

Explanatory notes for LFS 2006 ad hoc module on transition from work into retirement

1. Political orientations

The Stockholm and Barcelona targets on employment and participation

The Stockholm European Council conclusions (March 2001) stressed the need to meet the challenges of an ageing society and agreed "...to set an EU target *for increasing the average EU employment rate among older women and men (55-64) to 50 % by 2010*".

The Barcelona European Council (March 2002) endorsed a policy approach on how to progress in achieving the Stockholm target on older workers and concluded that *"a progressive increase of about 5 years in the effective average age at which people stop working in the European Union should be sought by 2010"*.

Joint Report by the Commission and the Council on adequate and sustainable pensions, adopted by the Council on 6-7 March 2003

Objective 5 of the 11 common objectives in the area of adequate and sustainable pensions that were fixed at the Laeken European Council of December 2001 indicates that *"MS should ... ensure that, alongside labour market and economic policies, all relevant branches of social protection, in particular pension systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement"*.

Based on the examination of the national strategy reports submitted by Member States in September 2002, the Report concludes that working longer represents an important way of increasing employment rates in general and, thus, a major contribution to improving the financial sustainability in a context of demographic ageing. The Report focuses on the financial incentives to retire early and on the need to review incentive effects of tax/benefit systems with a view to making them more employment-friendly.

The Report from the Commission and the Council on "Increasing labour-force participation and promoting active ageing", adopted by the Council on 7 March 2002

Submitted to the Barcelona summit, it puts forward a life cycle approach to ensure that present and future working generations remain in employment as they grow older and highlights ways to increase and prolong the participation of today's older workers. The report calls for the development and implementation by Member States of comprehensive strategies in five areas:

More jobs and better quality in work: Providing a safe, attractive and adaptable work environment will have a particularly important influence on the decision of older workers to stay in a job and in the labour market. Facilitating a more gradual move into retirement can be encouraged by, for example, the promotion of part-time work. Moreover, an improved work environment, safer working conditions, more flexible working time arrangements and in particular access to training will have a positive impact on labour productivity.

Making work pay: A targeted review of tax/benefit systems to enhance work incentives for older workers is needed. Emphasis should be placed on removing incentives encouraging early retirement

and instead encourage experienced workers to stay longer at work by financially rewarding them for longer service.

Higher and adaptable skills at work: Continuing to update skills throughout working life is critical for raising participation and keeping older workers in work longer. The widening gap in the take-up of education and training between older and younger age groups gives cause for serious concern. Providing genuine lifelong learning for older workers requires a general increase in adult education and training, including a catching-up of those aged 55-64 in terms of access to training (currently, those aged 25-34 are nearly five times more likely to take part in education and training than those aged 55-64).

Making work a real option for all: A change of attitudes of employers is essential to recognise better the potential of older workers and to fight discrimination. The Public Employment Services have an important role to play in supporting older workers to find work, and in directly tackling employers' negative attitudes. Increasing the availability and affordability of quality healthcare and eldercare facilities will help to break down labour market barriers for older workers with care responsibilities.

A partnership approach: Public authorities cannot succeed in implementing this approach without support from a wide range of partners. Social partners and employers need to develop working conditions appropriate to keeping older workers in work. The report recommends joint Government/Social partners' initiatives to retain workers longer in employment: this should focus in particular on access to company training and improving working conditions and work organisation.

The Employment Guidelines 2003

Guideline 5 commits Member States to: “... *promote active ageing, notably by fostering working conditions conducive to job retention - such as access to continuing training, recognising the special importance of health and safety at work, innovative and flexible forms of work organisation - and eliminating incentives for early exit from the labour market, notably by reforming early retirement schemes and ensuring that it pays to remain active in the labour market; and encouraging employers to employ older workers.*”

In addition, it highlights that “... *policies will aim to achieve by 2010 an increase by 5 years, at EU level, of the effective average exit age from the labour market (estimated at 59,9 in 2001)*” and that “*In this respect, the social partners have an important role to play.*”

Furthermore, **Guideline 8** commits Member States to: “... *review and, where appropriate, reform tax and benefit systems and their interaction with a view to eliminating unemployment, poverty and inactivity traps, and encouraging the participation of women, low skilled workers, older workers, people with disabilities and those furthest from the labour market in employment.*”

2. Focus of the LFS module 2006

The **first aim** is to know how the transition at the end of the career towards full retirement is expected to take place/takes place/took place

- plans for transitions/past transitions towards full retirement
- plans for exit from work

The **second aim** is to know which factors would be/were at play in determining the exit from work, and which factors could make/could have made persons postpone the exit from work:

- working conditions factors (health and safety at the workplace, flexible working time arrangements ...)
- other factors linked to work (training/obsolescence of skills ...)
- financial factors (financial incentives to remain at work or to exit)
- personal factors (health, family reasons ...)

Note: Main LFS gives information on structural working factors (economic activity, occupation ...) for exits up to 8 years ago.

3. Elaboration of the variables for the LFS module 2006

Three task force meetings were organised in order to build a finalised draft of variables for the LFS module 2006. The task force was composed of nine countries: DK, DE, FR, IT, HU, NL, FI, SE, UK.

4. Description of the variables for the LFS module 2006

Reminder: The numbering of the variables of the labour force survey in *Filters* (C11/14, C24 and C67/70) refers to Commission Regulation (EC) No 1575/2000.

Target population:

Everybody aged 50-69

- not at work (C24=3, 5) and who worked after 49 years old¹
- at work (C24=1, 2)

C240: Person reduced his/her working hours in a move to full retirement

- 1- Yes, in a progressive retirement scheme/part-time pension
- 2- Yes, but not in a progressive retirement scheme/part-time pension
- 3- No, but plans to do so within the next 5 years
- 4- No, and plans not to do so within the next 5 years/did not do so
- 5- No, and does not know about plans for the next 5 years or plans are not relevant
- 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

The aim is to know if persons did or plan to do a gradual move into retirement; if they did, if it was in a “progressive retirement scheme/part-time pension” or not.

Instructions for the survey or for the coding

¹ (C67/70-C11/14)>49

- This variable does not refer only to the current/past job (e.g. a person can plan to reduce the working hours by taking another job in the future and this should be coded).
- “Progressive retirement scheme/part-time pension”: this measure concerns older employees in some countries. To avoid the exit from work, in case the employee wishes to decrease his/her working time before retiring, he/she could take a part-time job for example. It could be a “classic” part-time or what is called a “progressive retirement scheme/part-time pension”. The latter ensures a better remuneration than the “classic” part-time (e.g. 50% work paid 80%). This is part of measures to keep older employees in employment (incentives to stay at work). In other words, it corresponds to a reduction of the number of hours worked with a less than proportional reduction in salary (e.g. 50% work paid 80%).
- Reduction of hours worked in a move to full retirement: e.g. if the person worked 50% part-time during the whole working life (or very early in the career), it should be coded “No” (the part-time was not taken in a move to full retirement, not to prepare the retirement).
- Particular case: If a person took a classic part-time AND after that, a progressive retirement in a move to full retirement, it should be coded 1.
- Code 4 includes also persons who plan not to do so within the next 5 years because they can not (e.g. no possibility in the work supply). It also includes persons who did not reduce the working hours in a move to full retirement and who have already stopped all work for pay or profit (with the intention not to return to the labour force).
- Code 5 can also apply for unemployed persons, for persons whose job will stop in the following months or for persons with an uncertain job (“plans are not relevant”).

C241/242: Planned age for stopping all work for pay or profit

50-93 2 digits

94- No exact planned age, but it will be before 60 years old

95- No exact planned age, but it will be between 60 and 64 years old

96- No exact planned age, but it will be at 65 years old or after or plans to work as long as possible

97- No exact planned age and does not know at all when it will be

98- Has already stopped all work for pay or profit

99- Not applicable (not included in the filter)

Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

It is a prospective variable on the age planned for stopping all work for pay or profit.

Instructions for the survey or for the coding

- Planned age for stopping all work for pay or profit: with the intention not to return to the labour force.
- Code 98: person has stopped working for pay or profit with the intention not to return to the labour force.

C243: Main labour status just after leaving last job or business

1- Unemployed

2- In retirement or early retirement

3- Long term sick or disabled

4- Other

9- Not applicable (not included in the filter)

Blank- No answer

Filters

Everybody aged 50-69 and C24=3, 5 and (C67/70-C11/14)>49

Objective

This variable aims to get information on pathways between work and retirement by assessing the status just after the exit from last job, and on the differences of pathways between countries.

Instructions for the survey or for the coding

- “Just after leaving last job or business” means “just after the person last worked”.
- The variable is based on self-assessment.
- All the codes can apply for ex employees and ex self-employed.
- “Unemployed”: may include government training, persons waiting to start job ...

C244: Main reason for retirement or early retirement

- 1- Job lost
 - 2- Had reached compulsory retirement age
 - 3- Own health or disability
 - 4- Care responsibilities
 - 5- Problems related to job
 - 6- Favourable financial arrangements to leave
 - 7- Preference to stop working other than previous codes
 - 8- Other
 - 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

C243=2

Objective

This variable aims to get the main factor that made person exit from work (financial factor, personal or “legal” factor ...) using categories of responses more adapted/oriented to older workers.

Instructions for the survey or for the coding

- At the moment of the exit from last job (after the person last worked).
- Code 1: voluntary redundancy not included.
- Code 2: compulsory legal maximum retirement age; person was forced to exit because of his/her age (different from the standard retirement age or the minimum retirement age).
- Code 4: person had to care for children or dependant persons (e.g. lack of care facilities ...).
- Code 5: working time patterns, tasks, health and safety, job stress, too demanding, skills not adequate or not valued, employer’s attitude ...
- Code 6: financial terms to retire early, took voluntary redundancy, prime/compensation from employers, golden handshakes, other early retirement schemes ...
- Code 7: includes preference to stop working for personal or family reasons, persons who did not need to work or preferred not to work... This also includes persons who reached the minimum or standard retirement age (but not the maximum/compulsory), so who could have stayed longer at work but who preferred to stop working.

- If it is really impossible for the interviewed person to choose a “main reason”, the first code that applies in the order of the list should be coded (the first codes refer rather to “obligations” and the last codes rather to “preferences”).

C245: More flexible working time arrangements would have contributed to person staying longer at work/would contribute to person staying longer at work

- 1- Yes
- 2- No
- 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

This variable deals with a working factor that could have contributed to person staying longer at work/could contribute to person staying longer at work. It aims to know if improvement of this working factor could have made/could make person postpone the exit from work.

Instructions for the survey or for the coding

- “Yes” and “to some extent” are in the same category of response: this means that this aspect would have contributed to person staying at work or would contribute to person staying longer at work. In other words, it may not be the only factor but if it was/is one of them, code 1 should be used.
- “More flexible working time arrangements” includes the possibility of reducing working time, teleworking, changing working hours ...

C246: More opportunities to update skills would have contributed to person staying longer at work/would contribute to person staying longer at work

- 1- Yes
- 2- No
- 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

This variable deals with a working factor that could have contributed to person staying longer at work/could contribute to person staying longer at work. It aims to know if improvement of this working factor could have made/could make person postpone the exit from work.

Instructions for the survey or for the coding

- “Yes” and “to some extent” are in the same category of response: this means that this aspect would have contributed to person staying at work or would contribute to person staying longer at work. In other words, it may not be the only factor but if it was/is one of them, code 1 should be used.

C247: Better health and/or safety at workplace would have contributed to person staying longer at work/would contribute to person staying longer at work

- 1- Yes
- 2- No
- 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

This variable deals with a working factor that could have contributed to person staying longer at work/could contribute to person staying longer at work. It aims to know if improvement of this working factor could have made/could make person postpone the exit from work.

Instructions for the survey or for the coding

- “Yes” and “to some extent” are in the same category of response: this means that this aspect would have contributed to person staying at work or would contribute to person staying longer at work. In other words, it may not be the only factor but if it was/is one of them, code 1 should be used.

C248/249: Age at which person started to receive an individual retirement pension

2 digits

97- Does not receive an individual retirement pension even though is entitled to

98- Is not/not yet entitled to an individual retirement pension

99- Not applicable (not included in the filter)

Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

This variable aims to know if person receives a retirement pension; if no, if she/he is entitled to or not; if yes, when she/he started to receive it (age). This age could be compared to the age of exit from work and could give information on financial aspects.

Instructions for the survey or for the coding

- “Individual” retirement pension: only individual/“direct” pensions are included. Pensions from derived rights are excluded; survivor’s pensions/widow’s pensions are therefore excluded.
- “Retirement pensions”: Are included own full-time retirement pensions, own part-time pensions/progressive retirement schemes and more generally all “old age pensions” according to the ESSPROS definition. Therefore are included as “retirement pensions” (ESSPROS, in the classification of benefits in the Old Age Function):
 - Old age pension: periodic payments intended to i) maintain the income of the beneficiary after retirement from gainful employment at the standard age or ii) support the income of old persons.
 - Anticipated old age pension: periodic payments intended to maintain the income of beneficiaries who retire before the standard age as defined in the relevant scheme or in the scheme of reference. This may occur with or without a reduction of the normal pension.
 - Partial retirement pension: periodic payment of a portion of the full retirement pension to older workers who continue to work but reduce their working hours or whose income from a professional activity is below a defined ceiling. This may occur before or after standard retirement age. The partial pension is converted into a full pension when the beneficiary retires completely or when he or she ceases to earn professional income above the defined level.

- Are excluded from the definition of “retirement pensions” (ESSPROS, in the classification of benefits in the Disability Function, in the classification of benefits in the Unemployment Function):
 - Disability pension: periodic payment intended to maintain or support the income of someone below standard retirement age as established in the reference scheme who suffers from a disability which impairs his or her ability to work or earn beyond a minimum level laid down by legislation.
 - Early retirement in case of reduced ability to work: periodic payments to older workers who retire before reaching standard retirement age as established in the reference scheme as a result of reduced ability to work. These payments normally cease when the beneficiary becomes entitled to an old age pension.
 - Early retirement for labour market reasons: periodic payments to older workers who retire before reaching standard retirement age due to unemployment or to job reduction caused by economic measures such as the restructuring of an industrial sector or of a business enterprise. These payments normally cease when the beneficiary becomes entitled to an old age pension.

From ESSPROS- Guidelines: ** It is not always possible to establish a single standard retirement age for each country. The age at which old age benefits become payable is fixed by legislation or by contract, and may vary both among countries and within Member States, according to sector of activity, occupation, gender, and so on. For example, in many countries the standard retirement age for women is lower than that for men, even if it is progressively being brought into line with the latter. The standard retirement age for the self-employed is sometimes higher than that for employees, or, vice versa, civil servants can, in some countries, retire earlier.

Anticipated old age pensions must be identified with reference to the standard retirement age as defined in the relevant scheme, or in the scheme of reference. The following cases fall under the item *Anticipated old age pension*:

- pensions paid to people who work in conditions which are regarded as particularly arduous or unhealthy;
- seniority pensions, paid on condition that a prescribed number of contribution units has been paid or that a defined period of insurance has been completed. Long service rather than old age gives entitlement to the benefit;
- reduced pensions, paid before standard retirement age on condition that a reduction in the value of the pension is accepted.

It is also possible to postpone retirement beyond legal retirement age, normally with an increase in the value of the benefit. The additional amounts paid in case of late retirement must be included under the item *old age pension*.

The old age function does not record all benefits granted in the transition from work to retirement. Some of these may result from social protection provisions other than those linked to old age. Early retirement benefits, in particular, may be paid to older unemployed or disabled workers. These benefits are reported in the Unemployment or Disability functions. These rules underline again that the allocation of benefits to functions needs very careful examination of the exact situations which give rise to payments. **

- Age at which person started to receive it for the first time; this means that if person receives several retirement pensions, among those she/he receives, the age at the first reception should be taken into account.

- Code 97: e.g. includes persons who would be allowed to receive a retirement pension at the moment of the survey but do not receive one because they want to wait in order to increase the remuneration of the future retirement pension.
- Code 98 includes e.g.
 - persons who are not yet entitled to receive a retirement pension because of the age or of another factor, but who have developed/are developing a retirement pension they will receive in the future.
 - persons who haven't developed in the past and are not developing any retirement pension entitlements.

C250: Person receives an individual pension or individual benefits, other than a retirement pension and unemployment benefits, such as a disability pension, a sick pension or an early retirement scheme allowance

- 1- Yes, a disability pension or a sick pension
- 2- Yes, an early retirement scheme allowance
- 3- Yes, another individual benefit not elsewhere classified
- 4- Yes, combination of codes 1, 2 or 3
- 5- No
- 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

Everybody aged 50-69 and C24=3, 5 and (C67/70-C11/14)>49

Objective

This variable aims to know if the person receives some kinds of pensions/benefits allowing her/him not to work. This will give information on financial aspects.

Instructions for the survey or for the coding

- All enumerated individual pensions/benefits are included (in general, these pensions are periodic and paid in cash). Retirement pensions are excluded (see definition for C248/249).
- Sick pensions can be financed by the social security.
- Code 3: another individual benefit not coded 1 and not coded 2, other than a retirement pension or unemployment benefits. E.g. benefits from social assistance (ESSPROS, social benefits in the function social exclusion not elsewhere classified). Are excluded benefits in the survivor's function (e.g. survivor's pensions) and of course benefits in the family/children function and in the housing function.
- It is important that the countries give to EUROSTAT the list of the kinds of pensions/benefits they include according to their national specificities.

C251: Main financial incentive to stay at work

- 1- To increase retirement pension entitlements
- 2- To provide sufficient household income
- 3- No financial incentive
- 9- Not applicable (not included in the filter)
- Blank- No answer

Filters

Everybody aged 50-69 and C24=1, 2 and C248/249<98

Objective

The aim is to know the main financial incentive to stay at work.

Instructions for the survey or for the coding

- Code 1 includes “to increase future retirement pension”.
- Code 2 includes “to meet the current financial needs of the household”.
- If it is really impossible for the interviewed person to choose between code 1 and code 2, then code 1 should be coded (order of the list).

C252/253: Number of years spent working for pay or profit (during working life)

2 digits

99- Not applicable (not included in the filter)

Blank- No answer

Filters

Everybody aged 50-69 and ((C24=3, 5 and (C67/70-C11/14)>49) or (C24=1, 2))

Objective

The aim is to get an approximate measure of the duration of the working career.

Instructions for the survey or for the coding

- This variable is identical to a variable in the EU-SILC.
- It is implicit that an approximate measure is accepted.
- Career breaks are excluded; parental leave is also excluded. Maternity/paternity leave and temporary disability are not considered as career breaks (see below).
- When a person had a job, but was temporarily absent because of maternity leave, injury or temporary disability, slack work for technical or economical reasons ... the related period is to be included.
- Should be recorded the number of years, since starting the first significant job, the person has spent working for pay or profit, whether as an employee or self-employed.
- First significant job: vacation jobs taken by students, from which they return to studies or to other non-work situations are disregarded, as are also other casual jobs undertaken from time to time. Part-time jobs the person may have engaged in while still in school or university are not included. This is partly a subjective definition (self-assessment); on the other hand, the aim is to get an *approximate* measure of the duration of the working career.