

Trapped in 'Involuntary' Work in the Late Career? Retirement Expectations versus the 'Desire to Retire' in Estonia

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Abstract

In light of recent policies aiming to promote the prolongation of working life, one of the key questions is how people have adjusted their retirement expectations (i.e., realistic plans) and preferences (i.e., wishes and desires). We explore which social groups plan to continue working after the statutory retirement age, and whether they wish to do it or whether it is a forced choice ('involuntary' work). Overall, almost all employed late career workers plan to work until or beyond retirement age in Estonia, especially men and those who have more educational and health resources. Still, results of a joint analysis of plans and wishes indicate that two groups have a higher risk of 'involuntary' work. First, a higher education combined with a low job satisfaction predicts staying longer in the labour despite the wish to retire as early as possible. Second, individuals who have poor health and a low job satisfaction often wish to retire as early as possible but stay in the labour market until reaching to the compulsory retirement age. Thus, policy measures increasing merely the statutory retirement age create tensions, especially among those not satisfied with their jobs. More analytical work and policy measures are needed to provide solutions at the workplace level that would enable a prolonged work career.

Keywords: Estonia, late career workers, retirement expectations, retirement preferences, transition to retirement.

Introduction

Today's Europe is changing under the pressure of demographic ageing. In all EU member states, the proportion of older people has increased in recent decades, because of a combination of low fertility and longer life expectancy. Reduced mortality is the main contributor of population ageing (Rechel et al., 2013). Thus, population ageing can be described as both an outcome of and a challenge for the European welfare states. In order to keep national welfare states financially sustainable, there have been numerous policy initiatives to promote longer employment since the mid-1990s. At first, these measures mainly consisted of closing down early retirement pathways and increasing the statutory retirement age. In both public and scientific discussions, the merely employment-centred discourse of active ageing at the policy level has been criticised (Walker, 2002; Walker & Maltby, 2012; WHO, 2002), and the focus is shifting towards a more comprehensive strategy for active aging, including health and social participation measures for both healthy and frail people (Hofäcker & Unt, 2013). The financial crisis in 2008 has forced politicians to even more urgently address the consequences of societal ageing, while exposing the fallibility of funded schemes as a source of pension security. Fundamental questions about the prolongation of working lives remain to be resolved (Casey, 2012).

One of the key questions is *how have future retirement cohorts adjusted their plans along the new policy initiatives promoting longer employment?* In the context of prolonged working life, not all social groups may be willing or even able to meet the new expectations of the state. So far, it has been

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largely assumed that there is a convergence between the preferences and expectations of retirement age. Because of the increasing statutory pension age and the increasing vulnerability of pension funds, individuals might have shifted their *prospective* retirement expectations (i.e., when and how people expect to retire). However, shifts in their retirement preferences (i.e., when and how people want to retire) might be less in line with policy change. We may assume that heterogeneity among late career workers depends on the ability to comply with reforms. Thus, more research is needed for finer disentangling of the possible factors contributing to voluntary career prolongation, either at the level of workplace or institutions. This helps to develop policies that promote more flexible employment opportunities and support to enable continuing to work via specific measures for sustaining or improving health and skills. We will address the issues of *which groups expect to prolong their work career? How consistent are the people's expectations and preferences? For which social groups do the largest discrepancies emerge between individual retirement expectations and retirement preferences in adapting to the new institutionalised demand for a longer working life?*

In order to answer these questions, we will scrutinise the case of Estonia using the data from the Survey of Health, Ageing and Retirement in Europe (SHARE) 2010-2011. Previous analysis carried out by the European Commission (2007) classified Estonia in one group with Central European countries based on possible factors influencing the labour market attachment of older people and encouraging or preventing them from extending their working lives. Estonia is also characterised by relatively low perceived health and standard retirement ages, together with relatively low spending on active labour market policies, lifelong learning participation and work flexibility. However, Estonia is distinguished from the Central European states by higher employment levels of late career workers as well as much lower pension replacement rates and relative earnings of older workers. The recent reforms increasing the statutory retirement age accompanied by low replacement rates and relatively high employment levels make Estonia an important country to study for addressing the convergence or divergence of retirement expectations and preferences.

The paper is structured as follows: Section 2 discusses the different individual level and institutional determinants that relate to retirement expectations and preferences. Section 3 describes the institutional setup of the Estonian case and formulates our expectations. Section 4 provides information about the data and methodological approach. Section 5 outlines the results of our empirical analysis. The summary section outlines our contribution and identifies the challenges for future research.

Expectations and preferences

Why study retirement expectations and preferences? It is important to outline substantive differences between the *expected* and *preferred* exit age (Esser, 2006). Expected timing of retirement is here understood as an expression of individuals' judgment when extrinsic constraints (e.g., financial opportunities) are considered. *Preferred* exit age is regarded as individuals' taste for retirement timing, putting more emphasis on individuals' intrinsic values. During the last decades, profound reforms have taken place everywhere in Europe, but especially radically in Central and Eastern European countries. These reforms have strongly reversed the early-retirement opportunities by reducing early exit incentives and increasing the age when people became entitled to pension benefits. Thus, even if people have adjusted their retirement timing plans along the new reality, it might not be the case for preferred retirement age, which creates potential tensions inside people and in the society.

Our study combines expectations and preferences of retirement timing into the typology of retirement prospects, which stems from the life course perspective's emphasis on the role of human agency in shaping life events. Few previous studies have paid attention to both expectations and preferences, focusing instead on one of these factors separately. This limits our understanding of

the processes underlying late career and retirement transitions, which seemingly results from the combined influence of perceived constraints and preferences (Raymo, Ho, Sweeney & Hauser, 2005). Our aim is to shed light on the 'involuntary' postponement of retirement because this is very likely a growing problem in the context of the fallibility of pension funds and increasing statutory retirement age possibly affecting other areas of life: well-being, health and social participation through taking care of grandchildren and the elderly. In general, retirement expectations and preferences can be taken as reasonable proxies of future retirement behaviour (Ekerdt, Kosloski, & Deviney, 2000; Raymo et al., 2005). Thus, exploring retirement expectations and preferences can help to assess the success of policy reforms and predict possible outcomes and problem groups.

The question of retirement expectations and preferences relates closely to the research on retirement age norms. Radl (2012) shows that internalisation of retirement age norms makes individuals more resistant to external constraints, such as policies aiming to prolong working life. The balance between retirement preferences and plans is important because it relates to a work engagement, i.e., the willingness of individuals to contribute to their job. Damman, Henkens, and Kalmijn (2013) find that individuals who already have a certain preference when to retire but are forced to work longer due to institutional changes might experience the acceleration of work disengagement.

In our analysis, we follow the assumption that retirement expectations and preferences are not entirely free, but bound to the opportunity structures and driven by similar factors to real retirement behaviour. For individual well-being, it is desirable that the expected and preferred retirement timing would converge. However, in case of discrepancies, we assume that the institutionally provided opportunities are especially influential for forming expectations, while the preferred exit age is related to intrinsic values, where meso and individual level factors play a greater role.

First, individuals orientate their retirement plans according to the institutionally provided opportunities for quitting employment under financially feasible conditions as well as the available opportunities for continued employment on the labour market. Second, at the meso level, retirement plans are bound to the concrete workplace environment and may relate to the overall job satisfaction, adaptation of the work environment to specific needs of the elderly, etc. Third, at the individual level, people consider their individual health, financial situation and other arguments like synchronising retirement with a partner, taking care of parents and/or grandchildren. These considerations might either foster a continuation or withdrawal from the labour force.

We aim to study expectations and preferences towards a continuation of working. It is important to note that people might plan to continue working simultaneously with receiving the old age pension. Therefore, our focus is not on the planned age of retirement. Our analytical strategy is to study the combination of retirement expectations and preferences, which we call 'retirement prospects'. The broader question is also whether employment at the retirement age shows a high commitment to work or a lack of opportunities. Therefore, retirement prospects combine the wish to retire early with the actual plan to leave the labour market when reaching retirement age. We focus on four groups:

- regular prospects – individuals who wish and expect to leave the labour market when reaching the retirement age;
- active prospects – individuals who expect to continue working beyond retirement age and have no strong wish to retire earlier;
- employment trap – individuals who would like to leave the labour market as early as possible but expect to continue working beyond the retirement age;
- inactive prospects – individuals who would like to leave the labour market as early as possible and expect to leave right after reaching the retirement age.

The employment trap and inactive prospects both refer to 'involuntary' work because these people prefer to exit from the labour market earlier than they expect to be possible.

Institutional context of retirement: the case of Estonia

Previous research has identified various country-specific factors that influence the employment and retirement transitions of older workers. Economic research in particular has highlighted the significance of 'pull factors', i.e., financial incentives built into national pension systems (e.g., Blöndal & Scarpetta, 1999; Gruber & Wise, 2004). However, sociological research (e.g., Blossfeld, Buchholz & Hofäcker, 2006; Ebbinghaus, 2006; Kohli, Rein, Guillemard & van Gunsteren, 1991) has highlighted that the individual level decisions to retire or continue working are related to the opportunities available to actually continue working. In case of industrial restructuring or worsening labour market conditions, older workers might be 'pushed' out of the labour market. Recently, more and more attention has been given to 'retention' factors, such as activation policies aimed at keeping older workers in the labour force, including employment subsidies or lifelong learning programs (Ebbinghaus & Hofäcker, 2013). In addition, the positive age norms and perceptions of older workers may encourage older people to continue in the labour market and vice versa, negative perceptions might discourage them (Hofäcker & Unt, 2013).

Retirement regulations and early retirement opportunities

The pre-reform statutory retirement age was fairly low in Estonia, being set since 1956 at 60 years for men and 55 years for women. At the beginning of the 1990s, the statutory retirement age was revised. In 2012, the statutory retirement age was 63 years for men and 61.5 years for women. It was equalised at 63 by 2016 and will gradually further increase to 65 years by 2026. There are only a few opportunities for early retirement. The main early retirement pathway is disability pensions – more than 20% of people aged 55-59 receive disability benefits. Still, one has to note that there are strict criteria for disability benefit receivers, and these benefits are small in amount. The pension replacement ratio is low, around 30-40% (Saar & Unt, 2016). Thus, becoming a retiree significantly increases an individual's poverty risk and works as a strong incentive to continue working beyond pension age.

Industrial restructuring, business cycle and labour market flexibility

In the early 1990s, the transition process from socialism to free market economy brought fundamental changes to the composition of employment, especially since the agricultural sector decreased and the service sector increased. For individuals, this meant a paradigmatic change in employment opportunities. During the Soviet period, there was no unemployment, but this changed in early 1990s. Labour market tensions at the beginning of the 1990s were initially solved by pushing out older workers, resulting in a drop in employment by about 40% for those aged 60-64 and about 60% for those aged 65-69 (Saar & Unt, 2016). After economic recovery, especially since the early 2000s, the labour force participation rate of late career workers started to increase again. This trend is partly explained by the deferred pension age, especially for women, low pensions and pension laws favouring working pensioners. The employment rate of older workers in Estonia is above the EU-28 average. The average exit age from the labour market in 2010 was 63.2 for women and 63.9 for men, which is also above the EU-28 average. It is noteworthy that there is no significant gender difference in the labour force participation of older age groups.

The Estonian labour market is more flexible than the OECD average, being closer to the liberal market economies like the UK, particularly since 2009 when the new Employment Contract Act was adopted. This shifted the balance of responsibilities and rights more towards the interests of employers. On the other hand, some of the features are close to welfare regimes in Southern European countries, especially the rather strong insider-outsider logic, which is manifested in low levels of reemployment after experiencing unemployment (Saar & Unt, 2016).

Resources to continue working

In Estonia, older age groups are some of the most educated in the EU, and there is no remarkable educational gap compared to younger cohorts. 29% of 65-75-year-olds and 36% of 55-64 year olds have tertiary education (Saar & Unt, 2016). At the same time, research shows that older people have lower general skills: the gap between the age group 20-24 and 60-65 is especially large in the domain of problem solving in a technology-rich environment (Halapuu & Valk, 2013). Furthermore, policies related to the promotion of the employability of older workers are rather underdeveloped in Estonia and (re)training is seldom offered to older workers (see also Täht, Saar & Unt, 2011).

The other crucial resource needed for prolonging working life is the health. The life expectancy of the population in Estonia is lower than the EU average, and what is especially worrying is that the proportion of years lived with health problems in the whole life expectancy is also significantly higher than the EU average (Karelson & Altmets, 2010). In addition, there is a considerable gender gap in life expectancy: in 2012, male life expectancy was ten years shorter than female: 71.5 and 81.6 years, respectively (Statistics Estonia, 2015).

Age norms and discrimination at the company level

Both the readiness and the ability of older workers to remain in employment may depend not only on the opportunities created through structural institutional characteristics, but also on the 'age culture' prevalent in a country (Maltby, De Vroom, Mirabile & Øverbye, 2004). In a country with a distinct 'early exit culture', older workers may develop higher preferences for leaving employment prematurely than the ones in countries with a 'late exit culture'. At the same time, an entrenched early exit culture may foster the development of 'ageist stereotypes' among employers that lower the likelihood of employing older workers (Conen, Henkens & Schippers, 2012). Overall, in Estonia old people are perceived positively compared to the average level of EU-28 (59% believe that over 55 have a positive image vs 61% in EU-28), being considerably more 'elderly friendly' than most other Central Eastern European countries (European Commission, 2012). The perceived discrimination seems to be closely connected with the positive image of older people in the society (Saar & Unt, 2016). In Estonia, a bit more than one third believe that age discrimination is widespread, which is less than the EU-28 average (42%) (European Commission, 2012).

Individual characteristics affecting retirement and hypothesis

Previous research has not yet addressed the individual characteristics that affect retirement expectations or preferences in Estonia. Thus, we expect them to be closely linked with the real retirement behaviour. First, we explore the social groups who plan to work beyond the statutory retirement age. Second, we aim to shed light on retirement prospects by analysing whether the expectations (the plan to retire) are in line with preferences (the desire to retire).

The first argument that explains differences in retirement prospects is related to gender roles and the increasing statutory retirement age that has been especially rapid for women. As earlier research has shown, women tend to retire earlier, but the gap has recently narrowed. At the same time, Estonia is characterised by quite traditional gender roles (Pajumets, 2012; Roosalu, 2012; 2014). More often women take care of the elderly and grandchildren, which can support plans to exit the labour market. Moreover, the retirement plans of men are also likely to follow traditional gender roles (man as a breadwinner) and they might expect to continue working even beyond statutory retirement age. Thus, we assume that women plan to retire earlier than men (*Hypothesis 1a*). However, retirement plans might not converge with the underlying preferences of people. On the one hand, women might have a large discrepancy between expectations and preferences because the statutory retirement age might

have increased more rapidly than their internalised age norms about retirement (i.e., women would wish to retire earlier than possible – inactive retirement prospects). On the other hand, the overall poorer health of men might create significant tension (an employment trap) between the preference to finish working and the expectation to continue earning sufficient income for the family even beyond the statutory retirement age. Therefore, we expect women to have a higher risk of inactive retirement prospects and men to have a higher risk of perceiving the employment trap (*Hypothesis 1b*).

The second argument is connected to the resources supporting the continuation of working. Earlier research has shown that the highly educated retire later than other educational groups in Estonia (Klesment & Leppik, 2012). The education and skills are related to the occupational position. Late career workers who are employed as managers and professionals might possess high levels of skills demanded in the labour market. Some previous evidence indicates that routine non-manual employees and semi-skilled or unskilled workers are more likely to lose their jobs compared to upper level service workers (Täht et al., 2011). Another important resource for labour market participation is health. The number of years that people live healthy is significantly lower in Estonia compared to the EU average. Therefore, we assume that people with higher education and occupational position who also are in better health plan to work longer due to better opportunities in the labour market (*Hypothesis 2a*). Resources might relate to the discrepancy between plans and preferences. On the one hand, it is possible that a high occupational position and educational level pressure people to continue working due to financial reasons even if they would like to retire. On the other hand, these resources might also support the preference to continue working due to prestige or the intrinsic rewards of working. Therefore, we expect in Hypothesis 2b that people with high resources have a higher likelihood of perceiving the employment trap, but we also assume that for active prospects. In addition, poor subjective health might support the preference to exit from the labour market as early as possible but not support the expectation, due to few opportunities to retire earlier and a low replacement ratio of old age pensions, i.e., inactive prospects and employment trap (*Hypothesis 2c*).

Other possible important resources are language skills and social capital. In Estonia, the Russian-speaking minority has difficulties with the Estonian language, and they have less social capital for job seeking (Vihalemm & Kalmus, 2009). Russian-speaking minority is less successful in accessing higher positions, and their levels of perceived ethnic prejudice in the labour market are higher as well (Lindemann, 2011). Thus, given the weaker labour market position of Russian-speakers, we assume that they are less likely to plan to continue working beyond the statutory retirement age (*Hypothesis 3a*). In addition, a less favourable situation in the labour market might also reduce the perceived pressure and preference to prolong working life among the minority group. Thus, we expect Russian-speaking minority to have a lower likelihood of active retirement prospects and the employment trap (*Hypothesis 3b*).

Our third argument is related to the opportunity structure at the institutional level. In Estonia, a low pension replacement ratio means that the transition into retirement increases the risk of poverty. At the same time, the pension laws favour working pensioners and the perceived age discrimination is lower than the EU-28 average. Moreover, due to current little differentiation between pension receivers (Statistics Estonia, 2015), the drop of income is especially dramatic for people who are economically better off. Thus, we assume that it is especially the late career workers whose household is in a good economic situation who plan to continue working due to the inability to keep up their living standards without the market income, while the drop in income relative to previous earnings is smaller for people with fewer resources (*Hypothesis 4a*). Furthermore, dependence on market income means that higher earners are also subject to higher pressure to continue working even in circumstances when they would prefer to retire. However, wealthier people may experience no discrepancy between preferences and plans if they have internalised the norm to continue working. Thus, we expect in *Hypothesis 4b* that people whose household is economically better off have higher odds for the employment trap as well as for active prospects compared to the regular prospects.

The fourth argument derives from the workplace environment. Previous research in other countries has shown that older workers, who are facing the retirement decision, prefer to continue in a job that gives them opportunities to learn and develop their competences (e.g., Furunes et al., 2015). Moreover, for older workers, particularly, job satisfaction is strongly related with intrinsic factors and internal rewards of working (e.g., Kooij, Lange, Jansen & Dijkers, 2008). We expect job satisfaction to play an important role also in the Estonian context, as dissatisfaction with work might particularly increase discrepancies between retirement preferences and actual plans. Thus, we expect that people with a high job satisfaction plan to work longer (*Hypothesis 5a*). In addition, we assume in *Hypothesis 5b* that a low job satisfaction might increase a risk for 'involuntary' work (i.e., employment trap) or people with a lower job satisfaction might plan to give up working at the first chance when reaching the statutory pension age (i.e., inactive prospects).

Data and methodology

Data and variables

We used Estonian data from the 4th wave of the 'Survey of Health, Ageing and Retirement in Europe' (SHARE), which was conducted in 2010-2011. The sample from the SHARE study included respondents who are at least 50 years old. In addition to the international questionnaire, the 4th wave of the SHARE study also contained an Estonian-specific questionnaire. Our aim is to analyse the retirement preferences and plans of people who are still active in the labour market. Therefore, we made a sub-sample that includes only people who have not yet reached the retirement age. Unfortunately, the questions regarding retirement preferences and plans were asked only from people who are employed. We recognise that this group is positively selective. The size of our final sub-sample was 1,327 respondents.

Our first dependent variable captures **retirement expectations**. Respondents were asked in the Estonian-specific supplementary questionnaire: *When do you plan to finish working completely?* Answer categories were: (1) before the retirement age; (2) at the time they start to receive the old age pension; or (3) continue working simultaneously with the old age pension. About 35% of the sample plan to finish working immediately after reaching retirement age, while 60% plan to continue working. In Estonia, only a small minority of people plan to give up employment before their retirement age (4%). Further analysis shows that more than a half of them have health problems and for this reason we chose not to include this small selective group in our analysis. Therefore, we focus on comparing workers who plan to retire immediately when they are eligible for old age pension with workers who plan to continue working while receiving their pension.

Our second dependent variable indicates the perceived **retirement prospects**, which we characterise as a combination of expectations and preferences. The SHARE main questionnaire asked people about their wishes for retirement: *At the moment you are employed. Thinking about your present job, would you like to retire as early as you can from this job?* About 28% of people agreed that they would like to give up working as early as possible. It should be noted that some respondents might have given spontaneous answers based on their current job, while others have developed their preference based on profound consideration of their possibilities. Therefore, the measure of preferences is somewhat noisy, but we still assume that it reflects, in combination with the expected retirement timing, the (dis)convergence of external expectations and internal wishes.

We combined a new variable showing retirement prospects with the following categories: regular prospects, active prospects, employment trap and inactive prospects (see also the section 'Expectations and preferences'). One possible criticism of our approach is that the opportunities to retire are not the same for all. First, some occupations do not offer an opportunity to continue beyond the statutory retirement age. We recognise that this might reduce expectations to continue in the labour market,

but given the low replacement rates of pensions people might still consider shifting to another job after reaching the statutory retirement age. Second, the statutory retirement age is lower for some specific occupations. However, the questions asked in SHARE questionnaire did not provide *any fixed retirement age*. Therefore, it is likely that people gave answers following the structure of retirement opportunities specific for them.

Table 1 presents an overview of independent variables. Since about a third of the Estonian population is made up of ethnic minorities, we compare the perceived retirement prospects of people who speak Estonian, Russian or other *languages at home*. We include the *age group* as a control variable, which divides respondents into three groups: 50-54, 55-59 and 60-63 years old.¹

The *highest level of education* shows whether a respondent has lower secondary (ISCED 2 or less), upper secondary (ISCED 3 and 4) or higher education (ISCED 5). We take into account the *current occupation* of the respondent and distinguish the following groups: managers and professionals (ISCO 1-2), mid-level specialists (ISCO 3), clerks and service workers (ISCO 4-5), semi-skilled workers (ISCO 6-8), and unskilled workers (ISCO 9). We are able to use only this quite crude measure of the occupational position because the SHARE dataset does not include information about minor ISCO digits or extra measures, which would enable us to employ different class schemas. We also include the economic sector where a respondent is employed as a control variable. However, we do not formalise a hypothesis about the impact of the economic sector because the measurement is not specific enough (NACE one digit codes).

Table 1: An overview of the distribution of independent variables in the sub-sample, n=1327

Variable	Categories	Frequencies
Gender	Women	56
	Men	44
Age group	50-54	37
	55-59	43
	60-63	20
Language spoken at home	Estonian	74
	Russian	25
	Other	2
Highest level of education	Lower secondary or less	7
	Upper secondary	63
	Higher	30
Current occupation	Managers and professionals	18
	Mid-level specialists	23
	Clerks and service workers	20
	Semi-skilled workers	25
	Unskilled workers	14
Subjective health	Health limits working	32
	Health does not limit working	68
Satisfaction with work	Satisfied	89
	Not satisfied	11
Current financial situation	Difficulties	46
	No significant difficulties	54

Source: Authors' calculations based on SHARE wave 4 data (not weighted distributions).

1 Employed people aged 60-63 are a selective group because some women in this age were already eligible for the old age pension and for this reason they were not included our sample. Therefore, almost 60% of this group are men. We include the age group only as a control variable. Analysis shows that workers belonging to older age groups are less likely to plan on leaving the labour market after reaching the statutory retirement age, which is also a standard finding in earlier research (e.g., Radl, 2013).

The SHARE dataset contains several measures for *subjective health*. We decided to use a measure that is related directly to the labour market participation: *Are you afraid that your health will limit your ability to work in this job before regular retirement?* Almost a third of all respondents believed that their health might limit their ability to work (Table 1).

The measure job satisfaction is a proxy for work-related strains and perceived match with the job. The respondents' opinion was asked about the following statement: *All things considered I am satisfied with my job*. Table 1 indicates that most respondents were satisfied with their work.

We measure the *current financial situation* based on the question: *Thinking of your household's total monthly income, would you say that your household is able to make ends meet with great difficulty, with some difficulty, fairly easily or easily?* We divided answers into categories 'difficulties' and 'no significant difficulties'. Almost half of all respondents admitted that their household has difficulties in making ends meet with their monthly income (Table 1).

Method

First, we focus on retirement expectations. We give an overview of the distribution of expectations within social groups and use logistic regression to analyse how likely different social groups expect to continue working beyond the statutory retirement age. Second, we include preferences in addition to expectations to analyse retirement prospects. We start again with a descriptive overview. Thereafter, we estimate multinomial regression models to compare the relative risk of having regular prospects with (1) active prospects, (2) employment trap, and (3) inactive prospects. We weighted data using the SHARE sampling design weights for wave 4.

Results

Retirement expectations

In Estonia, people employed after age 50 are planning to be extremely active in the labour market. There is a small fraction (4%) planning to exit the labour force before the statutory retirement age, which we omitted from further analysis (see 'Data and methodology' for details). The majority (63%) plans to continue working after reaching the retirement age in their late career.²

Figure 1 shows that expectations differ for social groups. A larger percentage of men than women plan to continue working after being eligible for the old age pension. In addition, people with higher education expect to prolong their working life most often, compared to people with lower levels of education (Figure 1). Accordingly, only a quarter of people holding a managerial or professional position plan to exit the labour market when they reach the retirement age, while almost a half of clerks and service workers intend to do so. Surprisingly, they intend to retire even more often than unskilled and semi-skilled workers, whose job conditions might more severely affect their health and the related possibilities to continue working. Furthermore, Estonian speakers expect a bit more often to stay in the labour market longer.

Retirement expectations depend on the well-being of the individual (Figure 1). Although people who feel that their health might limit working plan less often to stay in the labour market, about 46% of them intend to continue working. In addition, late career workers who are not satisfied with their work plan more often to leave the labour market right after reaching retirement age. Moreover, the financial situation matters. People whose households are having difficulties to manage financially intend to prolong their working lives somewhat less often than people with no significant financial difficulties.

² However, we only analyse people who are employed. In 2012, about 69% of people aged 50 to 63 years were employed and 6% were unemployed (own calculations based on Estonian Labour Force Survey 2012).

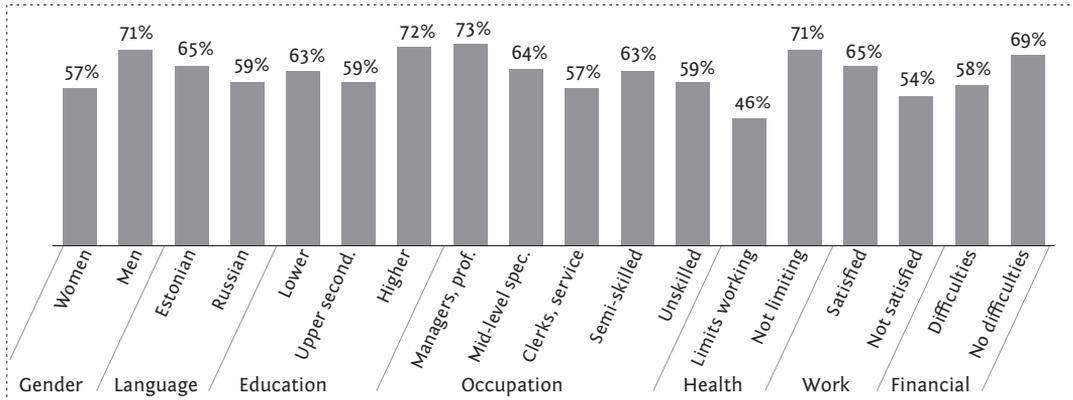


Figure 1: Proportion of people who plan to continue working after retirement age in different social groups

Source: Authors' calculations based on SHARE wave 4 data.

Expectations towards retirement might depend simultaneously on several factors. Thus, we estimated logistic regression models.

Table 2 shows that men are twice as likely to plan to continue working compared to women, even in case of similar occupational positions, health and educational levels. The gender gap in expectations relates to the rapid increase of the statutory retirement age for women. For decades, women could retire 5 years earlier than men at age 55, and retirement age was an established time point in the life course. Although the retirement age was revised in the 1990s and equalised in 2016, the perceived 'normality' that women should retire earlier might persist longer and shift responsibilities of the care of the elderly and grandchildren to women. This finding provides support for our hypothesis (*H1a*).

People with higher education are more likely to plan to continue working compared to people with secondary education. In contrast, the occupational group has only a marginal effect on retirement plans. Individuals working in clerical or service worker positions are less likely to plan the continuation of their working life than managers and professionals. We conducted an additional analysis to test whether the effect of education on retirement plans depends on occupational position, but interaction terms were not significant (not presented here). This leads us to the conclusion that the retirement plans of people with higher education do not seem to depend on their occupational position. It is likely that the late career workers with higher education see opportunities to continue in the labour market even if they are currently not working in a managerial or professional position.

Subjective health has a major impact on retirement expectations (Table 2). People who believe that their health will not limit their ability to work are three times more likely to intend to continue working than people who perceive limitations.³ Consequently, findings about health, education and occupational position mostly support our hypothesis (*H2a*).

The language spoken at home has no influence on the retirement expectations of employed people (Table 2). Further analysis indicates that the Russian-speaking minority gives a poorer evaluation to their health and they are working more often as semi-skilled workers. However, even a model that only includes the language spoken at home does not show a significant effect of the minority group. Therefore, contrary to hypothesis (*H3a*), retirement plans do not seem to vary between ethnic-linguistic groups. However, it is important to note that the group of employed Russian-speakers is more selective, as minorities are generally less successful in finding jobs.⁴

³ The insignificant interaction terms indicate that health affects retirement plans irrespective of educational level and occupational position (not presented here).

⁴ Our calculations based on Estonian Labour Force Survey data 2012 show that employment rate among 50-63

Table 2: Odds to expect to continue working after retirement age, N=1327

		Odds ratio	S.E.
Gender	Men	1.99***	(0.27)
Age group (ref. 50-54)	55-59	0.91	(0.13)
	60-63	1.33	(0.27)
Language (ref. Estonian)	Russian	0.96	(0.14)
Education (ref. upper secondary)	Lower secondary or less	0.92	(0.25)
	Higher	1.41**	(0.26)
Occupation (ref. managers, professionals)	Mid-level specialists	0.81	(0.19)
	Clerks and service workers	0.67*	(0.18)
	Semi-skilled workers	1.03	(0.24)
	Unskilled workers	0.93	(0.25)
Health (ref. limits working)	Does not limit working	2.95***	(0.38)
Satisfaction with work (ref. not satisfied)	Satisfied	1.27	(0.25)
Financial situation (ref. difficulties)	No significant difficulties	1.33	(0.21)
Pseudo R ²		0.08	

Note: S.E. – standard error; * $p < .1$; ** $p < .05$; *** $p < .01$; model controls for the economic sector where the respondent is employed (this variable does not have significant effect).

Source: Authors' calculations based on SHARE wave 4 data.

Table 2 shows that job satisfaction and financial difficulties do not have a significant influence on retirement expectations, contrary to the hypotheses (*H4a*, *H5a*). Additional analysis indicates that although job satisfaction and the financial situation affect expectations, these effects are totally explained by the individual educational level and subjective health.⁵ The limited influence of job satisfaction on expectations to retire, especially, suggests that there might be discrepancies between plans to continue working and wishes to do it. Thus, the second aim of our analysis is to see whether these characteristics affect retirement prospects.

Retirement prospects

As we saw, late career workers in Estonia have adjusted their plans towards increasing statutory retirement age; furthermore, in many cases they plan to work even beyond retirement. In the next step of our analysis, we take additionally into account the preferences that people have for their retirement. Table 3 shows that only a fifth of late career workers have regular retirement prospects – they have no strong wish to retire earlier and expect to retire when they are eligible for the old age pension. Furthermore, about half of the people in their late career have active retirement prospects. These people have no strong wish to retire earlier and they do not expect to finish working when they reach the statutory retirement age. In contrast, about a tenth of late career workers could be described as being in the employment trap because they would like to retire as early as possible but expect to work even after being eligible for the old age pension. In addition, almost a fifth of late career workers have inactive prospects, as they would like to retire earlier but plan to stay in the labour market until reaching the statutory retirement age.

Staying active in the labour market is the most frequent prospect for men as well as for women, respectively 61% and 47% (Table 4). More often than men, women tend to have regular retirement perspectives and they more frequently would like to finish working earlier. In contrast, about a tenth of men and women equally perceive the employment trap.

year old Russian-speakers is somewhat lower (65%) than among their Estonian-speaking peers (71%). Respective unemployment rates are 8% and 5%.

5 The insignificant interaction terms show that the effects of financial status and job satisfaction are neither stronger nor weaker for people with different levels of education (not presented here).

Table 3: Type of retirement prospects

Type of prospects	Description	Pct.
Regular prospects	No strong wish to retire earlier, expects to retire when reaching retirement age	19%
Active prospects	No strong wish to retire earlier, expects to continue working after retirement age	53%
Employment trap	Wishes to retire earlier, expects to continue working after retirement age	10%
Inactive prospects	Wishes to retire earlier, expects to retire when reaching retirement age	18%
Total		100%

Source: Authors' calculations based on SHARE wave 4 data.

Table 4: Retirement prospects of different social groups, %

Variable	Categories	Retirement prospects				Total
		Regular	Active	Employment trap	Inactive	
Gender	Women	21	47	11	21	100%
	Men	16	61	10	13	100%
Language spoken at home	Estonian	16	55	10	19	100%
	Russian	27	47	13	14	100%
Highest level of education	Lower secondary or less	15	53	10	22	100%
	Upper secondary	22	50	9	18	100%
	Higher	13	59	13	15	100%
Current occupation	Managers, professionals	12	63	11	14	100%
	Mid-level specialists	20	54	10	15	100%
	Clerks, service workers	21	47	10	22	100%
	Semi-skilled workers	19	51	12	18	100%
	Unskilled workers	22	50	9	19	100%
Subjective health	Limits working	23	36	10	30	100%
	Does not limit working	16	61	11	12	100%
Satisfaction with work	Satisfied	19	55	9	16	100%
	Not satisfied	16	33	21	30	100%
Financial situation	Difficulties	24	44	14	18	100%
	No significant difficulties	15	58	11	17	100%

Source: Authors' calculations based on SHARE wave 4 data.

Descriptive characteristics indicate clearly the importance of resources in differentiating retirement prospects (Table 4). About 60% of people with higher education have active prospects. However, they are also characterised by the employment trap somewhat more often than others. Although there are no such large differences between occupational groups, managers and professionals prefer and expect more often to work longer, while they seldom aim the regular pathway. In addition, people with good health aim mostly at the active pathway. In contrast, people who have or expect to have health problems are more often characterised by regular or inactive prospects, but still more than a third of them have active prospects. Furthermore, Russian-speakers expect more often the regular pathway to retirement than people who speak Estonian at home. Estonian-speaking majority has active or inactive prospects somewhat more often. Descriptive distributions also show that about a fifth of individuals who are not satisfied with their work could be characterised as being in the employment trap. Moreover, people who have no significant economic difficulties prefer and expect more often to continue working, while about a quarter of people in difficulties prefer the regular pathway.

In the next step of the analysis, we used multinomial regression analysis to estimate which groups have a higher risk of doing 'involuntary' work and who are more likely to have active retirement prospects. We used the group 'regular retirement prospects' as a baseline category.

Results show that retirement prospects depend on the gender (Table 5). Men are more likely to prefer and expect to continue working even if their educational level, occupational position, health and financial situation are similar with that of women. Although the risk of perceiving the employment trap seems to be higher for men and the risk for inactive prospects higher for women, this gender difference is statistically not significant (contrary to our expectations in *H1b*). Thus, we found no clear discrepancy between expectations and preferences of women that could relate to the non-convergence of the rapid increase of the statutory retirement age and more slowly changing internalised age norms about retirement. Moreover, further analysis shows similar tendencies towards the gender gap in the risk of employment trap also when we do not take into account the difference in health.

More resourceful individuals have a higher likelihood for active retirement prospects but also a higher risk for the employment trap (Table 5). The educational level proves to be an important resource shaping retirement prospects, while the occupational position has no significant role. Late career workers with higher education have are more likely to have active prospects than workers with a lower education level, even in case of similar occupational positions and subjective health. At the same time, people with higher education have more than double the risk of the employment trap than other late career workers. The possible reasons are the financial but probably also prestige-related costs of retirement. Further analyses showed that the effect of higher education on retirement prospects does not seem to depend on a person's current occupation (tested with interactions). Subsequently, analyses provided only partial support for the hypothesis (*H2b*).

Health is a strong predictor of retirement prospects (Table 5). Late career workers with good health are twice as likely to aim for active retirement prospects. A poor perceived health predicts inactive retirement prospects. However, there is no clear relationship between subjective health and the employment trap. In addition, we tested whether the effect of health status on retirement plans varies for occupational groups but found no evidence that health would be more important for the retirement prospects of blue-collar workers (model with interactions not presented here). Thus, we found only partial support for the hypothesis (*H2c*).

Retirement prospects differ for minority and majority groups. Results in Table 5 reveal quite a complicated pattern that provides partial support to the hypothesis (*H3b*). Russian-speaking minority has higher odds for regular retirement prospects than Estonian-speaking majority. On the other hand, Estonian-speakers are more likely to have inactive prospects and also active prospects. The possible explanation for a smaller likelihood for active prospects among the minority is more restricted access to the highest occupational positions. This might not only discourage the preference to prolong working life but also reduce perceived pressure to continue in the labour market beyond the statutory retirement age. In contrast, reasons for the higher risk of inactivity among majority need further research. However, it is important to note that employed Estonian-speakers' group is a more selective group than employed Russian-speakers'.

Table 5 shows that retirement prospects depend on the opportunity structure. Late career workers who gave a positive evaluation to their household's financial situation are more likely to aim for active prospects. The possible reason is the low replacement ratio of old age pension.⁶ This low ratio might be more easily acceptable for people who have a low income anyhow. OECD (2013) shows that the net replacement rate in Estonia was 80% for individuals with a low income (i.e., people who earn a half of the average income) and 52% for individuals earning a high income (i.e., people who earn double the average income). However, it is important to note that the financial situation does not predict the 'involuntary' work. This result indicates the possibility that high earners have also adjusted their preferences to the need to continue working after the statutory retirement age. Thus, we found only partial support to the hypothesis (*H4b*).

6 However, it is important to note that on average older people earn lower wages in the Estonian labour market. In 2012, the average gross wage of 25 to 49 year old employees was 945 euros, while the average gross wage among 50 to 62 year old employees was 779 euros and among older employees 608 euros (Statistics Estonia, 2015).

Table 5: Risk of employment trap, active or inactive prospects compared to regular prospects, N=1327

		Active vs. regular prospects		Employment trap vs. regular prospects		Inactive vs. regular prospects	
		RRR	S.E.	RRR	S.E.	RRR	S.E.
Gender	Men	1.82***	(0.32)	1.47	(0.36)	0.72	(0.17)
Age group (ref. 50-54)	55-59	0.92	(0.16)	1.35	(0.34)	1.11	(0.24)
	60-63	1.87**	(0.46)	1.73	(0.61)	1.73**	
Language (ref. Estonian)	Russian	0.61**	(0.11)	0.80	(0.21)	0.41***	(0.09)
Education (ref. upper secondary)	Lower secondary or less	1.32	(0.47)	1.54	(0.78)	1.94	(0.81)
	Higher	1.74**	(0.41)	2.61***	(0.87)	1.80**	
Occupation (ref. managers, professionals)	Mid-level specialists	0.75	(0.22)	0.97	(0.39)	0.86	(0.31)
	Clerks and service workers	0.75	(0.24)	0.96	(0.44)	1.20	
	Semi-skilled workers	0.95	(0.31)	1.46	(0.64)	1.14	
	Unskilled workers	0.86	(0.31)	0.86	(0.46)	0.86	
Health (ref. limits working)	Does not limit working	2.10***	(0.37)	1.35	(0.36)	0.47***	(0.10)
Satisfaction with work (ref. not satisfied)	Satisfied	1.02	(0.29)	0.27***	(0.09)	0.36***	(0.11)
Financial situation (ref. difficulties)	No significant difficulties	1.59**	(0.32)	1.14	(0.34)	1.34	(0.35)
	Pseudo R ²	0.08					

Note: RRR – ratios of relative risks; S.E. – standard error; * p < .1; ** p < .05; *** p < .01; model controls for the economic sector where the respondent is employed (this variable does not have a significant effect).

Source: Authors' calculations based on the SHARE wave 4 data.

Dissatisfaction with the workplace is strongly related with the 'involuntary' work (in line with *H5b*). The employment trap is largely predicted by job dissatisfaction (Table 5). Even if all other characteristics are similar, people who are not satisfied with their current work are three times more likely to have the prospect of the employment trap. In a similar vein, people who are dissatisfied with their work are more likely to have inactive prospects. Thus, job dissatisfaction triggers a strong discrepancy between plans and desires to retire. Possible reasons for this include poor working conditions and the lack of internal rewards from working. However, previous analysis showed that job satisfaction does not significantly affect realistic retirement plans probably due to extrinsic constraints.

Conclusions

The consequences of demographic aging have motivated policies that strongly promote the prolongation of working life and the increase in statutory retirement age. In recent years, government members are frequently referring to the need to increase the statutory retirement age. Currently, policy makers are discussing the opportunities to increase the statutory retirement age for a future cohort up to 70 in Estonia (15.09.2016). In the context of new institutionalised expectations, the key question is how people have adjusted their retirement expectations (i.e., realistic plans) and preferences (i.e., wishes and desires). This study examined the discrepancies between retirement expectations and preferences of late career workers in Estonia. The focus was on questions of which social groups plan to continue working after the statutory retirement age and whether they wish to do it or whether it is a forced choice. Thus, the aim was also to disentangle the possible predictors of 'voluntary' and 'involuntary' work.

Retirement expectations and preferences are bound to institutionally provided opportunities. The institutional set-up shaping the late careers and retirement processes in Estonia has often been considered as one that resembles a liberal welfare regime, providing only a few opportunities for early retirement (Hofäcker & Pollnerová, 2006), mainly through disability benefits that are small in amount. In addition, there are strong incentives to stay in the labour market due to financial needs: the pension replacement ratio is low and pension laws favour working pensioners. Overall, the employment rate of older workers in Estonia exceeds the EU-28 average already and also our results suggest that Estonia resembles a late exit culture.

We found that expectations and preferences of employed people in Estonia rather reflect acceptance and adaptation with the institutionally fostered choice to continue working. About a half of late career workers plan to prolong their working life beyond the retirement age and report no desire for early retirement. Therefore, we do not find evidence for strongly and persistently internalised previous retirement age norms in the Estonian context that would make individuals more resistant to policy changes. Nevertheless, findings show that not all who foresee their career beyond retirement age do it voluntarily. About a tenth of late career workers are in a situation that could be called an 'employment trap'.

We can distinguish two groups, who feel trapped in involuntary work. First, people with poor health and low job satisfaction – many of them would like to finish working as early as possible but plan to retire not before being eligible for the old age pension. The lack of institutionalised pathways for early retirement probably pressures them to prolong their working-life despite their preference to retire. Second, those late career workers with higher education who are not satisfied with their jobs have a higher risk of perceiving the employment trap. One might assume that for both groups the financial reasons compel their activity in the labour market. As the replacement ratio of pensions is low and pension levels rather homogenous, the drop of living standards after retirement might be especially dramatic for the highly educated. On the other hand, people with higher education have the best chances to be employed. Therefore, it is particularly the highly educated who have strong motives and opportunities to work even beyond the retirement age. Moreover, it seems that the well-being at the workplace has a central role in showing whether continuation of working is a 'voluntary' or 'involuntary' choice.

Education and health are central resources that predict active retirement prospects. In contrast, we found only limited evidence about the importance of occupational status. Therefore, the strong incentive to prolong working life is not specific to a selective high-skilled occupational group, who would like to maintain their social position, but quite a uniform tendency in all occupational groups in Estonia. Thus, people with higher education expect to continue working even if their current occupational position is not the highest. It is possible that either higher educated late career workers perceive more opportunities to continue in the labour market or employers are more willing to accept them even for jobs that do not require higher education due to the positive signalling of educational attainment. In accordance, people who are economically better off plan to prolong their working life and usually do not prefer early retirement. In addition, gender has an important role. We conclude that traditional gender roles might explain why men are more likely to expect and prefer to stay in the labour market than women.

To sum up, the distinction between expectations and preferences seems important for studying prospective retirement behaviour. In particular, large discrepancies might emerge in countries where the prolongation of labour market participation is institutionally more forced and the intrinsic values of older workers do not correspond to these expectations. Policy measures that merely increase the statutory retirement age create tensions among those who are not satisfied with their jobs. Increasing attention on involuntary work determinants in late careers should be addressed to provide solutions especially at the workplace level. This is a particularly big challenge for countries that have raised their retirement age, but have not succeeded in increasing the healthy life expectancy of older workers.

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