



CONSEIL D'ORIENTATION
DES RETRAITES

L'emploi des seniors en Allemagne : la mobilisation de plusieurs leviers

15^e colloque du COR

Emploi des seniors et vieillissement actif en Europe

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Outline

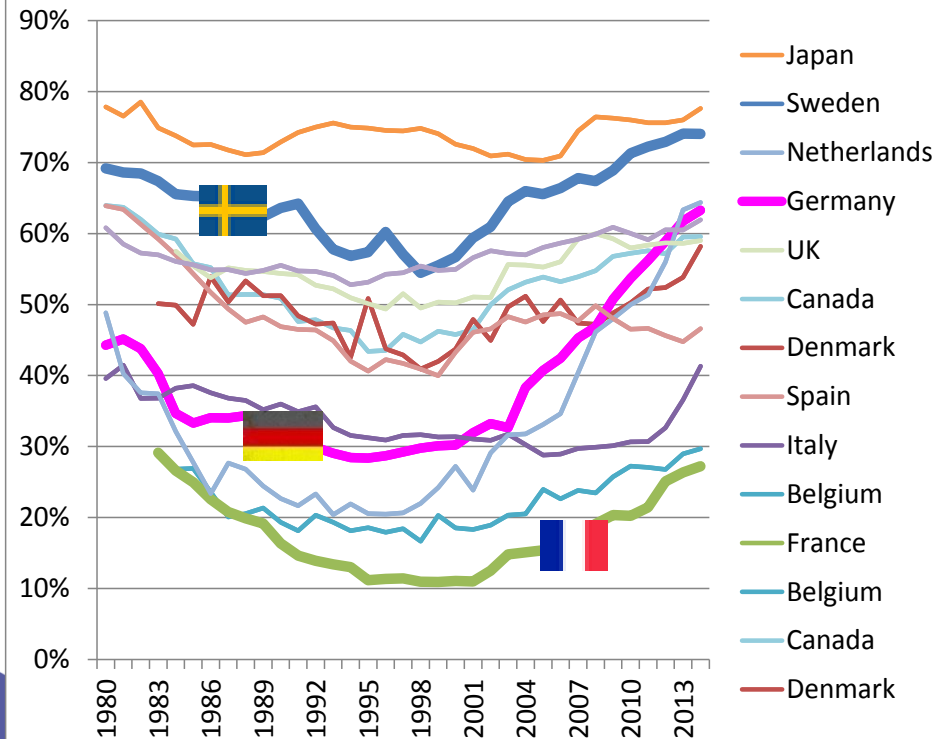


- 1. Change in employment of older workers 1980-2014**
2. Labor market and pension reforms
3. Which policy did it?
4. Summersault backwards in 2014

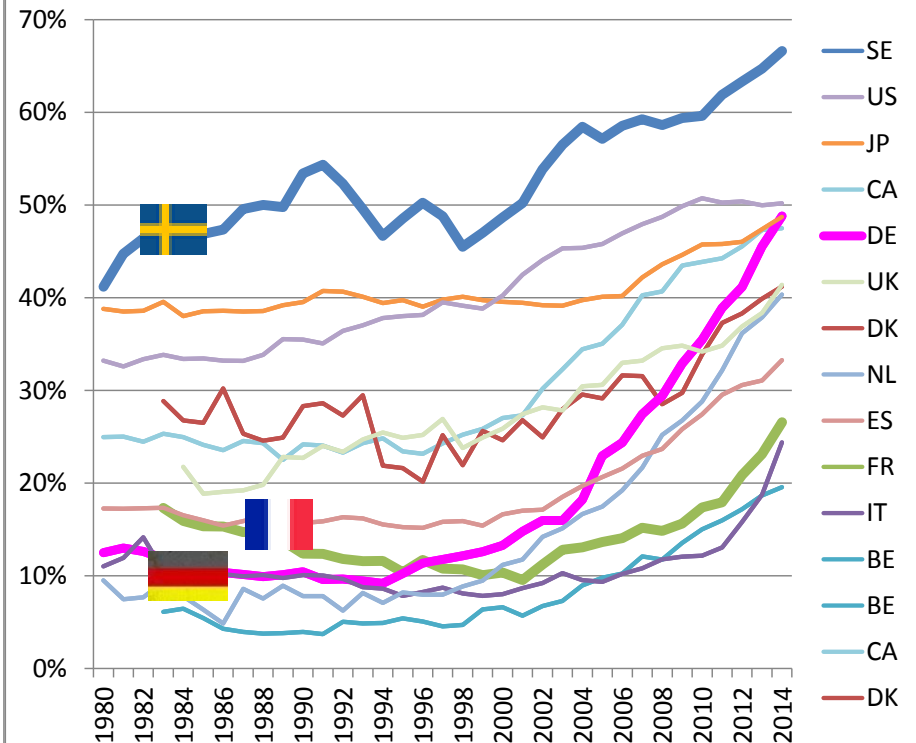
International comparison

Labor force participation age 60-64

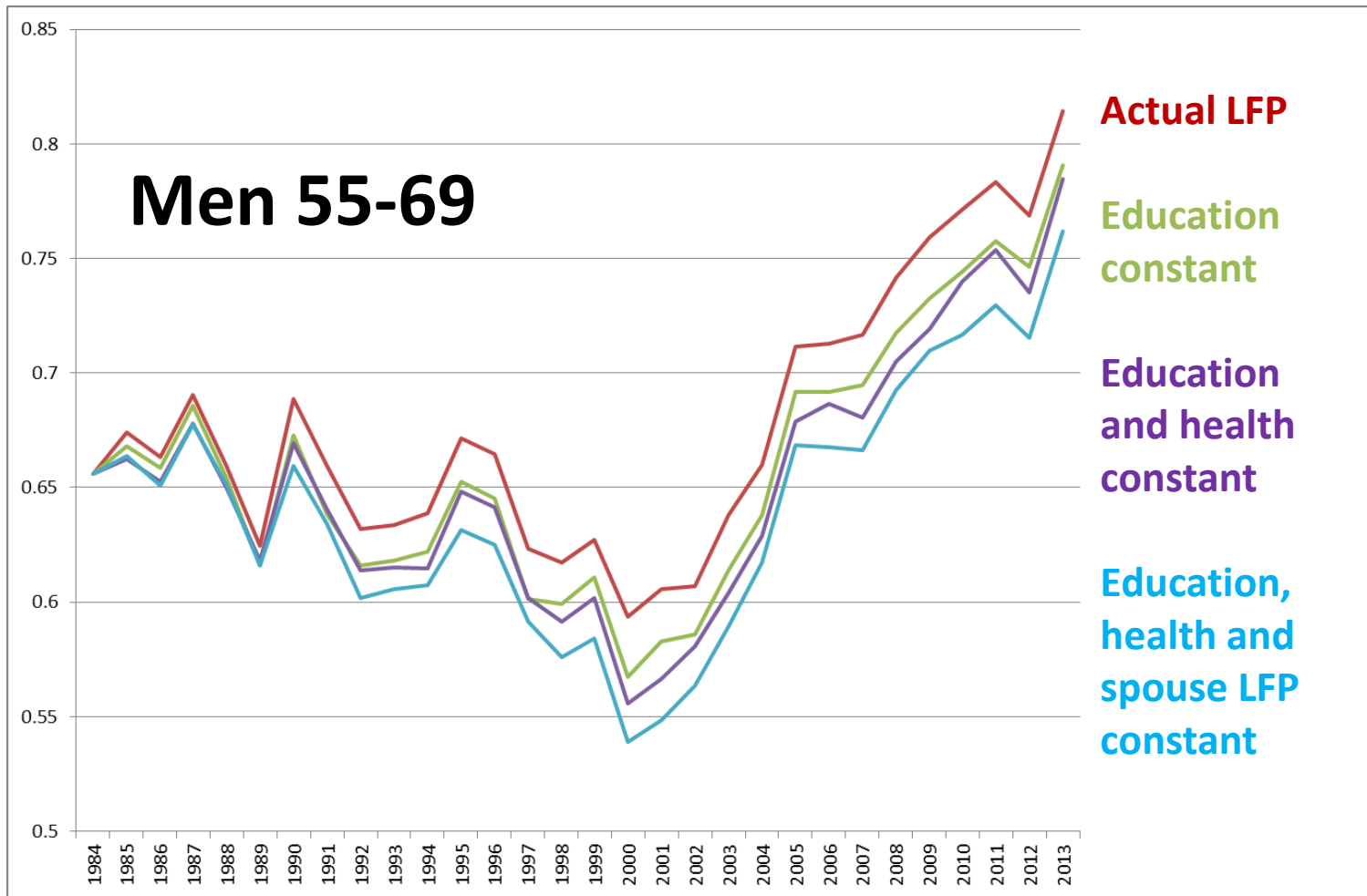
Men



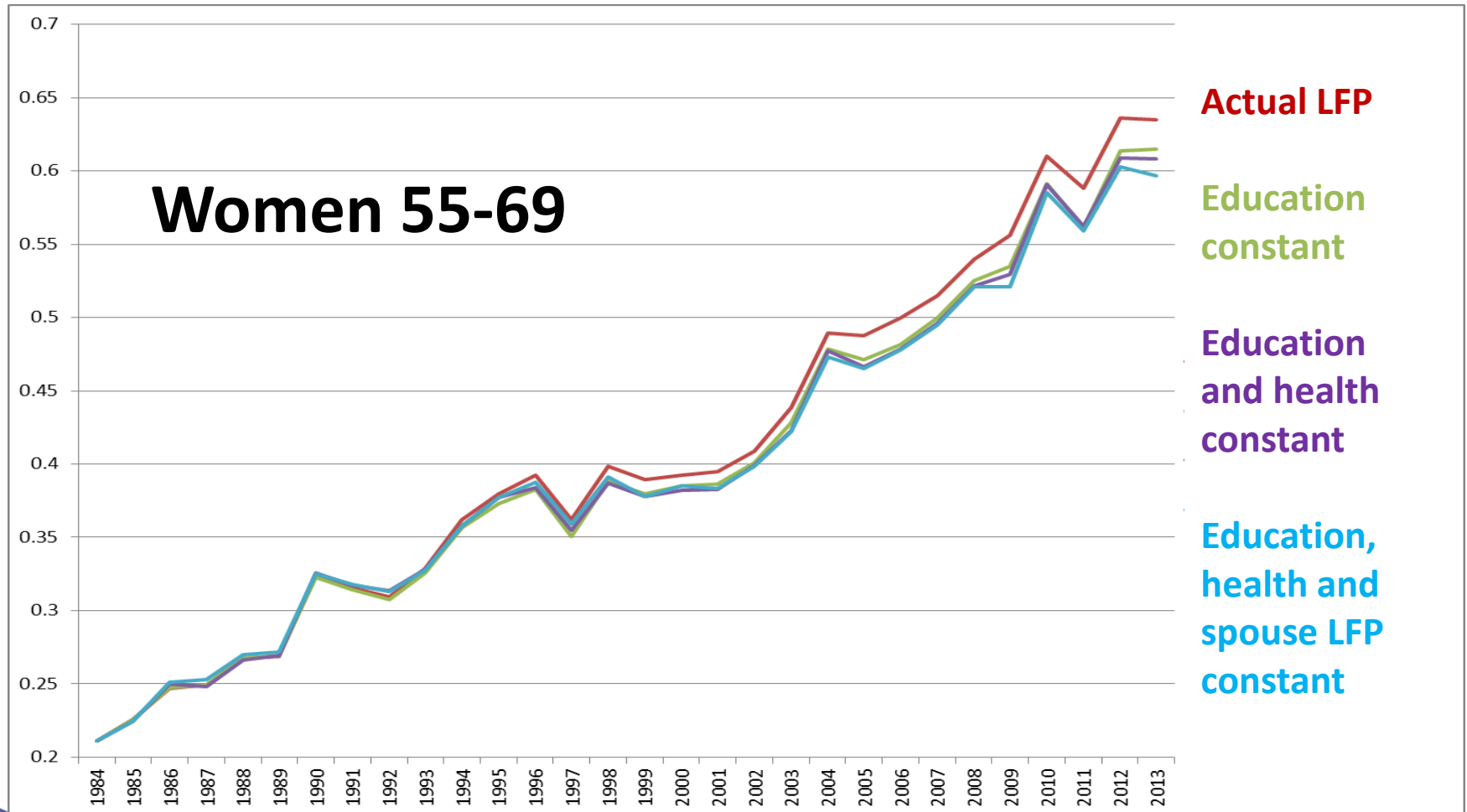
Women



Secular trends? Counterfactual LFP



Secular trends? Counterfactual LFP



Outline



1. Change in employment of older workers

**2. Labor market and pension reforms:
„Agenda 2010“, plus delayed 1992 reform**

3. Which policy did it?

4. Summersault backwards in 2014



German „Agenda 2010“ Reforms

Germany 2001:

GDP growth 0.8%, unemployment 9.4%

Labor market policies („Hartz I-IV“):

1. Unemployment benefits **limited to 1 year**
2. Thereafter (low level) **social assistance**
3. Strict **job search and training** requirements
4. Labor market **flexibilization**: 1€ jobs, Mini jobs, temporary work contracts, labor leasing
5. **Organizational** reforms (“German labor agency”)

„Agenda 2010“ and other reforms

Germany 2035:

34 mio workers, 28 mio pensioners

Pension policies:

- 1992: Gradual introduction of **actuarial adjustments**
- 1. **Quasi-NDC system**: “sustainability factor” indexes benefits to system dependency ratio (+ wages)
- 2. Cuts offset by (a) **basic assistance** (“Grundsicherung”) (b) voluntary **saving accounts** (“Riester pensions”)
- 3. Gradual increase in **retirement age** and closure of certain **pathways** into early retirement
- 2014: Introduction of “retirement at 63”

Outline



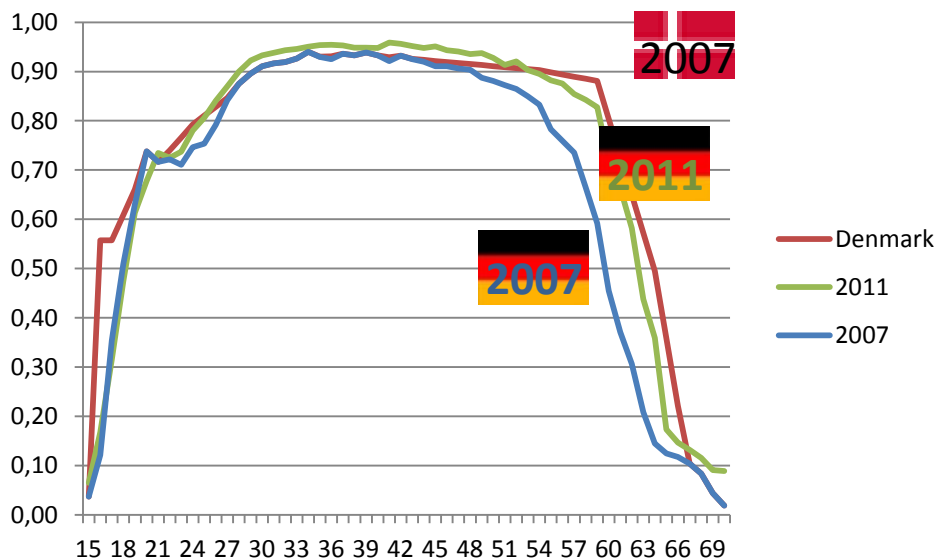
1. Change in employment of older workers
2. Changes in labor market and pension policies

3. Which policy did it?

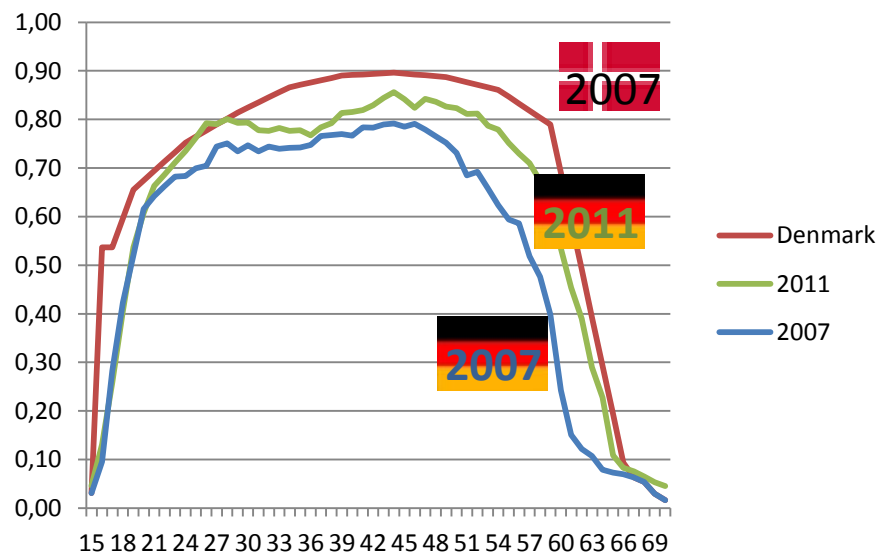
4. Summersault backwards in 2014

Employment rates, 2007 and 2011

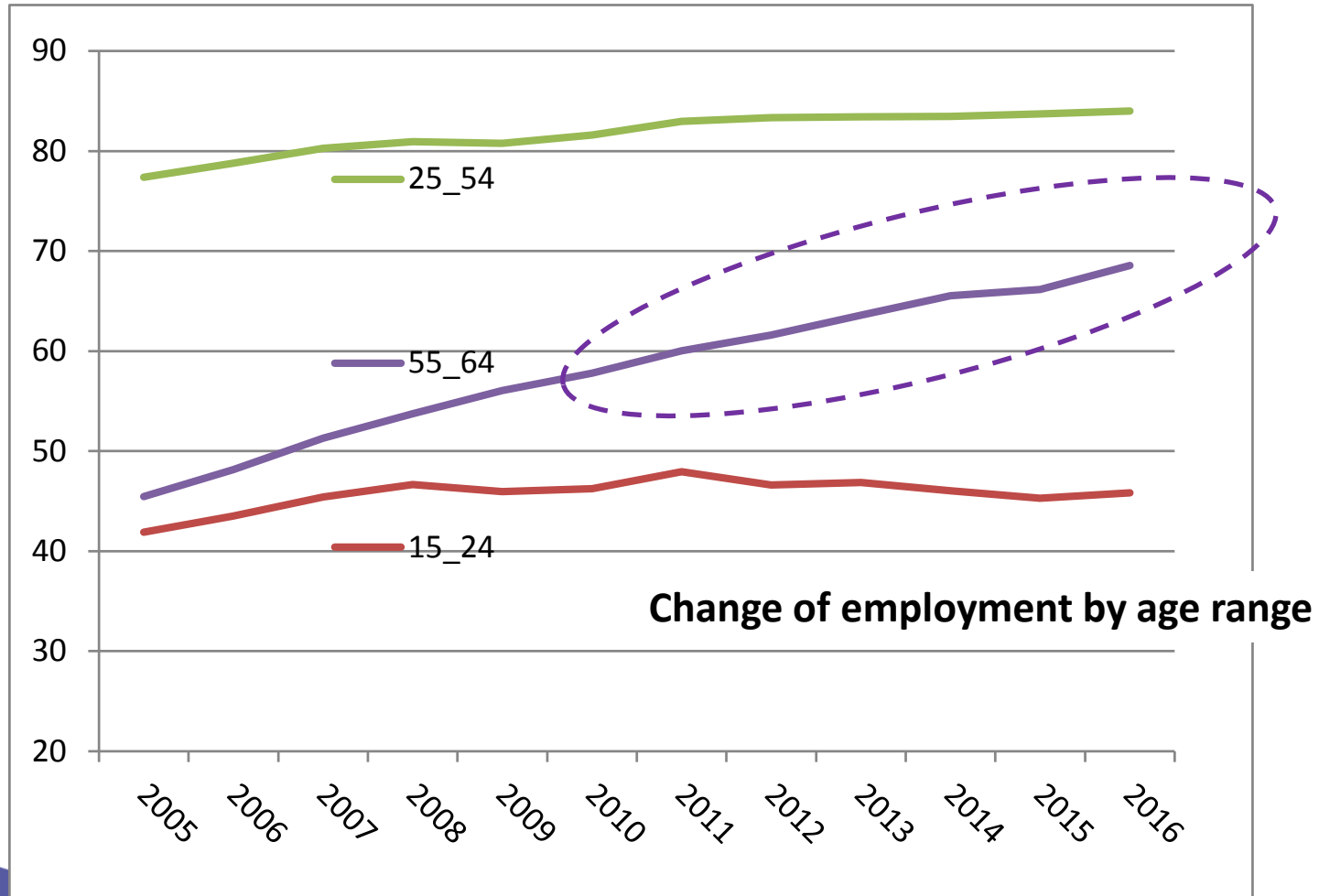
Men



Women

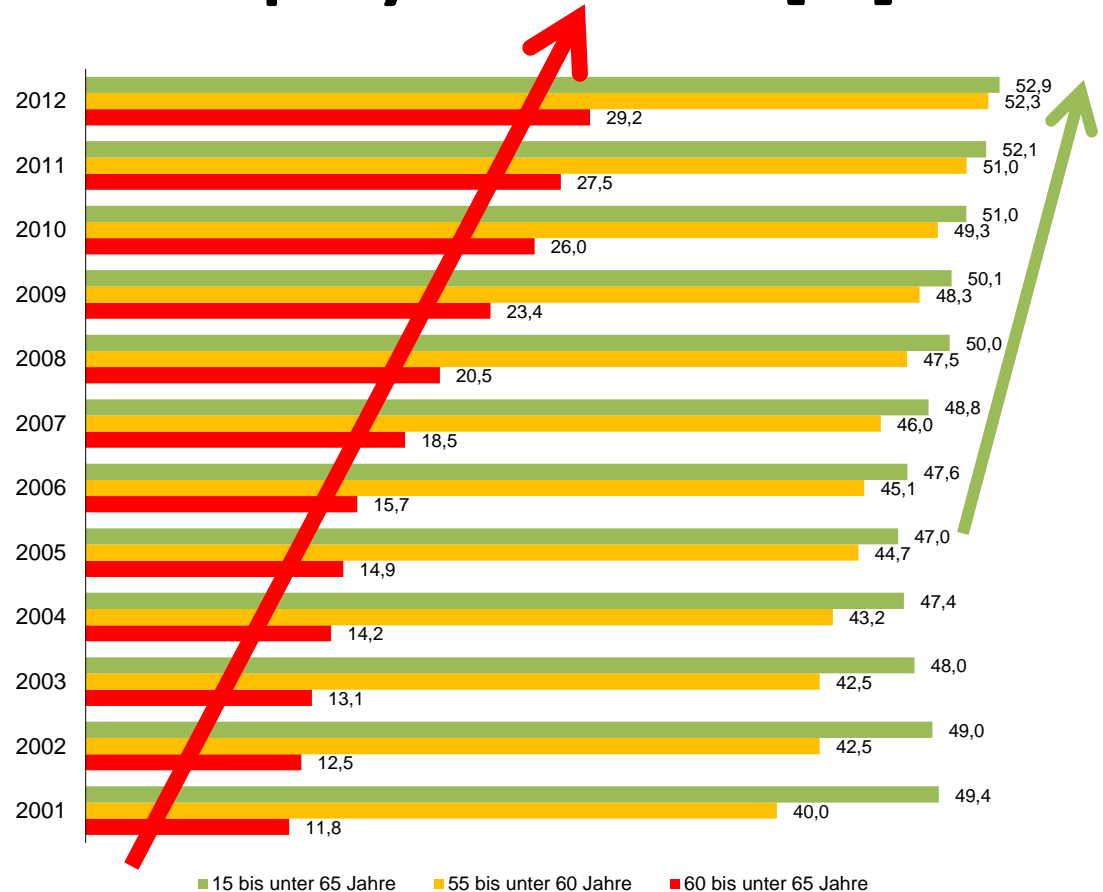


Employment rate [%]



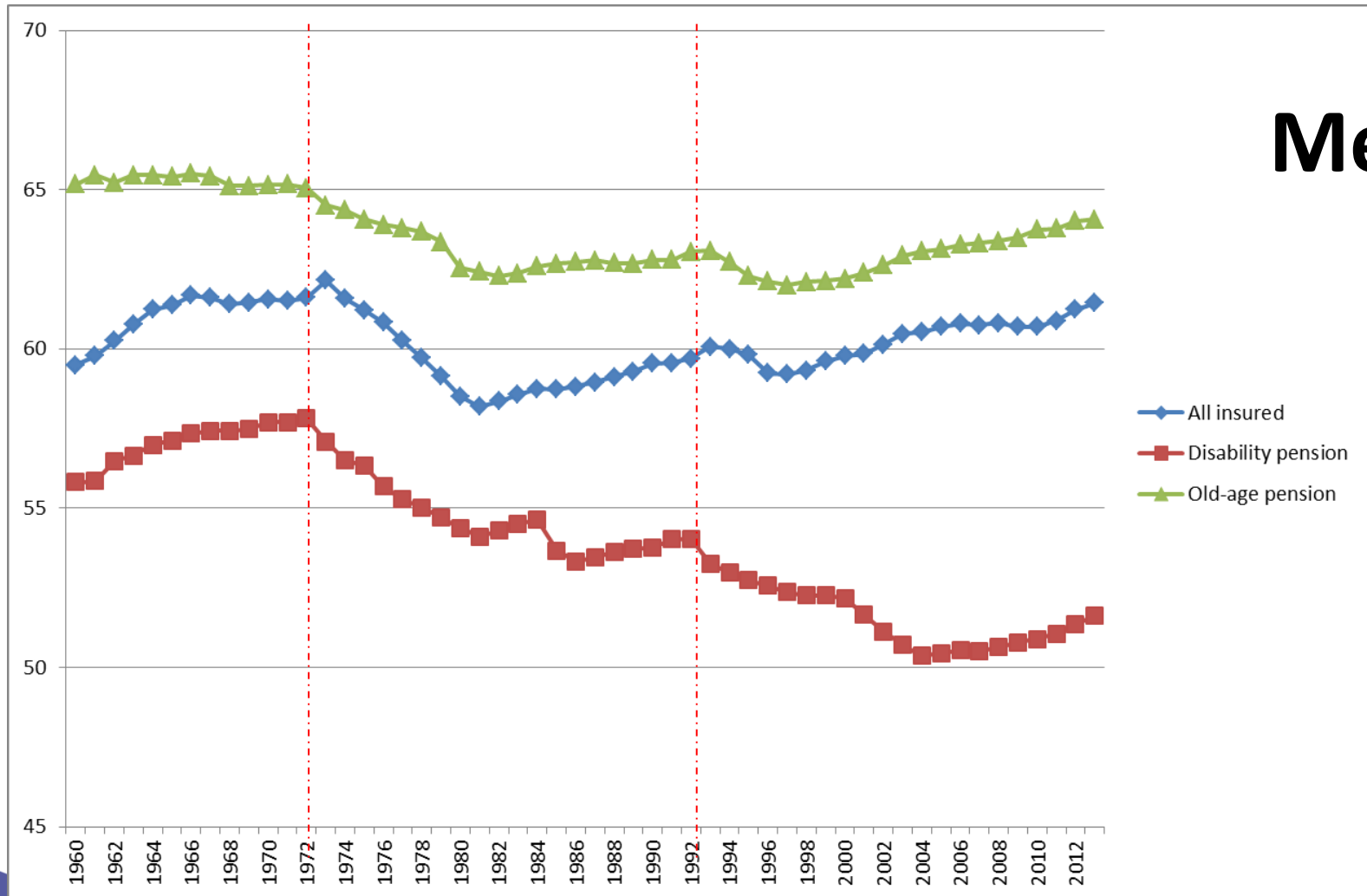
Focus on older workers

Employment rate [%]



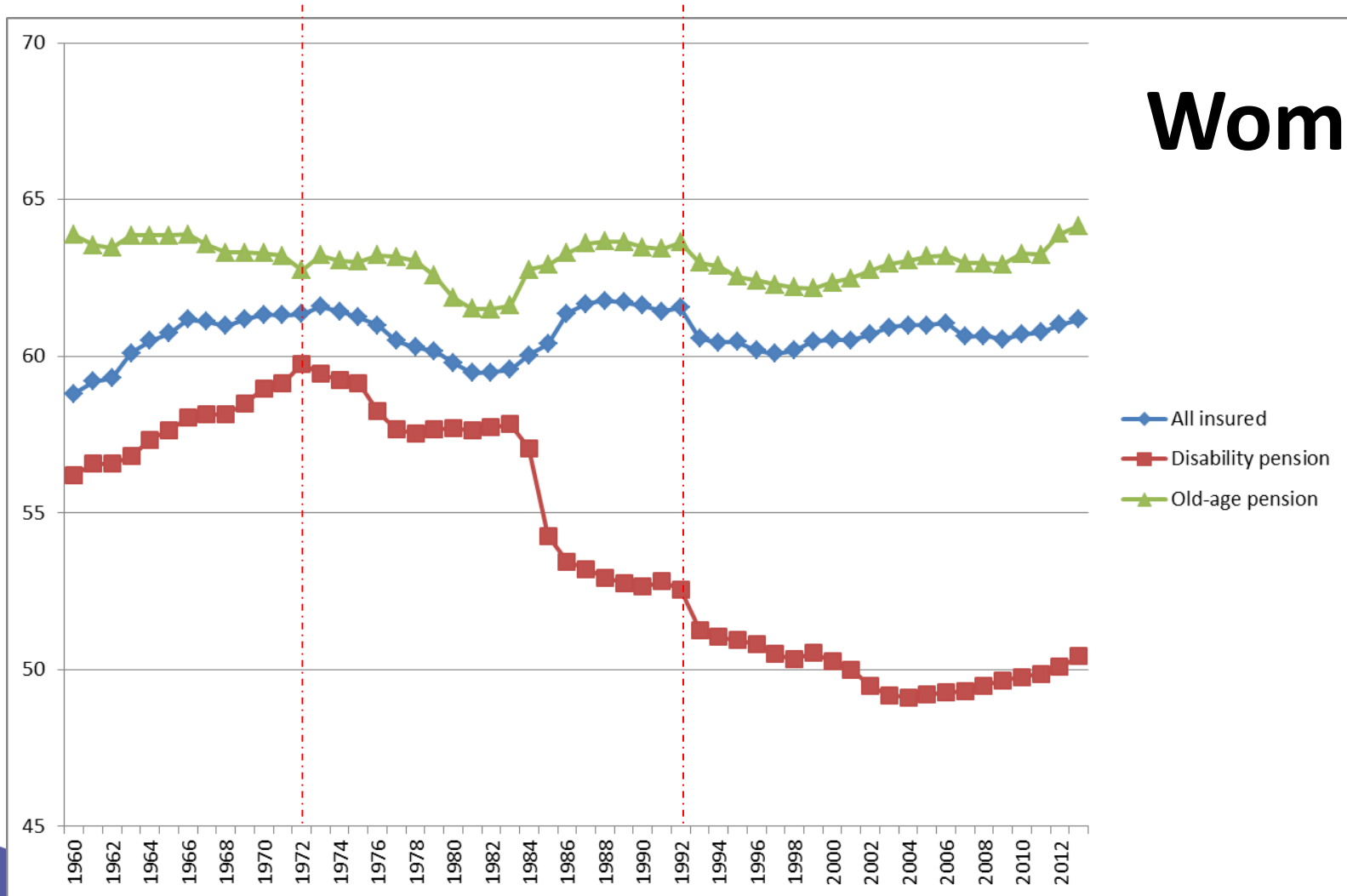
Headwind through more employment in spite of tailwind through demography

Average retirement age

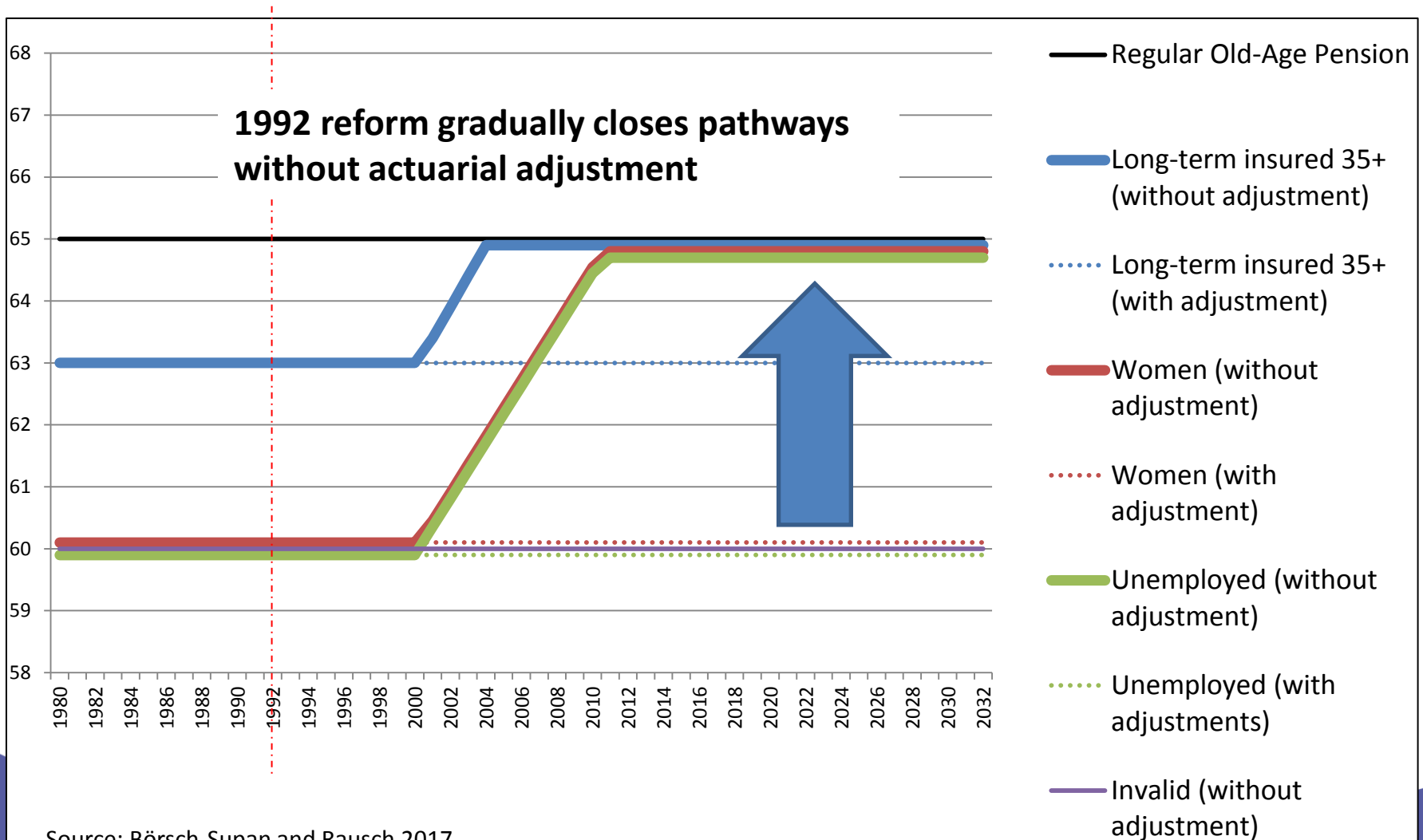


Average retirement age

Women

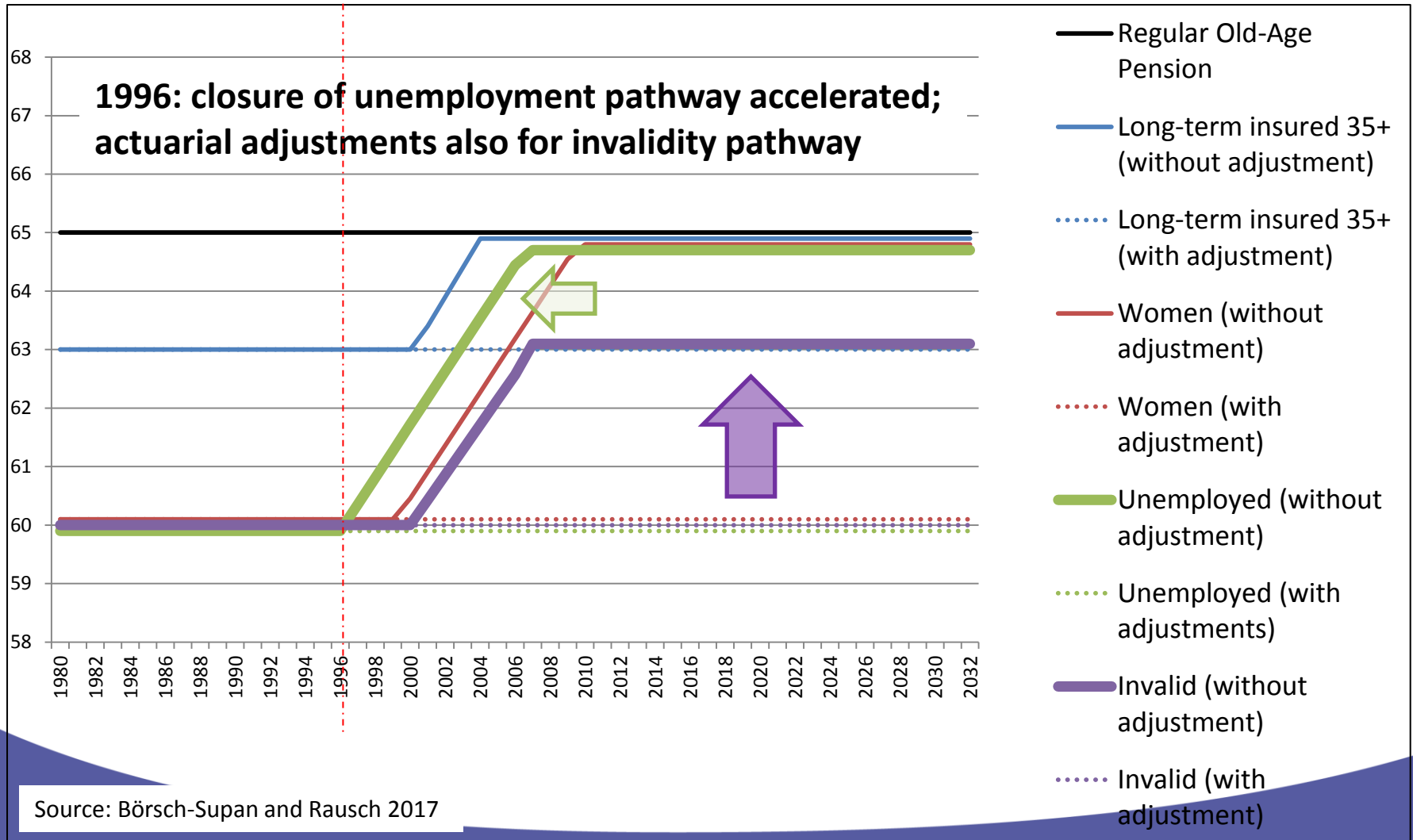


Pathways to retirement

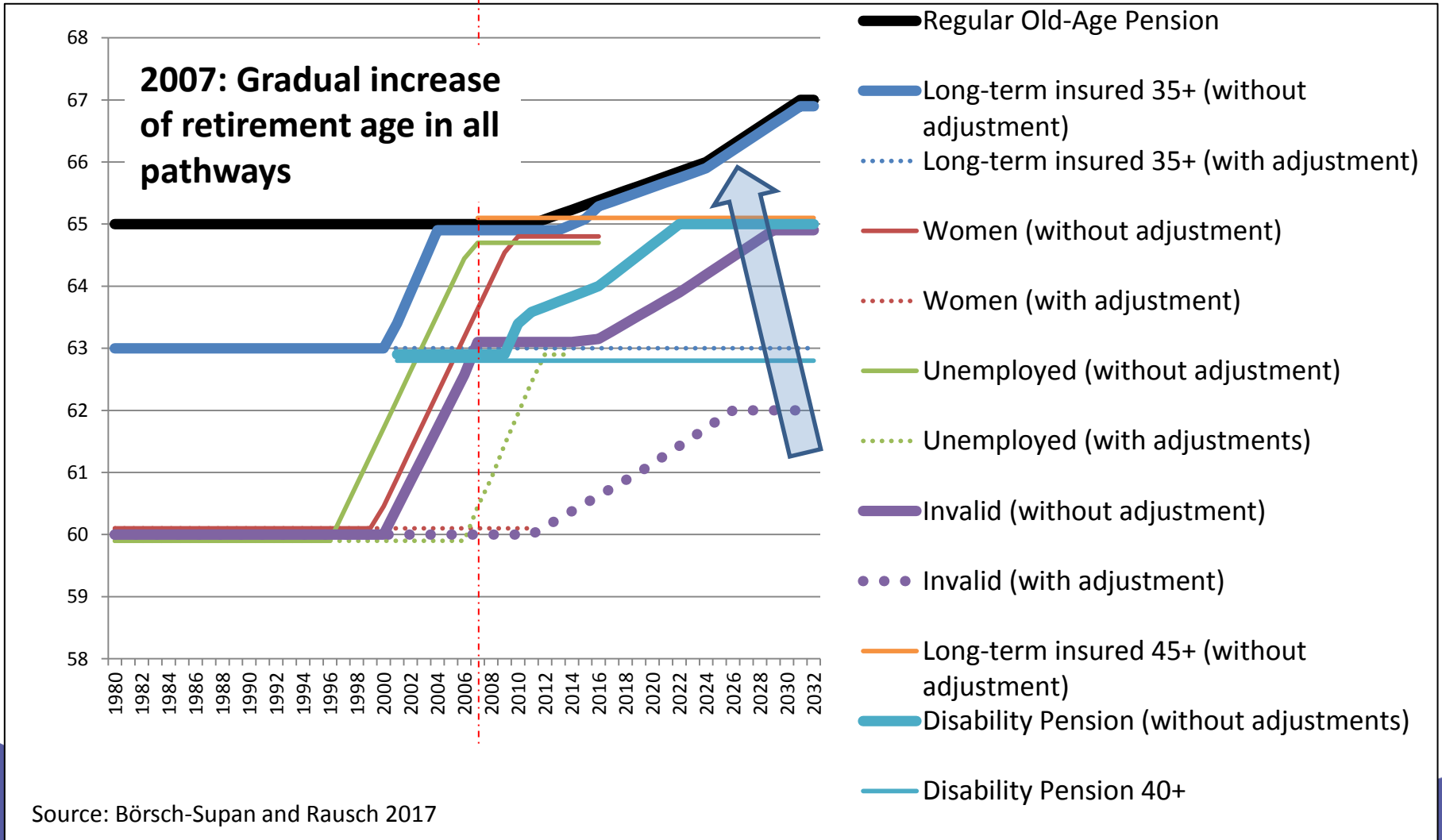


Source: Börsch-Supan and Rausch 2017

Pathways to retirement

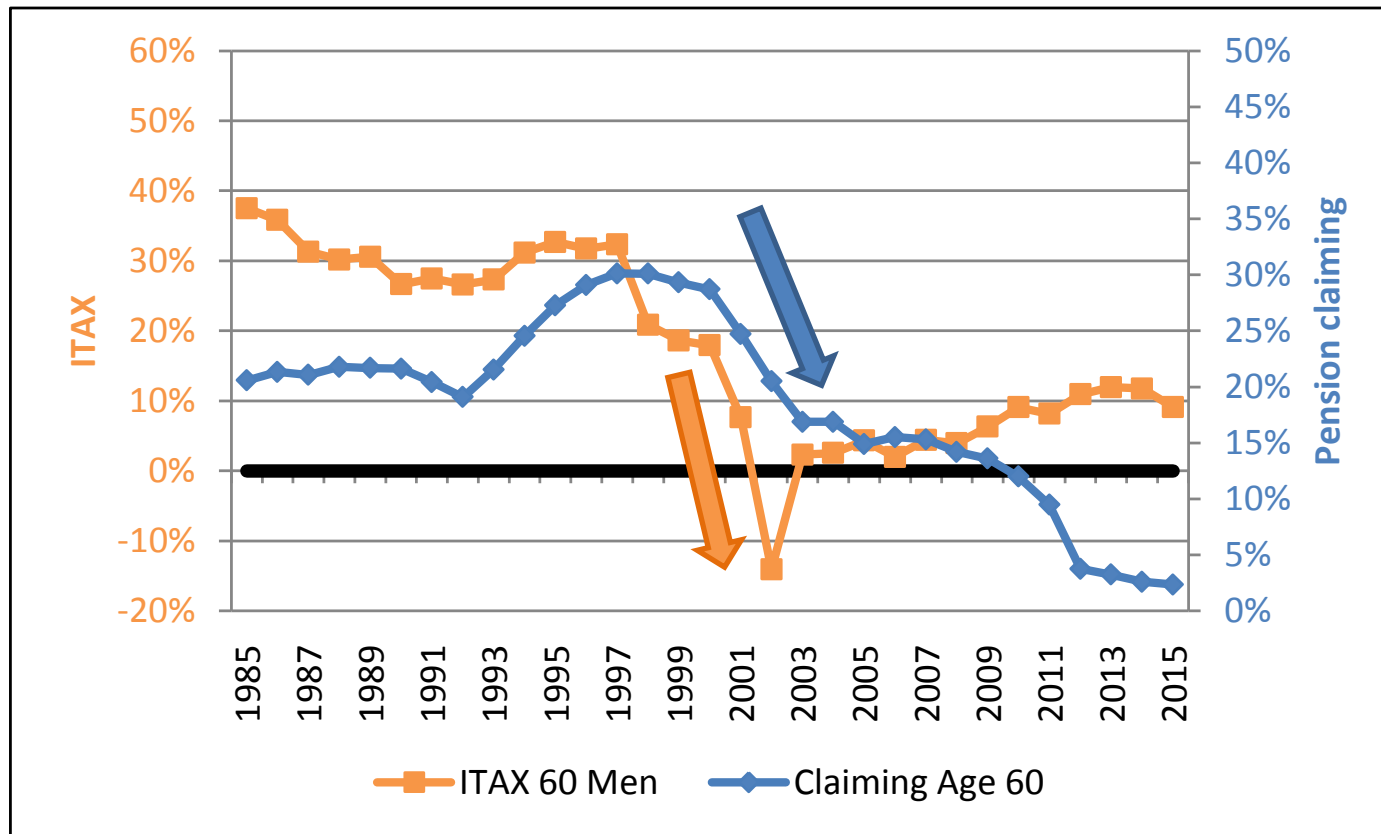


Pathways to retirement



Tax on working longer

Implicit tax and claiming at 60

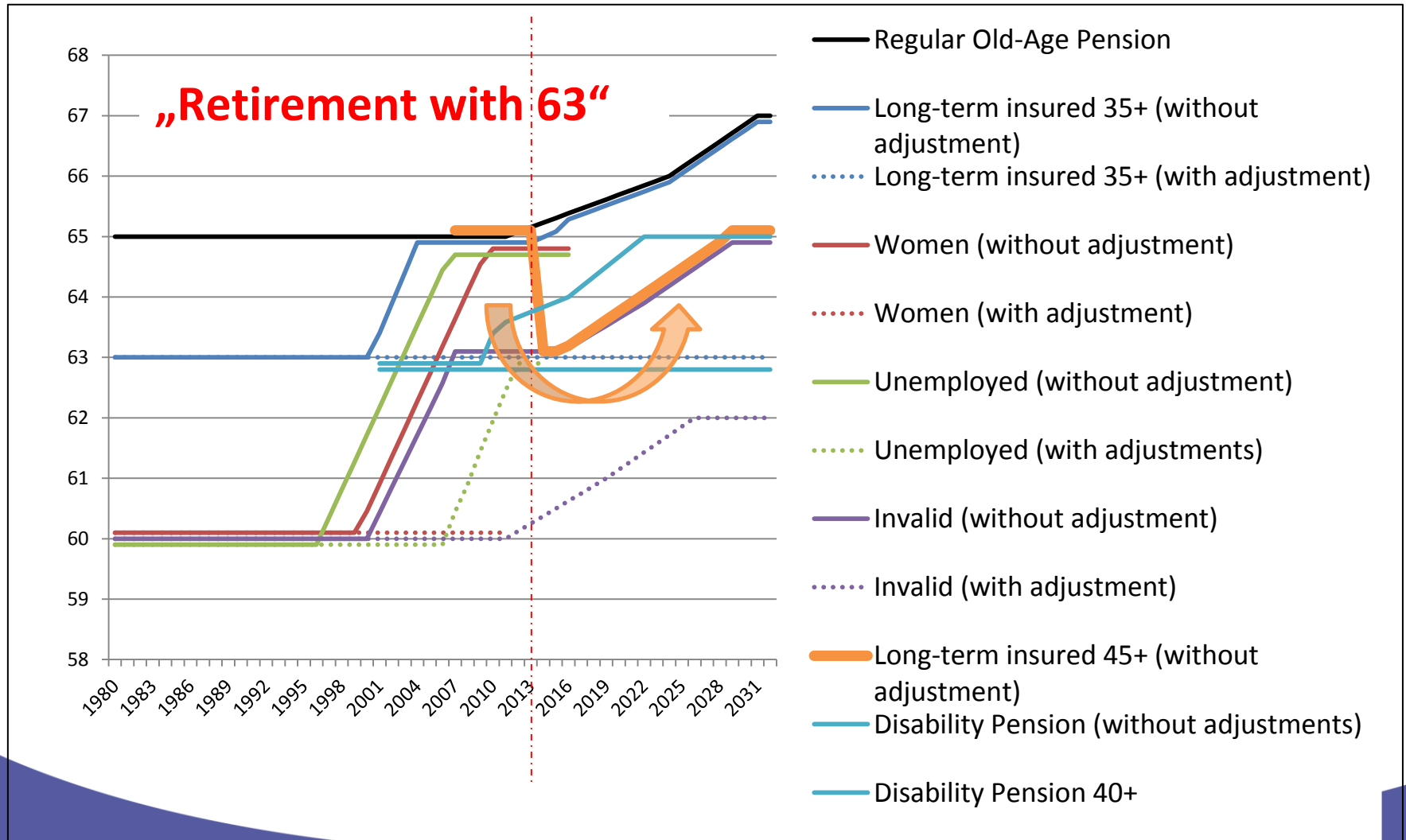


Men only, Source: Börsch-Supan and Rausch 2017

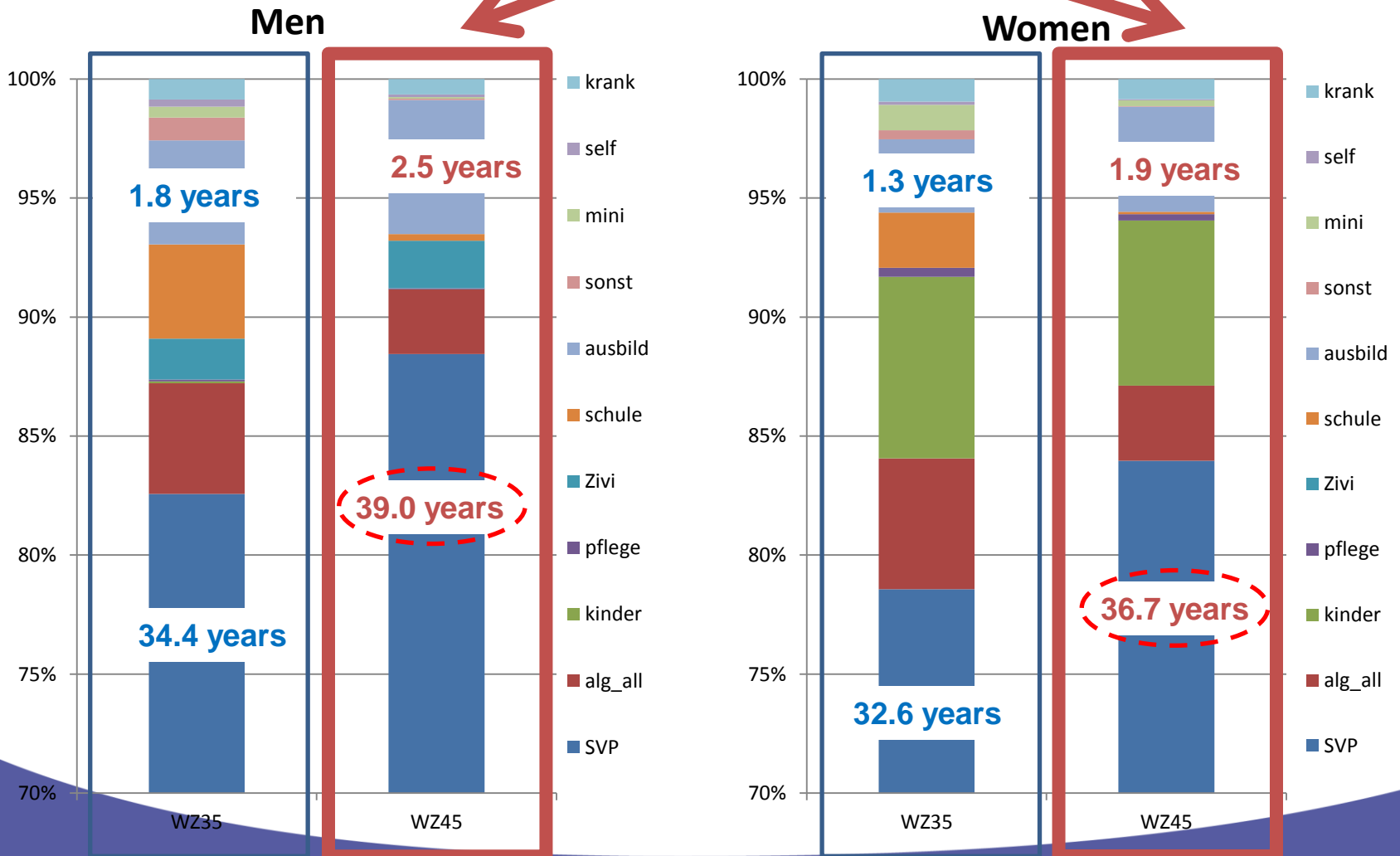
First conclusions:

- Not really due to **secular trends** in health, education etc.
- Not only due to **general labor market reforms**
- Main effect due to **pension policies**. Combination of:
 - *introducing actuarial adjustments*
 - *closing pathways (women, unemployment)*
 - *raising retirement age*

4. Summersault backwards in 2014:

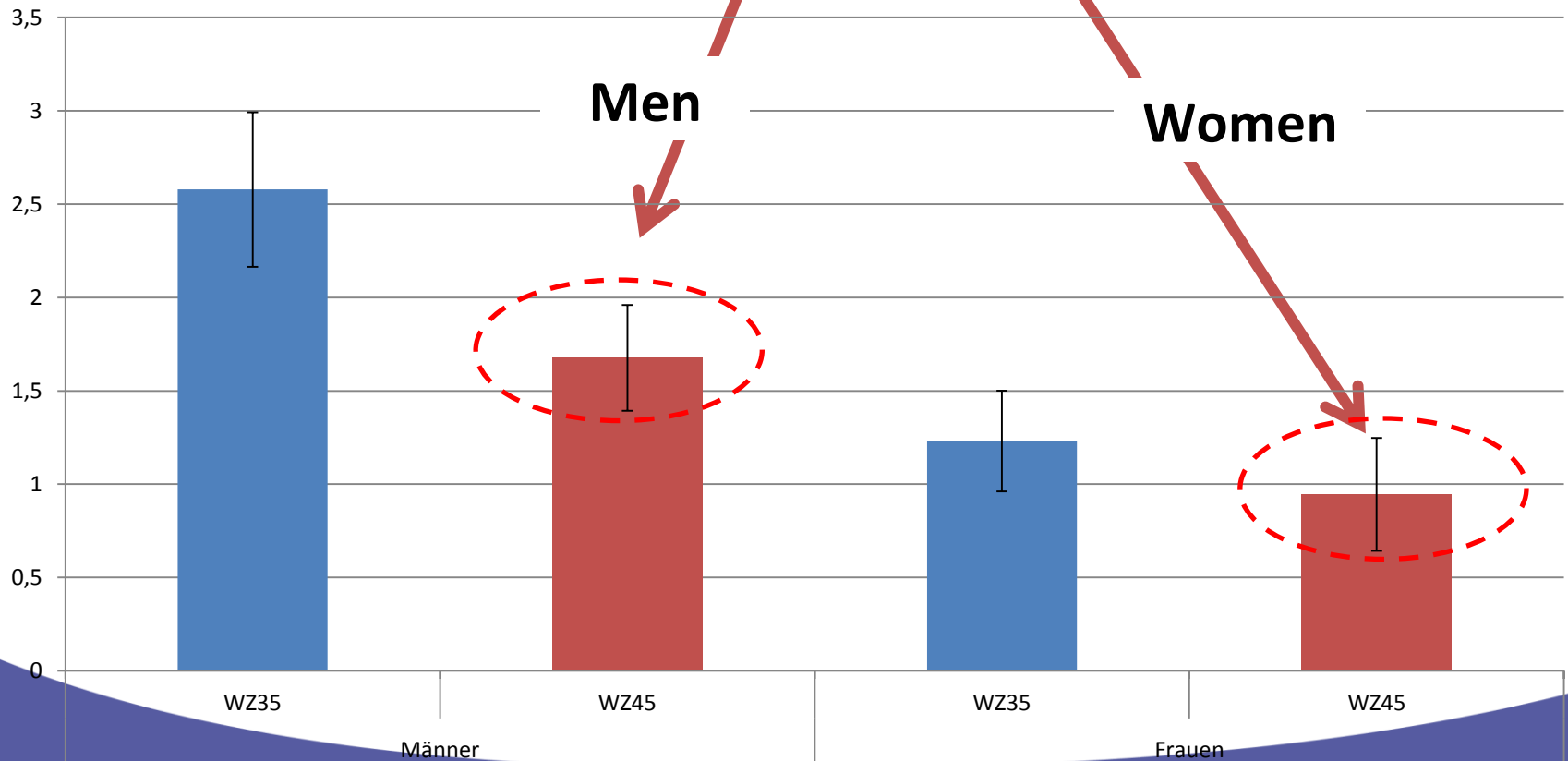


Long-term workers (45+ years) ...

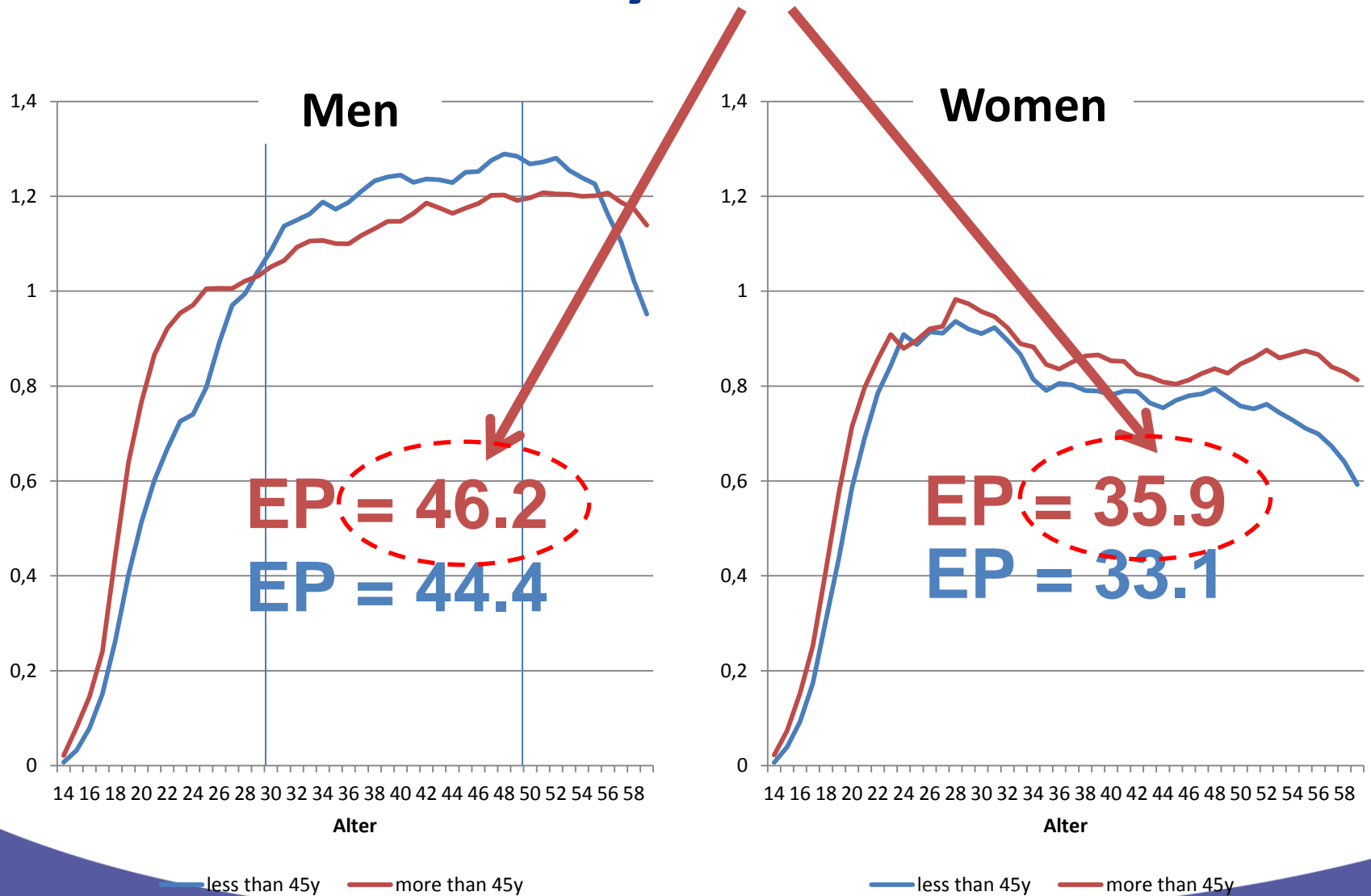


... harmed by arduous/unhealthy work ...

Month with illness
(Age 50 – 59)



... and relatively low life-time income?



Conclusions

- Not much evidence for secular effects (**health, educ, ...**)
- **Agenda 2010** reforms increased employment in all age ranges but *MUCH* more so in 55-64 range
- Not one but many **pension reform mechanisms**:
 - 1992 gradual introduction of **actuarial adjustments**
 - Closure of **entire pathways** (women, unemployed)
 - 2007 gradual increase of **retirement age** in all pathways
 - Distributional impact softened by **minimum pension**
- **2014 reversal**: wrong targets, politically ineffective