

Early Retirement and the Labour Market for the Older Workers: The Case of Sweden

Georgios Mantas

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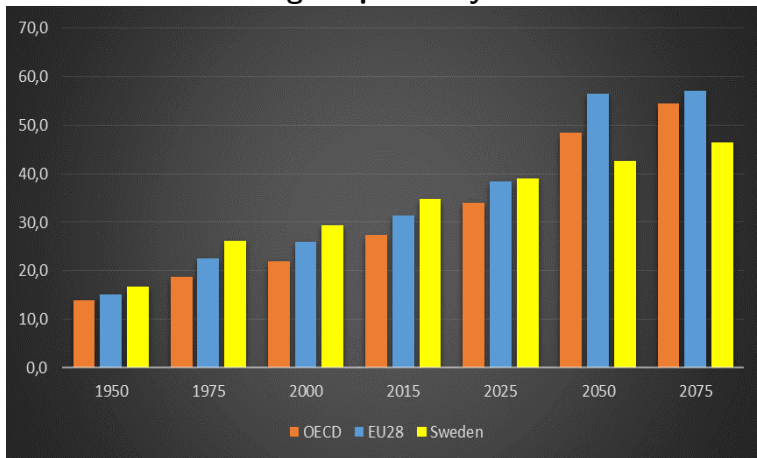
Motivation of my Essay

- ① Decision of older workers to work → related to pension system
- ② Changing demographics → challenge for DB pension systems
- ③ Ageing societies → increase old-age dependency ratio
- ④ Less young workers → finance the pensions of elders

Why I chose Sweden?

- Ageing society → strains on pension system

Old-age dependency ratio






Source: OECD

Why I chose Sweden? (ctd.)

- Decreasing participation rates of older workers in the early 90's
- Public Pension Scheme & Disability Reforms during 1998–2003
- Transition from DB → Notional Defined Contribution (NDC)

Prototypes of nation-wide regulated pension schemes

Finance Plan feature	Unfunded (paygo)	Funded
DB	 [1] Payg DB (PDB)	 [2] Funded DB (FDB)
DC	[3] Notional DC (NDC)	[4] Individual DC (IDC) [5] Collective DC (CDC)

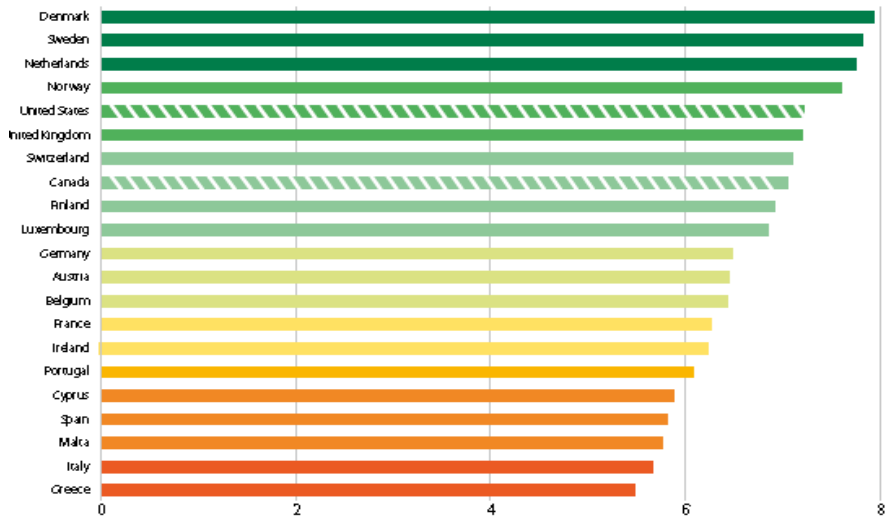


Benefits of the new Public Pension Scheme

- Reduces the prevalence and the generosity of DB pensions
- Strengthens the link between lifetime earnings and pension benefits
- Expands the role private insurance industry
- Disability insurance benefits → accessible only for medical reasons

Swedish Pension System scores highly—Role Model

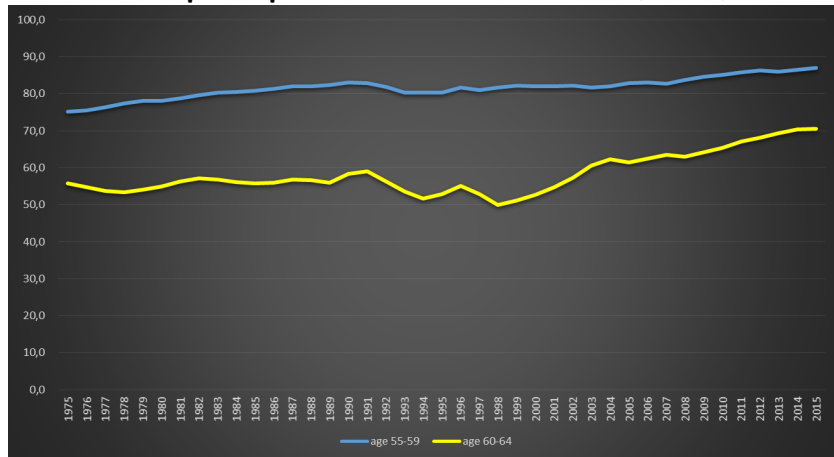
Pension Sustainability Index



Source: Allianz

Successful reforms in terms of participation

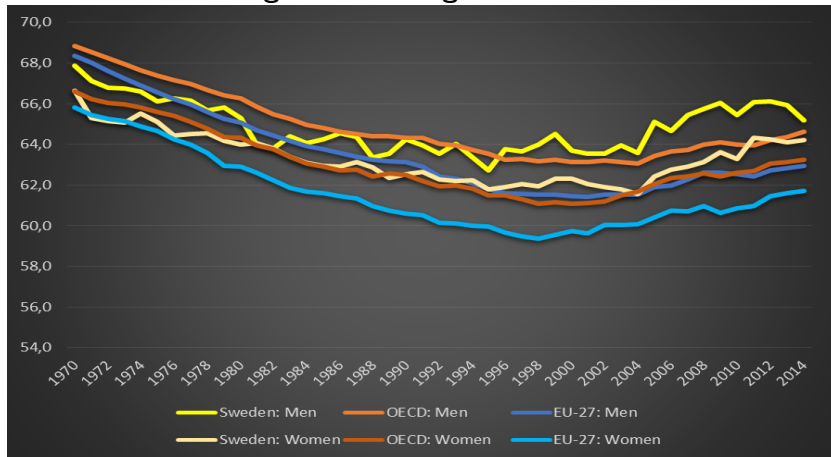
Labour force participation rate of older workers, total, Sweden



Source: OECD

Successful reforms in terms of *effective* retirement

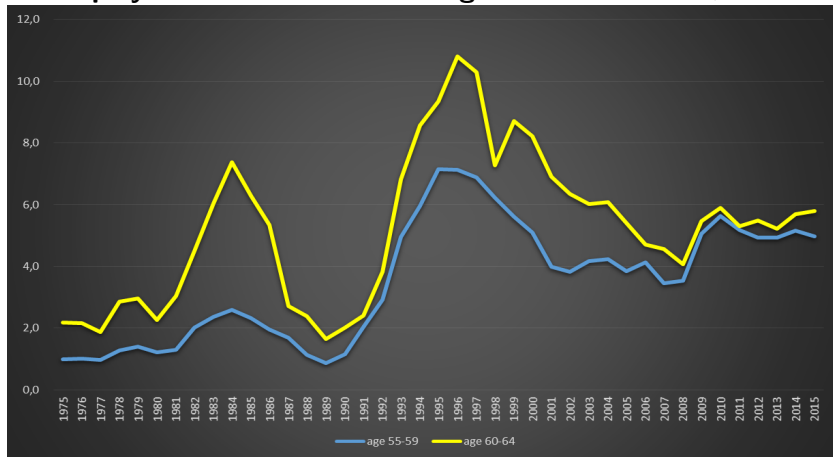
Average effective age of retirement



Source: OECD

Still room for improvement

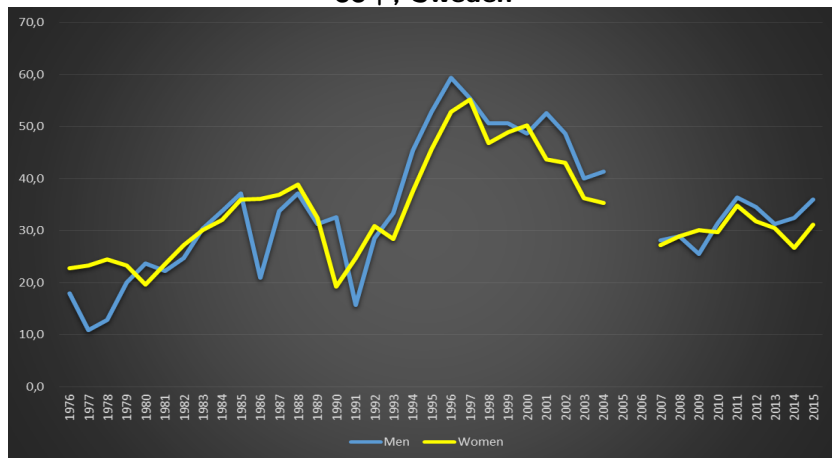
Unemployment rate for workers aged 55-59 & 60-64, Sweden



Source: OECD

Still room for improvement (ctd.)

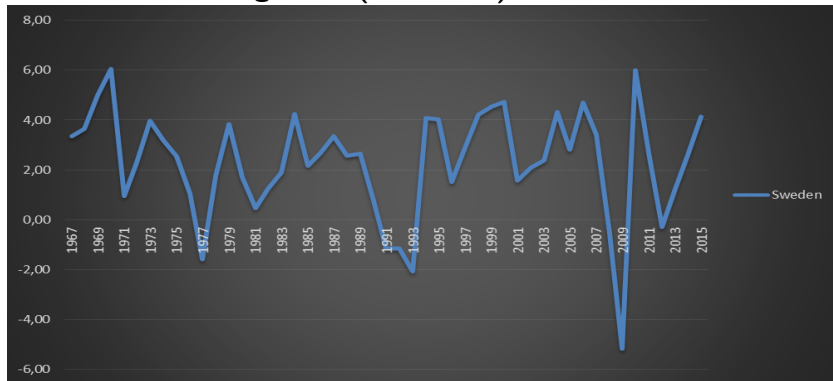
Percentage of long-term unemployed male and female workers, aged 55+, Sweden



Source: OECD

Sweden's growth patterns do not justify these rates

GDP growth (annual %), 1967-2015

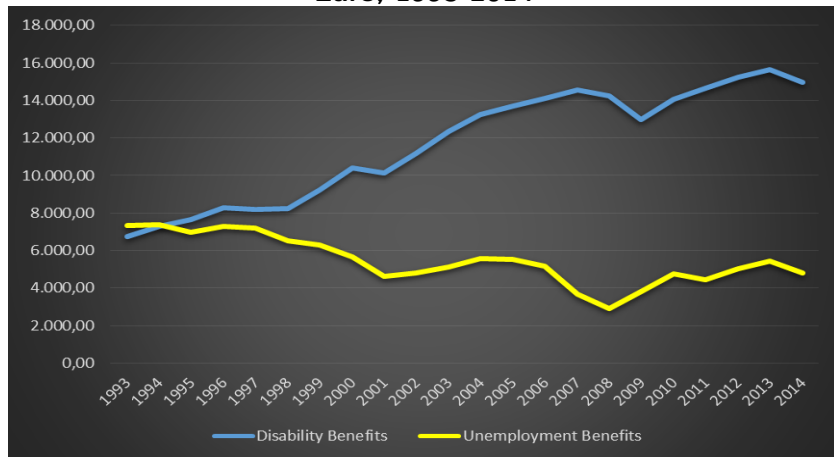


Source: World Bank

Swedish economy rebounded quite rapidly → recession for 2008-2009

Still room for improvement (ctd.)

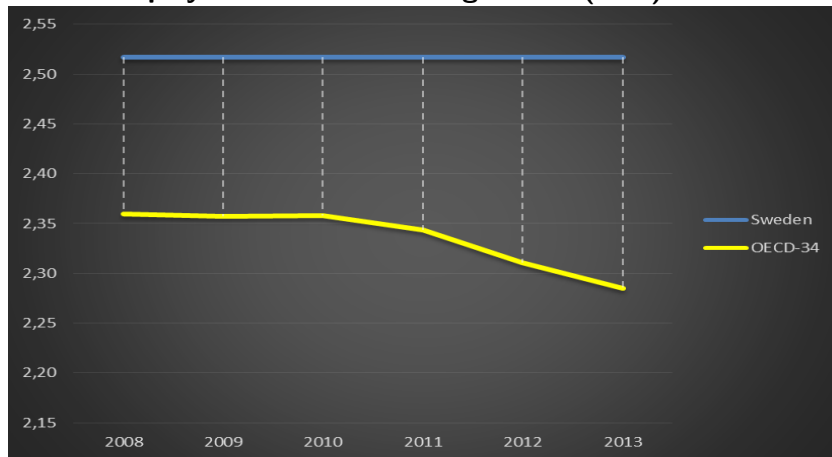
Total Disability and Unemployment insurance expenses, in million Euro, 1993-2014



Source: Eurostat

Still room for improvement (ctd.)

Employment Protection Legislation (EPL) index



Source: OECD

Policy Recommendations & Conclusions

Augment further older workers' participation via:

- ① ALMPs → job search counselling, training or subsidies to employers
- ② Generosity reduction & stricter “screening” for disability benefits
- ③ Introduction of reforms to increase labour market's flexibility

Conclusions

- Link between pension system & older workers' choice to retire early
- Necessity of reforming pension system → secure fiscal stability
- Abolish early retirement schemes → given the current demographics
- Take into account other channels towards retirement (e.g. disability and unemployment insurance benefits)
- Considerable aspect → labour market's flexibility

End of the Presentation

Thank you for your attention!!

Any
questions?

