**Factors Affecting Retirement Decision in Estonia**

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**INTRODUCTION**

One major problem of the developed countries is an ageing population – life expectancy and dependency ratio of older people to working population have both risen. Additionally, the behaviour of the older persons has been changing during the decades. Both aspects generate pressure to the social security systems and labour market; still generous benefits may have promoted early exit to the retirement. It is presumed that decision to retire is thrombocytosis considered, as the retirement decision is made by an individual usually once and it is permanent. However, there are different patterns how people can diminish their working load and exit from the labour market. Increased working age and lengthening retirement labour market influence by many labour and as well as by labour demand factors and institutional factors. According to previous literature there are several supply side factors that affect retirement – for example, income, family characteristics, but also different job characteristics and job satisfaction.

In Estonia the situation is similar and under the conditions of the ageing population, labour scarcity due to the outflow of working-age population and therefore rising dependency ratio ensuring the subsistence level of older people will be complicated. Besides the foreign labour, older workers including those who are above the normal retirement age can be potential additional labour supply. Consequently, employment of older workers, their exit from the labour market and retirement are important issues of social and labour policy in Estonia. Moreover, in Estonia it is common that the exit from the labour market is sharp and discontinuous working load is not a natural behaviour. The key issue is to motivate older workers to stay in labour market at least to the official retirement age or even longer depending on their working skills. To implement appropriate measures there is need to analyse through which measures labour supply of older workers and retirement can be influenced.

**AIM OF THE RESEARCH**

The aim of this research paper is to analyse aspects that influence the retirement decision of older people and especially the factors that affect people to retire as early as possible. Previous studies e.g. [Bloemen 2010; Ewals et al. 2006; Gislason, Steinmoeller 2002; Börsch-Supan et al. 2002] show that the main factor that influences older workers who to retire or not is income. When the person receives higher salary it is not likely that he/she will decide to retire. On the other hand, if the individual has great amount of personal wealth it is more likely that he/she will retire. Several economic studies have concluded that health and pension benefits are the determinant most affecting retirement decisions of older people. Also, education level and poor job satisfaction encourage worker to retire as soon as possible. From the institutional factors it is important to follow different criteria that individual has to fulfill in order to get pensions.

**DATA AND METHOD**

Data for empirical analysis is from 4th wave of SHARE in which Estonia participated first time. In total 6282 respondents were interviewed during this survey. Analysis is restricted to individuals who belong to the age group 50 – 74 years old and who have retired. The final sample included 5193 participants. Weights were considered within the analyses. As a dependent variable the answers to the question “Thinking about your present job, would you like to retire as early as you can from this job?” is used. SHARE survey gathers data on health, social, financial, family and job characteristics and institutional variables. Due to the poor quality of data (missing data) it was impossible to add income and/or wealth variables. We used logistic regression model as a tool to test our hypothesis.

**LABOUR SUPPLY OF OLDER PEOPLE IN ESTONIA**

Participation and employment rate of older people in Estonia is relatively high compared to the European Union average. The participation rate of males and females in the 55-64 age group was 56% (males), 52% (females). Employment rate was 53.3% (males) and 44.8% (females). While analysing Estonian older people employment dynamics in 2002 – 2012 it occurred that until the years 2009 – 2010 the employment rate increased, then during the recession it decreased. However, the number of pensioners as well as the number of early pensioners has risen during the previous years. Participating older people rate was over 65% in 2010. Participation of males and females was relatively equal, there was only a small gender difference. Participation rate of males was 74.6% and females had participation rate of 64.3%.

**FACTORS INFLUENCING THE RETIREMENT DECISION**

![Figure 1. Older workers (50 – 74) participation and employment rates 2002 – 2012 (Statistics Estonia)](image)

**DISCUSSION AND CONCLUSIONS**

Based on the results, there may be several channels to influence the labour market behaviour of the older workers.

To increase employment of older people it is essential to pay attention to factors related to health and working conditions. Unfortunately it is very likely that older persons’ health deteriorates but it should not mean that the worker should leave labour market. It would be good to encourage flexible working forms that let persons to continue in the labour market but at the same time they have more leisure time for their family and health. For this, attention must be turned to the specific segment in labour market and the need and opportunities to promote flexible working. It means that it is very important to improve factors that related to finding balance in working leisure time and also job satisfaction. This means that it is also important to encourage bridge jobs – workers should have an opportunity to find a job that suits them even in the older age.

To support older workers with the lower level of education, more attention should be paid to the active measures of labour policy and develop the measures aimed directly to the older people who would take into the account the aspects characteristics: personal situation such as education level, lower ability to adapt and learn, and on average more health problems.

Additionally deferred retirement must be more attractive and early retirement more non-attractive. As a more radical measure remittal or reduction of the income tax to the older people can be considered if they work after the official retirement age.

In sum, the labour market behaviour of older people in Estonia is affected by several different factors which may have joint effect to retirement decision. Therefore the presented statistical model is needed to analyse retirement behaviour which accounts for example formation of wages and pension benefits, changes in health and probabilities of hiring and firing.

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