Foreword

Twenty years ago, we were able to assess how the articulation between the labor market and the pension system had been tilted toward an ever earlier exit from work – at a time when population aging had already become clearly visible (Kohli et al. 1991). Our analysis was confined to the macro level: to the institutional pathways constructed for enabling early exit at a mass scale and to the political and corporate strategies behind their construction.

Now this volume takes the analysis a decisive step further, by showing what these pathways imply for the careers of elderly workers and, tentatively, for their pension incomes. Based on longitudinal micro-level data, it also shows which groups of workers and pensioners are influenced in which ways, and how institutional changes play out across successive cohorts.

Indeed, the institutional framework has changed considerably. The urgency of demographic aging is now on everybody's mind. Early exit from the labor force, long encouraged by consensual strategies of employers and unions with the explicit or implicit collusion of the state, has come to be considered as one of the central problems facing pension finances. As part of its Lisbon Strategy, the European Union in 2000 set a 50 percent employment rate among the population aged 55–64 as its goal for 2010. Whereas, to some observers, this seemed overly ambitious at the time, many countries have now reached this goal, some among them with very substantial increases that have amounted to a policy reversal. Public pensions thus have turned out to be far from the 'immovable objects' they were held to be by early studies on the politics of welfare state retrenchment (Kohli and Arza 2011).

However, the key issue is how this impacts on the life chances of elderly workers and pensioners. The editors have been able to assemble a team of highly competent authors to pursue this issue in a strictly comparative manner, covering a broad range of countries representing the most important regime differentiations among the advanced societies of Europe and North America. As an outside observer, I am struck not only by the richness of the detailed results but also by the way they fall into place with the expectations that the project team has extracted from the literature on production and welfare regimes.

The sense of urgency about population aging has been compounded by the increasing competitive pressure on labor markets and welfare systems that the editors attribute to globalization. That the advanced economies have (been forced to) become more open to international competition is beyond doubt. The present volume makes a plausible argument to attribute this to processes of globalization. Additionally it may be useful to consider endogenous alternatives as well. One would be the weakening of the labor movement brought about by processes such as the tertiarization of the economy, the growing weight of women in the labor force, and the disappearance of system competition through the collapse of communism.

Europe represents an especially interesting puzzle in this respect. On the one hand, the European project may be seen as an attempt to limit the fallout from unrestrained international competition. The early history of European integration has been interpreted as a conscious attempt by the nation states to shield their economies weakened by World War II from exposure to the rough winds of global change (Milward 1992). On the other hand, Europe is now seen by many of its critics as the channel through which the continental and Scandinavian economies have finally been forced to open up and adopt some key features of the liberal model. If this is true, it poses the question to what extent such a 'liberalization' is either a necessary adaptation to the inevitable or an unnecessary weakening of social solidarities imposed from above in the interest of industrial and financial capitalism.

The macro-mechanics are clear, as shown in the recent European Commission (2010) Green Paper on pensions: A postponement of the mean age of exit from the labor force from 60 to 70 would cut the current old-age dependency ratio in half, and based on the 2008 Eurostat population projections, it would keep it at the present level in the year 2060. The great merit of the present volume is to follow these changes in the institutional pathways to retirement down to the micro level, examining what they mean for which groups at which life stages. Postponing the retirement age is not only highly unpopular; the analyses in this volume also highlight its risks for the careers of elderly workers and the economic situation of pensioners. These risks may be one of the reasons for the unpopularity of this move. They require appropriate institutional compensations, and the analyses here show that such compensations are largely lacking.

Hence, the results must give us serious concerns. The adaptation of most of the countries covered here to the combined pressures of openness to international competition and of demographic aging is already leading to increased inequality in late careers and to the specter of rising poverty in retirement. The data available for the analyses in this volume reach up to a point (the mid-2000s) at which the full extent of this change is still unknown, but the signs are clearly on the wall. Yet, there are also some more encouraging results: There seem to be ways by which the institutional reforms that are necessary to maintain the financial viability of public retirement systems can be executed so that inter- and intragenerational inequalities are kept at bay. The welfare state may not have come to the end of its capacity to develop as a socially and economically productive force (Lindert 2004). The Scandinavian model seems once again to be its (relatively) successful embodiment. This success may be due to especially favorable macroeconomic circumstances or to cultural preferences for solidarity – resulting not least in a generalized willingness to shoulder high taxes and contributions. Alternatively, it may be due to a more consequential reform of the generational contract and to better institutional design. In the latter case, other countries should ask how far they can emulate it.

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