

02/2016

FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

Arja Kurvinen, Arja Jolkkonen, Pertti Koistinen, Liudmila Lipiäinen,
Tapio Nummi and Pekka Virtanen

Late career job loss

– Employment trajectories and retirement of displaced workers aged above 45 years

In this report, we examine how displaced workers aged above 45 years have attached to the labour market and how their employment trajectories have differentiated: who have been reintegrated into the labour market more permanently and who have been transferred out of the labour market? We also review the routes through which the displaced workers exit the labour market and retire. We analyse the changes in the labour market status through individual factors such as age, education, gender and socioeconomic standing. In addition, we investigate whether factors relating to the workplace affect the development of employment trajectories and the retirement routes after job loss.

The starting point of our study was the observation that age 45 may already be a critical point at which the risk for a transition out of the labour market grows (Jolkkonen et al 2016). Extended working lives and deferred retirement have been burning socio-political topics of discussion in recent years. Pensions and unemployment provision have been adjusted with the aim to increase the employment rate of the elderly labour force and to extend working lives (Kyyrä & Paukkeri 2015). As a matter of fact, it has become more common for the oldest age cohorts to continue at work. As a result, the average effective retirement age has risen. However, when companies close their operations or downsize, it is precisely the older employees who are in danger of being displaced. Surprisingly little is known about how displacement towards the end of working life affects reemployment or the transition to retirement.

Our research is based on the Finnish Longitudinal Employer-Employee Data (FLEED) of Statistics Finland. We selected a period spanning from 2005 to 2012 as our review period,

with 2005 as the baseline year. We focused on the time after the pension reforms and have produced new information on post-reform developments. We studied plants that closed their operations or downsized by more than 30 per cent in 2005. From the research data, we picked employees aged above 45 years who were on the payroll for these plants at the end of 2004 but no longer so at the end of 2005. We divided the data by age into two groups: the 46–55-year-olds, who were not allowed to take the retirement route during the review period, and the 56–60-year-olds, who reached the retirement age during the review period.

Our analysis of the variation of the employment trajectories after displacement started off with a trajectory analysis based on the number of months of employment. After that, we made a sequence analysis of the changes in labour market statuses. Based on the sequence analysis, we selected eight clusters in both age groups under review to depict the main changes of statuses in labour markets. Those in the younger age group (46–55-year-olds) who had been displaced were placed in the following groups according to the changes in their labour market position:

1. nearly always employed (68.7%)
2. immediate unemployment (6.8%)
3. unstable employment (6.3%)
4. transition from employed to unemployed at a later stage (6%)
5. retirement on a disability pension at a later stage (5.8%)
6. immediate retirement on a disability pension (3.5%)
7. transition from employment to part-time retirement (2.4%)
8. transition out of the labour force (0.8%).

A large part of the people in the younger age group were reemployed after being displaced and remained employed throughout most of the follow-up period. The unstable employment for this age group were mainly due to unemployment. In part, retirement on a part-time pension or a disability pension, or a transition out of the labour force for other reasons, explain the weaker labour market attachment.

For the older age group (56–60-year-olds), we named the types of clusters that depict the different chains of changes to the main employment statuses as follows:

1. nearly always employed (24.3%)
2. transition from unemployment to old-age pension (23.4%)
3. transition from employment to old-age retirement at a later stage (18.5%)
4. transition from unemployment to old-age retirement (8.7%)
5. transition from retirement on a disability pension to retirement on an old-age pension (7.7%)
6. transition from a part-time pension and part-time work to an old-age pension (6.6%)
7. immediate retirement on a disability pension (5.9%)
8. immediate retirement on an old-age pension (5%).

As expected, the number of people in the cluster ‘nearly always employed’ was smaller among the older age group than the younger one. The reason behind the weaker labour market attachment among the older age group was retirement at different stages and through different routes. Nearly one third of the people in this age group transferred to retirement via unemployment. Other routes used were work, part-time retirement and disability pension.

We observed some gender and age differences in both age groups in the overlapping of work and unemployment as well as in the transition out of the labour market. In the younger age group, the relative proportion of men compared to women was slightly higher in the cluster of ‘transition from unemployed to old-age retirement’. Those in the cluster ‘nearly always employed’ were, on average, the youngest. In the older age-group, the transition to old-age retirement typically occurred via various routes: from work, part-time retirement, unemployment pension, disability pension or unemployment. A transition out of the labour market through retirement on a disability pension and unemployment was somewhat more typical for men than women.

In the younger age groups, education made a difference not only in terms of reemployment but also in terms of how a displaced worker transferred out of the labour force. A lower level of education would seem to be linked, in particular, to a transition to retirement on a disability pension. In this respect, the results of our study confirm those of previous studies. Those who were most successful in being reemployed were those with the highest levels of education. Those with only a secondary-level education often transferred to unemployment or instable employment patterns. In addition, in the age-group 46–55-year-olds, those who had worked for more than three years in the same workplace were more often reemployed than those who had worked in a workplace for a shorter period of time.

In the older age-group, those without a vocational education or with no more than a secondary-level education retired on an old-age pension via unemployment or a disability pension more often than did those with a higher-level education. Also in this age group, those with a higher-level education were more successful at being reemployed and transferred later from work to old-age retirement than did those with a lower-level education. Those with a lower university degree often used the part-time retirement route to old-age retirement.

When reviewed by socio-economic standing, the upper white-collar workers in both age groups were more successfully reemployed than others. Compared to white-collar workers, the employment patterns of blue-collar workers more often included periods of unemployment after job loss. In the younger age group, a transition to part-time retirement was more frequent among blue-collar than white-collar workers. In the older age group, blue-collar workers transferred more often than white-collar workers to old-age retirement via the unemployment pension, the disability pension or unemployment. White-collar workers, on the other hand, transferred from part-time work and part-time retirement to old-age retirement more frequently than did blue-collar workers. Lower white-collar workers retired directly on an old-age pension more frequently than the others.

Based on the results, we can conclude that factors relating to the workplace, the field and the employer affect, in particular, through which routes displaced workers transfer out of the labour market or which routes they take to retirement on an old-age pension. Workplace-related factors do not seem to have any significant impact, however, on how those who were made redundant were placed in the cluster of ‘nearly always employed’.

In both age groups, the majority of the displaced workers had worked in small or mid-sized workplaces (measured in size of personnel) and in the private sector. Those who had worked in large workplaces retired more frequently directly on an old-age pension after being made redundant than did those who had worked in small workplaces. In the younger age group, the displaced workers from small workplaces were more frequently unemployed or exhibited insecure employment patterns than the others. In the older age group, the transition to retirement on an old age pension occurred most frequently via retirement on a disability or an unemployment pension.

Part-time retirement or direct retirement on an old-age pension were options used more frequently by public-sector than private-sector employees in the older age group. The route to retirement of displaced private-sector employees often went through unemployment, disability or the unemployment pension. In the younger age group, the displaced private-sector employees transferred to outside the labour force, became unemployed or exhibited instable employment patterns more often than did public-sector employees.

The displaced industry workers in the younger age group exhibited insecure employment paths more often than did those in other fields. The displaced industry workers in the older age group transferred to unemployment or an unemployment pension more often than did those in other fields. The option of part-time retirement was utilised more frequently in the field of public and personal services than in other fields. In the older age group, after job loss, it was more common to transfer directly or via part-time retirement to an old-age pension.

Our study has produced new information on labour market attachment and on the transition out of the labour market of those in the final stages of their working life in Finland. In the existing research literature, the reemployment of displaced workers has been explained mainly through individual factors. Age, education, professional standing and gender determine who are reemployed and who transfer to long-term unemployment or out of the labour market. In this study, we have produced new information on the significance of employer- and workplace-related factors in the employment, the employment patterns and, in particular, the exits from the labour market of displaced workers. We applied research methods (trajectory and sequence analyses) that were novel to this field. With a longitudinal study, we received new information on the long-term development of employment trajectories and changes in labour market positions of displaced workers.

The Publication is available only in Finnish:

Työpaikan menetys työuran loppuvaiheessa – yli 45-vuotiaiden irtisanottujen työllisyysurat ja eläkkeelle siirtyminen. Eläketurvakeskuksen tutkimuksia 02/2016.

Ordering of publication:

www.etk.fi > Publications > Studies > Late career job loss – Employment trajectories and retirement of displaced workers aged above 45 years
or aineistotilaukset@etk.fi

ISBN 978-951-691-239-7 (s-b)

ISBN 978-951-691-240-3 (PDF)

ISSN 1236-3049 (printed)

ISSN 1798-7482 (online)



Finnish Centre for Pensions
ELÄKETURVAKESKUS

Finnish Centre for Pensions
FI-00065 Eläketurvakeskus Finland
Telephone +358 29 411 20
Fax +358 9 148 1172

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 029 411 20
Faksi 09 148 1172

Pensionsskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Telefon 029 411 20
Fax 09 148 1172

www.etk.fi
> Publications