

Do different welfare states engender different policy preferences? Opinions on pension reforms in Eastern and Western Europe

KATALIN VELLADICS*, KÈNE HENKENS*
and HENDRIK P. VAN DALEN*†

ABSTRACT

This article examines whether the different welfare states of the European Union member states engender different policy preferences and attitudes among the population. More specifically, it investigates variations in attitudes towards population ageing and pension reforms, and variations in people's retirement age preferences and expectations. It is shown that despite the different cultures and welfare traditions in the old and new member states, there are commonalities in people's value orientations and views about population ageing, not least that the vast majority are pessimistic about the consequences. In both Eastern and Western Europe, the most popular options for pensions reform are to raise taxes and to extend working life, and few favour reducing pension benefits. Despite these similarities, there are also marked attitudinal differences. Eastern Europeans rely more on their children for old-age care and are much more in favour of a pension structure in which benefits depend on the number of children. On personal expectations and preferences for retirement, it is shown that both Eastern and Western Europeans expect to retire from the labour market at an older age than the current actual retirement age.

KEY WORDS – pension, retirement, ageing, welfare state, attitudes, population policy.

Introduction

Ten countries became full members of the European Union (EU) in 2004, and eight were former communist states in Eastern Europe. This most recent enlargement of the EU has not only been the largest ever in terms of area, market size, consumers and labour force, but also the most ambitious in that it has incorporated countries with economic and political

* Netherlands Interdisciplinary Demographic Institute (NIDI), The Hague.

† SEOR and Department of Economics, Erasmus University Rotterdam, The Netherlands.

histories and cultures that differ markedly from those of the original Western European member states. The Eastern European countries had experienced 40 years of Soviet-style state socialism, characterised by limited personal and corporate freedom, the collective ownership of human and physical capital (rather than individual property rights), the central co-ordination of economic activity by government ministries, chronic shortages of many consumer goods, and ubiquitous labour hoarding (Kornai 1992 *a*). The establishment of democracy and the transition from centrally-planned to market economies at the beginning of the 1990s have stimulated the growth of the Eastern European economies quite strongly (Bishop 2004), but nonetheless *per capita* income and the standard of living in Eastern Europe are still below the Western European average (*cf.* Delhey 2004; Böhnke 2004). In short, the EU is now a divided entity, with a marked bifurcation of levels of development, demographic structures and prospects, culture and politics.

A central question is whether the division of the European Union and the contrasting inherited welfare states are reflected in the population's views about welfare reform. In other words, are the different types of former and contemporary welfare states in the East and West associated with different individual policy preferences? Different welfare states are by their nature the product of different collective policy preferences, but in democratic states it is pertinent to ask whether government proposals reflect the collective preferences of the citizens. In the face of drastically changing circumstances, governments need electoral support to carry out policy reforms.

One issue that is now widely acknowledged to be a major domestic problem for the countries of the European Union is the ageing of the population. In the medium and long term, both in the old and in the new member states, population ageing will lead to a sharp increase in the costs of pension systems and, less directly, health-care provision. Rising health and welfare expenditure increases the burden on a decreasing working-age population. To ensure sustainable pensions, EU policies on population ageing stress the need for pension and welfare reforms to counteract the growth of public pension expenditures (*e.g.* Börsch-Supan 2003; European Commission 2003 *a*; Organisation for Economic Cooperation and Development (OECD) 2000, 2003). At the same time, EU policy makers have made a commitment, as agreed at the Lisbon, Barcelona and Stockholm summits, to raise labour-force participation by involving women and disabled people as well as reintegrating the unemployed and older people into the labour market (*cf.* European Commission 2003 *b*, 2002).

To achieve these objectives, many argue that the EU member states need to implement measures such as reducing public pension benefits,

encouraging second- and third-pillar pension provision, raising the retirement age, and removing incentives for early retirement. As pointed out by Kohl (2004) and Van Dalen and Henkens (2002), for such reforms to succeed, public acceptance is critical. To what extent do people's opinions vary on these issues among the member countries and as between the old and the new member states? Is there a growing awareness of common problems and a convergence towards the same preferred solutions? This article examines people's opinions on policy issues related to pension reform and population ageing, with a focus on three topics:

- *Anxiety about population ageing*: How do Western and Eastern Europeans feel about population ageing? Are people in both parts of Europe aware of the challenge posed by the changing age structure of society?
- *Preferred pension reforms*: How do the inhabitants of the old and new member states wish to ensure the sustainability of the old-age social security system? What are their opinions on the various reform options, such as lowering pension benefits, raising taxes, increasing contributions to pension schemes, and raising the retirement age?
- *Prolonged working life*: To what extent do people expect that they will have to extend their working life?

To establish the background to contemporary Eastern and Western European attitudes about population ageing, the paper begins with a brief review of both the main demographic trends and the recently implemented pension reforms in the 12 countries that are studied. Later sections present the sources, methodology and results of the empirical analyses. The paper concludes with a summary of the findings and a discussion of the policy implications.

Population ageing in East and West

All EU countries have an ageing population. *Eurostat* statistics, compiled from national censuses and registration data, and the *United Nations Organisation* population projections indicate that, during 1992–2015, the percentage of the population aged 65 or more years will increase in all the studied countries, and by 2015 will be highest in Italy and lowest in Poland (Table 1). There are substantial differences in the rate and level of ageing between Eastern and Western European countries. Even though the population is ageing more rapidly in the new than the old member states, the former have lower shares in the older age groups. Among the six studied Western European countries, only in The Netherlands is the

TABLE I. *Proportion of the population aged 65 or more years, European Union member states and Romania, 1992–2015*

Country	1992	2002	2015
Western Europe			
Austria	14.9	15.5	19.5
Belgium	15.2	16.9	19.5
Finland	13.6	15.2	20.3
Germany	15.0	17.1	20.8
Italy	15.5	18.7	22.3
Netherlands	13.0	13.7	17.4
Eastern Europe			
Czech Republic	12.8	13.9	18.6
Estonia	12.0	15.5	18.2
Lithuania	11.0	14.4	16.4
Poland	10.3	12.5	14.8
Slovenia	11.1	14.5	18.5
Romania	11.0	13.9	14.8

Sources: 1992 and 2002: Eurostat Population Statistics (available online at <http://europa.eu.int/comm/eurostat>). 2015: United Nations Development Programme (2003: 250–3) (available online at <http://hdr.undp.org/reports/global/2003>).

elderly percentage lower than in any Eastern European country (this difference is projected to remain in 2015).

One of the reasons for the relatively small share of older people in Eastern European countries is that life expectancy at birth is still noticeably lower than in Western Europe. In Estonia, for example, average male life expectancy at birth in 2002 was 65 years, the lowest in the enlarged EU and about 10 years less than in the old member states. Life expectancy among Estonian women is 77 years, four to five years shorter than in Western Europe. In Slovenia, where mortality conditions among women are similar to those in the old EU countries, male life expectancy at birth is almost three years lower than in Western Europe. The main reason for the relatively low male life expectancy in the new member states is higher mortality among males under the age of 60 years. Average remaining life expectancy at age 65 years is only two years lower for both sexes in the new EU countries than in the old member states (European Population Committee of the Council of Europe 2005: 104–7). Another factor that has influenced the relative size of the older population has been the current level and recent history of fertility. During 1960–1990, fertility rates were somewhat higher in the studied Eastern European countries than in Western Europe. Since 1990, however, fertility has plummeted in Eastern Europe, probably as a consequence of the economic and social transformations. Fertility rates have recently been substantially lower in the new member states than in the old EU countries (Eurostat 2004: 78). The

rejuvenating influence of net inward migration has also been less in the new than in the old member states.

Recent pension reforms in Eastern and Western Europe

After the Second World War, both Western and Eastern European countries built up extensive welfare systems, and with rising living standards there was sustained political pressure to increase social expenditure (Andersen 2003). In Eastern Europe, the universal accessibility of education and health care and the provision of pensions, sick-pay, child-care benefits and maternity leave were pillars of the communist welfare system. The social security systems designed by the socialist countries were 'over-developed' in relation to the level of economic development – they were termed 'premature welfare states' by the Hungarian economist Kornai (1992*b*).

In recent decades, access to universal and generous pension schemes has come to be seen as a social right in Western Europe (Bongaarts 2004). The declining age of labour market exits (or retirement) and the ageing of the population have, however, resulted in a rapid rise in the overall cost of public pension schemes, jeopardising the sustainability of these systems. The need to restructure old-age provision systems has therefore become an urgent challenge for the old member states. In the new EU member states, the political and economic changes made it inevitable that the social security system – among other things – had to be rebuilt, bearing in mind the requirement of sustainability (*e.g.* Matthes 2004). This also meant that public expenditure on social security had to be brought in line with the countries' economic performances. As a result of this development, the recently established Eastern European pension systems are characterised by restricted entitlements and low pension benefits (Avramov and Maskova 2003: 17–8; Ogg 2005).

Against this background, a host of pension reforms have been designed and implemented in each of the countries studied during the second half of the 1990s (for overviews, see Maltby *et al.* 2004; OECD 2004; Reday-Mulvey 2005; Taylor 2003; Whitehouse 2004; Zeman 2004). As retirement systems differ by country, the reforms have also differed widely, but in general have taken three forms, namely measures: (a) to encourage the expansion or creation of funded systems in which workers save for their own retirement, with a complementary reduction in the reliance on public pensions; (b) to remove incentives for early retirement; and (c) to raise the retirement age. The reforms are generally being phased in slowly, leaving current pensioners largely unaffected. The

impact will therefore be felt mainly by future retirees. The following three sections briefly describe the most salient changes of these reforms.

Establishing and strengthening multi-pillar pension systems

Since the terminology was endorsed in the influential World Bank (1994) report, *Averting the Old Age Crisis*, it has become customary to group pensions schemes into three forms or ‘pillars’: public sector social insurance schemes, generally funded by current contributors in ‘pay-as-you-go’ arrangements (the first pillar); occupational pensions, company and employee-funded occupational pension equity-based schemes (the second pillar); and privately-purchased equity-based pensions and life-assurance schemes (the third pillar). Multi-pillar pension systems were introduced in Slovenia in 1992, in the Czech Republic in 1995, in Estonia, Lithuania and Poland in 1999, and in Romania in 2000. In the case of the Czech Republic and Romania, a compulsory, pay-as-you-go public pension system now exists alongside second pillar occupational schemes. The new Polish pension system is also a two-pillar (state and private) system, in which, however, the first state pillar is based entirely on individual accounts. In Estonia, Lithuania and Slovenia, a three-pillar old-age security system was created, with a pay-as-you-go public social insurance scheme, occupational insurance schemes, and privately-purchased equity-based pensions. To encourage private pensions, tax reductions are provided in each of these countries (Gesellschaft für Versicherungswissenschaft und -gestaltung (GVG) 2003). In Western Europe, three-pillar pension systems have a long tradition, but in some countries the second and third pillars have played a minor role in providing pension income. To raise the relative contribution of private and company pension plans, subsidies and tax incentives have been introduced in Austria and Germany.

Removing incentives for early retirement

In Eastern Europe, early retirement was one means of managing the transition from centrally-directed to free-market economies and the accompanying ‘shake out’ of labour. In Western Europe, early retirement was initially used as a means of combating unemployment, particularly youth unemployment, and of creating new jobs (Kohli *et al.* 1991). In recent years, in each of the countries studied, efforts have been made to reduce early-exits from the labour market. In Austria, Belgium, Estonia, Finland, Germany, The Netherlands and Slovenia, pension benefits have been made more dependent on a person’s employment history. In the

Eastern European countries, Austria and Italy, the minimum age for early entitlement to a retirement pension has been raised. In addition, in Austria, Finland and Germany, eligibility for early retirement has been abolished for people who contributed to the pension insurance scheme for 40 years and for the long-term unemployed (Maltby *et al.* 2004; OECD 2004; Reday-Mulvey 2005).

Raising the statutory retirement age

In Austria, Belgium and Italy, the retirement age for women is being aligned with that for men at 65 years. These changes will be introduced by 2008 in Austria and Italy and one year later in Belgium. The legal retirement age is 65 years for both sexes in Finland, Germany and The Netherlands. Before 1990 in Eastern Europe, women retired at age 55 years (in the former East Germany at 60 years), and men at age 60 years (in East Germany at 65 years) (Fultz and Ruck 2001). Women were allowed to retire earlier as a compensation for the double burden of having been in paid work – usually full-time – with simultaneous family responsibilities. Moreover, whilst the communist states required women to enter paid employment, they did not implement measures to enable more sharing of domestic duties between partners; in other words, they did not challenge the customary gender differentiation of family roles (Lohkamp-Himmighofen and Dienel 2000). In each of the former communist countries, the retirement age for both men and women has recently been raised quite drastically, but in most cases the differential between the male and female retirement ages has been preserved.

Another important and distinctive feature of the Eastern European retirement systems is that the retirement age varies with the number of children. In the Czech Republic, for example, the retirement age will be gradually increased to 63 years for men and to 59–63 years for women by 2013, the exact age depending on the number of children, *i.e.* 63 years for childless women, 62 years for those who have raised one child, and 59 years for those who have raised at least five children. In Slovenia, the retirement age will be raised to 63 years for men by 2008 and to 61 years for women by 2022, but these ages may be lowered by the so-called ‘child-rearing’ option. Specifically, the age at which people will become eligible for a state pension will be lowered by eight months for those with a single child, by 20 months for those with two children, 36 months for three children, and by another 20 months for each additional child, but the minimum retirement age will be 56 years for women and 58 years for men. As a compensation for their child-rearing efforts, couples will be able to decide which of them retires earlier. In Lithuania, the retirement age will

be increased to 60 years for women and to 62.5 years for men by 2006, and in Estonia to 63 years for both sexes by 2016. In Romania, the retirement age at which people will be eligible for a full pension will be raised to 60 years for women and to 65 years for men by 2013. In all three countries, the time spent on parental leave (only for working mothers or fathers with children aged less than three years) is credited as a contributory period. In only one of the studied Eastern European countries is there no link between family size and the statutory retirement age, namely Poland, where it has been raised to 60 years for women and 65 years for men (for more details see GVG 2003; Whitehouse 2004).

Data and methods

The data for the analysis comes from the *Population Policy Acceptance Survey* (PPAS), an EU-funded internationally comparative study of the practices, attitudes and opinions of Europeans about demographic trends including ageing, fertility behaviour, the inter-generational exchange of resources and services, retirement ages, migration, and population-related policy preferences (for overviews see Moors and Palomba 1995; Kontula and Miettinen 2005). Contrary to other European-wide opinion studies, such as the *Eurobarometer Surveys* and the *European Social Survey*, which have tended to collect data mainly from the old EU member states, the PPAS was administered in both Western and Eastern European countries. PPAS used especially-designed questionnaires and nationally-representative samples. The first wave of PPAS was carried out in nine countries during the early 1990s and the second wave in 14 countries between 2000 and 2003.

The paper examines data from the 'Ageing and retirement' module of the second wave (Table 2). It was administered in six old EU member states (Austria, Belgium, Finland, Germany, Italy and The Netherlands), in five new member states (the Czech Republic, Estonia, Lithuania, Poland and Slovenia), and in one candidate country, Romania. The Belgian survey was for Flanders only. For Germany, the analysis will be made separately for West and the former East Germany, because of their different political-economic backgrounds. Furthermore, since not every question of the PPA survey was posed and answered in all the studied countries, it is unfortunately not possible to present the findings for the same set of countries for all topics.

The earliest survey was in Slovenia in 2000, and the most recent were in Belgium and Estonia in 2003. In most of the countries, the survey was by either face-to-face or telephone interviews, but in Belgium, Estonia, Finland, The Netherlands and Poland, a self-completion postal

TABLE 2. *Main features of the second Population Policy Acceptance Survey*

Country	Year of data collection	Method of data collection	Sample size	Age range (years)
Austria	2001	Face-to-face	1,995	20–65
Belgium (Flanders)	2003	Mail/self-c.	3,957	20–64
Czech Republic	2001	Face-to-face	1,094	18–75
Estonia	2003	Mail/self-c.	1,681	16–80
Finland	2002	Mail/self-c.	3,821	19–70
Germany	2003	Face-to-face	4,110 ¹	20–66
Italy	2002	Telephone	3,500	20–50
Lithuania	2001	Face-to-face	1,400	18–76
The Netherlands	2002	Mail/self-c.	1,989	16–89
Poland	2001	Mail/self-c.	4,504	18–66
Romania	2001	Face-to-face	1,556	18–90
Slovenia	2000	Face-to-face	1,550	20–64

Notes: Self-c. self-completion. 1. The sample size in the old federal states was 2,058, and in the new federal states (ex East Germany) it was 2,052.

Source: Adapted from Kontula and Miettinen (2005: 9–11).

questionnaire was used. The size of the national samples varied between 4,500 and 1,100 people. For comparative purposes, the analysis can be conducted only for the respondents of working age (20–64 years). In Austria, Belgium, Germany, Italy and Slovenia, there were no younger respondents in the sample, and in Austria, Belgium, Italy and Slovenia, no respondents aged 65 or more years were recruited.

Measures and coding

To measure *ageing anxiety*, respondents were asked: ‘What is your opinion about the rising number of people aged 65 and over?’ The five response categories were ‘1’ excellent, ‘2’ good, ‘3’ neither good nor bad, ‘4’ bad and ‘5’ very bad. This question was posed in nine of the 12 countries studied. For the indicator of the respondent’s *preferred pension reforms*, they were asked: ‘How would you like retirement benefits to be ensured in the future?’ and to select one of six policy options: ‘1’ raise the retirement age, ‘2’ raise monthly taxes, ‘3’ lower monthly benefit payments to pensioners, ‘4’ require that children support their parents, ‘5’ abolish early retirement schemes, and ‘6’ make old-age benefits dependent on the number of children. In Germany, an additional option was offered: ‘7’ other. The answers to this question are available for 10 countries. In nine countries, the questionnaire included two questions about *retirement age*: ‘When do you expect to retire?’ and ‘If you were able to decide, at which age would you like to retire?’ In the analyses, the control variables are gender, age, level of education and number of children.¹

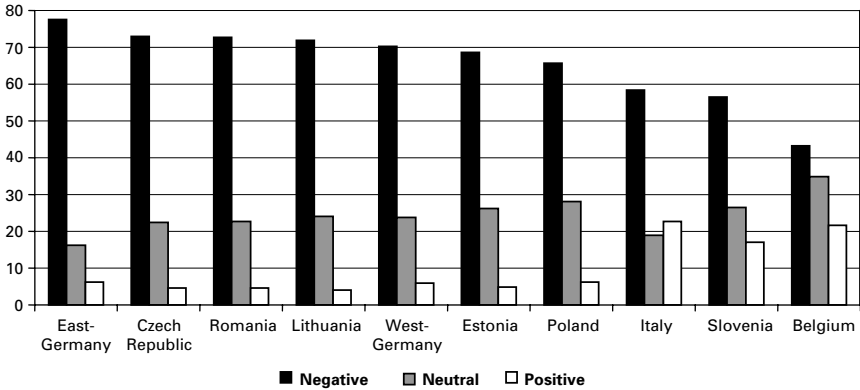


Figure 1. Opinions about the rising older population.
 Source: Population Policy Acceptance Survey, 2000–03.

Findings

People's attitudes towards population ageing

As shown on Figure 1, the vast majority of respondents had negative opinions about the ageing of the population. Belgium was the one exception, with 'only' 43 per cent of the respondents pessimistic about the issue, although the percentage was significantly higher than the percentage with a positive or neutral opinion. There were few differences by sex or age in the various countries. Only in Lithuania did men's and women's opinions significantly differ, with women tending to be less negative. In most countries, the respondents' opinions did not differ by age, but in Belgium, the former West Germany, Italy and Slovenia, younger respondents tended to have slightly more negative opinions than older respondents.

In all the studied countries except Lithuania and Romania, the more highly-educated respondents were more pessimistic about the impacts of population ageing than those with low education.² In Belgium, where this relationship was strongest, only 28 per cent of respondents with less than higher secondary education considered the rising number of older people to be a 'bad' or 'very bad' development, compared with 49 per cent of respondents with higher secondary education and 62 per cent with post-secondary education. In the other countries studied, however, the majority of respondents were pessimistic about population ageing irrespective of their level of education.

Have the media shaped public opinion?

Why are Eastern and Western Europeans so pessimistic about population ageing? What views and feelings does the issue evoke? To answer

these questions, we have studied how the mass media covered the issue of population ageing in the year in which the second PPA survey was carried out. In both Eastern and Western Europe, the popular debate about population ageing stressed the consequences of the trend rather than the causes, such as increased longevity and the decrease in fertility. In both Eastern and Western Europe, the popular press saw population ageing as a serious development with mostly negative financial implications. These findings are consistent with Stark and Kohler's (2002) conclusions from a cross-national study of the popular press's reactions to low fertility.

Alongside these similarities between East and West, there was divergence in the public debate about population ageing. In the old EU countries, the mass media have focused on the challenges for the *coming* decades, *e.g.* the sustainability of the social-security system and future inter-generational solidarity. In the new member states and Romania, by contrast, the public debate has featured *current* difficulties, *e.g.* the need to reform the old-age social security system because of political and economic changes, inadequate pensions, bad living conditions and poverty among older people, and insufficient hospital capacity to treat older patients.

Pension reform preferences

The respondents were asked to choose from six possible policy measures that would respond to the challenges posed by population ageing, *i.e.* measures designed to ensure adequate pension benefits in the future while reducing the financial burden on the social-security system. These six options fell into three groups:

- *Balancing pensions funds*: (1) to raise monthly taxes, and (2) to lower monthly benefit payments to pensioners.
- *Extending working life*: (3) to abolish early-retirement schemes, and (4) to raise the retirement age.
- *Linking pension support to children*: (5) to make old-age benefits dependent on the number of children, and (6) to require that children support their parents.

Taking all the countries together, the options 'to raise taxes' (31%) and 'to abolish early-retirement schemes' (28%) gained most support. The least popular options were 'to lower monthly benefit payments to pensioners' and 'to require that children support their parents' (5%). The options 'to make old-age benefits dependent on the number of children' and 'to raise the retirement age' were supported respectively by 16 per cent and 14 per cent of the respondents. More or less the same ranking was found in all the studied countries (Table 3).

TABLE 3. *Preferences regarding government measures to ensure future old-age benefits*

Country	Policy options						Total	Sample size
	Raise taxes	Lower pension benefits	Abolish early retirement	Raise retirement age	Make old-age benefits dependent on number of children	Force children to support their parents		
<i>Percentage of respondents</i>								
<i>Western Europe</i>								
Belgium	27	5	45	9	11	3	100	3,596
Finland	41	6	15	26	8	4	100	2,856
West Germany ¹	11	9	35	17	19	3	94	1,615
Netherlands	41	5	34	14	5	1	100	1,362
<i>Eastern Europe</i>								
Czech Republic	27	3	31	11	21	7	100	853
Estonia	17	4	26	19	25	9	100	1,032
East Germany ¹	14	9	25	7	28	3	86	1,348
Lithuania	29	2	25	9	28	7	100	923
Poland	39	2	21	9	21	8	100	3,933
Romania	31	4	17	26	11	11	100	869
Slovenia	39	5	24	11	18	3	100	1,446

Note: 1. In Germany, 'other' options were chosen by 14 per cent of the East German and six per cent of the West German respondents.

Source: Population Policy Acceptance Survey, 2000–03.

The option to 'raise taxes' received most support in just over half the countries studied, *viz.* Finland, The Netherlands, Lithuania, Poland, Romania and Slovenia. In Belgium, the former West Germany, the Czech Republic and Estonia, the respondents most favoured the 'abolition of early retirement'. Interestingly, in the former East Germany, the most preferred option was to 'make old-age benefits dependent on the number of children'. Table 3 also shows that among the most unpopular measures in every country was 'to lower pension benefits'. With regard to the retirement age, the respondents in both Eastern and Western Europe supported 'abolishing early retirement schemes', except in Finland and Romania where they preferred 'raising the retirement age'. Only a low percentage of respondents in all the countries selected 'require that children support their parents', but support for this option was stronger in Eastern Europe; it gained twice as much support in the Czech Republic, Lithuania, Poland and Romania as in the old EU countries. The main findings presented in Table 3 can be summarised in three statements: (i) in none of the countries did respondents say that pension payments should be cut back; (ii) in every country there was support for the proposal that people should work longer, either by abolishing early retirement or by raising the retirement age; and (iii) in the Eastern European countries, many respondents favoured making old-age benefits dependent on the number of children.

To find out whether the respondents' preferences varied by their socio-demographic characteristics, a multi-nominal logistic regression analysis was undertaken.³ The analysis examines the factors that influenced the respondent's preference among three pension reform options: (i) raising taxes/lowering pension benefits (the reference category); (ii) introducing or strengthening child-dependent benefits; and (iii) extending working life. For each country except Romania (for which data on the number of children were unavailable), the respondents who selected strengthening the relation between pensions and the number of children were compared with both those who preferred extending working life and those who favoured raising taxes or lowering pension benefits.

The models show that, in all countries, the young respondents as well as those with children favoured strengthening the link between old-age benefits and the number of children (Table 4). Furthermore, in four countries (The Netherlands, The Czech Republic, Poland and Slovenia), the respondents with low education preferred making old-age benefits more dependent on the number of children to raising taxes or lowering pensions. In only five countries did the socio-demographic characteristics of those who preferred an extension of working life differ significantly from those who suggested raising taxes or lowering pensions. Better-educated

TABLE 4. *Multinomial-logistic regressions of the factors influencing the preferred pension reform*

Preferred reform and explanatory variables	Belgium	Finland	West Germany	Netherlands	Czech Republic	Estonia	East Germany	Lithuania	Poland	Slovenia
	<i>Regression coefficients</i>									
<i>Dependency on children</i> ¹										
Sex	-0.01	-0.09	0.05	0.01	-0.11	-0.33	0.02	-0.29	0.09	-0.24
Age of respondent	-0.04***	-0.07***	-0.03**	-0.05***	-0.01	-0.04***	-0.02*	-0.02*	-0.01***	-0.02**
Educational level	-0.08	-0.15	-0.03	-0.59***	-0.28*	0.38**	-0.21	-0.01	-0.22**	-0.40**
Number of children	0.36***	0.33***	0.50***	0.12	0.37***	0.44***	0.52***	0.43***	0.23***	0.26**
<i>Extension of working life</i> ¹										
Sex	0.07	0.00	-0.10	0.08	0.19	0.08	-0.12	-0.08	0.00	-0.23
Age of respondent	0.01	0.00	0.00	0.00	0.00	0.01	-0.01	-0.01	0.00	0.01*
Educational level	0.18***	0.15**	-0.09	-0.08	-0.12	0.30*	-0.13	0.10	0.01	0.15
Number of children	0.07	-0.03	0.05	0.06	0.12	0.05	0.21*	0.01	-0.05	-0.09
-2 log likelihood	3699.8	2912.3	1861.6	1641.8	1372.1	1562.5	1609.9	1418.9	3642.8	1848.9
Chi-squared (df=8)	123.7	142.6	77.4	25.7	24.2	86.8	51.2	47.2	127.9	51.9
Sample size	3532	2649	1400	1352	850	1032	1098	922	3928	1443

Notes: 1. Preferred reform: the reference category was 'raise taxes or lower pensions'. df: degrees of freedom.

Significance levels: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Source: Population Policy Acceptance Survey, 2000–2003.

TABLE 5. *Expected, preferred and actual ages of exit from the labour-force by country and gender (years)*

Country	Average exit age from the labour market in 2001 ³		Expected retirement age ⁴		Preferred retirement age ⁴	
	Women	Men	Women	Men	Women	Men
<i>Western Europe</i>						
Austria	58.5	59.9	60.1	63.0	55.4	58.1
Finland	58.1	57.3	62.3	62.0	58.6	57.7
West Germany	60.4	60.9	62.8	63.9	58.1	59.1
Netherlands	60.8	61.1	61.7	62.7	58.3	58.7
<i>Eastern Europe</i>						
Czech Republic	57.3	60.7	59.2	62.4	55.1	58.4
Estonia	— ¹	— ¹	57.6	60.4	62.4	63.6
East Germany	60.4	60.9	63.3	64.2	58.5	59.5
Lithuania	— ¹	— ¹	60.4	63.3	54.9	58.5
Poland	55.5	57.8	57.2	61.0	53.1	56.7
Romania	59.2	60.2	56.3	59.5	52.5	55.5
Slovenia	55.4 ²	59.2 ²	58.5	61.1	52.0	53.0

Notes: 1. Data by gender not available; the average exit age from the labour force for women and men together was 61.6 years in Estonia (in 2002) and 58.9 years in Lithuania (in 2001). 2. Data from PPAS applies to the year 2000. 3. Data provided by the National Statistical Offices. 4. Data from Population Policy Acceptance Survey, 2000–2003.

respondents in Belgium, Finland and Estonia, respondents with many children in East Germany, and older respondents in Slovenia, all favoured extending working life rather than raising taxes or lowering pension benefit payments.

Expected and preferred retirement age

One interesting finding was that the respondents in both Eastern and Western Europe supported the proposal ‘to extend working life’ irrespective of their sex, age and level of education. Earlier research had shown, however, that there was a large discrepancy between people’s pension-age reform preferences (or normative views) and their own intentions (*e.g.* Van Dalen and Henkens 2002, 2005). Against this background, we examined the respondents’ expectations and preferences about their own age of retirement.

In all countries except Romania, the respondents expected to exit from the labour market at an older age than the actual average retirement age at the time of the survey (Table 5). The divergence implies that in both Eastern and Western Europe, people expected to work longer than was then the case. This may have evinced awareness of the imminent

pension reforms. Nevertheless, in each country, the preferred retirement age was lower than the average actual age of retirement. In the former East and West Germany and in The Netherlands (where the preferred retirement ages were the highest), both men and women said that they wanted to retire two years before the average actual retirement age. Estonia was an interestingly exception to the rule, for both men and women preferred a higher retirement age than that they expected. The most likely explanation is in the past; according to the official data, during the 1980s the actual average age of exit from the labour market in Estonia was 66 years among men and 62 years among women, while the statutory retirement age was 60 years for men and 55 years for women. This may be explained by the country's chronic labour shortages and relatively low pensions. During the first half of the 1990s, a period of economic restructuring, the effective retirement age dropped by three to four years for both sexes, but it was still higher than the actual statutory retirement age.

When one compares the expected and preferred retirement ages for men and women, it is seen that (except in Finland) men expected *and* preferred to retire at a greater age than women. The differential amounted to one year in the former East and West Germany and The Netherlands, two years in Estonia, around three years in Austria, the Czech Republic, Lithuania, Romania, and Slovenia, and approximately four years in Poland. Almost the same gender differentials were found for the preferred retirement age. In Finland, men's lower expected and preferred retirement ages reflected the actual differential in average male and female retirement ages. Across Europe, the rationale for the marked differential in male and female retirement ages is their different rates of labour-market participation between the ages of 25 and 50 years. Moreover, in this birth cohort, the probability that employed people retired for reasons of disability was much higher for men than for women, and male mortality rates were (and are) significantly higher than the female rates in the later working ages (*cf.* Kannisto 2004).

Finally, Table 6 shows that in the Eastern European countries where the statutory retirement age is linked to the number of children, namely the Czech Republic, Estonia, Lithuania and Slovenia, women with children both expected and wished to retire at a younger age than women without children. The correlation with the preferred retirement age was, however, less pronounced than with the expected retirement age. Among the Western European countries, there was virtually no link between the retirement age and the number of children, which is understandable because pension rights are not linked to family size.

TABLE 6. *Expected and preferred retirement ages of women aged 20–64 years in Eastern and Western Europe by number of children*

Country	Expected retirement age (years)				Preferred retirement age (years)			
	No children	1 child	2+ children	ρ^1	No children	1 child	2+ children	ρ^1
Western Europe								
Austria	61.1	59.8	59.6	-0.06	55.5	54.7	55.9	0.08*
Finland	62.3	62.4	62.3	-0.02	58.7	58.3	58.6	-0.03
West Germany	63.0	62.3	62.9	-0.04	57.4	57.6	58.8	0.12**
Netherlands	61.7	61.5	61.8	-0.04	58.1	58.2	58.4	0.02
Eastern Europe								
Czech Republic	60.2	60.4	58.6	-0.20**	55.9	55.4	54.8	-0.12**
East Germany	63.5	63.3	63.2	-0.05	57.9	58.6	58.7	0.04
Estonia	59.4	56.8	57.2	-0.14**	63.6	62.4	61.9	-0.15**
Lithuania	61.6	60.5	60.1	-0.10*	56.6	54.9	54.4	-0.15**
Poland	57.7	57.0	57.2	-0.03	52.3	53.2	53.3	0.03
Slovenia	60.2	58.5	57.6	-0.23**	53.1	51.1	51.9	-0.08

Note: 1. Spearman's rho correlation coefficient. *Source:* Population Policy Acceptance Survey, 2000–3. *Significance levels:* * $p < 0.05$, ** $p < 0.01$.

Conclusions

With the enlargement of the European Union in May 2004, the economic disparities within the Union have widened because the new member states differed markedly from the old. The major changes brought on by the accession of the former communist countries to the EU, such as the establishment of democracy and market institutions, are bringing about convergence with Western European societies, but the enlargement, along with the acceleration of population ageing, challenge the coherence of EU policies. To prepare for future demographic changes, EU policies stress the need for pension and welfare reforms and increased labour-force participation. These requirements were formulated by the European Council at the summits in Lisbon in 2000, in Stockholm in 2001 and in Barcelona in 2002, and apply to both the old and the new member states. Given the differences between East and West, deciding the form of a common future EU policy on population ageing is an unusually challenging problem.

Against this background, this article has addressed the question of whether the different welfare states of the new and old EU member states have produced different policy preferences. The findings show that, despite their different social, economic and political

backgrounds, among the old and the new member states there are commonalities in people's value orientations and attitudes towards population ageing. Most people are pessimistic about the consequences of population ageing, irrespective of their sex, age, level-of-education and nationality. The most frequently favoured policy responses to population ageing of both Eastern and Western Europeans are to raise taxes and to extend working life. Neither in the old nor in the new member states did people support the option of lowering pension benefits. These results support Kohl's (2004) findings regarding pension reform preferences in the old EU member states. Despite these similarities, there were marked differences in the reform preferences of Eastern and Western Europeans. Eastern European respondents were much more in favour of a pension structure in which benefits depend on the number of their children. This attitude reflects the greater reliance on children for old-age support in Eastern than Western Europe and a stronger adherence to 'traditional values', as promoted during the communist era and manifested in gender differentials in the retirement age and inter-generational solidarity (Lohkamp-Himmighofen and Dienel 2000; Wolchik 1998).

Turning to people's personal expectations and preferences about their own retirement, it was found that both Eastern and Western Europeans expected to retire at an older age than the current actual retirement age. This may be interpreted as a sign that people are aware of the imminence of pension reforms. The preferred retirement age was lower, however, than the average age of exit from the labour force. This may be an attitudinal legacy: in Eastern Europe people are used to low statutory retirement ages, while Western Europeans have become accustomed to universal and generous early-retirement schemes. Thus, in both the old and new member states, while the respondents expressed some willingness to work longer, they intended to retire earlier than the actual current retirement age.

Population ageing in Europe will inevitably put solidarity between the generations to the test. While people's policy preferences in most countries appear to indicate a willingness to pay higher taxes and retire later (rather than approve a reduction in benefits), few would choose to retire later. In this, the differences between the old and new member states were slight. There was, however, a marked contrast in the expressions of inter-generational solidarity. Whereas Eastern Europeans were much more inclined to expect and support inter-generational solidarity in their own households, Western European solidarity between generations has been formalised and embedded in the social security system.

Acknowledgments

The research reported in this paper was conducted as an element of *DIALOG – Population Policy Acceptance Study (PPAS): The Views of Citizens and Policy Actors about the Management of Population-related Change*, a project funded by the European Commission's 5th Framework Research Programme (Contract HPSE-CT-2002-00153). For details of the programme, visit <http://www.bib-demographie.de/ppa/main.htm>

NOTES

- 1 The respondents' highest level of education was measured on the following scale: (1) incomplete primary education; (2) primary education; (3) lower secondary education; (4) upper secondary education; (5) post-secondary non-university education; (6) first stage of tertiary education; (7) second stage of tertiary education; (8) post-graduate education. For comparative purposes, in the reported analyses the eight categories were collapsed to three: (i) less than higher secondary education (codes 1–3); (ii) higher secondary education (code 4); and (iii) post-secondary education (codes 5–8).
- 2 The percentage of respondents with an education below higher secondary level was very high in the Polish (82%), Czech (58%) and Romanian (58%) samples.
- 3 A multi-nominal logit model allows a discrete dependent variable with more than two categories (see Maddala 1983: 41; Greene 2003: 720–723).

References

- Andersen, T. M. 2003. European integration and the welfare state. *Journal of Population Economics*, **16**, 1–19.
- Avramov, D. and Maskova, M. 2003. *Active Ageing in Europe*. Volume 1, Population Study 41, Council of Europe, Strasbourg.
- Bishop, K. 2004. Employment and unemployment in the new EU member countries. *Labour Market Trends*, **112**, 283–94.
- Böhnke, P. 2004. *Perceptions of Social Integration and Exclusion in an Enlarged Europe*. European Foundation for the Improvement of Living and Working Conditions, Dublin.
- Bongaarts, J. 2004. Population ageing and the rising cost of public pensions. *Population and Development Review*, **30**, 1–23.
- Börsch-Supan, A. 2003. From public pensions to private saving: the current pension reform process in Europe. Paper presented at the Conference on *The Economics of an Ageing Society: The Future of Funded Systems*, Rüschlikon, Switzerland, November 28.
- Delhey, J. 2004. *Life Satisfaction in an Enlarged Europe*. European Foundation for the Improvement of Living and Working Conditions, Dublin.
- European Commission 2002. *Increasing Labour Force Participation and Promoting Active Ageing*. Commission of the European Communities, COM (2002), Brussels.
- European Commission 2003a. *Adequate and Sustainable Pensions*. Joint Report by the Commission and the Council of Ministers, European Commission, Publications Office, Luxembourg.
- European Commission 2003b. *The Stockholm and Barcelona Targets: Increasing the Employment of Older Workers and Delaying Exits from the Labour Market*. European Commission, Brussels.
- European Population Committee of the Council of Europe 2005. *Recent Demographic Developments in Europe 2004*. Council of Europe Publishing, Strasbourg.

- Eurostat 2004. *Population Statistics*. 2004 edition, European Commission, Luxembourg.
- Fultz, E. and Ruck, M. 2001. Pension reform in Central and Eastern Europe: emerging issues and patterns. *International Labour Review*, **140**, 19–43.
- Gesellschaft für Versicherungswissenschaft und -gestaltung (GVG) [Foundation for Insurance Studies and Organisation] 2003. *Social Protection in the Candidate Countries*. Schriftenreihe der GVG, volumes 40–42, GVG, Cologne, Germany.
- Greene, W. H. 2003. *Econometric Analysis*. Prentice Hall, Upper Saddle River, New Jersey.
- Kannisto, J. 2004. *Effective Retirement Age in the Earnings-related Pension Scheme in 1996–2003*. Working Paper 8, Finnish Centre for Pensions, Helsinki, Finland.
- Kohl, J. 2004. Towards the feasibility of a European pension strategy: some conclusions from a recent Eurobarometer Survey. Paper for the Conference on *Reforming Social Protection Systems in Europe*, Nantes, France, May 21–22.
- Kohli, M., Rein, M., Guillemard, A.-M. and Van Gunsteren, H. (eds) 1991. *Time for Retirement: Comparative Studies of Early Exit from the Labour Force*. Cambridge University Press, Cambridge.
- Kontula, O. and Miettinen, A. 2005. *Synthesis Report on Demographic Behaviour: Existing Population Related Policies and the Expectations that Men and Women Have Concerning the State*. Working Paper E 19/2005, Population Research Institute, Family Federation of Finland, Helsinki.
- Kornai, J. 1992 a. *The Socialist System: The Political Economy of Communism*. Oxford University Press, Oxford.
- Kornai, J. 1992 b. The post-socialist transition and the state: reflections in the light of Hungarian fiscal problems. *American Economic Review*, **82**, 1–21.
- Lohkamp-Himmighofen, M. and Dienel, C. 2000. Reconciliation policies from a comparative perspective. In Hantrais, L. (ed.), *Gender Policies in Europe. Reconciling Employment and Family Life*. Macmillan, London, 49–67.
- Maddala, G. S. 1983. *Limited-Dependent and Qualitative Variables in Econometrics*. Cambridge University Press, Cambridge.
- Maltby, T., de Vroom, B., Mirabile, M.-L. and Øverbye, E. 2004. *Ageing and the Transition to Retirement: A Comparative Analysis of European Welfare States*. Ashgate, Aldershot, Hampshire.
- Matthes, C. Y. 2004. Rentenreform in Ostmitteleuropa: Blockade oder Durchbruch? [English pension reform in Eastern and Middle Europe: blockade or breakthrough?]. *Osteuropa*, **54**, 8, 62–73.
- Moors, H. and Palomba, R. (eds) 1995. *Population, Family and Welfare: A Comparative Survey of European Attitudes*. Volume 1, Clarendon, Oxford.
- Ogg, J. 2005. Social exclusion and insecurity among older Europeans: the influence of welfare regimes. *Ageing & Society*, **25**, 69–90.
- Organisation for Economic Cooperation and Development (OECD) 2000. *Maintaining Prosperity in an Ageing Society*. OECD, Paris.
- OECD 2003. *Towards More and Better Jobs, Employment Outlook*. OECD, Paris.
- OECD 2004. *Reforming Public Pensions: Sharing the Experiences of Transition and OECD Countries*. OECD, Paris.
- Reday-Mulvey, G. 2005. *Working Beyond 60: Key Policies and Practice in Europe*. Palgrave Macmillan, Basingstoke, Hampshire.
- Stark, L. and Kohler, M. P. 2002. The debate over low fertility in the popular press: a cross-national comparison, 1998–1999. *Population Research and Policy Review*, **21**, 535–74.
- Taylor, P. 2003. *New Policies for Older Workers*. Transitions after 50 Series, Joseph Rowntree Foundation, York.
- United Nations Development Programme 2003. *Human Development Report 2003*. Oxford University Press, Oxford.
- Van Dalen, H. P. and Henkens, K. 2002. Early-retirement reform: can it and will it work? *Ageing & Society*, **22**, 2, 209–31.

- Van Dalen, H. P. and Henkens, K. 2005. The double standard in attitudes toward retirement: the case of The Netherlands. *Geneva Papers on Risk and Insurance: Issues and Practice*, **30**, 693–710.
- Whitehouse, E. 2004. Comparing the new pension systems of the Baltic states. In OECD, *Pension Reform in the Baltic Countries*. Private Pensions Series 5, OECD, Paris, 27–61.
- Wolchik, S. 1998. Women and the politics of gender in communist and post-communist central and eastern Europe. In Ramet, S. (ed.), *Eastern Europe: Politics, Culture and Society since 1939*. Indiana University Press, Bloomington, Indiana, 285–301.
- World Bank 1994. *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*. World Bank Policy Research Report, Oxford University Press, New York.
- Zeman, K. 2004. Basic factors of needed welfare policy transformation in the Czech Republic. Paper presented to the second conference of the Geneva Association for Health and Ageing, *Strategies for the New Welfare Society in the Larger Europe*, Trieste, October 21–23.

Accepted 20 October 2005

Address for correspondence:

Kène Henkens,
Netherlands Interdisciplinary Demographic Institute (NIDI),
P.O. Box 11650,
NL-2502 AR The Hague,
The Netherlands.
e-mail: henkens@nidi.nl