4th International Research Conference on Social Security
Antwerp, 5-7 May 2003

"Social security in a long life society"

From early retirement to active ageing: The evolution of social policies for older workers in France and Germany

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Summary

Early exit schemes developed as a response to the internationalisation of the economies and of its consequences on unemployment. In the mid-1970s, the creation of early retirement schemes facilitated the process of deindustrialisation. Then early retirement schemes have been an instrument of transition towards the development of services, the modernisation of the public sector or the implementation of European policies of deregulation and privatisation in the 1980s and the 1990s.
In France and Germany, the proportion of early retirees increased constantly, the welfare state accompanying each economic deterioration. However, this policy is now criticized in the context of population ageing because of its huge cost and the financial pressure it exerts on pension systems. In both countries, two main options of reforms are proposed : first incremental changes that let progressively modify this deep institutionalised policy (raising retirement age, restricting the access to early exit schemes, developing active measures for older workers); second to highlight in discourses the necessity a paradigmatic change as the unique possible option.
Another research question is the role of the EU in this policy reversal. Thanks to the open method of coordination, the EU participates to the re-construction of the problem and delimits what should be done and what should not be done anymore. The European orientations may become a resource for the national policy-makers that could be useful in the process of policy change.

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The development of early retirement schemes is concomitant of the internationalization of the economies and of its consequences on employment. For many industrialized countries, early retirement has been an essential tool of adaptation to economic and social changes. In the mid-1970s, the creation of early retirement schemes facilitated the process of deindustrialization. Then early retirement schemes have been an instrument of transition towards the development of services, the modernisation of the public sector or the implementation of European policies of deregulation and privatization in the 1980s and the 1990s (Ebbinghaus 2000). In a way, it is an instrument to manage the workforce in a context of unemployment, but in another way it is a protection for elder workers that had difficult work conditions and are facing dismissal. The main advantage is that this policy orientation is supported by an implicit social and intergenerational consensus, insofar as it also allows to create space in the labor market for young jobseekers.
The governments of France and Germany are especially confronted with this issue. In both countries, the proportion of early retirees increased constantly since the mid-1970s, the welfare state accompanying each economic deterioration. Nevertheless, early retirement policy is more and more criticized, insofar as population ageing becomes a growing theme. Both governments are trying to reverse the trend of early retirement and to encourage people to remain in work until the legal age of retirement. However, they face the difficulty of modifying deep institutionalized measures. There is a phenomenon of “path dependence”, and each attempt of reform seems to be unable to challenge this strong consensus (Pierson, 1994). In France, for example, every time an early retirement scheme has been closed, it has been replaced by another one a few months later. In Germany too, authors refer to the difficulty of reform, which is compared to putting “old wine in new barrels” (Jespen (eds.), 2002).
However, governments of both countries now call for “a change of paradigm”. The goal is to create a new consensus about older workers’ activity, to obtain the agreement of social partners for a decrease of early retirement measures, to propose to the contrary active employment tools that encourage the pursuit of activity.
This policy change is also encouraged by the European Union, that insists on the necessity to stop using early retirement and to encourage elder workers to remain active, by modifying pension requirements, by creating active measures of employment for older workers and by developing lifelong learning. Although the EU does not have the institutional capacity to represent a constraint or exert a real pressure in this policy field, the open method of coordination may lead to the co-construction of new common norms and objectives that could be useful in the process of policy re-orientation.

The institutionalization of the early exit route

Early exit schemes have been used in many industrialized countries, but it became especially important in Continental Europa. This policy trend is as difficult to reverse as it is deep institutionalized. Policy-makers have to justify policy re-orientation and could be supported by the implication of the international organizations.

Some marked differences across countries that reflect the diversity of societal choices

Most of the authors delimitate 'push' and 'pull' factors for explaining the development of the early exit phenomenon (Esping-Andersen and Sonnberger, 1991; Casey, 1996; Ebbinghaus, 2000). The 'push' factors concern the economic causes, what means the need for restructuring in particular sectors and the problem of the rising unemployment. High unemployment starting in the mid-1970s exerted a special pressure on the politicians who tried to reduce labor supply, in the hope that it would create new employment opportunities for the younger job seekers. Pre-retirement became a policy for sectoral restructuring, but also a more general policy of labor shedding in order to face unemployment (Esping-Andersen, 1996). The use of early withdrawal responded also to the need of labor-saving technology, higher skills requirement, and finally the shift toward service sectors and downsizing in an oversized public sector. Besides the 'push' factors, there are also 'pull' factors. Early exit is less the direct result of the push factors – mass unemployment and economic restructuring – than of interaction between these and the pull factors. The 'pull' factors concern the institutional arrangements or 'pathways' proposed by the welfare states. There is a multitude of pathways ranging from pre-retirement pensions, partial or gradual pensions, lowering the normal pension age, long-term unemployment and 'bridging' pensions that function as an early retirement program, disability benefits or employer-initiated policies (Casey, 1996).

The organization of these different pathways differs across the countries. In some countries, there are multiple pathways to early exit from work that give more options and opportunities to workers and firms than in others. These particular institutional features may partly explain the different development of early exit. In Scandinavia, the limited use of the exit route results from a mixture of reintegration measures, active employment policies, part-time work and generous partial pensions. Whereas early exit schemes are proposed, they have been less used than in the continental countries, because the main goal of the employment policies is to preserve the access to work. This active policy for employment is fruitful : only one out of three Swedish and Danish men (60-64) has completely withdrawn from the labor market. The British and American welfare states offer less generous early exit schemes, what is a disincentive to the early exit choice. The majority of the early exit schemes are initiated by employer-policies. One out of two British and American men (60-65) has exited from work, largely due to market pressures. Prior to 60, one out of five men has chosen the early exit route. By contrast to these 'work societies', the continental European welfare states use the early exit route as a labor-shedding strategy. Among men between 60 to 64, three of four Dutch, French and Italian men have retired early, and two out of three German men. Furthermore, one third of men aged 55 to 59 in these countries have already left the workforce (Ebbinghaus, 2000: 519-520). Since the mid-1970s, labour shedding via early retirement has been seen as a major pathway

out of the employment crisis. The main task of the welfare state was to provide generous benefits, acquired thanks to social contributions.
Variations in the use of early retirement policies across these countries reflect the institutional characteristics of the three worlds of the welfare state (Esping-Andersen, 1990, 1996). The anglo-saxon countries, representing the liberal regime, did not develop early exit schemes, insofar as they gave the priority to the functioning of the market rules and the non intervention of the State. Scandinavian welfare states opened up some favorable pathways, but also aimed at preserving an active society. This policy led to favor gradual transitions and to relatively late retirement. By contrast, the large use of the early exit route in the continental European welfare state illustrates the functioning of the third welfare regime. In the conservative-corporatist welfare state, the priority is to preserve the status of the insured unemployed, by providing generous benefits, and there is no tradition of active measures for employment. The main policy response to deindustrialisation and unemployment has been to rely on labor-shedding strategies.
This temporary tool of adaptation has become an institutionalized policy in continental Europe that entered in a "strategy of welfare without work" (Esping-Andersen, 1996). In order to fight against unemployment, governments chose to concentrate their efforts on adult men, in the continuity of the male breadwinner model, and tended to exclude other groups as women, younger and older workers. This strategy has been reinforced by the institutional peculiarities of the continental welfare systems that concentrate on providing generous benefits without insisting on "active" measures for the return to work of unemployed people.
Early exit has been criticized because of its huge cost and also because of its impact on jobs' creation. Social contributions, which are the main way of financing welfare expenditure in bismarckian systems, are supposed to have a negative impact on employment, especially for the low-paid jobs. Consequently, the use of early retirement schemes is accused of reinforcing the difficult development of jobs (Scharpf, Schmidt, 2000). Furthermore, the theme of population aging renewed the issue of the early exit. The development of early exit schemes has resulted in unfavorable dependency ratios due to increasing numbers of retirees coupled to a stagnant workforce. This evolution is becoming even more problematic with the demographic ageing trend: "To put it differently, Europe's welfare state have become 'pensioner' states, not because ageing is more advanced than elsewhere, but rather because of their policy bias in favour of passive income maintenance and labour supply reductions" (Esping-Andersen, 1996: 74). This situation has been described as the "continental dilemma" (Scharpf 1998). The Continental European welfare states face now with the problem of more and more inactive people becoming dependent of welfare measures financed through social contributions and general taxes that have to be paid by fewer employed people.

Toward a policy reversal?

Different options are offered to introduce a policy reversal: raising the normal retirement age, closing early retirement programs, introducing gradual and part-time retirement during a transitory period. However, reversing one policy may also lead to an 'instrument substitution' of one pathway by another (Casey, 1989). This risk is particularly important if the pathway is deep institutionalized and if there are strong social and economic pressures. According to the work by Paul Pierson, social programs are as difficult to reform as they are secular and well institutionalized

(Pierson, 1994). The policy-makers face a phenomenon of path dependence that hinders the possibility of policy change. Therefore, the only way to change seems to introduce incremental and marginal transformations, that are less visible but may have an heavy impact in the following years (Palier, 2002).

Early exit schemes responded to a real economic, political and social need, as there were created: a strong consensus has been elaborated between the policy-makers who tried to limit the social effects of the economic crisis and to preserve the 'social peace'; the employers who could externalize the costs of the economic restructuring; the trade unions who tried to limit the dismissals and saw early exit as a way to guarantee an advantageous status for the older workers; and finally the workers themselves who considered early exit as an 'acquired social right' and as an 'intergenerational contract' liberating some jobs for the youth by evicting the older workers (Guillemard, 1986). However, the necessity of a paradigmatic change seems to emerge among the main key players. A paradigm shift may occur, if the representation of the world, the explanations and the recipes that guide the political action are not anymore efficient (Hall, 1993; Muller, 2000). This phenomenon is nowadays occurring in this policy field and may facilitate the process of policy reversal. In the context of pension reforms, maintaining early exit schemes seems to be impossible to the politicians. Governments insist on the fact that the necessity to reverse the policy of early retirement is increasing because of the population ageing: it appears as contradictory to raise the legal age of retirement whereas the effective length of the working life is diminishing.

International organisations: some influential actors in the process of paradigmatic change?

Institutional organizations as the OECD, the World Bank and the European commission have put the financial implications of pensions on their agenda. They also accord a growing interest to the issue of early withdrawal (OECD 1995, 1998, 2000; European Commission 1997, 2000, 2001, 2002).

In 1995, the OECD agreed with the fact that governments deliberately introduced provisions that encouraged or facilitated early withdrawal from the labour market in order to alleviate high unemployment rates and to help smooth the restructuring of industry. Then in two reports, 'Maintaining Prosperity in an Ageing Society' (1998) and 'Reforms for an Ageing Society' (2000), the OECD estimated that pensions and other public transfers should be reformed to remove incentives towards earlier retirement. To strengthen work incentives in pensions appear to be the most important option of reform, in order to impulse pension and employment policies for the older workers on a new course. Closing early retirement schemes and developing active ageing strategies for older workers are the main orientations proposed by the international organization to face the demographic ageing. Finally, the OCDE encouraged the development of new policy instruments : financial incentives for employers and employees, specific program for old unemployed people, lifelong learning in order to preserve the ability to work.

In the same way, the European union considers that raising the activity rates among older workers is necessary to cope with the population ageing. Since the early 1980s, the European union has denounced the massive use of early exit schemes in the member states but its orientation was not taken in account because the priority was to face with mass unemployment and deindustrialisation [1]. Then, at the Essen summit, in 1994, that underlined the unemployment problems in a context of recession, the Council stressed that special attention should be paid to the situation of older employers (Point 5 Essen European Council 1994). However, the European Employment Strategy, devised in 1997 in the wake of the Luxembourg employment Summit, did not initially pay much attention to the problems faced by older workers. Under the Employability pillar, the first Guidelines (1998) only timidly mention that particular attention would have to be paid to older workers. Significant progress has been made in the recent years. Since 2001, the employment guidelines have become more precise and targeted and have now developed four main areas of concern: the European Commission, together with the Council, stresses that national governments should concentrate on making progress in the areas of 'legal retirement age', 'reforms of social protection systems', 'lifelong learning' and 'flexible working arrangements' (2000b, c).

Recently, the issue has taken more account with the elaboration of an European concerted strategy for reforming the pension systems in order to face the common concern of population ageing. Three common goals have been defined. First, the economic policy committee has shown that the pension public spending would represent between three and five percent more of the GDP in 2050, and would threaten the monetary stability if the national governments do not reform public pension systems (EPC, 2000). To cope with this problem, the Commission recommended to respect strict budgetary orientations and to reduce the increase in the public spending. It could lead to the development of a multi-pillar system and to the introduction of private supplementary schemes financed by capitalisation. Second, at the Lisbon Summit, in March 2000, the Council underlined the necessity to raise the employment rates. The dependency ratio (number of people over 65/ number of persons between 15 and 64) will double until 2050. The acceleration of the demographic ageing should be partly contained by an amelioration of the employment ratio (proportion of inactive people/proportion of active people). At the Lisbon summit, a quantitative objective has been set: to attain a global employment rate of 70%, and of 60% for women in 2010. A few months later, at the Stockholm Summit, the Council fixed another objective specific to the older workers : to raise the activity rate to 50% for the workers between 55-65. At the Barcelona Summit, the member states also agreed to encourage older workers to work five years more until 2010. The third objective is to adapt the pension systems to the demographic, economic and societal changes, by taking in account the new forms of employment (flexibility, insecurity, periods of unemployment) and by guaranteeing the intra- and intergenerational equity. This strategy will be implemented thanks to the open method of coordination that would let exchange experiences and good practices.

The first national reports have been submitted in September 2002. The Joint Commission/Council Report, proposed in March 2003, evaluates the situation of older workers in Europe and insists on the importance of active ageing. According to the projection, if the objectives of Lisbon are attained, the increase in the public spending relative to the pension systems, will be reduced of one third in 2050. Furthermore, the raise in the effective age of retirement of one year, could diminish of 20% the increase of public spending dedicated to pensions in 2050. The member states engaged that they will postpone the pre-retirement exits, reform the early retirement schemes and

[1] Council of the European Union (1982) Recommendation on Flexible Retirement Age (82/857/CEE), Council of Europe (1989) 'The flexibility of the retirement age', Strasbourg.

encourage active ageing. However, in many cases, progress is too slow to attain the objectives of Stockholm and Barcelona, what concerns the activity rate of the older workers (50% in 2010 against 38.5% today) and to raise of five years the effective age of retirement until 2010 (European Council/Commission, 2003).
Even through these new orientations are not constraining because each member state remains, according the principle of subsidiarity, autonomous in its own process of reform, this process may have an impact on the representation of the problem and its possible responses (construction of the problem, possible options of reforms, delimitation of what should be done and what should not be done anymore) (Palier, 2002: 57).

Case studies: Germany and France

I will retrace how a path of dependence has been progressively built in France and Germany, which today constrains the policy change. In both countries, governments rely on two complementary strategies to reverse the early exit trend: to introduce incremental changes progressively leading to the restriction of the early exit option, and to promote a paradigmatic change with the main key players that could legitimate and therefore facilitate the policy reversal. Finally, the EU may encourage the reform process, first by legitimising the necessity and the urgency of reforms, and second by proposing a common response to the problem.

Germany

In Germany, most of the early retirement measures begin at 60, therefore the activity rate is average for the workers aged 55-59 (56,5%) whereas it declines sharply for the workers over 60 (19.9% in 2000)[2]. The unemployment's risk is also five more important for the older workers and two-third of the long-term unemployed are between 55 and 59 years old (Bogai, 2001).
The eviction of older workers is become a kind of 'routine' in Germany: each time the economic environment is deteriorating, the practice of early exit from work increases. However, population ageing is one of the most acute in Europe and the financial pressure on the pension system increases the necessity to stop the use of early retirement schemes. In the long run, the companies would also have to adapt themselves to the ageing that could generate a penury of the workforce : according to the demographic projection, after 2010, there will be more workers older than 50 than of workers aged between 30 and 50. The proportion of workers younger than 35 will decline from 40% in 1999 to 33% in 2040, whereas the proportion of the workers older than 45 will increase from 33% in 1999 to 43% in 2040 (Rössel, Schäfer, Wahse, 1999).
Today, the German government seems to be shared between the problem of unemployment, that would legitimate the possibility to use the early retirement option, and the effects in the long run of this policy on the financing of the pension system and on the structure of the workforce. After a few attempts for restricting early exit through repressing measures, the current policy orientation is to externalise the costs of early retirement on the employees and the employers, and to let them the choice. Furthermore, a few active measures of employment have been introduced for the older

[2] Bundesrepublik Deutschland, Nationaler Strategie Bericht Alterssicherung, September 2002.

workers (subventions and making work pay measures), which symbolise an evolution in employment policies toward older workers.

The elaboration of a routine labour shedding strategy

Since the 1970s, Germany faced persistent mass unemployment problems that became acute at times of external shocks, such as the oil price increases of the 1970s or German unification in 1989/90. Each time the country had to cope with unfavourable economic conditions, the welfare state became the main instrument of economic adjustment, by helping to reduce the labour supply (Manow, Seils, 2000: 265).
After the first oil shock, industrial employment declined dramatically leading to a rise of unemployment above one million persons. In the mid-1970s, unemployment and pension schemes have first been widely used to channel older workers out of the labour market. Three major routes out of the labour market before the legal retirement age (65) have been opened up. First, the pension reform of 1972 has offered the possibility of 'flexible retirement' at 63 without any actuarial reductions in benefits. Although this measure was introduced for reasons completely unrelated to labour market considerations, deteriorating employment prospects for older workers made the flexible option seem increasingly attractive. The second pathway was the option of disability pensions for those completely unable to work (*Erwerbsunfähigkeitsrenten*). Disability schemes have been especially used after two important court rulings (in 1969 and 1976) that hold that the definition of '*Erwerbsunfähigkeit*' must also take in account the situation on the labour market and the difficulty for a worker to find employment in his profession because of the economic recession. Disability scheme became progressively the main pathway toward early retirement: the number of beneficiaries between 55 and 59 years old passed from 26.000 in 1975 to 56.000 in 1984 (Myles, Quadagno, 1991). The third path to early retirement was the 59er rule. This provision was, because of its cost, mainly used by large companies as a mean to reduce staff by restructuring. The 59er rule established the right to claim a pension at the age of 60 after one year of unemployment. Companies usually offer workers aged 59 or younger the possibility to top up their unemployment benefits to the level of their last net earnings until the employee can draw a pension.
The same process repeated again after the second oil price shock, what led to another decline in manufacturing employment, and another million job losses. The welfare state has been highly solicited and the increase in unemployment in the beginning of the 1980s threatened to turn in a fiscal crisis of the welfare state. It led to a rapid growth of the social contributions, and forced the government to engage in reform of health and pension insurance in Kohl's second term. In the field of pensions, the reform adopted the same day the Berlin wall came down with a broad majority in the Bundestag, changed the basis for indexing pension from gross to net wages. Furthermore, a gradual diminution in early retirement was planned for the period after 2001, when the economic situation would supposed to be more favourable (Rüb and Nullmeier 1991). In the same way, the government tried to reduce the costs of early retirement, since it appeared to be impossible to stop the trend of early exit from work in the context of economic recession.
In 1984, the government introduced the Pre-Retirement Act (*Vorruhestandgesetz*) that was meant to be a substitute of the costly 59er rule. It gave employers the possibility to let workers go at age 58 and pay them between two (for women who legally retire at 60) and five years (flexible retirement age is 63) incomes equal to at least 65 percent of their last net wages. The law also provided a public subsidy of up to 35

percent of the retirement wage in case a vacant position should be filled for at least two years by a registered unemployed person or trainee. However, this option was more costly for employers and less generous for employees than the 59er rule. The Act only concerned 165.000 workers between 1984 and 1988, and then it expired (Jacobs, Kohli and Rein 1991).

This scheme has not been successful, even though the government tried to restrain at the same time the interest for the 59er rule. In 1982, the government had forced firms using the 59er rule to pay back unemployment benefits for former long term workers dismissed at age 59. In 1984, employers were also forced to repay pension and health insurance contributions paid out by the labour office on behalf of the unemployed. However, employers did not accept these new rules and decided to challenge this provision on court. After protracted legal battles, the employers' repayments became insignificant. The employers' obligation to pay back social insurance contributions was abolished in 1991, and the 59er rule remained the main pathway of early exit.

Face with this opposition, the government abandoned its decision to restrict early retirement. In the second half of the 1980s, it even decided to extend the entitlement to unemployment benefits for workers 54 and over. Since 1987, these workers have been able to receive the standard unemployment benefits (*Arbeitlosengeld*) for 32 months, whereas it was before limited to 12 months. Given the longer period of eligibility for unemployment benefits, workers would now leave the labour market at 57 and draw a long-term unemployment pension at 60. The 59er rule became a 57er rule. Furthermore, the beneficiaries of this measure, who are the long-term unemployed, do not have anymore to register at labour offices, and do not appear any longer in the unemployment statistics.

The third pick in the use of early retirement has been the German reunification, which took place in October 1990 and was accompanied of a deep decline in employment. Another time, the main response was brought by the welfare state, and early retirement became widely used after 1991. One pre-retirement scheme had already been introduced by the communist government, but its use increased after the reunification. Each older worker eligible during the period between February and October 1990, could draw a preretirement pension. About 400 000 older workers in post-communist preunification east Germany have left the labour market in this way (Manow and Seils, 2000: 293). The unification treaty replaced this scheme, which had been financed out of the federal budget, by a 'transition allowance' (*Altersübergangsgeld*) financed by the Federal Employment Office. For unemployed workers 55 and over, the benefit amounted to 65 percent of their last net income and was granted for five years or until the claimant could draw a regular pension. This scheme was used by around 600.000 workers. Totally, one whole generation of older workers has been concerned by these pre-retirement schemes during this period.

How to reverse the early exit trend?

Early exit policy is increasingly criticized, first because of its cost, and second because it appears impossible to continue this practice whereas the pension reform process necessitates to lengthen the active life. This policy change is particularly difficult because this policy is supported by the social partners and by the population. Employees would like to retire as early as possible, and the earliest seems to be the best *("Je früher, desto besser*) (Kohli and alii, 1989). According to a recent study (2000), 52% of workers would like to stop working at 60, 14% at 63, 23% at 65 after the legal retirement age (Naegele, 2002).

In the 1990s, different measures have been introduced for diminishing the costs of early retirement, by reducing the pension amount or by increasing the contribution paid by the companies. The objective was to diminish the financial participation of the German welfare state. In the late 1990s, the strategy of the government changed, it proposed less repressing options, and rather introduced incentives for encouraging the participation of the older workers in the labour market.

The first initiative was to raise the legal age of retirement. Indeed, the German pension reform reached by all parties in 1989 foresaw a gradual raise in the female retirement age to 65. Furthermore, the more contested reform in 1996 introduced an increase in pre-retirement age from 60 to 65 for the long-term unemployed by 2001. Early withdrawal from work is still possible at 60 (for women) and 63 (for men) but it is become more costly for the beneficiaries. Workers, who retire before 65 cope with actuarial cuts representing 0.3% of the pension amount for each month spent in early retirement. For a worker leaving the labour market at 60, the lost represents 18% of the amount of the final pension. This decision has been contested, insofar as it induces important cuts for the beneficiaries, although the decision of early retirement is not always a personal choice but may have been imposed by market pressures.
The German pension reform of 1992 introduced rules for gradual retirement by allowing part-time jobs to be combined with partial pensions during five years before the legal age of retirement. In 1998, the possible period of partial retirement has been extended to ten years. These new part-time jobs are enacted on the initiative of the social partners in 1996 (*Altersteilzeitsgesetz*) and are complemented by collective agreements that cover a part of the pension cuts and guarantee at least 85 percent of the last net wages. The law's intention was to introduce a gradual transition, but in most cases the five years half pay/ half pension is used to finance a first period of full-time working and then the remainder as full retirement, thus de facto leading to full retirement at 62.5. The so-called 'block-model' concerns 90% of the workers (Naegele, 2002). Consequently, gradual retirement has been transformed by the companies in another scheme of early exit.

For a long time, only a few measures aimed at the reintegration of older long-term unemployed, these concerned essentially wage subsidies and job-creation schemes (Bogai, 2001). Older job seekers (55 and over) also belong to the target-group, who are particularly difficult to place in the labour market, and employers may receive subsidies if they employ an older jobseeker, which are presented as a compensation for a lower performance. Additionally, the integration contract gives the employers the possibility to employ a long-term job seeker for a limited length of time.
Since summer 2000, a new initiative, called *'50 plus, die können es'* has been launched by the federal labour office to promote the reintegration of the older unemployed. This program is based on both public and in-company awareness campaigns and special activities to train older jobseekers. The intention was to promote the competences of the older jobseekers, especially the engineers, and to respond to the growing lack of skilled workers, that will further increase in the next years with the demographic evolution. However, the impact of this program has been disappointing.
Finally, in January 2003, a new law, issued of the proposition by the Hartz Commission, composed of parliamentary representatives, social partners and experts, has been adopted and encourages the reintegration of older jobseekers.

The proposition, included in the report by the Hartz Commission, *Moderne Dienstleistungen am Arbeitsmarkt* (2002), was ambivalent, insofar as it joined two opposed measures, that have been presented as 'complementary'. The first proposition was to introduce a kind of making-work-pay strategy. Older jobseekers aged 55 received subsidies from the federal labour office if they accepted a job with lower wages than their previous one. This could be cumulate with subsidies for the employer, who accepted to employ an older jobseeker. Furthermore, the possibility of employing an older worker for a limited length of time has been extended. By contrast, the second proposition introduced a 'bridge system' for the older workers aged 55, who chose to leave the labour market. The contradiction between these two measures has been denounced: on one hand, it encouraged older jobseekers to remain in the labour market, on another hand it promoted the possibility of an individual choice between pre-retirement and work. The main critic was that it introduced a different treatment between the white collars and the blue collars. Indeed, only these one who beneficiated from high wages and could save on their own a complement to the public pension, would have had the possibility to use the bridge system, whereas the other ones would have continued facing the risk of unemployment. According to a policy-maker, "the bridge system was an option that offered the possibility to the white collars to be dispensed from the problem of unemployment. It was perceived as a special option for this privileged social category"[3]. This ambiguity has been highly criticized and finally the second measure has been retired. The adoption of this law only concerned the measures of making work pay for the older workers.

Even though the transformations are incremental, they reflect the aim to reverse the early exit trend. This evolution may partly have been permitted by the implication of the social partners. In march 2001, the Alliance for jobs has announced a paradigmatic shift (*paradigmwechsel*) prevailing active employment policy for older workers. The agreement aimed at increasing the participation rate of older workers by both preventing older workers from becoming unemployed, essentially by promoting further vocational training in terms of life long learning, and by promoting the reintegration of older jobseekers – therefore they agreed to a decrease in the qualifying age for integration subsidies from 55 to 50 (Gemeinsame Erklärung, 2001).

Do the EU's orientations facilitate the policy re-orientation?

Some references to the EU about this issue appear regularly in the administrative reports. They recall the European orientations but remain most of the time vague. The German social policy is still autonomous, according to the principle of subsidiarity, and it does not seem a priori that the EU could influence the national policy orientations for the older workers.
In the field of the European employment strategy, the Commission has regularly recommended to the German state to give more attention to the integration of the older workers. This orientation has taken more importance with the concerted strategy of pension reform, that also insists on the importance of active ageing (financial incentives for employers and employees, specific program for old unemployed people, lifelong learning in order to preserve the ability to work) (Bundesrepublik Deutschland, 2002).

[3] Extract of interview, 16.01.2003, translation.

However, there may be a problem of diffusion of information between the European and national levels, insofar as the representatives at the European level do not have many contacts with the direct persons in charge of the policies[4]. Indeed, interviewing national policy-makers in charge of the employment and pension policies has shown that they do not often have contacts with the German representative at the EU level. What could appear as a lack of coordination, may be interpreted differently. Most of the national social policy-makers, especially in the field of pensions, esteem that because of the principle of subsidiarity, they remain completely autonomous in the policy process and the EU does not have to intervene.

The German representative of the social protection committee[5] explained that this point of view begun to change: “At the beginning, they (pension policy-makers) esteemed it was not necessary to create a process of coordination at the European level, because they were afraid it could diminish their prerogatives. However, the economic representatives have taken more and more in account the social issues and have imposed their point of view thanks to their institutional force. Nowadays, the social policy representatives begin to understand they need to be present at the EU level. But, it will take some time more. What can decide them is that a redistribution of powers is also operating at the German level, and the economic actors begin to participate to the process of pension reform. At the next negotiation, they will be there…” Even if the national social policy makers would have preferred not to intervene at the EU level in order to limit the extension of the European action, they are now forced to participate at the EU level in order to defend their interests in front of the economic actors, who are becoming even more powerful at the European level, and consequently at the national level.

Whereas there is not direct link between the European orientations and the national policy-makers, these one spontaneously recall them and include them in the process of policy making. First, the European orientations seem to delimitate the possible options of action. Both trade unions and employer’s representatives insist on this idea: ‘It is no more possible to develop early exit from work as an adaptation’s instrument, because it is contradictory to the European orientation’[6]. In the same way, a member of the employment and social affairs ministry explained that he insisted on this idea in the process of negotiation for the Hartz law, and explained that the creation of another early exit pathway was contradictory to the EU orientations[7]. Nowadays, the EU orientations doe not play a decisive role in the national policy re-orientation, but it may direct and limit the possibilities of action, and comfort the process of policy change. The German policy-makers know the European orientations and include them in the delimitation of the possible options of reform; it determines what should not be done anymore, and may influence the sense of the national policy orientation.

France

In France, as in many other industrialized countries, early exit from labour market has been an essential tool of adaptation to economic and social changes. However, by the late 1990's, the early exit strategy started to be called into question, first because of its huge cost, second because it was contradictory with policy developments in pension.

[4] Extract of an interview with Fritz Scharpf, Cologne, 13.11.2002.
[5] extract of interview, 23-11-2002, translation.
[6] Extracts of interviews : 20-01-2003, 22-01-2003, translation.
[7] Extract interview, 21-01-2003, translation.

In 1993, the period of contributions required to be entitled to a full pension has been increased from 37.5 years to 40 years for the private sector employees. Because the effective length of the working life was meanwhile diminishing, more and more workers were prevented to get the right to a full pension. Since governments plan to increase even more the length of contribution necessary to obtain the right for a full pension. Therefore, the process of reform of the pension policy may lead to the development of a new social risk concerning the older workers: if they do not have the possibility to work till the legal age of retirement, they will suffer from cuts in the amount of their pension (Palier, 2003).

The institutionalisation of a culture of early retirement

The first pre-retirement measure has been introduced in the agricultural sector in 1962 to facilitate the process of modernisation. The following year, in 1963, the FNE (*fonds national de l'emploi*) was created, transposing this innovation in the industrial and service sectors. The objective of this measure was to protect the older workers against unemployment and to preserve a 'social peace' during the process of deindustrialisation (metallurgy, naval construction, textile). At this time, pre-retirement was distributed parsimoniously in case of economic lay-offs, and was perceived by employees as a "shame". In the mid-1970s, with the rise in unemployment, early retirement rather appeared as the expression of an individual right, a specific protection for the older worker, who had the most important difficulties of reintegration after being laid off. With the introduction of two measures, the GRL (*garantie de resources licenciement*) in 1972, and the GRD (*garantie de resources demission*), the unemployment scheme institutionalised early retirement offered to the workers aged 57 years and 6 months in case of laid off or of dismissal. Pre-retirement became a new social status perceived as enviable because it guaranteed a generous income maintenance (80% of the last net wages) and a stable situation. This evolution of the social representation of early exit facilitated the institutionalisation of this new instrument of 'social treatment' of unemployment (Palier, 2002).

In 1982, the legal retirement age is lowered at 60. Furthermore, the social protection system now financially discourages the pursuit of activity after 60. The aim was not to restrict the phenomenon of early withdrawal from work but to diminish its cost, and even to develop a specific instrument for the employment policy. At this time, early retirement has been explicitly presented as a means to share employment between generations, what led to the introduction of the solidarity contracts of early retirement (*contrats de solidarité préretraite*) in 1982, offered to workers aged 55 and whom leave was replaced by hiring young jobseekers.

In the following years, different measures have been introduced, added to each others, or replaced by others perceived as more efficient. This process of accumulation led to the multiplication of the pathways of early retirement. In 1983, GRL and GRD are closed because of their increasing costs, that led to a financial crisis in the unemployment insurance scheme (UNEDIC). However, in 1985, a new benefit is created for the jobseekers aged 55 and over, which guarantees that they will receive the job insurance allowance at the full rate till the legal age of retirement. Furthermore, the job seekers, who are 57 years and 6 months old are dispensed of looking for a job (*dispense de recherche d'emploi*). The solidarity contracts of pre-retirement are abandoned at the end of the 1980s, but other similar schemes are created in the early 1990s to face the economic recession. In 1995, ARPE (*allocation* *de remplacement pour l'emploi*) is proposed to the workers, who have contributed during 160 quarters in exchange of hiring a young unemployed worker. In 1996, the ACA (*allocation de chômeur âgé*) is proposed to older unemployed who have the possibility to receive the unemployment insurance benefits at the maximum rate till 60 years, if they have contributed during 160 quarters. In 1998, the ACA (*allocation spécifique d'attente*) is created for the old job seekers who are not anymore covered by the unemployment insurance scheme and receive the unemployment assistance scheme's benefits. Furthermore, there are special early retirement schemes for the civil servants and the public enterprises (Electricity and gas industry, National railways, Post, Telecom, Paris metro), and others created by large private companies (Renault, Peugeolt…).

The early retirement phenomenon concerned more than one million workers between 1985 and 1995, with a maximum of 705.000 beneficiaries in 1984 (Balmary, 2001). Since the mid-1980s, experts denounced the cost of early retirement schemes, its inefficacity to protect the youth employment and the desequilibrium of the age structure of the workforce in the enterprises (Guillemard, 1986).
In the late 1980s, the government proposed new measures of employment policies to penalise the laid off of older workers and to encourage employers to hire them, but it aimed less at reducing the volume of early withdrawal from work than at fighting the effects of exclusion and stigmatisation for the older workers. However, the pension reform debate renewed this question in the mid-1990s, and increased the pressure on early exit schemes.

A weak implication of the employment policy

In 1987, the government created the Delalande contribution, that forced the employers to pay a 'contribution' to the unemployment insurance scheme, when they dismiss an employee over 55. Since 1992, the amount of this contribution varies according to the age of the worker: between one and six months of gross wages with a maximum for the workers aged 56 or 57. This rule does not seem to have an impact on the decision to lay off an older worker. Indeed, since 1994, employers prefer to use dismissal rather than early retirement measures, which are more costly and must be negotiated with the Ministry of Employment and Social affairs. The Delalande contribution is also accused of discouraging the employment of older jobseekers, even if there is an exception for the employees hired after 50. In December 1998, the amount of the contribution doubled for the enterprises of 50 persons and more, revealing that the practice of early retirement did not change.
A specific programme was set up to promote the reintegration of older jobseekers in the labour market. Since 1 July 2001, the new scheme called the "back-to-work assistance plan" (*Plan d'aide au retour à l'emploi, PARE*) is applied to all unemployed people covered by the UNEDIC. Parallel to this plan, the individualised back-up of job-seekers, which includes evaluation of skills and trainings, has been reinforced (*plan d'action personalise nouveau depart, PAP-ND*). The over-50s are considered as a targeted group, menaced to be locked out of the labour market. As a result of this new programme, the benefit specific to older workers that was created in order to let them wait to the official age of retirement without having to go back to the labour market (*Allocation de chomeur agé, ACA*) should have been suppressed on 31 December 2001. But many employees under 56 years had agreed to be laid off before the 1 January 2001, in the belief they would receive compensation until they reached

60. The social partners thus agreed in June 2001 upon the creation of an equivalent scheme for those unemployed workers. The main problem is that this category is the last one, which benefits from the decrease of unemployment: in 2001 the total number of jobseekers decreased of 17%, while the population of unemployed over 50 only decreased of 12% and that 2/3 of this category are unemployed for more than one year (COR, 2001).

Therefore, policy-makers face the difficulty of closing early exit schemes whereas the unemployment is still the main concern, and that early withdrawal seems to remain the main tool of adaptation to the economic variations. If they close early exit schemes, they risk a phenomenon of policy substitution, and the Jospin Government preferred to restrict early exit, by progressively closing the main early exit schemes and by replacing them by a new one, whom access is restrained to 'certain' employers tired by hard work conditions.

The Government decided to restrict access to the Special National Employment Fund programme (*allocation spéciale du fonds national pour l'emploi*), and the contribution paid by firms was raised in February 2001, increasing the direct cost of the early exit scheme. The Job Substitution Allowance Scheme (ARPE, *allocation de remplacement pour l'emploi*) has been closed 1 January 2003. In compensation, a new early exit scheme was set up by a February 2000 decree : the "early retirement for certain employees" scheme (*cessation anticipée d'activité pour certains travailleurs salaries, CATS*). This system is implemented by sector and company-level agreements, and makes workers eligible for a full or partial early retirement from the age of 55, for a maximum of five years. This scheme has been created with the aim to target the access of early retirement to workers, who had difficult working conditions; as 15 years of successive shift work or production-line service, or more than 200 nights shifts a year over 15 years, or if they are disabled.

The inherent difficulty of this policy change is that restricting early exit schemes does not mean that older workers will stay in the labour market. Indeed, while there is a slight reduction in total early exit schemes, it has been largely offset by the increase of DRE *(dispense de recherche d'emploi)*, the exemption from seeking employment, a category which now represents 70% of all inactive workers of 55 and over (Jolivet, 2002).

The pension reform process

In April 2000, Lionel Jospin created the Pension Steering Committee (*Conseil d'orientation des retraites, COR)*, composed of parliamentary representatives, employees' representatives and experts. Its task is to prepare the ground for the next pension reform, with the political aim to preserve the PAYG pension system. Therefore, the Committee does not include in its examination the question of pension funds development. MEDEF was opposed to this orientation, and refused to take part to the discussion, what biases the process of consultation and prevents the elaboration of a large consensus.

The practice of early retirement is becoming even more problematic in the context of the population ageing, and the Pension Steering Committee has highlighted its impact on the financial sustainability of the public pension system.

According to the demographic projection, there were 44 retirees for 100 workers in 2000, but there will be 83 retirees for 100 workers in 2040. Furthermore, because of a raising life expectancy, when a person will retire at 60 in 2040, pension schemes will have to pay a pension during 26 years for a man and 31 years for a woman. This demographic evolution induces a raise in the pensions' costs. Public pension expenditures represented in 2000 11.6 per cent of the GIP, and the level of the expenditure would increase between 2 points in 2020 and 4 points in 2040 (COR, 2002).

The early exit trend strengthens this financial pressure on the public pension system. In 2001, six different early exit schemes were still proposed (ASFNE, ARPE, CATS, CFA, ACA, ASA), and concerned around 550 000 persons. Most of the workers definitely stopped working at 58, and less than the half of private sector earners were still employed as they retired. The activity rate was only 32% for men between 55 and 64 years. While the period of contributions required to become a full pension is increasing from 37.5 years to 40 years, the effective length of the working life is diminishing. According to the demographic studies, the working population over 55 will increase from 2.4 million people today to 4 million people in 2010. If people continue to retire early, the financial costs will rise (COR, 2002).

The main proposal of the COR, to face the population ageing, is to rise the effective age of retirement, and to increase the activity rates amongst workers over 50, so that the increasing period of contribution does not mean a diminution of pensions. The Committee underlined that a pension reform that would not be accompanied with an active employment policy, would correspond to asking employees to work longer without giving them the possibility to do it, and therefore either to increase period of early retirement or unemployment at the end of the working life, either to oblige workers to stop working before they could obtain the right to a full pension, and then to impose a diminution of the amount of pension. The pension steering committee esteemed that "the main delay in French pension policy concerns the elaboration of employment strategies for older workers", and proposed to launch an active employment policy targeted on workers over 50, that would include an information campaign, a programme of lifelong learning, the restriction of early exit schemes and the development of gradual retirement and pre-retirement schemes (COR, 2002).

Among the pension steering committee, a consensus seems to have emerged on these points, and different trade unions agree to the restriction of early exit schemes and the use of gradual retirement and pre-retirement as a transitory measure, which would progressively lead to a raise of the effective age of retirement. However, there is not yet an agreement on an immediate raise of the legal age of retirement. First, older workers have to be maintained in employment until they reach the legal age for a full pension. Once this has been achieved, discussions could be opened rising the pension entitlement age above 60.

Some trade unions are in favour of retirement *à la carte* (CFDT, CFE-CGC, and CFTC); while CGT agrees to it under the condition that it would be a real choice for employees without pressure from the employer, and FO refuses a completely individualised retirement age, because it could indirectly diminish collective rights and power of negotiation of the employees' representatives. Different trade unions agree to the decision to restrict the use of early retirement, and to gradually close early retirement schemes. However, they want to preserve the option of early retirement, especially CGT, which esteems that it is still an important instrument of protection for older workers, who are the first one menaced of dismissal in case of economic difficulties. CGT also fears that closing early retirement schemes would have some repercussions on the younger workers' employment conditions. CFDT agrees to this policy change, because it esteems that it is unfair to finance through public subsidies the regulation of the workforce, and argues that companies are not anymore

legitimated to externalise these costs, and so on should finance early exit schemes by themselves if they want to use this instrument. The position of CFDT reflects its doubt about this policy change. In fact, restricting early retirement public schemes does not mean that the practice of early exit will disappear, but that the costs of early exit schemes should be internalised and financed by the companies themselves.
Furthermore, CFDT wishes a gradual implementation of this policy change, because early exit are becoming very popular among wage-earners: "The paradox is that today wage earners who can benefit from these measures are asking for them. And those one who did not benefit them yet, only fear they will be the first generation who won't retire before 60. We will have to manage the transition and to find solutions to avoid an abrupt break between today situation and tomorrow" (COR 2001). CFDT proposed two measures of transition : firstly to give the possibility to workers that contributed for 40 years to stop working, completely or gradually; and secondly to introduce new early exit schemes targeted to employees, who had hard working conditions.
These different points of view reflect how ambiguous this consensus is amongst the trade unions. The other problem is that MEDEF does not take part to the Pension Steering Committee's meetings, and although it is promoting the retirement "*à la carte*", and even proposed to increase the required period of contribution for a full pension to 45 years, it does not mean that employers would agree to integrate older workers and to cease using early exit schemes.

The Raffarin government will have the difficult task to implement the next reform, and decided to begin the negotiations with the social partners at the end of January 2003. The government plans to align the period of contributions of public sector's employees to these one of the private sector's employee. As for early exit schemes, the Raffarin government also supports the development of active strategies for older workers and proposes to introduce a system of 'bonus' and 'malus', the older workers who would decide to work longer would obtain some advantages, whereas these one, who stop working before the legal age of retirement would face cuts in the pension amount. The result of the negotiations that are now in process depends of the positions adopted by the employers and employees representatives. MEDEF agrees for both of these options and declared on November 2002, that it was necessary to increase the period of contribution: "All the studies show that if the period of contribution is not increased of six or seven years, the PAYG system will explode"[8]. Trade unions are also preparing the negotiation, and CGT and CFDT declared they will try to minimize their disagreements about the pension issue, and to elaborate an agreement with other ones, UNSA, CFTC and CFE-CGC[9]. CGT and CFDT agree to the necessity to reform the PAYG pension system, including both public and private sectors' employees, and try to unify in order to increase their power of negotiation face to the government and MEDEF. However, so far the negotiations are, all the trade unions, and even CFDT, that is normally the first trade union trying to build a compromise, are opposed to the propositions of the government, because they esteem that the plan only contains measures of retrenchment. Trade unions would only accept a compromise under the condition that the measures of retrenchment should be accompanied of compensations for the workers.

The EU's influence

[8] „Retraite: Le Medef veut allonger de six ans la durée de cotisation », Le Monde, 30 novembre 2002.
[9] Claire Guélaud „CGT et CFDT cherchent à minimiser leurs désaccords », Le Monde, 20-12-02.

Even if there is no direct influence of the EU on the French reform process, some clues may let think that the EU becomes increasingly present in the intellectual process of policy change.

In France, the EU orientations are increasingly present in the Newspapers as well as in the administrative reports. The first report of the Pension steering committee included a chapter explaining the EU orientations and the situation of the other European countries (COR, 2001). Furthermore, during the three public workshops organized by the Committee since 2001, recurrent references have been made by the national policy-makers to the EU objectives concerning the older workers and to the position of France at the queue of the European classification. Furthermore, the European orientations are diffused by the national experts. One of them, Anne-Marie Guillemard, which is considered as one of the main experts for the older workers' issue, insists on a paradigmatic change by presenting examples of good practices in other European countries, especially Finland and the Netherlands (Guillemard 2002).

This comparison with other European countries and with the information collected by the EU contributes to the elaboration of a diagnosis: France appears as one of the 'bad scholars' in the EU, and seems to be late in its policy towards older workers. In this way, the EU discourse's may appear as an intellectual support that may be interesting for the French policy-makers insofar as it presents the same political orientations as these one wished by them: to close early exit schemes, to encourage workers to remain active longer thanks to active measures of employment and lifelong learning.

The resource of European good practices let imagine other policy options and new orientations to stop the 'vicious circle' of the early exit.

However, if the EU orientations are diffused by the national experts and the policy-makers, they do not appear so clearly in the discourse of the trade unions. In the COR's process of consultation[10], the EU's orientations are rarely recalled. One interpretation could be that trade unions keep the EU's orientations in mind and that there is no need to recall them. Another one is that trade unions are reticent to these orientations insofar as they fear that the EU's orientations may lead to downward the French pension model, and contribute to legitimize the introduction of measures of retrenchment. Trade unions (especially CGT) often claim that there is not one unique option of reform – contrary to the political discourse - and that other alternatives are still possible. The main idea, that was also defended in the Teulade report (2000), is that it is a bad policy orientation to increase the contribution length in a context of high unemployment and of low activity rates among workers over 50. It would be possible to preserve the current pension system insofar as the demographic ageing induces a diminution of the number of children, and consequently a diminution in the cost of the family policy, and also a decrease in unemployment (and therefore a diminution of the unemployment expenses). They criticize this political discourse of the 'unique' option, insofar as it is a way to legitimize measures of retrenchment. Referring to other European 'good practices' reinforces the idea that there only one possible orientation. On one hand, the construction of a European social model could be positive, insofar as it could let preserve some common principles, on another hand the trade unions remain in a national perspective and react against the measures of retrenchment that develop through European countries, and resist also maybe because the European perspective may in the long run diminish their power of negotiation at the national level.

[10] Participation to the COR's meetings since 2001.

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Questioning early exit schemes in name of the demographic ageing refers to two current trends that deeply modify social protection systems: to contain the costs of the social protection system and to prefer active labour market measures to passive transfers. Early exit has been criticized for its cost for years, and the decision to change this policy is not surprising. Even though this policy field is particularly deep institutionalised, policy makers are nowadays opting for a path departure through incremental changes. In Germany, the government progressively reduces the option of early exit, by raising the retirement age, introducing cuts in the pension amount, and limiting its subventions for the early exit schemes. It also begins to introduce making work pay strategies for older workers and to develop lifelong learning. In France, the Jospin government restricted the option of early exit, by progressively closing the main early exit pathways and by limiting early exit to 'certain' workers. The pension reform process also takes in account the question of early exit, that is presented as "catastrophic" by the current minister of social affairs, François Fillon. The next pension reform will include measures that will discourage the use of early exit.

Whereas this policy change is slow and discrete, it becomes more present since it is supported by the European Union. Active ageing is one of the principal orientations in order to preserve adequate and sustainable pension systems in Europe. The EU's implication may also become a resource for the national policy-makers, that would increase the legitimacy of the policy change. At the European level, the exchange of information and the evaluation of good practices will also contribute to the definition of policy re-orientation. This process of cooperation may facilitate the elaboration of what could be called a cognitive harmonization, the progressive construction of a common representation of the problem and of the possible responses. As far as the national governments engage in this process, it will be difficult to continue to use at a large scale early exit schemes.

This policy change is now in process and it is too early to evaluate its implications for the situation of the older workers. However, it is possible to formulate some hypotheses about the impact of the policy re-orientation. For three decades, the welfare state has offered to older workers a privileged status. Older workers have benefited from a specific protection against unemployment, that was considered as deserved with regard to the principle of seniority. Even if active ageing is presented as an improvement for this category of workers, insofar as they won't be anymore excluded from the labour market, it may also have negative consequences. This policy re-orientation may lead to the apparition of new social risks at end of the working life: If the legal age of retirement is raised, whereas the effective length of the active life continue to diminish, they will suffer from cuts in the pension amount. Without the specific protection of pre-retirement, they risk to be more often concerned by unemployment at the end of their career. If the 'making-work-pay' measures developed, also inducing as in Germany the possibility to employ an older worker for a limited length of time, it would mean that older workers will have to cope with less secure employment. Finally, opinion polls show that older workers would like to stop working as early as possible, and that a majority of them prefer receiving a less generous pension than working longer. Policy re-orientation does not exclude this option, and tends to increase the importance of the individual choice. It could lead to the instauration of two pathways toward retirement: some people who have the possibility to save money on their own would continue to retire early whereas the other ones would try to work as long as possible.

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