-employment has also been indicated as an important factor, as those who used to be self-employed have the highest average retirement age (Blöndal and Scarpetta, 1998; European Commission, 2004). Besides these factors, we control for job status (ISCO-88), gross domestic product (GDP), and country. Lastly, in the analyses done with longitudinal data (in the combined SILC-EVS dataset), we also control for interview year.

The variables and the hypothesized relationships between them are displayed in the conceptual model in figure 1.

Figure 1. Conceptual model⁴

3. Data and sample

3.1. Data

The variables used in this study are derived from two databases: the European Values Study (EVS) and the EU Statistics on Income and Living Conditions (SILC). The EVS is a cross-national survey research program, which asks people all over Europe about their values and opinions (“About EVS”, n.d.). The survey is conducted once every nine years, in increasingly more countries. The number of participating countries has increased from ten countries in the first EVS wave (1981) to 47 countries in the most recent EVS wave (2008), providing a complete picture of Europe’s human values. The 2008 EVS wave is used to examine the effects of the individual-level variables, i.e. the effect of work values, work ethos, and leisure values, and how they relate to social norms.

In order to assess the effect of country-level variables, the EVS data on values are merged with SILC data from 2005 to 2008. SILC is a cross-sectional, longitudinal program on income, poverty, social exclusion and living conditions in the European Union (European University Institute, n.d.). Most importantly, it allows us to examine transitions out of the labour market. Only using EVS data would mean we only know the respondents’ current employment status, and nothing about the transitions they have made. We therefore also use multiple SILC waves, which allow us to examine transitions at three points in time: the transitions between 2005-2006, 2006-2007, and 2007-2008.

In order to link the two datasets, first of all, mean scores of the values derived from EVS are calculated at the country level. The EVS data are then merged with the SILC data. We assume that country-level values, i.e. social norms, do not change much over time, so the social norms in our dataset are equal through the years, yet differ by country. This results in a data file in which each individual is assigned values calculated at the country level. So, for example, Austrian women will have the same score on

⁵ - Individual values & social values/ norms: Work values, work ethos, importance of leisure.

- Country-level characteristics: Retirement age, early retirement age, replacement rate.

- Competing risks: Working (ref. group), retired, unemployed, disabled, other non-working.

- Control variables: age, age², gender, health, marital status, job status, self-employment, GDP, country (and year in analyses done with combined SILC-EVS dataset)

work values in each SILC wave. The sample size in the analyses done with only the EVS dataset is 10,065, and in the combined SILC-EVS dataset we have 272,152 observations.

Our models are estimated with multinomial logistic regression⁶, which is appropriate for multiple unordered outcomes (Borooah, 2001). Likewise, as paragraph 4.1 will illustrate, our dependent variable has multiple unordered outcomes: a person is working, retired, unemployed, disabled, or in a different inactive status. The different exit trajectories are in fact treated as independent competing risks, i.e. one trajectory excludes the other, and the probability of making a particular transition is compared with the probability of continuing to work. Hence, transition models are made, with one origin state (working) and four destination states (retired, unemployed, disabled, and other inactive).

3.2. Sample

Respondents from 23 countries are selected, who are 45 years or older and have not yet reached the statutory retirement age that applies to them according to their gender and the regulations in the country they live in. As table 1 shows, the common retirement age in our dataset is 65.

Table 1. Statutory retirement ages by country and gender (rounded numbers)

Country	Official early retirement age	Statutory retirement age	Country	Official early retirement age	Statutory retirement age
	M/ F	M/ F		M/F	M/ F
Austria (AT)	62/ 58	65/ 60	Lithuania (LT)	58/ 55	63/ 60
Belgium (BE)	60/ 60	65/ 64	Luxembourg (LU)	60/ 60	65/ 65
Bulgaria (BG)	-- ¹	63/ 60	Latvia (LV)	60/ 60	62/ 62
Cyprus (CY)	63/ 63	65/ 65	Netherlands (NL)	-- ¹	65/ 65
Czech Republic (CZ)	59/ 55	62/ 58 ²	Norway (NO)	-- ¹	67/ 67
Estonia (EE)	60/ 58	63/ 61	Poland (PL)	-- ³ / 55	65/ 60
Spain (ES)	61/ 61	65/ 65	Portugal (PT)	55/ 55	65/ 65
Finland (FI)	62/ 62	65/ 65	Romania (RO)	58/ 53	63/ 58
Great Britain (GB)	-- ¹	65/ 60	Sweden (SE)	61/ 61 ⁴	65/ 65
Hungary (HU)	-- ³	62/ 61	Slovenia (SI)	-- ¹	63/ 56
Ireland (IE)	-- ¹	65/ 65	Slovakia (SK)	60/ 55	62/ 57
Italy (IT)	58/ 58	65/ 60			

Source: MISSOC 2008 and ISSA 2008.

¹ No state pension until the official retirement age; only second and third pillar early retirement schemes.

² Female retirement age in CZ varies between 56 years and 4 months to 60 years and 4 months, depending on number of children. Respondents' average number of children is almost 2, so the corresponding retirement age (58 years and 4 months, rounded as 58) is reported.

³ No early state pension; only for those involved in jobs that are hazardous to health.

⁴ Sweden has a flexible retirement age between 61 and 67, but full old-age pension is available at age 65. Technically, Sweden does not have an early pension, but since state pensions (although reduced) become available at age 61 this age will be considered as the early retirement age.

⁶ Models estimated with Stata 11.

Several countries have lower statutory retirement ages for women, and those are especially low in Czech Republic, Romania, Slovenia, and Slovakia, where women are eligible for full state pension benefits below the age of 60. On the other end of the spectrum there is Norway, with a relatively high official retirement age for both men and women of 67. The upper age limit of our age range is one year prior to the applying statutory retirement age, so that upper limit varies between 55 and 66 years of age. The lower limit of 45 has been chosen because, although most people in their late forties and early fifties still work, in some countries and for some types of early exit routes eligibility is based on the number of months or years one has paid contributions. For example, in Belgium, in order to qualify for a disability pension one must have been insured during the two quarters prior to the quarter in which one became disabled, and one must have completed a minimum of 120 days of work (ISSA, 2008).

4. Operationalisation and descriptives

4.1. Main variables

The dependent variable in this study is the transition to early retirement. The respondents in the sample were asked to indicate what their employment status is, and based on that information five competing risks are constructed. Besides continuing to work up to the pensionable age, one can exit the labour market prior to the pensionable age through early retirement, unemployment, disability, or inactivity. Hence, five categories are constructed: working (reference group), retired (i.e. in early retirement), unemployed, disabled, and other inactive. The last category mostly consists of homemakers. Since we are mostly interested in those who are either working or in early retirement, and in order to keep tables comprehensible, we will report results concerning those two groups and only elaborate on the remaining three groups shortly in the text throughout the paper.

We use four waves of the SILC panel, allowing us to construct a variable in the combined SILC-EVS dataset that captures transitions out of work into early retirement and into other destination states. Using one variable that measures employment status at one point in time (t), and another variable that measures employment status at a later point in time (t_{+1}), a variable is constructed that measures transitions out of work. The reference group consists of those who stay in work, or make a “transition” from work to work. We recognize that people may make other kinds of transitions, such as from unemployment back to work but since we are mostly interested in exiting the labour market through early retirement, and we assume that retirees do not (fully) return to the labour market, we only focus on transitions from work to non-work. Further examination indicates that retirement is an absorbing state for most people since in our sample only 2 percent of all retirees return to work.

Table 2 presents an overview of the percentages of workers in the reference group (i.e. those who remained working) and the workers who experienced a transition out of the labour market, arranged by several characteristics. First of all, the table indicates that the largest part of the sample remains in the workforce; the proportion is especially high in the lower age group (45- to 54-year-olds), where 96.0 percent of the transitions have been from work to work. Besides age group, health status also seems

to be an important distinguishing factor for making a transition, as people who state they are in (very) bad health are less likely to remain working than respondents who are in fair to very good health.

Table 2. Rounded percentages of workers remaining in the work force or making a transition within two consecutive years, by age group, gender, health status, and skill level

Transition from work to...		...work	...early retirement	...unemployment	...disability	...inactivity	Total #obs.
Age group	45-54	96.0	0.4	1.9	0.6	1.1	74,332
	55+	90.8	4.4	2.1	1.2	1.6	38,705
Health	(Very) bad	83.0	3.6	4.5	6.5	2.4	5,028
	Fair	92.9	2.3	2.5	1.1	1.3	26,965
	(Very) good	95.5	1.5	1.7	0.3	1.1	62,911
Gender	Male	94.6	2.0	2.0	0.8	0.6	63,036
	Female	93.7	1.4	2.0	0.8	2.1	50,001
Skill/education	Low	91.3	2.3	3.1	1.1	2.3	25,902
	Medium	94.5	1.7	2.0	0.9	1.0	58,157
	High	96.4	1.5	0.9	0.4	0.8	28,609

Note: health categories “(very) bad” and “(very) good” respectively include respondents reporting very bad or bad health, and respondents reporting good or very good health. Category “unmarried” includes those who are widowed, divorced, separated, or never married. Source: SILC 2005-2008

Concerning gender, table 2 shows that the differences seem rather small. The number of men remaining in the work force is slightly higher than the number of women, but it also appears that slightly more men than women move into early retirement. The numbers of men and women in the sample reporting to be unemployed or disabled are practically equal, but the proportion of inactive women is 3.5 times higher than the proportion of men. As to the differences across skill levels, the table shows that the proportion of people remaining in the work force is highest among the high educated respondents and lowest among the low educated respondents.

The independent variables in this study are values, social norms, official (early) retirement age, and replacement rates. The values and social norms that are of primary interest are intrinsic and extrinsic work values, work ethos, and leisure values. Scales were constructed using principal component analysis (PCA). The scale measuring intrinsic work values contains 11 items about what people may find important in a job, for example, “A responsible job”, “An interesting job”, “An opportunity to use initiative”, and “Learning new skills”. The scale measuring extrinsic work values contains five items: “Not too much pressure”, “Good job security”, “Good hours”, “Generous holidays”, and “Family friendly”. Both scales range from 0 to 1, with 0 meaning that none of the items on the scale are mentioned, and 1 meaning all of the items on the scale are mentioned.

The scale measuring work ethos was constructed using five statements whereby respondents were asked to indicate to what extent they agree or disagree with them: “To fully develop your talents, you need to have a job”, “It is humiliating receiving money without having to work for it”, “People who don’t work turn lazy”, “Work is a duty towards society”, and “Work should always come first, even if it means less spare time”. An indicator for leisure values was constructed using four items representing aspects

of leisure time, whereby respondents indicated to what extent they find these aspects important: “Meeting nice people”, “Relaxing”, “Doing as I want”, and “Learning something new”. The country mean scores of these four variables are subsequently used as representations of social norms.

Variables measuring the statutory retirement age (i.e. the eligibility age for a full state pension) and the official early retirement age (i.e. the eligibility age for an *early* state pension) are constructed based on data from the EU’s Mutual Information System on Social Protection (MISSOC), verified and complemented by data from the International Social Security Association (ISSA). Table 1 above provides an overview of the official early retirement ages and the statutory retirement ages for men and women in the participating countries. Data on replacement rates are subtracted from the Eurostat website and merged with our datasets. Using SILC data, Eurostat calculates the “ratio of income from pensions of persons aged between 65 and 74 years and income from work of persons aged between 50 and 59 years” (Eurostat, 2011a), and tabulates the resulting replacement rates by year and by country.

4.2. Remaining variables

In addition to the main independent variables, we are also interested in the question whether the effects of values and institutions on the retirement decision are different for lower skilled and higher skilled workers, and whether these effects are different across welfare regime types. For that purpose we constructed interaction variables with educational level and welfare regimes. We distinguish between low, medium and high skilled workers, and we made a regional classification of welfare regimes. As mentioned before, Esping-Andersen’s (1990) regime typology does not cover all of the countries in our sample, so instead we use a regional classification of regimes. The first three regimes match Esping-Andersen’s social-democratic, corporatist and liberal regimes quite well, and the additional three regimes

- I. Nordic: Finland, Norway, Sweden.
- II. Continental: Austria, Belgium, Luxembourg, the Netherlands.
- III. Anglo-Saxon: Ireland, Great Britain.
- IV. Baltic States: Estonia, Latvia, Lithuania.
- V. Eastern European: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia.
- VI. Southern European: Cyprus, Italy, Portugal, Spain.

The following table shows some descriptive information on the variables used in this paper.

Table 3. Descriptives.

	N	Min	Max	Mean	Std. Dev.
Employment status (EVS; dummies)	10,003	0	4	.71	1.25
Transitions (dummies)	113,037	0	4	.13	.59
Individual values (EVS):					
• Intrinsic work values (scale)	9549	0	1	.54	.32
• Extrinsic work values (scale)	9624	0	1	.53	.31
• Work ethos (scale)	9583	1	5	3.60	.78
• Leisure values (scale)	9898	1	4	3.31	.46
Social norms (country-level values):					
• Intrinsic work values	268,786	0	1	.52	.16
• Extrinsic work values	268,786	.140	1	.55	.13
• Work ethos	268,761	1.75	4.744	3.55	.35
• Leisure values	268,786	2.753	3.764	3.29	.27
Skill/ educational level (dummies)	265,617	1	3	1.91	.70
Welfare regimes (dummies)	268,786	1	6	4.02	1.78
Official early retirement age	268,786	53	67	60.47	3.40
Official retirement age	268,786	56	67	63.16	2.61
Replacement rates	268,786	.28	.68	.50	.08
Age	268,786	45	66	53.28	5.34
Age ² (/100)	268,786	20.25	43.56	28.67	5.76
Gender (dummy)	268,786	0	1	.48	.50
Health status	227,107	1	5	3.59	.91
Marital status (dummies)	267,654	1	4	1.53	1.01
Self-employment (dummy)	264,267	0	1	.12	.33
Unemployment rate	268,786	2.5	17.8	6.72	2.60

Note: separate dummy-variables are not reported, only the main variable. For instance, only the descriptives for skill/educational level are reported, not the descriptives for every dummy (low, medium and high education).

Source: EVS 2008, SILC 2005-2008.

Before proceeding to the results of our analyses, we report gender differences in labour participation and early retirement patterns because these patterns differ largely for women, as do the institutions, values and norms. For instance, as reported in table 1, several countries in our sample have a lower mandatory retirement age for women than for men. Czech Republic even has a female retirement age based on the number of children a woman has, which reflects a social norm for women to take care of their (grand-) children rather than work up to a later age. The following two figures show the percentages of men and women reporting that they are working or in early retirement, arranged by country. Figure 2 shows that the majority of the respondents in the sample work: on average, about 75 percent of men and 69 percent of women report to be working. Participation rates vary from a relatively low 60 percent among Polish men up to 87 percent among Cypriot men. There is a bit more variation among female participation rates, with the lowest reported rates among Spanish women (about 47 percent) and the highest rates among Czech women (almost 82 percent).

Figure 2. Self-reported employment status: **working**. Percentages by gender. N = 266,251

Source: SILC 2005-2008

Figure 3 shows that in most countries relatively more men than women report being retired, with the exception of Finland, Hungary, Latvia and Poland. Overall, 10 percent of the male respondents report being retired compared with 5.5 percent of women. Romanian and Italian men immediately stand out as respectively 27.5 and 18.5 percent reports being retired. Romania also has the highest proportion of female retirees (19.5 percent), followed by Polish women (12 percent). Czech Republic, Estonia and Lithuania have the lowest proportions for both men and women.

Figure 3. Self-reported employment status: **retired**. Percentages by gender. N = 266,251

Source: SILC 2005-2008

Additionally, independent samples t-tests reveal that the gender differences in working and early retirement are statistically significant ($p < .01$). The gender difference in the inactive category is particularly large: on average 2.1 percent of men reports being inactive compared with a substantial 18.8 percent of women ($p < .01$). Furthermore, the gender difference in unemployment is not significant and the differences concerning disability are minor, with 6.6 percent of men and 6.4 percent of women reporting to be disabled ($p < .10$).

5. Results

5.1. Explaining retirement patterns in Europe: the role of individual values (EVS)

In this first paragraph we will analyse EVS-data and discuss to what extent the reported employment status is associated with individual values and social norms. Table 4 below shows the direct effects of individual values on self-reported employment status, and it shows what happens to these effects when we add the country-level social norms. Since we are also interested in individual-level values, the analyses are conducted using only the EVS-data, because the combined SILC-EVS dataset only contains the aggregated values. Thus, in this paragraph, we are discussing the effect of values on employment status rather than transitions out of the labour market. Furthermore, we assume that we are measuring social norms, but we need to be careful with our interpretations since we cannot be certain about what our variables actually pick up. Considering that we are dealing with country-level norms, and we therefore cannot include country as a control variable in the country-level analyses, it may well be possible that our variables represent more than only the effects of social norms. In order to deal with this issue as good as possible, we control for all the country-level characteristics that are available to us. In other words, instead of adding the country variable, we add our variables retirement age, early retirement age and replacement rates.

Early retirement

Beginning with model 1a and 1b, we see that in both cases practically none of the individual values have significant effects on reporting to be retired, except intrinsic work values in model 1a. The country-level variables in model 1b, on the other hand, do show some significant effects, which suggests that social norms are more important for the early retirement decision than individual values. This corresponds with Festinger's (1954) social comparison theory, which states that social influence processes stem from the human drive for self-evaluation. People feel impelled to evaluate their beliefs and opinions and thus compare themselves with other persons, and it seems as though the comparison with others has a stronger effect on the retirement decision than one's personal values.

Table 4. Results of multinomial logit analysis on self-reported employment status. Effects of individual values and social norms (log odds displayed).

Y = Employment status: (ref = working)	Retired (early)		Unemployed		Disabled		Inactive	
	Model 1a	Model 1b	Model 2a	Model 2b	Model 3a	Model 3b	Model 4a	Model 4b
<u>Individual values:</u>								
Intrinsic work values	-.310*	-.245	-.138	-.133	-.330	-.265	-.526***	-.556***
Extrinsic work values	.070	.008	.294	.295	.310	.283	.491**	.514**
Work ethos	-.065	-.059	-.249***	-.238***	-.252***	-.259***	-.292***	-.268***
Leisure values	-.009	-.005	-.362***	-.362***	-.355**	-.334**	-.378***	-.376***
<u>Social norms:</u>								
Intrinsic work values		-.666		-.045		-2.045*		-3.285***
Extrinsic work values		1.307*		1.153		-2.489**		4.721***
Work ethos		-.002		.380		-.200		-1.313***
Leisure values		3.837***		1.393***		.877		7.641***
Early retirement age	-.034	-.034*	.038	.023	.018	.021	.240***	.011
Official retirement age	-.084	-.123***	-.056	-.034	-.071	-.022	-.095	.047*
Replacement rates	-.304	5.211***	-5.060**	-1.300**	-1.228	.189	3.657*	4.772***
N	8850	8850	8850	8850	8850	8850	8850	8850
Pseudo R ²	.289	.249	.289	.249	.289	.249	.289	.249

Controls: age, age², gender, health, marital status, self-employment, unemployment rate (country-dummies are only added in the individual-level models (the a-models)).

Source: EVS 2008. * p < .10; ** p < .05; *** p < .01.

Looking at the social norms, we see that extrinsic work values and leisure values appear to have significant positive associations with reporting early retirement. We expected positive effects for leisure values, but not for extrinsic work values, which were actually expected to reduce the probability of reporting to be in early retirement. However, it appears that people, who live in a society where extrinsic job characteristics are generally valued strongly, are more likely to report being in early retirement. According to Kalleberg (1977), extrinsic work values have three dimensions: there is the convenience dimension, which among others refers to a convenient travel to and from work and having enough time to do your work; the second dimension is the financial one, which pertains to job security and wage; and the third dimension refers to relationships with co-workers. A society that strongly values extrinsic job aspects may send out a message to its inhabitants that a job *should* have these characteristics; that is, a job *should* be convenient to travel to, *should* not be stressful, *should* be well-paying, and so on. Possibly, having a job that does not meet these standards (completely) may be a stimulus to enter early retirement, which may explain the positive association found in model 1b. The other three country-level effects (i.e. the effects of early retirement age, official retirement age and replacement rates) are all significant in model 1b. And moreover, the directions of the effects correspond with our hypotheses, so it appears that a higher early retirement age and statutory retirement age are associated with a lower likelihood of retiring early, whereas higher replacement rates are associated with a higher likelihood to retire early.

Unemployment, disability and inactivity

Looking at the effects of the individual values in the other models, which pertain to reporting to be unemployed, disabled or inactive, we see that the work values only have significant effects on inactivity. Intrinsic work values have the expected negative effect, whereas extrinsic work values have a positive effect again. Furthermore, while work ethos and leisure values did not have significant effects in the models regarding early retirement, it appears that they have significant negative effects on the three remaining employment statuses, which even hold when the social norms are included. A stronger work ethos was indeed expected to decrease the likelihood of reporting an employment status other than working, but for leisure values we expected a negative effect. Possibly, the opposite effect is found because most people do not associate unemployment, disability and inactivity with leisure activities. For instance, people often become involuntarily unemployed and spend the new “free” time on applying for jobs. Moreover, unemployment can entail financial stress since unemployment benefit schemes are usually of limited duration. Obviously, disability is likely to be associated with having health problems rather than having more leisure time, and inactivity may be associated with obligations outside the labour market, such as care tasks.

As to the social norms and the remaining three country-level variables, the models show varying results. For unemployment, it appears that only the social norm about the importance of leisure time and replacement rates have significant effects. Surprisingly, model 2b indicates that replacement rates are negatively associated with unemployment, which may suggest that higher pension replacement rates pull people into early retirement rather than into unemployment schemes. Model 3b shows a different picture as only the country-level work values have significant effects on disability, and model 4b in turn shows yet another picture, with all social norms having significant effects, along with the

official retirement age and replacement rates. What is a bit surprising in this last model is that the official retirement age has a positive association with inactivity. Assuming that the risk of developing health problems becomes larger with age, a higher official retirement age may also mean that there is a greater risk of leaving the work force in order to take care of an ill partner, and thus becoming inactive.

5.2. The effect of social norms on transitions out of the market (SILC)

This paragraph further examines the effect of social norms on the retirement behaviour. Using longitudinal SILC data, we move on to the discussion of transitions out of the labour market. Table 5 below shows the effects of the social norms on transitions out of work. Since our focus is on explaining early retirement patterns, the alternative exit routes (i.e. unemployment, disability and inactivity) are clustered into one category. Thus, in the following table a distinction is made between three types of transitions: from work to work (i.e. remaining in the work force, which is the reference category), from work to early retirement and from work to an alternative exit route. Furthermore, the effects of our institutional variables retirement age, early retirement age and replacement rates are also shown.

Transition into early retirement

Beginning with the section that pertains to the transition from work to retirement, table 5 shows that all four social norms have significant effects on this transition. Only extrinsic work values and leisure values have the hypothesized effects (respectively negative and positive), whereas the effects of intrinsic work values and work ethos are opposite to our expectations⁷. In the previous paragraph we suggested that the unexpected positive association of extrinsic work values with reporting to be retired can be explained by the gap between the social norms regarding job characteristics and one's actual job characteristics. A similar explanation may apply to the unexpected positive effect of intrinsic work values on transitioning into early retirement we find in the table below. For instance, an individual who lives in a country where the general assumption is that a job should be interesting, challenging, and allow a worker to develop and use his skills may feel dissatisfied when his or her job does not meet these "requirements" and may in turn be inclined to leave the labour market and move into early retirement.

The table shows that work ethos also has a positive effect on transitioning from work to early retirement. Contrary to our expectations, this suggests that living in a country with strong work ethics increases the probability of retiring early. Societies with a strong work ethos may accept the idea of people retiring prior to the official retirement age after having served in the labour force for several decades, which may explain the positive relationship found in table 5. Inhabitants of such countries may feel as if they have fulfilled their duty towards society and are "allowed" to retire a few years earlier, and thus early retirement may be considered as a sort of acquired right to rest. Older workers in countries with relatively a high work ethos may also be more inclined to retire early in order to make

⁷ It appears that the results shown in table 5 differ from the results shown in model 1b in table 4. We presume that these differences are mostly due to the differences in design (cross-sectional data versus longitudinal data) and due to the fact that the tables concern two different dependent variables (employment status versus the transitions out of the labour force).

way for the younger generations. Furthermore, the accepting attitude towards early retirement is also reflected in countries' (early) retirement ages: work ethos is negatively correlated ($p < .01$) with both the early retirement age and the official retirement age, indicating that countries with a stronger work ethos have lower (early) retirement ages.

Table 5. Results of multinomial logit analysis on transitions out of work. Effects of social norms, including institutional factors official retirement age, official early retirement age and replacement rates displayed.

Y = Transition: (ref = remaining in the work force)	From work to early retirement		From work to alternative exit¹	
	<i>Log odds</i>	<i>Std. error</i>	<i>Log odds</i>	<i>Std. error</i>
Intrinsic work values	1.105***	.233	-2.678***	.158
Extrinsic work values	-1.132***	.304	2.520***	.219
Work ethos	.831***	.099	.146**	.059
Leisure values	.832***	.119	.294***	.082
Early retirement age	.029***	.011	.048***	.007
Official retirement age	-.177***	.019	.031**	.013
Replacement rates	4.334***	.371	-.358	.231
<i>N</i>	93,850		93,850	
<i>Pseudo-R²</i>	.097		.097	

¹ Alternative exit routes comprise moving into unemployment, disability, or inactivity.

Controls: age, age², gender, health, marital status, self-employment, unemployment rate, year.

Source: SILC-EVS 2005-2008. * $p < .10$; ** $p < .05$; *** $p < .01$.

The three institutional variables also have significant effects on the transition to early retirement, and remarkably, the early retirement age has a positive effect while we expected a negative effect. On the one hand, as was expected, it appears that living in a country with a relatively high statutory retirement age decreases the probability of moving into early retirement, but on the other hand, the early retirement age appears to have the opposite effect. Contrary to our expectations, living in a country where early state pension benefits become available at a fairly late age, or where they are not available at all, increases the probability of transitioning to early retirement. Perhaps when the early retirement options are limited by the state, people are more inclined to participate in second and third pillar pension schemes⁸. In that case, people may be less driven by the social norm reflected by the earliest age at which state pension benefits become available and more by their personal preferences. Lastly, replacement rates have the expected positive effect on retiring early: relatively generous old age benefits thus appear to be associated with a higher likelihood of retiring early.

⁸ Making a transition from work to early retirement does not necessarily mean making use of state early pension benefits. In this study, being retired is subjective, i.e. it depends on how a respondent classifies himself, so it does not say anything about the type of benefit scheme the respondent is using, nor whether he or she is receiving benefits at all.

Transition to unemployment, disability or inactivity

The section pertaining to the transition from work to an alternative exit (i.e. unemployment, disability or inactivity) in table 5 also shows that all social norms have significant effects on transiting through an alternative exit route. However, the effects of the intrinsic and extrinsic work values have opposite signs, compared with the effects on early retirement. In this case, intrinsic work values have the expected negative effect whereas extrinsic work values have a positive effect.

The effects of the institutional variables are also quite different. Both the early retirement age and the official retirement age have positive effects, and the effect of replacement rates is insignificant. Looking at the three alternative exits (i.e. unemployment, disability, inactivity) separately reveals that early retirement age has an insignificant effect on unemployment, and significant, positive effects on disability and inactivity; the official retirement age only has a significant, positive effect on unemployment; and lastly, replacement rates have significant effects on unemployment (negative) and disability (positive). In other words, the effects on the transitions into the alternative exits are quite inconsistent. Possibly, there are other underlying mechanisms or other factors that are of importance for these types of exits.

Gender differences

The effects on transiting into early retirement were also estimated for men and women separately. As we see in table 6 below, all social norms have significant effects in the men's model, and moreover, the signs of the effects correspond with our findings in the general analysis (see table 5). For women, on the other hand, table 6 shows that the only social norms that have a significant effect are work ethos and leisure values. Apparently, work values do matter for men's retirement decision, but they do not influence women's retirement decision. However, the country-level work ethos and leisure values have significant effects for both genders.

Furthermore, table 6 shows clear gender differences regarding the effects of the early retirement age and the official retirement age. The signs of the effects correspond with the results in the general table (table 5), with the early retirement age having a positive effect on retiring early and the official retirement age having a negative effect, but the effects are only significant for women. This may be because women often have lower wages than men and are more likely to have interrupted employment histories. Men are therefore presumably better able to participate in second and third pillar pension schemes, which make them less reliant on state pension benefits alone and thus less limited by the state's retirement legislation. Lastly, although the effects of the pension replacement rates are significant in both models, the effect is stronger in the women's model. This also supports our assumption that women are more dependent on state old age benefits than men.

Table 6. Results of multinomial logit analysis on transition into early retirement, by gender. Effects of social norms, including official retirement age, official early retirement age and replacement rates displayed.

Y = Transition into early retirement				
(ref = remaining in the work force)	Model 1: Men		Model 2: Women	
	<i>Log odds</i>	<i>Std. error</i>	<i>Log odds</i>	<i>Std. error</i>
Intrinsic work values	1.268***	.302	.388	.410
Extrinsic work values	-1.073***	.397	.449	.672
Work ethos	.900***	.123	.591***	.159
Leisure values	.363*	.193	.820***	.190
Early retirement age	.018	.013	.123***	.031
Official retirement age	-.016	.043	-.325***	.037
Replacement rates	3.668***	.437	6.320***	.753
<i>N</i>	52,397		41,453	
<i>Pseudo-R²</i>	.104		.097	

Controls: age, age², health, marital status, self-employment, unemployment rate, year.

Source: SILC-EVS 2005-2008. * $p < .10$; ** $p < .05$; *** $p < .01$.

5.3. Differences by skill level and welfare regimes

This paragraph discusses the interaction effects showing whether the effects of values (both at the individual and the country level) and institutions on early retirement differ across educational levels and welfare regimes. Since there are quite many interaction terms, table 7 only shows the significant interaction effects. The general conclusions drawn from this table are discussed.

Interactions with skill

In order to estimate the interactions of the individual-level values with skill, we need to return to the EVS-dataset. We expected values to be relatively more important for higher educated workers than for lower educated workers, but the analysis does not support this hypothesis. The findings indicate that none of the interactions between skill and the individual values are significant, thus it appears that the effect individual values have on the retirement decision does not differ across educational levels.

The interaction effects of skill with the country-level social norms were also estimated (using the combined SILC-EVS dataset), and the results suggest that extrinsic work values and leisure values are significantly more important for higher skilled people than for low skilled people. However, the results also indicate that the effect of work ethos on the retirement decision is less strong for high educated people, which we did not expect.

Regarding the interaction effects with the institutional variables, we find mixed results. First of all, none of the interactions with early retirement age are significant, so it appears that the level of the early retirement age affects lower and higher skilled workers in the same way. Our second institution, which is the statutory retirement age, shows that only the interaction effect with the medium skill level is statistically significant. Hence, the effect of retirement age on the retirement decision appears to be different for the medium skilled compared with the reference group (low skilled respondents), whereas the effect for high skilled respondents does not differ from that of the reference group. Concerning the interaction with replacement rates, table 7 supports our expectation that pension replacement rates

are relatively less important for the retirement decision of high skilled workers than for low skilled workers.

Interactions with welfare regime

Looking at the interactions with welfare regime, we see that there are quite some significant interaction effects. This suggests that most of the independent variables affect the retirement decision differently across the six welfare regime types, but at the same time it seems as though there are no distinct patterns across these regimes. There does, however, appear to be a contrast between the Nordic regime and the other five regimes, as the significant effects are consistently in the same direction across these remaining regimes. For instance, all significant interaction variables with leisure values (both at the individual level and the country level) are negative, suggesting that the effect of leisure values (regardless of the level of analysis) on the retirement decision is less strong in continental, liberal, Baltic and Eastern European regimes than in the Nordic welfare regime. The interaction effects with intrinsic work values (as a social norm) are another example, but in this case all significant effects are positive.

Observing the interaction effects with the institutional variables, we notice that none of the interactions with the Anglo-Saxon regime are significant. Apparently, there is no significant difference in the way the institutions affect the retirement decision in the Anglo-Saxon regime compared to the Nordic regime (which is the reference group). This is a quite remarkable result since these two regime types are each other opposite poles concerning their levels of decommodification. Based on Esping-Andersen's (1990) typology of welfare regimes we may assume that the countries classified as Nordic regimes assign a large role to the state, whereas the Anglo-Saxon countries rely mainly on the market as the provider of welfare. We therefore expected that the institutional variables would have had a weaker effect on the retirement decision in the Anglo-Saxon regime than in the Nordic regime, but instead there does not appear to be a significant difference.

Also striking is the interaction effect with replacement rates not being significant for the Baltic States. While the replacement rates have significantly stronger effects on the early retirement decision in Continental, Eastern European and Southern European countries, it appears that the effect for the Baltic countries does not differ significantly from the reference group. Coming from a socialist past and having underdeveloped social protection systems, one might expect the Baltic States and the Eastern European countries to have similar results regarding the influence of the pension replacement rate, yet the results in table 7 do not support this expectation.

Table 7. Overview of significant interaction effects. Interaction of values, social norms and institutions with skill and welfare regime. Log odds displayed.

Y = Transition into early retirement (ref = remaining in the work force)									
	Interaction with skill			Interaction with welfare regime					
	Low	Medium	High	Nordic	Continental	Anglo-Saxon	Baltic States	Eastern Europe	Southern Europe
Individual values (EVS)									
Intrinsic work values	ref.	.	.	ref.	.	.	.	.	.
Extrinsic work values	ref.	.	.	ref.	.	.	.	.	.
Work ethos	ref.	.	.	ref.	.372**	.	.	.	.394*
Leisure values	ref.	.	.	ref.	-.731**	-1.044	-.907*	-.739**	.
Social norms (SILC-EVS)									
Intrinsic work values	ref.	.	.	ref.	3.117**	5.151***	5.548**	3.091***	2.755**
Extrinsic work values	ref.	.	2.008***	ref.	.	.	-12.426**	.	.
Work ethos	ref.	.	-1.803***	ref.	.	.	.	2.179***	.
Leisure values	ref.	1.428***	.909***	ref.	-9.538***	-9.717***	-7.988**	-5.819*	.
Institutions (SILC-EVS)									
Early retirement age	ref.	.	.	ref.	2.843*	.	3.143**	2.766*	2.727*
Retirement age	ref.	.106***	.	ref.	-6.762*	.	-7.288*	-6.691*	-6.696*
Replacement rates	ref.	.	-2.019**	ref.	20.078**	.	.	20.571**	22.451**

Controls: age, age², health, marital status, self-employment, unemployment rate, year.

* p < .10; ** p < .05; *** p < .01; "ref." = reference group and "." = not significant.

Sources: EVS 2008 & SILC-EVS 2005-2008

6. Conclusions and discussion

6.1. Conclusions

Retirement and the decision to retire early come with many uncertainties, particularly pertaining to the uncertainty of not receiving the expected post-retirement benefits and to the uncertainty of the timing of the decision, that is when to retire. In today's rapidly changing societies, with its ageing populations and fluctuating markets, it is difficult to predict to what extent workers are exposed to such uncertainties. This paper tries to understand and to explain the early retirement decision by examining the relationship between respondents' employment statuses over time and the distinguished micro- and macro-level determinants.

Influence of values and norms

The empirical evidence shown in this paper suggests that country-level values (i.e. social norms) are more important for the early retirement decision than individual-level values. Using cross-sectional EVS data, multinomial logit models containing both the individual values and the social norms are estimated, which show that only the country-level extrinsic work values and leisure values have significant effects on the probability of early retirement. Concerning the other three exits (i.e. unemployment, disability and inactivity), the analyses indicate that values and norms both contribute to the likelihood of exiting the labour market prior to the statutory retirement age.

In order to acquire more insight in the causal patterns regarding the retirement decision, use is made of the longitudinal SILC dataset matched with European values data in which information was available on individual values. The average country level scores on values disaggregated by age, sex

and education level are assumed to reflect more or less the existing social norms in society. The analyses show that all social norms have significant effects on making a transition from work to early retirement. As was hypothesized, living in a country with strong extrinsic work values decreases the probability of making a transition, whereas living in a country with strong leisure values increases the probability of retiring early. However, the other two types of social norms, i.e. intrinsic work values and work ethos, appear to have positive effects on transiting into early retirement, whereas negative relationships are expected. As to exiting the labour market through alternative exit routes (i.e. unemployment, disability or inactivity), all social norms also have significant effects yet the signs of the effects are slightly different.

Influence of institutions

Besides individual values and social norms, the effects of (early) retirement age and pension replacement rates are also estimated. As we expect, the results indicate that the statutory retirement age has a negative effect and the replacement rate a positive effect on the retirement decision. In other words, a higher official retirement age, also signalling the social norm about the timing of retirement, appears to discourage early retirement, whereas more generous state old-age benefits (expressed in terms of replacement rates) act as pull factors increasing the likelihood of retiring early. Furthermore, contrary to our expectations, the results indicate that the early retirement age (i.e. the age at which early state pension benefits become available) has a positive effect on exiting the labour market early, which may suggest that a high early retirement age or the absence of early state pension benefits stimulates people to find other ways to exit working, for instance through second and third pillar pension systems. Although both, the early retirement age and the statutory retirement age are expected to reflect a social norm on the age at which to retire, it appears that people only abide by these norms up to a certain extent. In the case there are limited or no early exit opportunities or with unattractive benefit conditions provided by the state, it appears that people commit themselves more to their personal preferences of the age at which to retire than by the social norm reflected by the statutory early retirement age. However, besides opting for early exit, it is also important to acknowledge that some older workers are more or less forced to exit the labour market by their employers.

Groups at risk

It is assumed that certain specific groups may experience more uncertainties due to early retirement. Therefore attention was paid to gender differences and educational differences. The results indicated that whereas all social norms have significant effects on men's retirement decision, only work ethos and leisure values appear to affect women. The institutional variables also have different effects by gender, as both the early retirement age and the official retirement age have significant effects for women but not for men, which suggests that women may be more dependent on state transfers whereas men may have more generous occupational and/or private pensions. Although the pension replacement rate positively influences the early retirement decision of both genders, the effects are clearly stronger for women than for men.

As to the different retirement patterns by educational level, the results indicate that the way individual values affect the retirement decision does not differ for lower and higher skilled people. Some of the

social norms appear to be more important for higher skilled workers, as the significant interaction effects with extrinsic work values and leisure values turns out to be positive. However, the effect of the country-level work ethos variable appeared to be less strong for the retirement decision of higher skilled workers than lower skilled workers, which was unexpected. As to the interactions with the institutional variables, the results only support our hypothesis that replacement rates are relatively less important for higher skilled workers than for lower skilled workers.

Eventually, examining the differences across six welfare regime types resulted in a number of significant interaction effects, which are discussed before showing however that no clear pattern can be discovered.

6.2. Discussion

Policy implications

This study has shown that social norms and institutions significantly affect the early retirement decision, whereas the individual values included in this study did not appear to exert a substantial impact. Knowing how social norms affect people's retirement behaviour can be relevant for policy makers, because they might be able to affect existing social norms in society by the way of design of their policy measures signalling governments' intentions. For instance, the findings suggest that a relatively high statutory retirement age decreases the likelihood of making a transition into early retirement, which seems to support our claim that the retirement age indeed reflects a social norm for people in society. By raising it, people tend to respond to the change in the norm by postponing the decision to retire. On the other hand, a higher retirement age also appears to be accompanied by a higher likelihood of exiting the labour market through an alternative exit route. Some older workers need to leave the labour market because of bad health or disability, while others may become unemployed and be unable to find another job. Hence, raising the retirement age to encourage people to postpone retirement might have the effect governments aim for, especially against the backdrop of the ageing society. To be effective however, such a policy requires the maintenance of existing employment opportunities so that these older workers are able to continue working. Among other things, this implies investment in older workers' human capital and (new) careers so that they can stay productive and in health maintenance to lower the chance of ending up in disability. In this way it will become more attractive for employers to keep or even to hire older employees rather than getting rid of them and hence, to reduce the number of older people on unemployment benefits.

Furthermore, participating in second or third pillar pension systems might be made (quasi-)mandatory (where they are not already such as in the Netherlands) or the government might at least promote or make participation attractive (e.g. by fiscal measures) in order to make it more common practice. In that way, people become less reliant on state transfers, rendering them also more free choice in the timing of the retirement decision. As far as the effects of the crisis are concerned, sustainability of 'good' pensions for high and low skilled people seems better warranted through policies being effective in reducing the costs of expensive early retirement by creating a flexible retirement age that is linked to the average life expectation of workers.

Shortcomings and suggestions for further research

Every study has its shortcomings, and so does the present one. First of all, it would have been valuable to analyse data from more countries than the current 23. Although the EVS dataset contains about double this number of countries, we were limited by the number of countries available in the SILC dataset. A more serious problem concerns the dependent variable. The variable measuring transitions out of the labour market is based on a question about employment status. This question is subjective and does not specify whether “retired” actually means being fully retired and completely living off (early) retirement benefits or whether respondents may interpret the question in a different way. For instance, a worker near the retirement age who lives off unemployment benefits may consider himself as being in (early) retirement. Therefore, this subjective measure, might have been supplemented with more detailed information about the respondents’ sources of income; and, for retirees, how their retirement income is composed (i.e. which part of the income comes from state pensions, which part from occupational pensions and which part from private pensions). Though SILC contains information on income the information is not detailed enough to distinguish between the various sources. In addition, we only looked into exit transitions out of work into non-work neglecting a group of people who already were in long-term unemployment. This seems though a very specific group whose behaviour is more affected by personal and labour market constraints than by free choice. Eventually, since we matched data on values based on one EVS-wave to a four-year longitudinal dataset, it is implicitly assumed that social norms will not change over these four years. Although it is not very likely that norms change significantly over such a relatively short period of time, changes may occur at individual level. However, panel data needed to account for that on retirement values are not readily available in a comparative context for which reason we had to stick to the cross-sectional values information.

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