9. Conclusion

Published by

Heisig, Jan Paul.
Late-career Risks in Changing Welfare States: Comparing Germany and the United States since the 1980s.
Amsterdam University Press, 2015.
Project MUSE. muse.jhu.edu/book/66622.

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Part IV
Conclusion
The question how macro-level ‘institutions’ shape the life courses of individuals has received increasing attention from sociologists during recent decades. So far, however, much of this research has analyzed mid-life or early-career trajectories such as the transition from school to work. Comparative research on the later life course has predominantly focused on the timing of retirement and, to a lesser extent, on other types of labor market transitions. Few studies have taken a truly comparative perspective on the income trajectories of older workers and retirees, even though household income mobility undoubtedly is a crucial life course outcome (DiPrete 2002; Mayer 2005). This study has addressed this research gap by examining mobility processes among workers ages 50 and older in Germany and the United States – two countries that are important reference points in the literatures on varieties of capitalism (Hall and Soskice 2001b) and welfare regimes (Esping-Andersen 1990): Germany is usually considered as the prime example of a coordinated market economy with a conservative/corporatist welfare state and the US as a liberal market economy with a liberal/residual welfare state.

The present study was also motivated by more immediate concerns about the economic well-being of older workers and about the implications of recent welfare state change. The idea that welfare state retrenchment has led to a growth of economic insecurity is a recurrent theme in German and European debates, both inside and outside of academia. The United States have long served as a dystopian reference point in these debates, with commentators routinely invoking the specter of an ‘Americanization’ of the German welfare state (Butterwegge 2006; Starke et al. 2008). America, too, has been having its share of debates about a (further) erosion of its allegedly residual social safety net and about associated increases in economic insecurity. Jacob Hacker’s (2006) widely read book *The Great Risk Shift* is perhaps the best-known and certainly one of the most dramatizing statements in that debate. Again, however, relatively little is known about how levels of economic insecurity have actually developed during recent decades, particularly for older workers, and even fewer studies have tried to link economic insecurity to changes in the social safety net.

Against this background, I have combined an in-depth analysis of relevant welfare state programs and their employment-based functional equivalents with a thorough examination of income mobility around two crucial late-career trigger events: retirement in the sense of exit from work and late-career...
job loss. Following DiPrete (2002), I have argued that the trigger events approach is particularly well-suited for investigating the (changing) impact of welfare state arrangements, as it zeroes in on those circumstances when the welfare state’s role as an institution that smooths income streams and ensures a minimum level of income becomes most salient. To be sure, modern welfare states serve many goals other than income smoothing. There can be little doubt, however, that income smoothing and minimum income provision belong to their core business and that these functions are the primary ones emphasized by current debates on growing economic insecurity.

Following an important strand of recent retirement research, I have emphasized differences in workers’ level of control over retirement, employing a stylized distinction between voluntary and involuntary retirees. For want of more direct measures of individual control, I have operationalized this distinction by differentiating between a group of retirees who leave work after late-career job loss or the onset of health problems – the primary triggers of involuntary early retirement according to the literature – and a second group of retirees whose retirement is not preceded by either of these events. More concretely, I have focused on the latter group of ‘voluntary retirees’ in the empirical analysis of income dynamics around exit from work (Part II) and then taken a closer look at the impact of job loss as one crucial trigger of involuntary early retirement in Part III. A substantive reason for according a central role to individual differences in control over retirement is that workers with low levels of control may be disproportionately affected by recent changes in welfare state arrangements: For example, the scaling back of early retirement options likely has more far-reaching consequences for workers whose late careers are interrupted by job loss or disability onset than for workers whose careers unfold smoothly and who can therefore readily delay retirement.

In the next section, I summarize key findings of the study and relate them to the literature on welfare and life course regimes as well as to current debates about rising economic insecurity. I also identify what I take to be the key policy challenges highlighted by my analysis and discuss possible responses. Section 9.2 concludes with some open questions and promising directions for future research.

9.1 Key findings: welfare regimes and the ‘Great Risk Shift’ revisited

The empirical chapters of this study have produced a large number of interesting results. At this point, I will only recount what I take to be most
noteworthy findings. More detailed summaries were provided at the end of the individual chapters and I refer the interested reader to these accounts.

Two obvious questions are whether the findings conform to stylized and stereotypical depictions of the German and American welfare and life course regimes and whether they support the view that an erosion of collective insurance mechanisms has led to a massive increase in economic insecurity. Of course, the answers to these questions will always, to some extent, be in the eye of the beholder. By how much must the income trajectories of German and American older workers differ to be truly distinctive? To what extent must they have changed for the label ‘Great Risk Shift’ to be justified? Despite these inevitable ambiguities, some positive conclusions seem warranted.

The Americanization of America’s system of retirement income provision

A common assumption is that the American welfare state, and liberal welfare states more generally, do relatively little to cushion the consequences of trigger events and that this results in more volatile and heterogeneous income trajectories. With respect to the transition to retirement, it is often argued that low public replacement rates in combination with a patchy and stratified system of private pensions result in very heterogeneous income trajectories and high risks of falling below the poverty line. Some authors even suspect an amplification of working-life inequalities after retirement (e.g., Crystal and Shea 1990).

In this regard, one of the more intriguing findings of my study is that the US have become ‘more American’ over the course of the last two or three decades, at least as far as the system of retirement income provision is concerned. Findings for income trajectories around men’s retirement suggest that average relative income losses, as well as rates of poverty entry around men’s exit from work were broadly similar in Germany and the US during the 1980s. Toward the end of the observation period, the variability of income changes and in particular the prevalence of very large income losses had risen markedly in the US, as had the risk of entering poverty around retirement. From this perspective, the ‘Transformation’ of the American pension system has been an ‘Americanization’ in the sense that the current system more closely resembles stereotypical portrayals of the American mobility regime.

The findings for men’s retirement support the views of authors such as Hacker (2006) and Gosselin (2009) who argue that the increasing
prevalence of defined-contribution plans (and the parallel decline of defined-benefits plans) has spawned greater economic insecurity. They also square well with related recent research, in particular with the work of Edward Wolff (2011) whose studies on the basis of the Survey of Consumer Finances document growing inequalities in complementary pension wealth.

It is often claimed that the alleged trend toward greater economic insecurity in the US has ‘not just affected the working poor and those in the great statistical middle, but has reached households long thought immune to dislocation’ (Gosselin 2009: 8), a notion that – as discussed in the introductory chapter of this study – is also familiar from German debates (e.g., about a ‘shrinking’ of the middle class; cf. Grabka and Frick 2008). On this issue, my findings are more ambiguous. On the one hand, the analysis of income trajectories around retirement in the US does suggest that workers with intermediate and high levels of education have not been completely sheltered from the trend toward greater income losses and increased risks of large declines. On the other hand, trends for workers with low levels of education appear as unfavorable or even worse than for the higher-educated, a finding that is again consistent with Wolff’s (2003; 2011) analysis, which documents growing educational inequalities in complementary pension wealth. The overall picture is thus one of a broad upward trend in economic insecurity that is accompanied by persistent or even increasing differences among social strata, which is an important finding when it comes to formulating priorities for political action. In particular, reform proposals should take seriously the challenge of providing adequate retirement income to low-income workers (for examples of such proposals, see Halperin and Munnell [2005], Ghilarducci [2008], and Wolff [2011]).

Another consistent finding for the US is that period differences in income dynamics around women’s retirement look quite different, often indicating a trend toward smaller losses that seems to be related to women’s improved access to complementary pension income. As noted in Chapter 6, these gender differences suggest that women’s declining losses have offset growing losses for men in dual-earner couples. More generally, recent trends in economic well-being after retirement may vary systematically by household/earnings type. A longitudinal analysis of this possibility is complicated by household instability and by the fact that partners in dual-earner couples often retire several years apart. Nevertheless, future research should investigate this issue, a point to which I return below.
Rising insecurity in Germany?

For German men, and to a lesser extent also for women, relative income losses at the time of retirement have grown noticeably from the mid-1980s onward and there is considerable evidence that this trend is primarily attributable to a gradual decline in the generosity of public retirement benefits. The decline in replacement rates seems to have been broadly shared across educational subgroups and across different types of workers more generally and partly for this reason has not (yet?) led to greater numbers of voluntary retirees facing economic marginalization (in the sense of entering poverty) or very large declines in their income at the time of retirement, though there is some evidence that income drops of more than a third occurred more frequently toward the end of the observation period.

However, this does not mean that all is well in Germany: First, my findings suggest that the consequences of late-career job loss and involuntary early retirement more generally have risen disproportionately, a point to which I return below. Second, almost a third of low-educated men with preretirement incomes above the poverty line fell below this threshold during the first years of retirement, even if their retirement was voluntary in the sense of not being triggered by job loss or declining health. This proportion is similar to the entry rate of low-skilled Americans during the 1980s and early 1990s and attests to the lack of redistribution in the German public pension pillar. Given scheduled declines in public replacement rates for future retirement cohorts (cf. Chapter 3), these findings strongly suggest that retirement income security and prevention of old-age poverty will become key policy challenges during the next decades (Motel-Klingebiel and Vogel 2013). Increasing labor market inequalities, especially since the mid-1990s (Giesecke and Verwiebe 2008; Dustmann et al. 2009), are likely to exacerbate this problem.

Against this background, the American trends documented in this study, and in particular those for less-educated workers, raise concerns about recent reforms that have strengthened second- and third-pillar pensions without expanding redistributive elements in the public pension pillar. The current landscape of complementary pensions in Germany certainly differs from the American: As discussed in Chapter 3, German second- and third-pillar pensions are typically either pure defined-benefit plans or have a strong defined-benefit component. Empirical data also suggest that participation in Riester-type third-pillar pension plans is somewhat more equally distributed than complementary pension participation in many other advanced economies (OECD 2012: 119-121). At the same time, participation in Riester plans remains highly stratified by earnings and there certainly may be
more effective and equitable approaches for achieving retirement income security and preventing old-age poverty (Himmelreicher and Viebrok 2004).

Chapter 5 discussed several reasons why vulnerable groups are less likely to invest in complementary pensions even conditional on being eligible, among them issues of financial literacy and motivational efficacy. At the very least, voluntary complementary pension schemes should thus be implemented in such a way as to maximize levels of participation (e.g., by implementing opt-out rather than opt-in designs; Madrian and Shea 2001, Chetty et al. 2012). However, as noted by Wolff (2011: 267) in the American context, ‘one problem [...] is that a lot of low-income workers simply cannot afford a 401(k) or even an IRA [i.e., the most important types of complementary pension plans in the US, J.P.H.]’. More redistributive public or employer-provided subsidies to complementary pensions may alleviate this problem, especially if combined with opt-out designs and/or if employer contributions are made even if employees themselves do not save (Wolff 2011). Nevertheless, it is reasonable to ask whether redistribution cannot be more efficiently organized within the framework of the public system. As noted by Himmelreicher and Viebrok (2004), a key advantage of public PAYG schemes is that redistribution can be exceptionally well-targeted. This is because public benefits can be based on actually realized lifetime earnings (rather than income in a given year, as is the case with subsidies for private retirement savings). In the German context, the case for increased redistribution within the public tier appears particularly compelling, as the current system may actually be regressive (Breyer and Hupfeld 2009).¹

A related challenge is coverage of disability risks: Because of close linkages between public disability benefits and the overall level of public retirement benefits, changes affecting the latter tend to affect the former as well (Bäcker et al. 2011). In addition, recent reforms have enacted additional cuts in the level of public disability benefits in order to reduce incentives for early retirement via the disability pathway. These changes raise the importance of complementary disability insurance for protection against the economic consequences of health problems, yet such insurance is often outright unaffordable for low-income workers who typically face above-average risks of actually becoming disabled (which drives up premia for individualized insurance). Köhler-Rama et al. (2010) provide an insightful

¹ More specifically, the relationship between lifetime benefits and lifetime contributions is regressive because of the interaction of two facts: Monthly benefits are approximately proportional to lifetime contributions (cf. Chapter 3), while the average number of months that a worker receives benefits rises with income (because of stratified mortality risks).
discussion of this problem and evaluate different reform options. Finally, it is important to acknowledge the close linkages between working-life earnings and retirement income (Allmendinger et al. 1991). Policies that tackle working-life inequalities such as minimum wage policies or training measures for low-wage workers can therefore play a crucial role in containing trends toward greater inequalities and poverty risks among future retirement cohorts (Wolff 2011; Motel-Klingebiel and Vogel 2013).

Employment exit and employment maintenance after late-career job loss

My analysis of employment trajectories after late-career job loss highlighted striking German-American differences in the propensity of older workers to return to work after late-career job loss. Again, findings were more consistent for men. In Germany, despite some evidence of increasing reemployment rates, late-career job loss clearly remained an important trigger of involuntary early retirement throughout the observation period from the mid-1980s to the mid-2000s. Averaging estimates from the different subperiods, the proportion of older men who no longer worked a substantial number of hours a few (i.e., between 2 to 5) years after late-career job loss was around two thirds in Germany, with the corresponding American share being closer to one third. Even more strikingly, comparisons with a matched control group indicate that the postdisplacement non-employment rate of German men was about 30 percentage points higher than for similar non-displaced men. Similar estimates for American men indicate no unambiguous exit-accelerating effect of late-career job loss. Some results for the US also suggest an interesting bifurcated pattern: Job loss seems to induce some men to retire earlier than planned, while other workers appear to delay their retirement in response to late-career job loss, presumably in order make up for the associated financial losses. My analysis of changes in spousal labor supply around late-career job loss underscores this finding: The ‘wives’ of displaced American men work substantially longer hours and delay their retirement compared to the ‘wives’ of similar non-displaced men.

These markedly different employment trajectories are accompanied by pronounced differences in the income packages of older workers after job loss. They do not, however, translate into equally clear differences in needs-adjusted disposable income. Taking estimates at face value, displaced German men’s disposable income was between 4 to 8 percentage points lower relative to predisplacement income than for American men. In this sense, Germany’s generous early retirement policies have been a relatively effective, albeit costly, means of cushioning the impact of late-career job loss.
These findings are consistent with characterizations of Germany as an ‘employment exit regime’ and of the US as a regime of ‘market-induced employment maintenance’ (e.g., Hofäcker 2010; Buchholz et al. 2011). While this distinction usually refers to different approaches to older workers and early retirement more generally, my analysis of employment trajectories after late-career job loss impressively confirms that these labels capture real differences between the German and American regimes.

In Chapter 3, I discussed the more elementary institutional differences underlying the distinction between ‘employment exit’ and ‘market-induced employment maintenance’. Building on previous research, I emphasized German-American differences in the following dimensions: skill specificity and the strength of labor market boundaries, labor market regulation in the form dismissal protection, continuing training participation, and – last, but by no means least – retirement income provision and social policy more broadly. I also hinted at the ways in which these more elementary differences depend on, and likely reinforce, one another. Not only do these differences generally work in the same direction: For example, Germany’s specific skills regime arguably results in marked labor market boundaries that limit the opportunities for reemployment, while more generous public benefits pull displaced older workers toward retirement. It is also often suggested that these institutional elements are interrelated in a deeper sense: Thus, Estevez-Abe et al. (2001) suggest that more generous, welfare-sustaining social policies help to overcome workers’ reluctance to invest in specific skills.

Regardless of how convincing such explanations are, the empirical fact of institutional covariation (or clustering) makes it difficult to attribute overall differences in life course outcomes to more elementary institutional factors (and their interaction). On a somewhat higher level of abstraction, however, the findings of this study provide compelling evidence that ‘institutions matter’: The institutional ‘packages’ captured by the distinction between employment exit and employment maintenance have clearly shaped the employment/retirement trajectories of displaced older workers and their families in distinctive and expectable ways, at least during the last three decades.

Have recent reforms raised the costs of career interruptions and involuntary early retirement?

A common and plausible assumption is that the retrenchment of early retirement options and other recent changes in social policy have disproportionately affected workers whose late careers are interrupted by job loss.
or the onset of health problems – and that such workers may fall further behind as social policy continues to emphasize later retirement (Bäcker et al. 2009; Köhler-Rama et al. 2010; Johnson 2011; Kingson and Morrissey 2012). There are also reasons to suspect that such changes have been (and will be) particularly consequential in the German context where various factors depress the reemployment prospects of displaced older workers. In other words, the very reasoning that suggests institutional affinities between, say, an emphasis on specific skills and generous early exit policies also suggests that retrenchment of the latter may be more consequential in the presence of the former.

To address this issue, I have followed other recent studies (e.g., Szinovacz and Davey 2005; Lachance and Seligman 2010; Barrett and Brzozowski 2010) and adopted a basic distinction between involuntary retirees who retire after a late-career job loss or the onset of severe health problems and voluntary retirees whose retirement is not preceded by either of these events.

Definitive conclusions were hampered by small sample sizes, but especially for German men there is relatively clear evidence that the gap between involuntary and voluntary retirees has widened and that the effect of late-career job loss on economic well-being has become more severe in recent years. More specifically, the analysis of income changes around exit from work in Chapter 6 consistently revealed more unfavorable trends for German men who retired involuntarily (i.e., after job loss or a decline in health) than for German men classified as voluntary retirees. The analysis of the consequences of job loss in Chapter 8 corroborated this result. Here, I found that differences in relative income changes between displaced German men and similar non-displaced workers were larger in the second half of the observation period, even though period differences did not quite attain statistical significance. For both German and American men, I also found that the risk of suffering very large declines of more than half of disposable income rose over time, both in absolute terms and compared to similar non-displaced workers – and that these growing gaps persist at least until 4 to 5 years after late-career job loss.

These findings, while somewhat preliminary, suggest that, especially in Germany, workers whose late-careers were interrupted by job loss or declining health have indeed fallen behind as early retirement options have been scaled back. Closely tracking the situation of these workers thus appears imperative, especially since many of the policy changes that have arguably made late-career job loss and involuntary early retirement more costly were introduced only gradually (e.g., benefit adjustments for early retirement
in Germany) and/or toward the very end of the observation period (e.g., the abolition of second-tier earnings-related unemployment benefits in Germany or increases in the full retirement age in both countries).

In general, as noted by Richard Johnson (2011), a key challenge facing policymakers who wish to ‘Raise the Retirement Age’ is to ‘Protect those Who Can’t Work’. One should add that another crucial task is to help older workers, who can work, but are so unlucky as to lose their job, find decent reemployment. The American results suggest that at least some older workers and their families have to go to considerable lengths to limit the extent of downward mobility after late-career job loss – despite facing a labor market that arguably offers relatively good opportunities for older workers and despite macroeconomic conditions being quite favorable during the observation period.

9.2 Implications and directions for future research

This study has addressed a large number of questions, yet some interesting issues had to be excluded from the outset, due to lack of suitable data and/or limits of scope. The analysis also generated several findings that call for further research, but could not be pursued within the confines of this study. In this concluding section, I discuss what I consider the most important issues to be subjected to further scrutiny.

Investigating retirement income dynamics by household/earnings type

A general result of my analysis of income changes around retirement is that trends over time have been more favorable for women, especially in the US. Borrowing a phrase from Blau and Kahn (1997), women have been ‘swimming upstream’. For simplicity and conciseness, I have focused on average effects of men’s and women’s retirement across different household types. In view of the gender-specific trends, one might expect improvements for women to have at least partly offset the trend toward larger income losses for men in dual-earner couples where both partners have substantial labor force attachment and therefore belong to the population that is at risk of retirement (as defined in this study). By the same token, one would expect to find the clearest negative trends for single men (a relatively small group) and male-breadwinner couples.

Unfortunately, a full-fledged analysis that differentiates retirees with respect to household earnings arrangements and joint retirement
trajectories was beyond the scope of this study. Exploring the net effect of gender-specific trends for dual-earner couples is particularly vexing, not only because of the general problem of household instability, but also because the two partners may often retire several years apart. The most compelling longitudinal approach to retirement-related income dynamics in dual-earner couples would thus require tracking households for rather long periods of time. Analyzing the full retirement trajectory appears crucial because couples’ retirement decisions are interdependent and because educational homogamy and assortative mating may result in strong correlations between spouses’ retirement outcomes. For example, the trend toward greater educational inequalities in complementary retirement wealth suggests that the extent to which women’s gains have offset the losses of men may be very limited in couples where both partners have low levels of education. To the extent that such comprehensive analyses are not feasible, longitudinal analyses of individual retirement events that differentiate by household type or even cross-sectional analyses of ‘fully retired’ couples may be useful first steps.

Using alternative measures of (economic) well-being

At the beginning of Chapter 2, I discussed a number of factors that render income a less-than-perfect proxy for individual economic well-being. In particular, a decline in income around retirement need not imply lower economic well-being, as individuals may also experience a decline in work-related expenses, no longer need to save for retirement, and may be able to draw on non-annuitized savings to finance consumption.

A popular alternative to using income measures, especially in economics, therefore is to look at changes in expenditure which are often believed to provide a better approximation to consumption levels. As discussed in Chapter 2, the case for focusing on changes in expenditure may be less compelling than is often suggested. In particular, income may better capture individuals’ access to resources in the longer run, particularly if they are ‘underannuitized’ or overconsume in their early retirement years. In addition, relating changes in expenditure/consumption to changes in economic well-being requires strong assumptions concerning changes in household needs. For example, one would expect non-discretionary expenses on (work-related) travel or clothing to fall at retirement. Yet one would not expect expenditure on these commodities to drop to zero and few data sets contain enough information to credibly differentiate between necessary and discretionary expenses. Often, data restrictions even force
researchers to focus on expenditure for a narrow set of commodities such as food (Smith 2006; Barrett and Brzozowski 2010). However, there may be ample room for declines in expenditure on goods that are ‘less essential’ than food.

In short, other approaches to measuring changes in economic well-being tend to have their own set of limitations. Nevertheless, it is certainly worth trying to triangulate the findings of this study using other outcome measures. More generally, surveys should seek to collect alternative measures of individuals’ economic situation. Respondents’ own evaluation of their economic situation or indicators of financial hardship or difficulties to ‘make ends meet’ might provide useful additional information, as might more direct measures of standard of living (e.g., in the spirit of the relative deprivation approach of Townsend [1979]).

Another valuable extension of the analysis would be to incorporate information on retirees’ non-annuitized wealth, including housing wealth. For many households, wealth undoubtedly plays a crucial role in maintaining economic well-being during retirement, and clearly growing income losses will be of less concern to workers who can rely on a sizable amount of assets. At the same time, it seems unlikely that wealth is distributed in such a way as to effectively cushion recent and projected trends toward greater economic insecurity and poverty risks for vulnerable groups such as less-educated workers (Motel-Klingebiel and Vogel 2013).

Some of the findings concerning the consequences late-career job loss also suggest that displaced American workers and their families may often sacrifice leisure time in order to limit the impact of job loss on economic well-being. The positive reading of this finding is that the American labor market provides sufficient opportunities for older workers. The negative reading is that limited public insurance forces displaced workers and their families to make sacrifices in other domains such as leisure time and job quality in order to contain declines in economic well-being. Against this background, it would be interesting to investigate this trade-off between economic well-being and other relevant domains more directly. Analyses of the impact of job loss on overall subjective well-being or life satisfaction, which at least until recently was unfortunately not collected by the PSID, might add important details to the picture.

**Studying longer-term changes**

A related question is how the income situation of retirees and displaced older workers changes in the longer run. Given my focus on within-country
trends, it was not feasible to look at changes beyond the fourth or fifth year after the event in question. The study by Hungerford (2003) suggests that long-term changes are more favorable for German retirees, as they draw a larger portion of their retirement income from public sources, which tends to be indexed at higher rates than private retirement income. By the same token, as complementary pension income is becoming more important in Germany, so will be the question how these benefits evolve in the longer run (Künemund et al. 2010, 2013).

Another interesting issue is to what extent the income scars associated with late-career job loss persist beyond my individual-level observation window which ends 4 to 5 years after late-career job loss. Findings for the average displaced man do not suggest that the disposable income gap narrows substantially between 2 to 3 and 4 to 5 years after job loss. However, it does seem likely that the gap eventually declines as more and more comparison workers leave employment. When and to what extent this is the case, and if the gap eventually vanishes completely or perhaps even reverses (as some displaced workers seek to make up for foregone earnings), are interesting questions for future research.

It also seems worthwhile to apply the trigger events approach to income dynamics after retirement age. The work of Zaidi and his colleagues (Zaidi et al. 2005; Zaidi 2008) makes first steps in this direction. A related question is how the financial needs of retirees change over the course of retirement. A common view is that needs are more likely to increase than to fall, mainly due to increasing health- and care-related expenses (e.g., Schmähl 2010).

Using a holistic approach to the late career

The clear differences in the propensity of German and American workers to return to work after late-career job loss suggest that involuntary retirement, as it is commonly operationalized, has quite different meanings in different contexts. In particular, as noted above, my results suggest a bifurcated pattern for the US, with job loss inducing earlier-than-planned retirement for one group, and later-than-planned retirement for a second group of workers.

A promising approach for capturing these and other complexities of late career patterns would be to take a more holistic perspective that nevertheless emphasizes the role of unexpected events. Arguably, a distinction between fragile late careers that are interrupted by job loss or declining health (and perhaps a few other events) and smooth careers that are not should be central to this approach. Building on this basic distinction, a
limited number of ideal typical career trajectories could then be identified, either on the basis of theoretical considerations or using a more inductive approach such as a combination of cluster and sequence analysis (Fasang 2008). While the prevalence of different career patterns would be interesting in itself, this approach could be fruitfully combined with an analysis of income trajectories within the trigger events framework. An obvious practical impediment to such an approach, and a major reason why it was not pursued in this study, is that its compelling application would require considerably longer individual panels than could be used in this study, where investigation of changes over time was an important priority.

Better understanding the job search of displaced older workers

Given the growing emphasis on late retirement, it is crucial to better understand the reemployment/retirement decisions of displaced older workers as well as their job search process. What factors determine whether a displaced older worker decides to look for work and how good are the chances that he/she eventually succeeds? What kinds of jobs are displaced older workers offered, both in terms of wages and in terms of non-monetary aspects of job quality, and how do these offers compare to their expectations and preferences?

Studies such as Maestas and Li (2006) which take a closer look at the job search process of older workers can shed light on these questions and help to design effective measures for improving the reemployment prospects of displaced workers. However, Maestas and Li’s analysis, which is based on the Health and Retirement Study, also highlights a problem with conventional panel data sets: Interview intervals are too long – two years in their case – to enable a thorough understanding of the job search process. Better data are therefore urgently needed. High frequency longitudinal surveys that conduct monthly or even weekly interviews with job searchers (cf. Krueger and Mueller 2011), though admittedly costly, would be an extremely valuable resource for obtaining a more detailed and useful picture of the job search process of displaced older workers.