

Implications of Changing Employment Patterns for Pension Outcomes in Germany

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ACTIVE AGEING AS A RESEARCH MOTIVATION

- Prolonged working lives are the new norm to secure higher life expectancies:
 1. Individuals collect retirement benefits later
 2. Active Ageing is associated with better health
 3. Compensate for interrupted working lives

➤ What is the relation between changes in the patterns of employment trajectories and pension outcomes?
- Looking at
 1. Welfare structure of German retirement system
 2. German labour markets in post-Fordism
 3. Data & Methods
 4. Results

HOW ARE PENSIONS GENERATED IN THE FIRST PILLAR IN GERMANY?

- A standard old-age pension would be reached by an average earner who retires at retirement age after the collection of 45 earning points (Ebert 2018).
- Earning point = Ratio of individual income to average yearly income
- In mature pension systems, pensioners would have full contribution histories
(Simonovits 2003)

Input dimension	Black Box	Output dimension
Continuous standard careers	Institutionalised social security system	Pension adequacy

Adapted from Easton 1965; Schmidt 2013, Möhring 2015

WHAT'S HAPPENING IN THE GERMAN LABOUR MARKET?

- Accumulation of individual earning points shape differently among employment periods and among cohorts

	Birth Characteristics	
	East	West
Cohort 1	1936-1945	
1940-1975 “Golden Age” (Hinrichs/Jessoula 2012)	<ul style="list-style-type: none"> Dual Earner High degree of standardisation (Gornick/Meyers 2003) 	<ul style="list-style-type: none"> Male Breadwinner High female family-orientation (Brettschneider/Klammer 2016)
Cohort 2	1946-1955	
1976-1990 “Post-industrial” (Malo/Muñoz–Bullón 2003)	<ul style="list-style-type: none"> No official unemployment Discontinuous careers after reunification (Simonson et al. 2011) 	<ul style="list-style-type: none"> Longer/frequent unemployment spells Combining work and care obligations/housework for women (Malo/Muñoz–Bullón 2003)
Cohort 3	1956-1965	
1991-2015 “Globalisation” (Simonson et al. 2011)	<ul style="list-style-type: none"> Discontinuous careers after reunification (Simonson et al. 2011) High levels of unemployment (Brettschneider/Klammer 2016) 	<ul style="list-style-type: none"> Higher degree in pluralised living arrangements De-standardised careers for women (Trappe et al. 2015)

WHICH RESEARCH IMPLICATIONS ARE RECEIVED?

Increasing complexity
of employment
careers results in a
lowered EP
accumulation.



De-standardised
careers lower pension
outcomes structurally
by cohort, region,
gender and education.

H1

H2

TESTING THE HYPOTHESES...

- Variables
 - Dependent variable: Sum of pension earnings points (EP)
 - Main independent variable: Change of monthly employment status
- Two-step Analyses
 - SHARE-RV which links German sample of SHARE (Waves 4-6) with administrative records of German Pension Insurance
 - Descriptive Method 1/2 : Multichannel sequence analysis
 - Multivariate Method 2/2 : Ordinary least squares regression

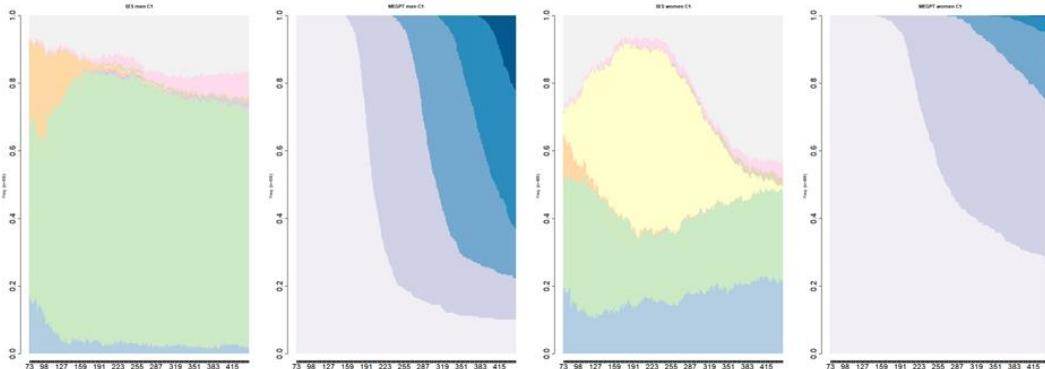
FINDINGS (1/2)

TRAJECTORIES - WEST

Cohort 1936-1945

Employment states

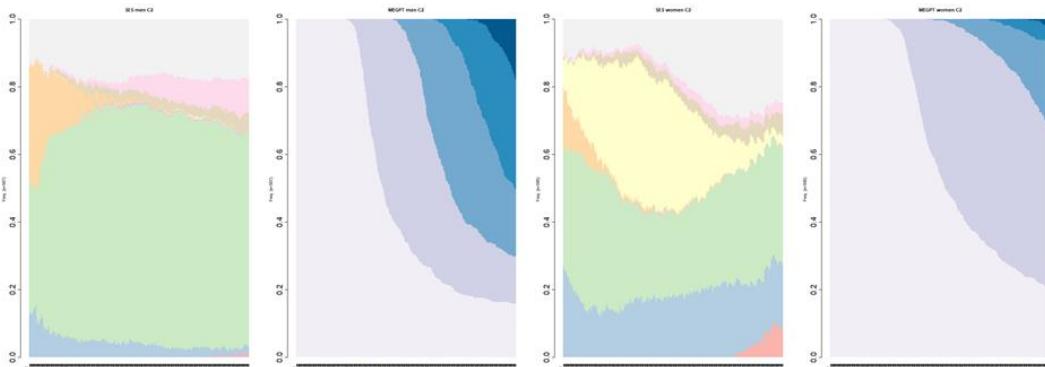
- Marginal
- Emp. < 60% MEGPT
- Emp. > 60% MEGPT
- Self-Employed
- Educ./Apprentice/Military
- Care
- Unemployed
- Other
- No Information
- missing



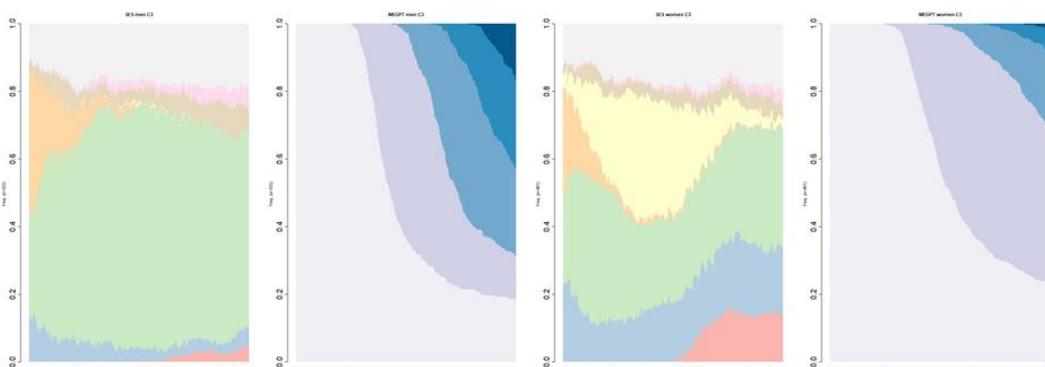
Cohort 1946-1955

Earning points

- 0-<10
- 10-<20
- 20-<30
- 30-<40
- >40
- missing



Cohort 1956-1965



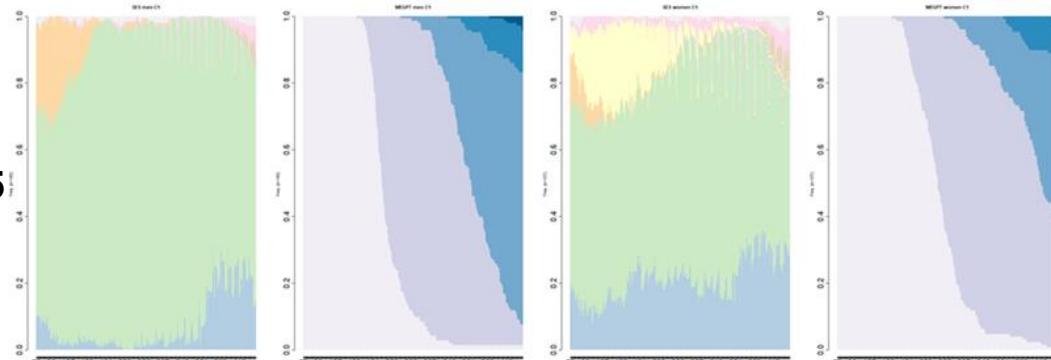
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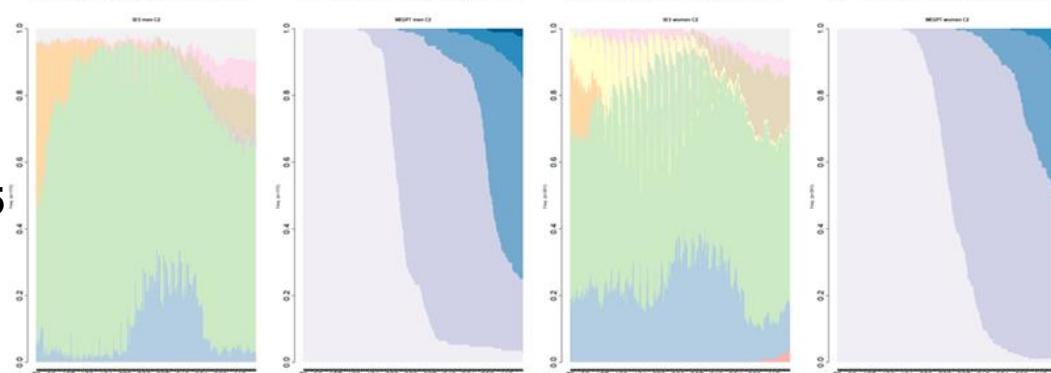
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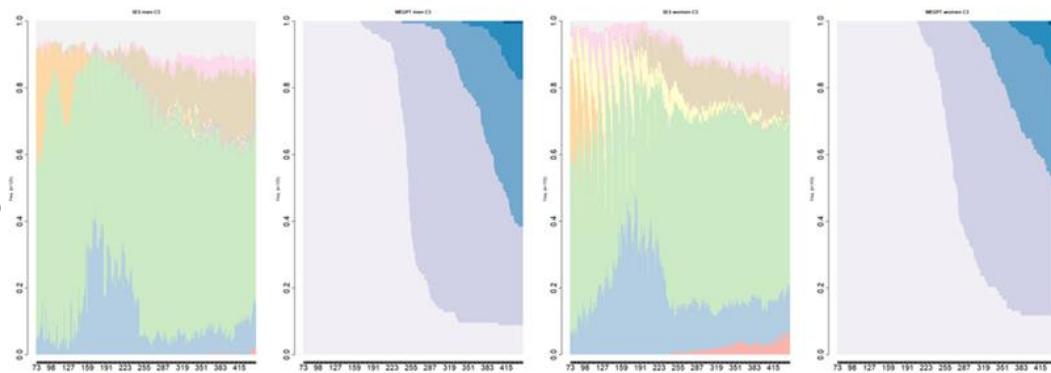
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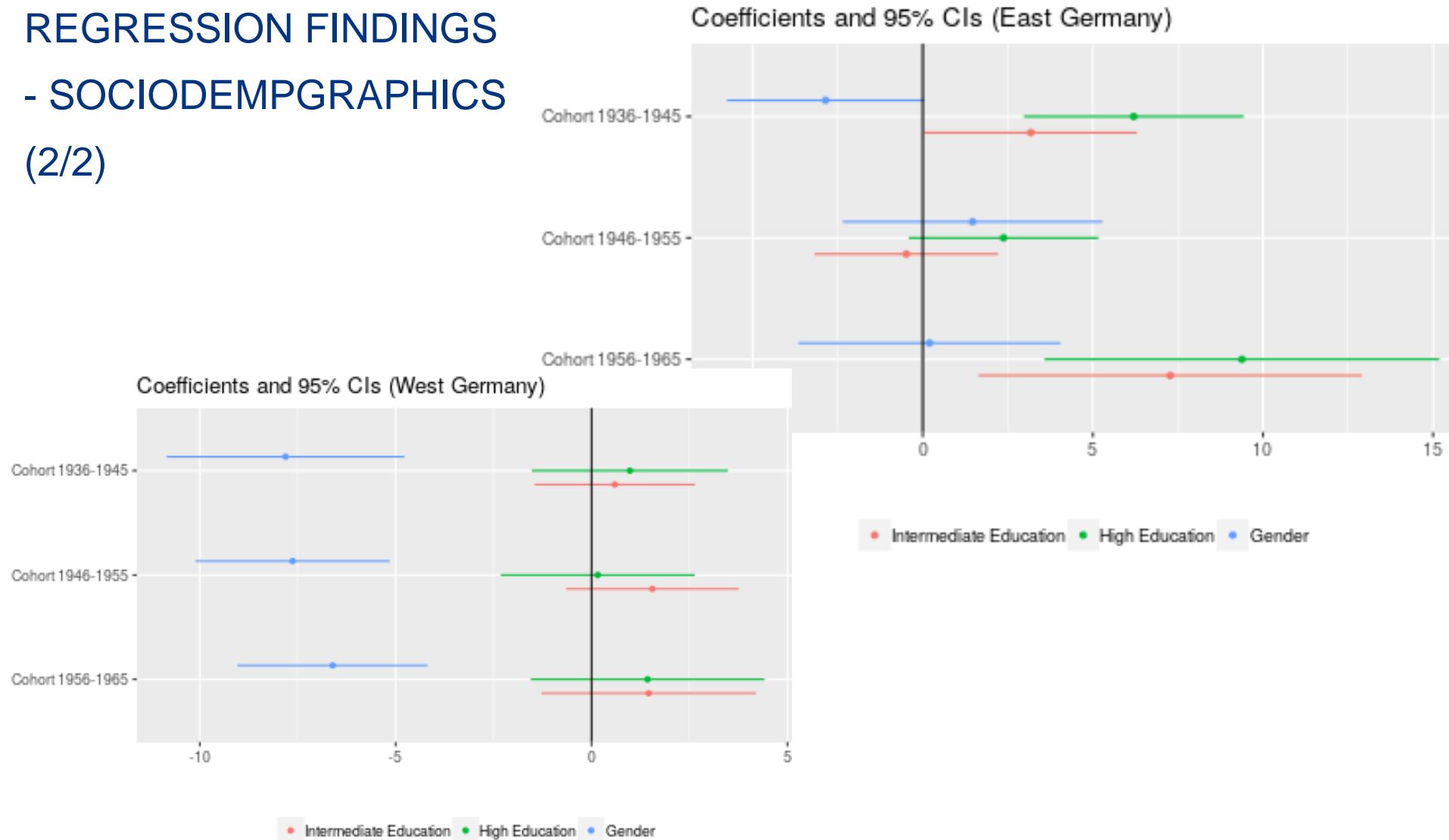
Cohort 1956-1965



MULTIVARIATE ANALYSIS (2/2)

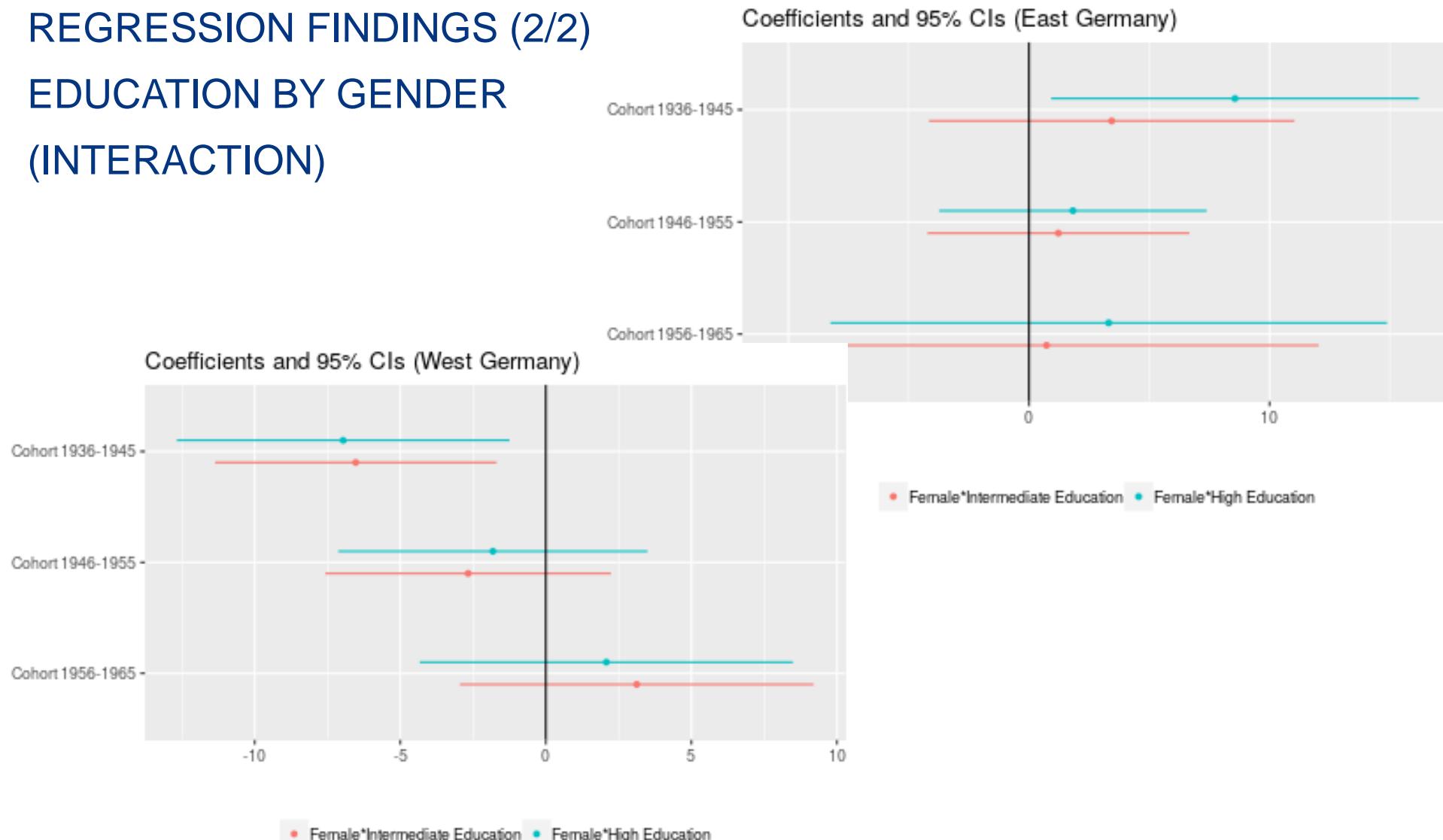
- Regressions by
 - Cohorts
 - Regions
- Education
 - ISCED 1 and 2= low education, ISCED 3 and 4= intermediate education, ISCED 5 and 6= high education
- Gender
 - 0= male, 1= female
- Interaction effect
 - Education*Gender
- Complexity indicator and relative time spent in care
- Controls
 - Number of children (0,1,2,3, 4 or more)
 - SHARE wave (wave 4, 5 and 6)
 - Household's gross financial assets as a proxy for private provisions
 - Marital status

REGRESSION FINDINGS - SOCIODEMPGRAPHICS (2/2)



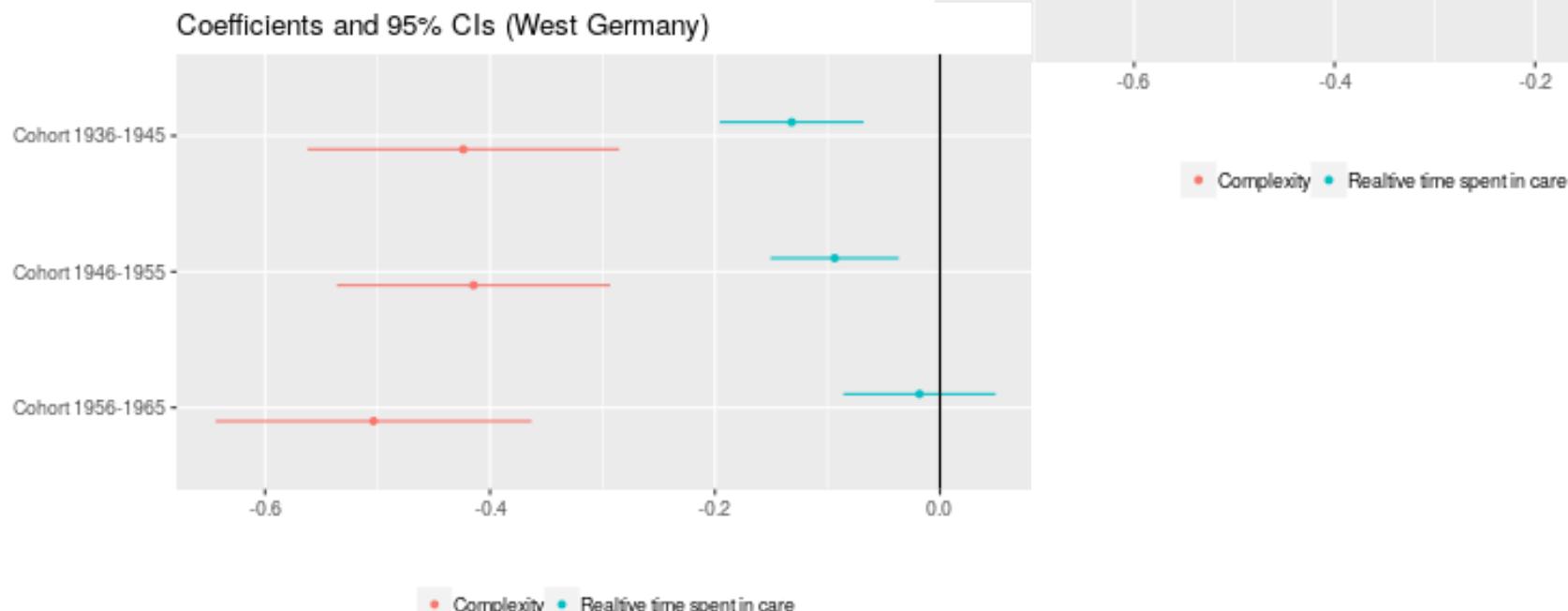
REGRESSION FINDINGS (2/2)

EDUCATION BY GENDER (INTERACTION)



REGRESSION FINDINGS (2/2)

– COMPLEXITY OF EMPLOYMENT TRAJECTORIES



WHICH RESULTS ARE RECEIVED?

Increasing complexity of employment careers results in a lowered EP accumulation.



De-standardised careers lower pension outcomes structurally.



Gaps in social provision emerge for certain labour participants

✓ H1

✓ H2

Results

MAIN RESULTS

Employment career complexity affect pension outcomes structurally and create new social risks in pension provision.

Educational Gap

- Lower-skilled individuals mainly face precarious EP accumulation in Eastern Germany.
- Oldest and the youngest cohort, those in late and early careers when system transformation took place.

Gender Gap

- Persistent but slightly decreasing in West-Germany, only observed for oldest cohort in East-Germany.
- Stronger female labor market attachment, no increase in pension outcomes.

Complexity of employment trajectories rises

- Individual differentiation substantially decreases earning point accumulation.
- For East-Germans, downward economic mobility towards earlier stages in life courses of younger cohorts.

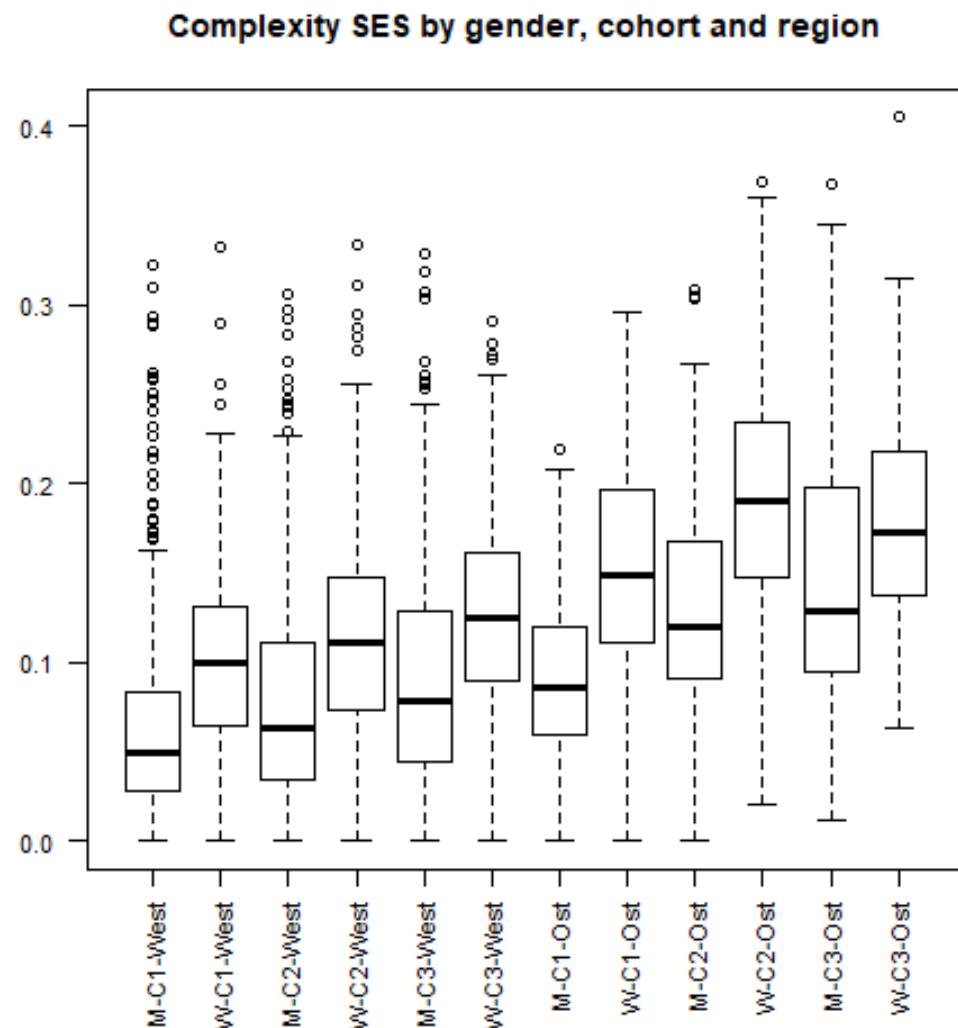
Thank you for your attention!

3. DATA & METHODS

- SHARE-RV: Linked German sample of SHARE (W 4-6) with administrative records of German Pension Insurance
 - Cross-sectional information from waves 4 – 6
 - Life-course information from administrative records
→ monthly employment status + pension earnings points (EP)
- Employment and earnings trajectories age 20-50 (n=3651)

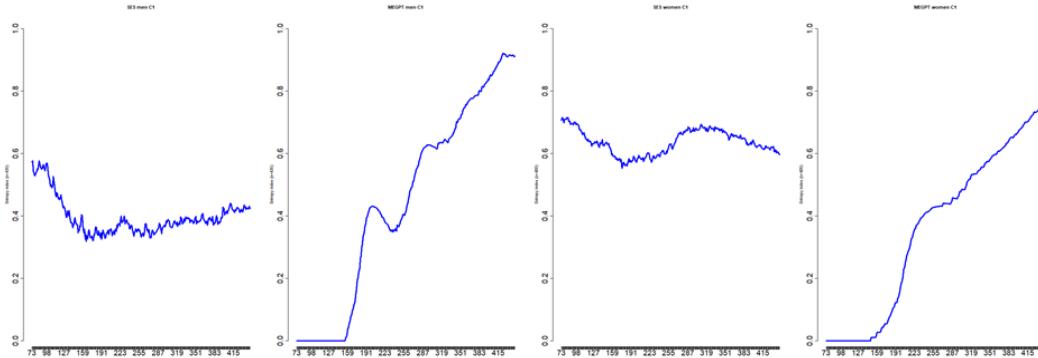
Cohort	East German	West German
1936-1945	n=270, 47.04% women	n=844, 48.34% women
1946-1955	n=373, 53.89% women	n=1097, 53.78% women
1956-1965	n=278, 55.04% women	n=789, 59.19% women
Total	n=921 (25.23%), 52.23% women	n= 2730 (74.77%), 53.66% women

FINDINGS – DIFFERENTIATION MEASURE (1/2)

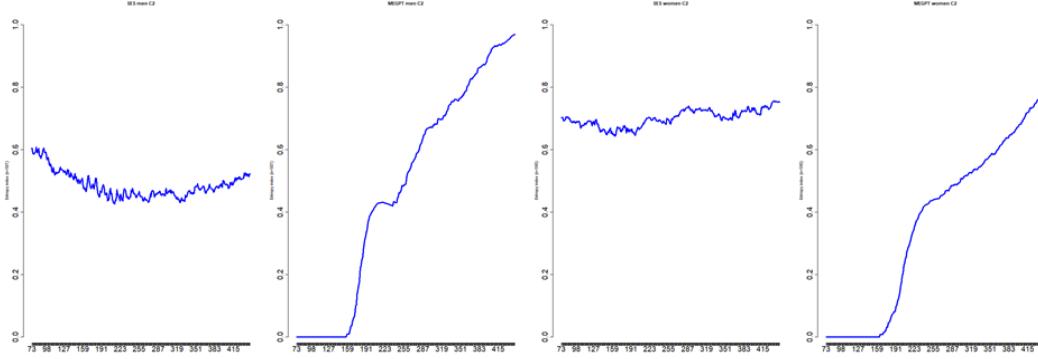


DESTANDARDISATION INDICATOR - WEST

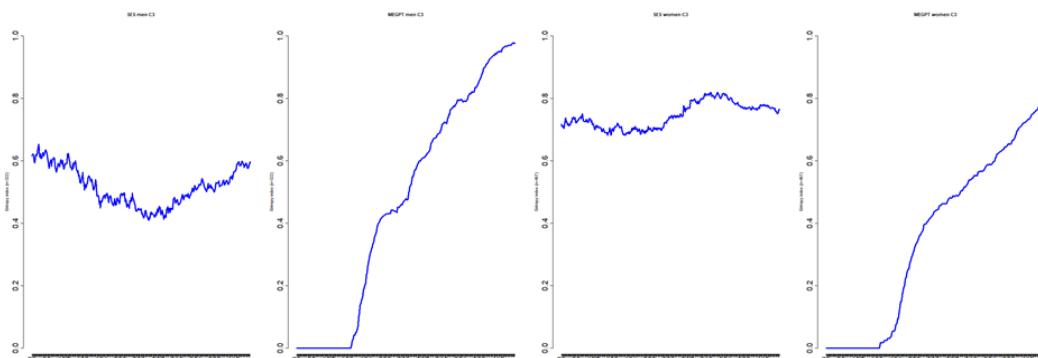
Cohort 1936-1945



Cohort 1946-1955

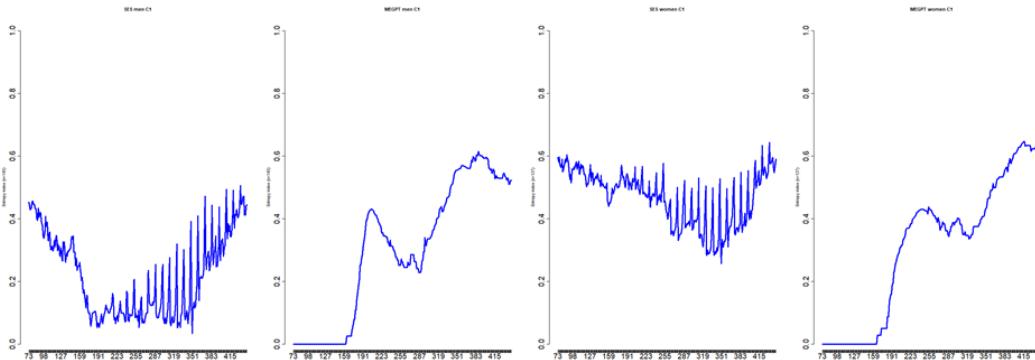


Cohort 1956-1965

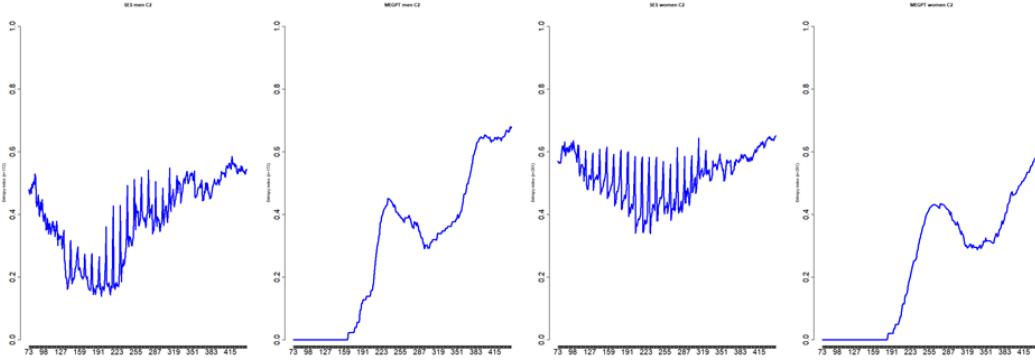


DESTANDARDISATION- INDICATOR - EAST

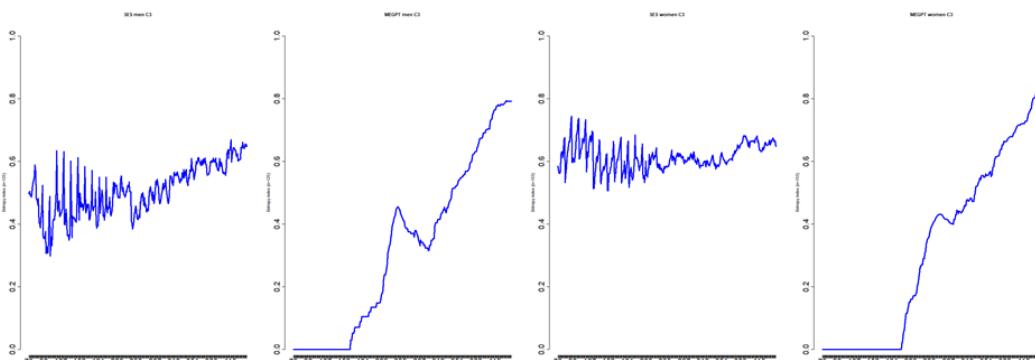
Cohort 1936-1945



Cohort 1946-1955



Cohort 1956-1965



OUTCOME

- Incentives to encourage people to retire from the work force later compensates deficits in entitlements across the life course for certain groups
- Traditional welfare structures and societies of the industrial age collide with new forms of welfare policies
- Discontinuous careers affect pension outcomes structurally and create new social risks in pension provision.