

# LIVES Impact



## Retirement Provision 2020: A Reform Towards More Social Inequality? "Active Ageing" and Older People of Migrant Background

### Key messages

- The proposal for reform currently under discussion hardly takes into account the variable and unequal living conditions of people at retirement age
- The extension of working life as proposed by Retirement Provision 2020 penalises labourers already struck by temporary, part-time and physically and mentally demanding jobs
- The promotion of "active ageing" first and foremost reflects the needs of an educated population in good health and of Swiss origin

### Summary

The proposal for the reform of old-age pensions furthered by the Swiss government under the name Retirement Provision 2020 advocates that, to put it trivially, "living longer means working longer". However, this proposal sidesteps the complexity of the factors that are part of the transition to retirement and ignores the observable inequalities in later life. Despite improvements in life

expectancy and quality of life, significant social inequality still prevails in Switzerland, particularly between the native and foreign populations.

The same holds true in relation to the decision about when to retire. For older people from southern Europe, who arrived in Switzerland as labourers during the post-war decades, poor health and the physical and/or psychological demands of their employment are decisive elements in their decision to retire early from the labour market. If, as our survey in Geneva and Basel indicates, one person in every three is forced to retire early because of a physically and psychologically strenuous employment history, for immigrants from southern Europe this rate rises to almost one in two. Therefore, as the years of contribution and the payments made to social insurance and benefit plans determine the income received in retirement, the extension of working life would penalise individuals who have become unfit for work. In this respect, the promotion of "active ageing" is ambivalent: it allows some people to extend often already successful careers; for others, often from a migrant background, it disregards the fact that they do not have the resources necessary for the maintenance of an active working life.

## Reform of the pension system and the heterogeneous living conditions of older people

Over recent decades the increase in life expectancy has resulted in a substantial decrease in the proportion of the active working population compared to pensioners, both in Switzerland and elsewhere. This demographic shift raises the question of the sustainability of pension schemes. Currently, the predominant political response, both nationally and internationally, is to extend working life. In Switzerland, this solution is embodied in the Retirement Provision 2020 proposal. Presented in 2013 by the Federal Council, the key measures in this reform proposal relate to encouraging people to continue to work longer, discouraging early retirement, lowering the conversion rate in the 2nd pillar and aligning the legal retirement age for women with that of men, i.e. to 65 years for both men and women. The proposal was submitted to Parliament on 19 November 2014 and is currently being reviewed by the parliamentary committees.

Yet this tendency towards an extension of active working life fails to take into account that not all individuals reach retirement age with the same resources and conditions. Life course studies clearly show this heterogeneity, emphasising in particular the negative effects of cumulative disadvantages due to such factors as social and working conditions, level of education, income or the nature of the housing environment. The VLV survey (on the quality of life of older people), which has been conducted since 2012 in several cantons in Switzerland in relation to people aged 65 or over, highlights these differences: in Geneva, for example, 38% of all respondents aged between 65 and 79 report having poor health or have concerns about their health; this rate rises to 47.2% for people originating from Spain, 52.3% for those from Italy and 69.7% for natives of Portugal. Evidently, life conditions at retirement age vary considerably depending on the country of origin. They are a reflection of the migration policy of the Golden Years linked to the need for seasonal and low or unskilled labour for construction and manufacturing industries and the cleaning sector which today continue to be staffed mostly with foreign workers. Data from the VLV survey confirm this pattern among the population group aged 65 to 79: 77.7% of Italian, 71.4% of Spanish and 68.9% of Portuguese migrants had in the past worked as skilled and unskilled manual workers, compared to 24.1% in the general population in Geneva and Basel.

## Penalising demanding and atypical work at retirement age

In terms of old-age provision, this population segment's poorer health and their substantially greater share in the low-skilled or unskilled workforce have inevitably led to higher rates of early retirement. The VLV survey also allows for insights into the motives for early retirement. In the following table we classify these into 7 categories for the Basel and Geneva populations in general, as well as for the population of migrant origin in the two cantons combined.

### Motives of early retirement from the labour market

(VLV survey, Geneva and Basel, in %)

	Early retirement		
	Geneva	Basel	Immigrants
Difficulty of the work (psychosocial, illness or disability)	29.8	35.2	48.1
Family business sector	13.7	5.1	9.6
Sector agreement	8.1	8.0	8.7
Company restructuring – company severance proposal	19.9	35.8	15.4
Financial	6.8	4.5	2.9
Enjoy life – personal freedom – leisure activities	19.9	10.8	15.4
Succession of the family business	1.9	0	0
	N = 161	N = 176	N = 104

Source: Kaeser (2015), p. 223

For the population in general the reasons for early retirement are linked to several factors such as (1) the company and the employment market, (2) a personal decision to "enjoy life", as well as (3) the demanding nature of the work. Among the immigrant population, the demanding nature of the work undeniably emerges as the main reason for early retirement: almost one person in every two from a migrant background was forced to retire from the labour market because of health factors linked to demanding work.

In the three-pillar based Swiss pension system the Retirement Provision 2020 reforms will widen the gap between those, on the one hand, who can work longer and those, on the other hand, who have to retire from the employment market without being able to get "to the end of the road". While the first pillar of the Swiss pension system, the old age and survivors' insurance, is the most egalitarian – since it is mandatory, regardless of occupational status, the amount of the second pillar varies depending on the level of salary, the number of years of contributions, the amount of the contribution made by the employer and the pension fund contribution system. Finally, the third pillar depends on the individual ability to save, in other words individual income, and so disadvantages those with low salaries. As a result, an increase in the retirement age as proposed by the reform will adversely affect the most vulnerable, namely the many low-skilled or unskilled immigrants who up until now have been forced to withdraw prematurely from the labour market because of their poor health.

## Inequalities of active ageing

The Retirement Provision 2020 proposal is part of a wider development that has been shaping social policy for past two decades or so. The principal argument put forward is that the extension of contribution periods and the raising of the retirement age are inevitable, given the risks threatening the sustainability of pension plans because of the increase in life expectancy. In this context, early retirement from the labour market is discouraged, while the idea of activating older workers is gaining momentum. In the event of an early retirement non reduction of the pension will only concern those who had a low to mid-level income between the age of 18 and 21, thus excluding all those who experienced this situation subsequently in their life course and all those who arrived to Switzerland after the age of 22. It is therefore clear that this reform actually contains the potential to further increase inequalities between those who are able to follow this path and others who are not.

Discussions relating to changes in retirement policies should be part of a wider debate allowing for the numerous interdependent factors in this phase of the life course. It seems essential to include labour and health policies which take into account early career beginnings, the demanding nature of working life, the structure of the labour market, discriminations based on age, measures for the older unemployed and life-long learning. Measures other than the extension of the working life therefore need to be considered and discussed, so that each individual can organise a post-employment period that fits their needs, resources and interests. ■

DR. LAURE KAESER, Research Manager at the Department of Health and Social Affairs, Canton of Vaud. The content of this policy brief is based on her doctoral thesis and reflect her personal views. Laure Kaeser defended her doctoral thesis at the University of Geneva as part of the NCCR LIVES doctoral programme.

### Suggested Further Readings:

**Kaeser, L. (2015)** : Personnes âgées issues de la migration et vieillissement actif. Interroger les normes contemporaines du vieillissement au prisme des parcours de vie. Ph.D. thesis, University of Geneva.

**Kaeser, L., Zufferey, J. (2015)**. Confronting Active Ageing with Empirical Evidence: A Structural Equation Model Approach. The Case of Older Migrants Living in Switzerland, *Revue suisse de sociologie*, 41: 3, 437-463.

**LIVES Impact** (ISSN: 2297-6124) publie régulièrement des notes sur des résultats de recherche pertinents pour les politiques publiques et sociales issus d'études menées au Centre LIVES. Elles sont publiées en trois langues (français, allemand et anglais) et envoyées aux personnes décideuses de l'administration publique, du monde politique et des organisations non gouvernementales.

Face à la crise sanitaire du COVID-19, **LIVES Impact** lance des numéros spéciaux qui visent à mettre en relief des recommandations pratiques et des analyses utiles à l'intention des responsables des politiques publiques et sociales, tant du point de vue du parcours de vie que, de manière plus générale, des sciences comportementales et sociales.

**Comité éditorial:** Pascal Maeder, HES-SO & Centre LIVES (pascal.maeder@hes-so.ch)

**Archives:** [www.centre-lives.ch/impact](http://www.centre-lives.ch/impact)

**Centre LIVES**, Université de Lausanne, Bâtiment Géopolis, CH-1015 Lausanne, [www.centre-lives.ch](http://www.centre-lives.ch), T +41 21 692 38 71, [ktt@lives-nccr.ch](mailto:ktt@lives-nccr.ch)