Extended working lives and late-career destabilisation: A longitudinal study of Finnish register data

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ABSTRACT

This article analyses whether the trend of extending working lives has coincided with a destabilisation of late careers in Finland. On one hand, reforms that eliminate alternative exit pathways typically have been aimed at simplifying the transition from work to retirement. On the other hand, the need to work longer might entail a risk of increasing transitions between work and non-employment, as well as between jobs. Destabilisation is defined as the process of increasing complexity within individual life-course patterns over time. Using register-based Finnish Linked Employer-Employee Data, complexity within individual sequences of annual labour-market statuses between ages 51 and 65 is calculated for the Finnish population born between 1937 and 1948 ($N = 238,099$). Distinction is made between sequences that only include transitions between employment and non-employment and sequences that include transitions between different jobs as well. Results show that the average late-career complexity has decreased when only transitions between work, unemployment, and pension types are considered, especially among women and the higher-educated. Less change is observed among the lower-educated. When transitions between jobs are included, the results show a slight late-career destabilisation among men and lower-educated, but a decrease in complexity among women and higher-educated. The findings suggest that late-career complexity was increasingly determined by transitions between jobs rather than between spells of employment and non-employment. However, lower-educated older workers continued to be at greater risk of early exit, while at the same time experiencing destabilising employment careers.

1. Introduction

Most industrialised countries with ageing populations have recognised the need to extend peoples’ working lives to keep their welfare states sustainable in the future (D’Addio, Keele, & Whitehouse, 2010; OECD, 2014). In the past two decades, many of these countries have reversed policies that explicitly or implicitly encouraged early retirement of older workers and have adjusted their pension systems and labour markets to incentivise longer careers. The closing off of so-called early exit pathways, in particular, has reduced avenues for withdrawing from the labour market before the statutory retirement age (Ebbinghaus & Hofäcker, 2013). Together with the effects of better health, education and working conditions among younger cohorts of older workers, such reforms have contributed to increases in employment rates and delays in effective labour-market exits in many countries (Hofäcker & Radl, 2016).

On one hand, the extension of working lives should lead to greater continuity in late careers. Through reforms of exit pathways in particular, a greater share of older workers should make fewer transitions between employment and disability pensions or extended unemployment benefits, and continue to work until a predefined statutory retirement age. On the other hand, exit pathways also have served as a safety net for older workers whose skills have become outdated or whose deteriorating health disables them (Blossfeld, Buchholz, & Hofäcker, 2006). The removal of this safety net could mean that older workers who previously would have withdrawn from the labour market prematurely and permanently are now forced to continue working, even if this means working in more insecure jobs and being at risk of experiencing regular spells of inactivity due to sickness or unemployment (Anxo, Ericson, & Jolivet, 2012).

The risk of late-career destabilisation can be expected to be stratified across gender and socioeconomic status (Calvo, Madero-Cabib, & Staudinger, 2017). Not only has the risk of (involuntary) early exit been unequally distributed according to gender, education, occupational status and income (Edge, Cooper, & Coffey, 2017; Radl, 2013; Solem et al., 2016), but the possibilities for re-employment and job mobility in late careers also typically display gender differences and a strong social gradient (Chan & Stevens, 1999; Raymo, Warren, Sweeney, Hauser, & Ho, 2011; Sanzenbacher, Sass, & Gillis, 2017; Schuring, Robroek, Otten, Arts, & Burdorf, 2013; Tatsiramos, 2010).

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This study investigates whether late-career patterns have destabilised in recent decades, using Finland as a case study. Late-career patterns are defined as sequences of main activity states during the period between ages 51 and 65. With the use of sequence analysis, destabilisation is measured as an increase in the complexity within individual status patterns, also known as differentiation (Aisenbrey & Fasang, 2010; Brückner & Mayer, 2005). In this study, a distinction is made between patterns of prime activity statuses only and patterns including changes in jobs. This allows for estimating the effects of both changes in access to exit pathways as well as developments in job mobility on late-career complexity. Changes in sequence complexity are analysed by gender and education levels to estimate the extent to which there have been social inequalities in late career (de-)stabilisation.

2. Extended working lives and late-career destabilisation

Recent studies have promoted the idea of looking at careers not by focusing on ‘snapshots’ of single job transitions, but by viewing careers or parts of careers as sequences of jobs and various labour-market statuses (Calvo et al., 2017; Van Winkle & Fasang, 2017). This approach allows for looking at careers as life-course stages in their entirety and identifying patterns in the timing, order and duration of employment and non-employment spells. When careers destabilise, these patterns become more complex due to an increase in the number of states and transitions during an individual’s life course, as well as more unpredictable due to greater variation in the lengths of spells spent in different states. Brückner and Mayer (2005) have termed this process of increasing complexity the differentiation of the life course. The term destabilisation is used in this article because a greater complexity within careers also entails less continuity, as well as greater instability and unpredictability. For instance, a career consisting of one secure lifelong job can be considered more stable and predictable than a career consisting of various short-term contracts and intermittent spells of unemployment. Various recent studies have used indicators of sequence complexity to analyse differentiation and destabilisation of early and mid-careers (Biemann, Fasang, & Grunow, 2011; Van Winkle & Fasang, 2017; Widmer & Ritschard, 2009), as well as late careers up to retirement (Calvo et al., 2017; Fasang, 2012; Riekhoff, 2016).

From a policy-making perspective, policies to extend working lives are, at least ideally, about reducing complexity in late careers, i.e., they aim at de-differentiation. In theory, closing off exit pathways reduces the complexity within late careers by eliminating a state, e.g., disability-pension receipt, between a career-job and collecting old-age pension. Complexity also is reduced due to the continuity of the employment state, especially if other active labour market and active ageing policies are in place to reinforce job retention, encourage hiring and facilitate job mobility of older workers (OECD, 2006).

However, in reality, the extension of working lives may have different effects on late-career complexity. First, it is possible that by closing off one pathway, another pathway will take its place (Ebbinghaus, 2006). If no substitute is available, it is also possible that older workers simply will remain inactive until becoming eligible for an old-age pension. This changes the type of states within the sequences, but has no effect on the complexity of late-career patterns as such. Second, if policies to support their employment are not in place, older workers are still at risk of losing their career jobs. With no exit pathways in place to provide a permanent exit, they might return to the labour market in a new job after a short period of unemployment or receiving disability benefits. This would increase the number of transitions in their late careers and lead to an increase in instability. Moving in and out of jobs and collecting benefits until reaching the statutory retirement age is a type of retirement pattern that has been termed ‘muddling through’ (Fasang, 2010; Möen & Roehling, 2005).

2.1. Destabilisation of employment in late careers

Career patterns might destabilise not only because of an increase in transitions between employment and non-employment, but also because of increases in shifts between jobs. There has been a popular notion that employment has destabilised in Europe and in the U.S., even though recent studies have shown that careers have been more stable over time than generally assumed. In her review focusing on U.S. literature, Hollister (2011) found studies that linked deindustrialisation, globalisation, technological change, the shareholder revolution and changing HR strategies to decreased employment stability, but that empirical results have been mixed in their support of the destabilisation hypothesis. Biemann et al. (2011), focusing on early careers in Germany, found no evidence that industry-specific economic globalisation affected career complexity and found no clear upward trend in complexity over time. Van Winkle and Fasang (2017) also found little change in complexity across cohorts in European countries.

Nevertheless, whereas these studies mainly focused on early- or mid-careers, the dynamics behind late-career destabilisation potentially are different for at least two reasons. First, older workers might be more affected by global economic and policy changes than their younger counterparts. Older workers commonly have had a lower likelihood of changing jobs due to tenure and seniority rules that provide better job security and earnings (Blossfeld et al., 2006). However, in times of globalisation and economic stagnation, this security blanket increasingly has become more vulnerable, while retirement risks have been becoming more individualised in many countries (Vickerstaff & Cox, 2005). At the same time, with early-exit options less available, older workers are more likely to change jobs when anticipating later retirement (Sanzenbacher et al., 2017) or company downsizing (Jolkonen et al., 2017). In this particular stage of the life course, they are also more likely to move to a less-demanding or part-time job if their health deteriorates or if they decide to devote more time to their family or activities other than work (Cahill, Giandrea, & Quinn, 2013).

Second, older workers’ skills are more likely to be outdated in times of deindustrialisation and fast technological change, and employers see fewer returns from training older workers when their expected retirement is only a few years away (Blossfeld et al., 2006). When exit pathways are no longer available for employers to shed their older workforce, the likelihood of displacement and unemployment increases. In cases of involuntary job loss, older workers are less likely to find new employment (Chan & Stevens, 1999; Tatsiramos, 2010). As a result, the risks of long-term unemployment or ‘muddling through’ become more common than with younger workers.

2.2. Differences by gender and level of education

Complexity and destabilisation in late-career patterns are likely to be stratified across gender and social class. Various studies have found greater complexity in women’s careers at any stage of their life courses (Calvo et al., 2017; Van Winkle & Fasang, 2017; Widmer & Ritschard, 2009). Additionally, studies have shown that there are vast gender differences in retirement. Early and involuntary retirement has been found to be more common among women in Europe (Radl, 2013). Therefore, closing off exit pathways may affect women’s late careers more dramatically than men’s trajectories. At the same time, the factors that enable or block extended working lives are different for women than for men, with women often in more precarious positions (Edge et al., 2017). Women often have been more vulnerable in their late careers because of lower pension accruals and social-benefit entitlements due to employment in lower-paying jobs, part-time work and longer career breaks (Madero-Cabib, 2015). Moreover, in cases of displacement, U.S. studies have found higher probabilities of retiring early among older women than men and lower probabilities for re-employment (Chan & Stevens, 1999; Raymo et al., 2011). Therefore, it is expected that women’s late careers, overall, will show greater complexity,
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