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Working Beyond 60: Key Policies and Practices in Europe

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tive reforms as the recent *Pension Protection Act*, which includes a more eclectic mix of provisions reflective of the positions defended by various stakeholders. Some readers may need to consult additional sources to grasp fully the subtleties of the proposals advanced in these two rather technical papers.

If the two papers just described have a broad focus, the third prescriptive piece, by Pamela Perun and Eugene Steuerle, is narrowly focused on the role of employers, specifically those that sponsor defined contribution pension plans. Perun and Steuerle would relieve employers of their fiduciary responsibility by making them simple “facilitators” who channel pension contributions (theirs and those of employees) to financial service providers. Reducing the employer’s pension burden, the authors argue, would encourage more firms to offer retirement plans.

In conclusion, notwithstanding the range of topics covered, the inclusion of both academics and expert practitioners among the contributors, and the diversity of viewpoints put forward, the volume forms a coherent whole. The book also fulfills its educational mission: not only does it “demystify” both the various aspects of employer-sponsored retirement plans and the often daunting world of American pension policy, but it also renders accessible, in a nicely packaged format, empirical findings on key research topics related to private pensions. More efforts to update contributions, some of which have no references beyond the 1990s, would have been an asset, however. In the same vein, a discussion of the various data sources available to track U.S. private pension trends, as well as the relative merits of these statistical series, would have facilitated follow-up.

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International and Comparative

Working Beyond 60: Key Policies and Practices in Europe. By Geneviève Reday-Mulvey. New York: Palgrave Macmillan, 2005. xix, 220 pp. ISBN 1-4039-4796-1, \$95.00 (cloth).

Over the past fifty years, countries across the developed world have experienced sustained increases in average life expectancy and decreases in fertility. In many countries, these two trends have been accompanied by a decline in the average

age of exit from the labor force, a consequence of increases in public pension benefits and also of labor policies that encouraged early retirement in order to open up employment opportunities for younger workers. Because of these demographic and social trends, the countries of the European Union (EU) face substantial increases in expenditures for public pension benefits for their aging populations and possible labor shortages in some industries. The potential problems associated with an aging population are more severe in the EU than in the United States because the populations of the EU nations are older, receive publicly funded pensions that replace a greater percentage of wage income than the U.S. Social Security system, and have labor force participation rates that are lower—especially among people 55 and older—than those in the United States.

In *Working Beyond 60: Key Policies and Practices in Europe*, Geneviève Reday-Mulvey of the Geneva-based International Association for the Study of Insurance Economics presents an overview of demographic and employment trends in Europe and offers a range of policy options to raise the labor force participation rates of older persons and reduce public pension expenditures. The book’s ten chapters are grouped into four major sections, each addressing a separate aspect of policies intended to achieve these goals, mainly through promoting greater employment among people aged 60 and older. The first three sections of the book address the questions of why, how, and for whom such policies need to be adopted by the EU member states, while the fourth section is a single chapter that presents the author’s key policy recommendations. Throughout the book, brief contributions by writers from different countries highlight “best practices” adopted by governments and employers across the EU to address problems associated with the transition from work to retirement, the loss to employers of skills and institutional memory when workers retire, and the need for flexible employment policies.

The book begins by describing how increasing life expectancy, falling birth rates, and early exits from employment will present the nations of Europe with rising dependency ratios and increases in public expenditure for retirement benefits in the near future. Reday-Mulvey points out that during the period from 1995 to 2025 among the fifteen nations that were EU members in 1995, the number of adults aged 16 to 60 will fall by more than 6% while the number of people over age 60 will increase by 50%. In many countries of Europe (and also in the United States) the dependency ratio—measured as the number of children and retirement-age adults divided by the number of

people of “working age”—will remain below the peak years of the 1950s and 1960s when the baby-boomers were children. Nevertheless, the strain on public budgets will be significant because most retirees receive publicly financed pension benefits and their health-care expenses, which are higher on average than those of children and younger adults, also are publicly financed.

Three recurring themes of the book are the need to reform public pensions to remove incentives for early retirement, the importance of offering training opportunities to older workers to keep their skills current, and the need for flexibility in employment. There is substantial room for raising employment rates in Europe, provided that institutional impediments are reduced and rates of economic growth are sufficiently robust. In 2002, for example, the employment rates of men and women aged 55 to 64 were 50% and 31%, respectively, in the EU. In contrast, 74% of men and 61% of women aged 55 to 64 in the United States were employed in 2002.

Reday-Mulvey argues for an “integrated policy approach” to promoting employment of older persons, which would include greater training opportunities and more flexible employment arrangements. Flexibility, she notes, is necessary not only in work arrangements—such as part-time work, job-sharing, and telecommuting—but also in wage-setting, which should emphasize productivity rather than seniority as the main determinant of the worker’s wage. A further step would be to allow public and employer-sponsored pensions to make partial pension payments to older workers who cut back from full-time to part-time work in the expectation that it would encourage those who might otherwise retire to continue working on a reduced schedule. In the longer term, Reday-Mulvey argues that European governments should promote increased fertility rates by granting generous family allowances, establishing tax preferences for large families, providing adequate child care, and promoting a better work-life balance.

Why should we expect that today’s older workers will want to work longer than the immediately preceding generation? Reday-Mulvey points out that not only will economic incentives work toward this end—older workers, for example, may be faced with reduced pensions and also with higher wages if labor shortages occur—but also the changing nature of work will make the prospect of a longer work life less onerous than in the past. The author cites the growth of the service sector as a key development in this regard, noting that since service jobs are less physically demanding than jobs in manufacturing, agriculture, and construction, a greater proportion of today’s older workers will

be able to continue working without jeopardizing their health or risking serious job-related injury. An abundance of survey data indicates that most of those who are willing to continue working, however, will wish to “alter their work rhythm” and will prefer to work part-time before fully retiring from paid employment. If labor force participation is to rise among persons age 60 and older, Reday-Mulvey argues, opportunities for part-time employment must increase. One way to encourage older workers to stay on as part-timers would be to allow them to supplement their earnings with a partial pension distribution—perhaps 50% of the full pension benefit—to be taken by individuals who work part-time. Later, when the worker fully retires, the pension benefit would increase to something close to the full retirement benefit. (The exact amount would depend on such factors as the ages at which the partial and full benefits began, and whether additional benefits would be accrued during the period of part-time work.)

Although promoting longer working lives is an important step in reducing public pension expenditures, Reday-Mulvey recognizes that many EU member states are likely to find that they must address the problem more directly. Because most national pension plans are, like the U.S. Social Security program, financed on a “pay-as-you-go” basis with taxes collected from current workers used to pay benefits to current retirees, the decline in the ratio of workers to retirees that will occur in virtually all of the EU member nations will cause substantial funding deficits in these programs, absent significant reforms. If expenditures for public pensions are to be kept from consuming an ever larger share of government budgets, Reday-Mulvey argues, the EU nations must reform their public pension systems to reduce their generosity and remove incentives for early retirement. Steps should be taken, she says, to increase the role of private pensions, boost retirement saving, make older workers more attractive to employers through lifelong learning and training, and allow wages to adjust more freely to changes in worker productivity.

Among the reforms Reday-Mulvey describes that would make public pensions more affordable are increasing taxes, reducing benefits, raising the retirement age, more closely linking benefits to contributions, lengthening the contribution period, and indexing benefits to prices rather than wages. While the mechanisms of reform are not complicated, the politics certainly are, and the author notes that “all countries have experienced enormous political difficulties in getting the reforms passed.” In some EU countries, reforms to the public pension system will not be fully

effective in deterring early exits from the work force unless they are accompanied by simultaneous reforms in the disability and unemployment insurance systems. In countries where the pension systems do not easily accommodate early retirement, the unemployment insurance and disability insurance programs often function as de facto early retirement plans. Moreover, even successful public pension reforms may not be sufficient to reduce the fiscal burden of public pension plans to more manageable levels if the rate of economic growth in Europe does not accelerate. As Reday-Mulvey observes, “the sustainability of decent pensions—whatever their design and type of financing—depends on the good performance of the European economy.”

In this short volume—just over 200 pages—Geneviève Reday-Mulvey presents a wealth of information on demographic trends across Europe, much of it summarized in clear and cleverly designed graphs, and offers a wide range of policy recommendations for reforming public pensions and promoting continued employment by current and future generations of workers as they age. This book will be worthwhile reading both for students of public policy and for public officials interested in learning about the role of government in promoting employment among older persons.

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Historical Studies

Reworking Race: The Making of Hawaii's Interracial Labor Movement. By Moon-Kie Jung. New York: Columbia University Press, 2006. xii, 292 pages. ISBN 0-231-13534-3, \$45.00 (cloth).

Hawaii was once conservative, but now is arguably the most progressive state in the union. That transformation, which took place in the years before and after World War II, is the direct result of the rise of an interracial labor movement. We have all too few examples of successful interracial labor movements, and because Hawaii dramatically illustrates the benefits such a movement can create, both scholars and activists need to understand the basis of its success. Moon-Kie Jung's meticulously researched historical examination of this transformation identifies a complex of factors, but stresses that interracial unions were

created not through *de*-racialization, but rather through explicit recognition of and attention to race—a *reworking* of race.

A century ago Hawaii had only recently become a U.S. territory and abolished a system of indentured labor. The indentured labor system was not a holdover from a traditional feudal system, but had instead been created and enforced by capitalist firms run by *haoles* (a Hawaiian term that can be roughly translated as Anglos).

For a century Hawaii offered an exemplary case of class unity—capitalist class unity. “At first glance,” Jung notes (p. 14), “Hawaii’s sugar industry seems to have been a clear case of an industry with low capital concentration,” given that even at the beginning of World War II there were 38 sugar plantations, each an integrated production unit. Production—and politics—however, were controlled not by direct producers but rather by the agencies that came to dominate the system. The “Big Five” agencies controlled 95% of production, and the Big Five were in turn controlled by a tightly interlocked and intermarried set of *haole* families. The “headquarters of the agencies all sat within a hundred yards” of each other and of the Hawaiian Sugar Planters’ Association offices (p. 26), and they could all assemble at a few moments’ notice.

The half-century of labor history after Hawaii became a U.S. territory in 1900 demonstrates a recurring pattern: workers were ill-treated. With minimal formal organization, large numbers of workers went out on militant and long-lasting strikes in 1900, 1909, 1920, and 1924. These strikes were not interracial, but conducted by one race alone, or workers organized into racially distinct labor unions with no formal ties to one another. The Big Five agencies responded harshly, and displayed tremendous capitalist class unity, requiring that all member plantations (not just those facing a strike) pay for strike costs, and in effect forbidding any struck plantation from settling with the workers. Strikebreakers, racially distinct from the striking workers, were hired even if they needed to be paid significantly more than the striking workers were requesting. Eventually the strike was crushed with no concessions, and without the owners even agreeing to talk to representatives of the striking workers. Not long thereafter, however, the companies, on their own, “voluntarily,” introduced some improvements in wages and benefits. Despite repeated crushing defeats, workers struck again and again.

Beverly Silver’s *Forces of Labor: Workers’ Movements and Globalization Since 1870* (Cambridge University Press, 2003) identifies two processes that capitalists use to address worker unrest: a