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MEN'S LATE CAREERS AND CAREER EXITS IN ESTONIA

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Abstract. The paper will compare the labour market moves of male late career workers in Estonia in the 1980s and 1990s. The question asked here is whether and to what extent the social and economic changes affected the intensity and directions of job moves of late career workers and also their labour market exit patterns. Another question posed here is the role of both individual as well as structural factors in the process of older workers' adjusting to the new labour market situation. We will study older male employees' careers from a longitudinal perspective concentrating not only on labour force participation rates and early retirement, but on mobility patterns in old age. We will broaden our research on the question how Estonian institutional settings mark life courses in old age. The analysis is based mainly on data from Estonian Family and Fertility Survey and Labour Force Surveys.

Keywords: late career, exit to retirement, older workers

1. Introduction

The ageing of the populations in European countries is giving rise to substantial economic and social problems. Reduced inflows of younger workers into the labour market and the longer retirement periods with increased life expectancy have altered the age structure on the labour markets and have put pressure on the retirement systems (Auer, Fortuny 2000). Previous policies of reducing labour supply by early retirement are increasingly affected by the need to prolong working life. As labour market participation and employment fall with age, demographic ageing increases the need for efforts in raising the employment rate of older workers. The 2001 Stockholm European Council agreed "to set an EU target for increasing the average EU employment rate among older women and men (55–64) to 50% by 2010" (Employment in Europe 2003). The Barcelona European Council of March 2002 then concluded that efforts should be stepped up to increase opportunities for older workers to remain in the labour market.

Economic and social reforms in Central and Eastern Europe have had a profound impact on the population development trends. The fertility rate has declined and economic crisis resulted in the shortening of life expectancy. The combined effect of these two factors has contributed to a rapid ageing of the population. According to the United Nations demographic projection the average share of males aged over 50 equalled 26% in Estonia in 2000 and is expected to reach 38% in 2030 while the average share of women aged over 50 will grow from 36% in 2000 to 47% 30 years later (United Nations 2001). The growing old-age dependency ratio shows that the working-age population is expected to support an increasing number of old people (Fortuny et al. 2003). These trends will call for an increase in economic participation of older persons in order to prevent future labour shortage in the countries of Central and Eastern Europe (CEEC), including Estonia.

The situation in these countries is more complex compared with other European Union countries because the development in the 1990s can be interpreted in two contexts: as a transition from state socialism to market economy, and as a movement from an industrial, Fordist model to a post-industrial, post-Fordist model which concerns all developed countries (Terk 1999). These two developments intertwined.

The socialist labour market was characterised by full employment, no open unemployment, strong regulations leading to high employment security and job stability. Even more, life-long employment with one firm or in one profession was supported by the system. However, very liberal reforms stimulated massive restructuring of the enterprises and intensive reallocation of labour**.** Liberalisation transformed firms into economic units. As a result, overstaffing was reduced, social provisions were relinquished and unemployment was unavoidable (Wagener 2002). The result was a sharp decline in the economic performance, i.e. in a short time the employment started to fall (Cazes, Nesporova 2003). The majority of employed persons have voluntarily or involuntarily changed their jobs. A certain proportion of the redundant workers have not been able to find a new job and remained long-tern unemployed.

The vast changes in the labour market affected different groups in different ways. One ambiguous group has been the older workers. At the start of the transition, working pensioners were the first group to be laid off everywhere, many countries introduced early retirement schemes to avoid the long-term unemployment of older worker (Fortuny et al. 2003). There were hopes that jobs vacated by older workers would increase employment opportunities for young labour market entrants. This led to a substantial drop in the average age at which individuals retire from the labour market, which was already rather low at the beginning of economic transition.

Also in Estonia, the sharpest decline in employment in the early 1990s could be observed among older workers. However, the numerous post-war immigrant cohorts reaching old age has considerably accelerated the ageing process of Estonian society, making it one of the most intensive in Europe (Põldma 2000: 257). In order to make pension systems more financially sustainable, the statutory

retirement age has been raised in many transition countries. However, the positive effect on pension system has been limited due to pressure to maintain early retirement schemes or use different pathways to retirement to solve unemployment problems of older workers.

The extension of working life in CEEC is very important because it provides decent income to the retired persons. Currently, low pensions push many older workers back to the labour market to earn additional income. A key challenge is now what type of policy should be used in order to promote higher labour market participation of older workers.

Cross-national studies of late career workers have focused mainly upon variation in the timing of labour market exit and the nature of exit (Kohli et al. 1991, Jacobs and Rein 1994, Ebbinghaus 2003). The growing literature has broadened the conceptualisation of retirement behaviour as the result of interplay between an individual's characteristics and preferences and a set of institutional rules. At the macro-institutional level retirement has generally been studied from two main perspectives. These are protection-oriented studies of "pull" factors that impact labour supply (welfare state etc) or production-oriented analyses of "push" factors that affect labour demand (economic factors) (Guillemard, Rein 1993, Casey 1996, Ebbinghaus 2000). In Estonia some comparative analyses have been carried out about the employment prospects and work ability of the ageing workforce (see, for example, Leetmaa et al. 2004, Tiit et al. 2004). The analyses looked at exit options from the labour market, such as pension system, early retirement, social assistance and unemployment benefits, which affect the participation of older workers in the labour market. However, most of the research has concentrated on retirement process and little attention has been paid to the career of older workers. We will study older employees' careers from a longitudinal perspective concentrating not only on labour force participation rates and early retirement, but on mobility patterns in old age. We will broaden our research on the question how Estonian institutional settings mark life courses in old age.

This paper compares the labour market moves of late career workers in the 1980s and 1990s – in time of labour market restructuring and increasing flexibility. The question asked here is whether and to what extent the social and economic changes affected the intensity and directions of job moves of late career workers and also their labour market exit patterns. Another question posed here is the role of both individual as well as structural factors in the process of older workers' adjusting to the new labour market situation.

The paper is structured as follows. First, it discusses push and pull factors at macro-structural level and cross-national variation in these factors. The next section describes the institutional context and general developments of Estonian labour market. The fourth chapter will present and analyse the key labour market data on older workers such as labour market participation, employment and unemployment in Estonia compared with other European Union countries. It will be followed by description of data and methods and the empirical results. The analysis is based on Census data and data from Estonian Family and Fertility

Survey and Labour Force Survey. The paper will be concluded by discussion of the results and a short summary.

2. Late careers of older workers: macro level push and pull factors

From the production-oriented push perspective, there are economic forces at work that influence the labour demand side. These factors have been held responsible for the need to promote early retirement (Ebbinghaus 2003). The decline of primary and secondary sectors, age-related skill profiles and mass unemployment are structural push factors that affect the demand of labour and the late-career employees' position in the labour market. Older workers' share in the declining industries and occupations tends to be comparatively high: they often work in the production and agricultural sector, while their share is quite low in the increasing sectors such as the public and social services. Many older workers are blue-collar workers. Especially older men are working in sectors and jobs that are shrinking and strongly exposed to rationalisation.

It has been mentioned that property changes in rural areas of CEE countries contributed to migration of younger and more competitive workers to the cities while leaving behind older or low-skilled workers with few employment opportunities (Fortuny et al. 2003).

High unemployment has put special pressure to reduce labour supply. The attempts to withdraw older workers from labour market have been connected with hopes that this might create new employment opportunities for younger job seekers. Early retirement was often legitimated by intergenerational solidarity: older workers would retire and open up job opportunities for younger people (Ebbinghaus 2000). Nevertheless, whether young and older workers are substitutes remains doubtful (Guillemard 1991). Since the earliest exit options are not conditional on replacement by a young job seeker, their impact can only be indirect.

However, the impact of these structural push factors on the mobility pattern of older workers will differ according to the organisation of production, employment and industrial relations in the country. There are two different ideal types of reactions of employers on structural changes (Buchholz and Hofäcker 2004).

First, employers may try to keep their workers by offering them retraining and requalification. It may imply re-allocation of workers within a firm and may promote intra-firm mobility.

Second, employers may dismiss their older workers and replace them with younger, better-qualified workers (Blossfeld, Stockmann 1999). The ability of firms to shed older workers depends upon a variety of factors. Important are employment policy (the ease with which firms can implement mandatory retirement or dismiss older workers without any penalty), educational policy (the skill gap between older and younger workers and retraining possibilities), production system and nature of employment relations (the existence of seniority wages and tenure that raises the cost of maintenance of older workers).

Employment protection may have an impact on older workers' employment and mobility patterns by constraining the hiring and firing of older workers. In countries where employment protection is low, the mobility between different jobs as well as exits to unemployment tends to be higher (Buchholz and Hofäcker 2004). Strong legal dismissal restrictions and seniority rules protect older workers. By protecting insiders these rules may have the opposite effect for outsiders because employers will not hire older workers due to these age- or service-related rules.

Push factors are often conceptualised according to the typology of production systems (Hall, Soskice 2001). In uncoordinated market economies workers tend to have low or general skills and turnover is relatively high. On the other hand, co-ordinated economies rely on internal labour markets with skilled workers and low turnover. Employees in this type of economies retrain workers and often use seniority wages to keep workers (Estevez-Abe et al. 2001).

One possible consequence of dismissal is that older workers should change the firm while staying in the labour market. In many cases the firm change is connected with downward mobility. Another alternative is the exit from the labour market before reaching retirement age. The choice between these two alternatives may depend on the existence of pull factors, which in turn depend on the institutional environment, first of all the welfare state regime. Very important is the existence of qualificational and occupational boundaries. Rigidity of labour market boundaries may create restrictions to move within the labour market and promote early retirement.

There are systematic differences across welfare regimes (Esping-Andersen 1996). Opportunities to bridge the transition period between withdrawal from work and retirement vary among countries. There is a variety of possible pathways (Ebbinghaus 2000). First of them is the institutionalisation of full exit from work at "normal" (in most cases statutory) retirement age[1]. The second pathway is partial pensions provided for a gradual transition from work to retirement. In addition, some governments introduced special early retirement programmes. Unemployment benefits or disability pensions[2] provided also a common pathway to retirement because these benefits made it possible to "bridge" the time from dismissal to normal retirement age.

The decision of withdrawal from labour market depends also on the pension replacement rate. If this rate is low, older workers may saty in the labour market because they need a labour market income. The rate at which pension rights accrue has an important impact on the retirement decision. If the pension accrual rate is low there are practically no penalties in terms of lower old-age pensions from

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[1] Although there is good reason to think that raising the statutory retirement age will raise employment participation rate of older workers it is not necessarily so. Empirical analysis has shown that in most OECD countries workers have left the labour market before reaching statutory retirement age. However, the statutory retirement age may act as a barrier for those older workers who remain in employment (Auer, Fortuny 2000).

[2] It is not always an intended pathway.

withdrawing from the labour market (Auer and Fortuny 2000). The duration of pension contribution may play a decisive role in pension systems where pension is contribution-oriented. Some other countries have included penalties for work beyond retirement age (Buchholz and Hofäcker 2004). The more favourable benefits and pensions are and the less continued employment pays off, the stronger is the tendency to quit work earlier.

Pull and push factors are often related. Figure 1 represents ideal patterns of reaction of employers and older employees on both types of factors. For specific countries these patterns are not exclusive but constitute a continuum where specific countries may cluster. One extreme is to maintain workers, another to shed workers. In real, single countries do not represent any of these ideal models but reflect a mixture of both with different preferences for one or the other side of the scale.

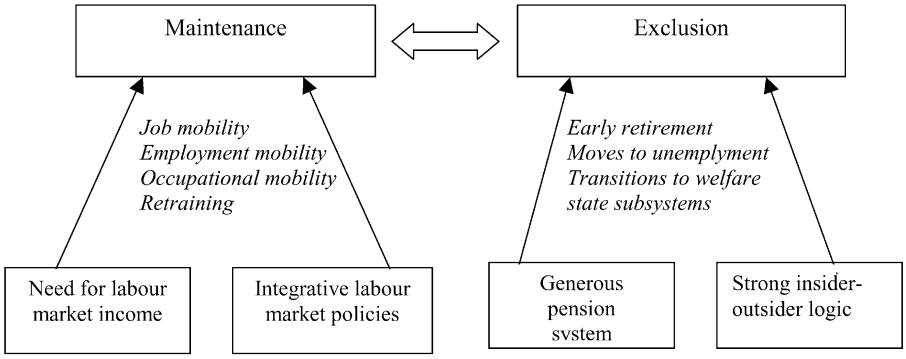

Figure 1. Ideal patterns of adaptation on structural changes

3. Regime typologies

The actual mobility pattern of older workers depends on different institutions, related to labour market as well as the welfare state. These institutions interact with each other leading to country-specific results. Most authors differentiate between four groups of countries (see Ebbinghaus 2000, Buchholz, Hofäcker 2004, Mayer 2004).

First, in liberal welfare regimes pensions tend to be relatively low and coverage limited. Older workers are forced to complement them with additional income from work. They may stay longer on labour market and continue work even beyond normal retirement age. For this, older workers may accept even low paid jobs, unacceptable for younger workers. Pathways to retirement are relatively limited. The importance of occupational pensions leads to high levels of inequality in old age. Low level of employment protection promotes a relatively high mobility of older workers between different jobs. Weak occupational boundaries facilitate employment and occupational mobility.

Table 1. Institutions and their impact on late careers

	Liberal	**Social democratic**	**Conservative**	**Familistic**	**Estonia**
Countries	England, Ireland, USA	Sweden, Denmark, Finland, Norway	Germany, Netherlands, France	Italy, Spain, Greece	
Employment protection legislation	Flexible employment relations; low EPL	Moderate (country-specific)	High EPL	High EPL, rigid labour market structures	Moderate EPL, discrepancy between legislation and implementation
Labour market boundaries	Low levels of standardization and stratification; high importance of on-the-job-training	Partly standardized systems with low to medium stratification; re-training programs	Strongly standardized and stratified educational systems; strong labour market boundaries	Moderate to high level of standardization and stratification	Partly standardized systems with medium stratification
Employment sustaining policies	Low involvement of the state; activating labour market policies	Active, employment supportive programs	Few active employment programs	Few employment sustaining policies; strong insider-outsider logic	Few employment sustaining policies; strong insider-outsider logic
Employment exit policies	Strongly privatized pension systems; low generosity of public pension; low replacement	Highly compensating universal pension system with strong public pillar; high replacement	Contribution-based pension systems; moderate replacement; strong early retirement incentives	Contribution-based pension systems; high replacement; strong early retirement incentives	Strongly privatized pension systems; low replacement
Exit pathways	Limited pathways	Gradual pathways	Multiple pathways	'Bridging' unemployment	Disability pensions as 'bridging' pension; limited pathways
Impact on late career workers	Moderate to high labour force participation; high rates of job-to-job / occupational mobility; high variance	Moderate to high labour force participation; relatively continuous careers; few early exits; low variance	Low labour force participation; strong tendency to early exit; few cross-occupational mobility; low variance	Low labour force participation; strong tendency to early exit; few cross-occupational mobility; high variance	Moderate labour force participation; high rates of job-to-job mobility; high variance

Sources: Ebbinghaus 2000; Buchholz and Hofhäcker 2004; Mayer 2004.

Second, social democratic countries provide multiple pathways to retirement. They maintain also an active employment policy by integrating older people into work through part-time work options and partial pensions. A similar trend of flexibilization of work pattern in old age has been established in liberal regimes. However, less due to market forces as in liberal regimes but through active labour market policies. Age at full retirement in these countries is relatively high with low variability in timing.

Third and fourth, in conservative and Southern European (familistic regime) countries multiple pathways with often generous pre-retirement benefits relied more on labour shedding. Rigid employment protection and an expensive seniority wage system push employers to induce early retirement, which has been institutionalised as a social right. Without a strong system of active labour market programs generous welfare state offers provide a strong pull effect and fosters early withdrawal of older workers from the labour market. Rigid labour market boundaries do not promote occupational mobility. Southern European countries are additionally characterised by a strong insider-outsider structure. Insiders are relatively shielded against the growing uncertainty and flexibility. The pressure of globalisation tends to create a new kind of underclass of the excluded (Mills, Blossfeld 2005).

4. Estonian institutional context

4.1. Developments in the labour market structure

Structural reforms have played an important role in shaping the dynamics of labour markets during the transition: liberalisation of trade and domestic prices, elimination of many state monopolies, privatisation of state enterprises, development of private sector, redefinition of property rights and legal and regulatory systems, etc.

Until the beginning of the 1990s, Estonian economy was part of the economy of Soviet Union and therefore closely bound up with raw material and product markets of the former Soviet Union. In comparison to Western societies, the economy was rather 'over-industrialised' with the industrial sector constituting about 40 percent of the total through all five decades. Thus, at the beginning of the transition period the employment structure in Estonia was not a result of natural (market-oriented) development but rather an artificially shaped structure proceeding from the economic needs of the former Soviet Union (Eamets 2001).

The transition process brought fundamental changes to the composition of employment by sector and by branches. The share of service sector increased dramatically, whereas industrial and agricultural sector rapidly decreased. Through the change in the labour market structure especially the blue-collar occupations were affected: the number of blue-collar workers declined by almost 1.5 times in 1989–1999, while the number of white-collar workers declined by less than one third (Pettai 2001). The changes in economic structure as in employment rate are reflected also in the occupation structure of different age groups. In 1989 the occupational

distribution of late career workers did not differ very much from the general distribution. They were slightly over-represented in agricultural occupations and also in elementary occupations, both of those occupational groups were also affected by the structural changes. In addition, in 1989 almost 38% of late career workers were occupied in group of skilled industrial workers, which has made through a rather dramatic decrease, which also drastically reduced the number of working places of late career workers in this group (to 25% in 2002). At the same time, within the group aged 50–69 the share of professionals has increased.

4.2. Labour market boundaries

In socialist period, educational certificates played a major role in accessing specific jobs and careers. But more important was status match, not skill match as for example in Germany. Planning guaranteed the provision of status-adequate job placements even without an appropriate skill match (see also Solga and Konietzka 1999). This allows individual flexibility between occupations, but at the same time hinders mobility between different qualificational profiles. It tends to especially restrict upward mobility. In the first half of the 1990s, the status matching process somewhat weakened. However, in the mid-1990s there was evidence of a new shift towards the strengthening of status match as well as skill match (for example, establishing national qualification systems). It should strengthen labour market boundaries and restrict job-to-job moves. The Estonian employment system has nevertheless been characterised as very open and flexible (Freytag 2002). At the same time, the Estonian version of its open labour market seems to have some distinct features related particularly to entry into the labour market and to the duration of unemployment. While open employment relations are characterised by a relatively easy entry into the labour market and shorter spells of unemployment, in Estonia, economically inactive people, especially younger and older age groups as well as women, have difficulties (re)entering labour market (see Helemäe, Saar 2003, Saar 2005). There is evidence of two groups of unemployed: one group flowing out from unemployment relatively quickly and another group who are unemployed for a very long time (Eamets 2001).

Besides the differentiation of labour force on outsiders and insiders, another important feature of Estonian labour market is the lack of opportunity to enter educational system or to get training over the life course (Saar 2002). The actual participation of older age groups in retraining and schooling programs stayed very low. During the Soviet time the return to education system at any point of time (especially at a later age) was often even not possible and those values seem to be carried along into the new market situation – in 1997 the majority of people over 40 considered themselves too old for studies (Vöörmann 2001). Adult Education Survey indicated that for the older age groups (older than 54) the participation rate in training was three times lower than for the 20–39 year olds (Helemäe et al. 1998). According to the same survey, retraining and schooling are accessible (both in terms of supply as well as means for participation) mostly for the white-collar

occupations, which lower the chances for fast and successful switch over to new market situation for those losing a job in industrial or agricultural branch. In addition, further training mostly covers the working population, the participation rate of unemployed and old age pensioners in retraining system is very low. No coherent national training policies covering adult training are currently available.

4.3. Employment and unemployment protection, employment security

Soviet-time labour market could be characterised by high job security and stability. Work experience and seniority served as the main elements in advancement and remuneration. These things changed dramatically when Estonia started its political and economic reforms on the way from planned to market economy. For example, the trade union membership declined from almost 100% to less than 20% by the end of the 1990s, the majority of them blue-collars. The reasons for decline can be searched in the privatisation process and the increased importance of small and foreign firms, where the union presence is generally rather weak. Also due to the sectoral shift from manufacturing, where traditionally unions were strong, to service, the importance and activity of trade unions declined (Varblane 2000). One additional reason is connected with views on trade unions as rudiments of Soviet system. At the same time, the relevance of trade unions has significantly decreased.

According to the employment protection legislation, among the CEE and OECD countries Estonia ranks somewhere in the middle. However, there is a general discrepancy between legislation and implementation (Table 2). As the trade unions and the role of government in the management of trade unions and employers' activities is weak, the violations by employers not enacting regulations are often not investigated and it lowers the actual employment security. This is also one of the explanations for high flexibility of the labour market.

Even in countries where the percentage of unionised workers is low collective agreements can actually cover a large share of workers. This is the case for example of France and Spain. In Estonia the coverage rates of collective bargaining (i.e. the proportion of workers that have their pay and working conditions set by collective agreement) is very low, even lower than the one in the UK.

Flexibility in Estonian labour market has been regarded as extremely high with only few entry and exit barriers (Arro et al. 2001). However, this is an employee perspective: one can also see it as the involuntary shift driven by employers' wishes (Täht, Unt 2002). Collective lay-off protection exists only to a very moderate extent. Thus the moved job security, introduced liberal dismissal policies and existence of no job preservation subsidies allows the employers a very fast response to any changes, but at the same time it often puts the employees into a rather insecure position.

On average, Estonia has shorter job tenure than the other European Union countries. The main cause for this difference is a much shorter average job tenure for older workers: in the old EU countries the average job tenure of workers above 45 is 18.2 years, whereas their counterparts in Estonia are exposed to greater job insecurity and their job tenure is 8 years shorter (Fortuny et al. 2003).

Table 2. Employment and unemployment protection in different countries

	Employment protection[a]	Trade union density[b]	Collective bargaining coverage[b]	Unemployment benefit replacement ratio[c]	Spending on labour market policies[d]	Spending on active labour market policies[d]
Conservative						
Austria	2.4	30	92	0.25	0.46	0.14
Germany	2.8	30	79	0.37	0.39	0.15
The Netherlands	2.4	27	82	0.70	1.30	0.55
France	3.1	9	95	0.59	0.28	0.12
Familistic						
Spain	3.2	15	83	0.63	0.14	0.05
Italy	3.3	35	70	0.42	0.16	0.10
Greece	3.5	33	…	…	0.09	0.04
Social democratic						
Sweden	2.4	79	92	0.74	0.50	0.26
Finland	2.1	79	83	0.54	0.35	0.12
Denmark	1.5	88	69	0.66	0.94	0.34
Liberal						
UK	0.5	29	39	0.17	0.17	0.05
Ireland	1.0	45	66	0.35	0.35	0.14
Estonia	2.3	15	29	0.10	0.02	0.01

[a] Employment protection is measured by the overall strictness of employment protection legislation in a country. Source: Riboud, Sánchez-Pármo, and Silva-Jáuregui 2002.

[b] Source: Employment in Europe 2003.

[c] Initial benefit level divided by previous earned income. Source: Riboud, Sánchez-Pármo and Silva-Jáuregui 2002.

[d] Spending per unemployed individual as a percentage of GDP per labour force participant. Source: Riboud, Sánchez-Pármo and Silva-Jáuregui 2002.

Readiness for changes, i.e. mobility and flexibility has become one of the pre-requisites for managing in increasing competition for work places and new requirements for skills. In the middle of the 1990s, experience loses its value as an advantage in labour market. The generations who had acquired their experience in the 'old' circumstances, found themselves in a situation, where previous experience was largely useless or even obstructive (Tallo, Terk 1998). The new market situation was more in favour of younger people. The greater job insecurity of older workers explains their fear of changes, readiness to stay in their current job even at the cost of a lower wage or downgrading.

The welfare expenditures on labour market measures, i.e. unemployment benefits, retraining opportunities etc. have been one of the lowest in Estonia in comparison to other CEE and OECD countries since their introduction. In 1998, the average expenditure on passive labour market measures in OECD countries

was 1.4%, whereas in Estonia the expenditure was only 0.16% of GDP (Riboud et al. 2002). Similar low level of expenditures, i.e. 0.08% of GDP in 1999 is characteristic also of active labour market measures, whereas for example the OECD average was 0.92%. Older employed persons less frequently participated in active labour marker programs. In 2000 the share of persons above 50 in registered employment was 17.7% but their share in these programs was estimated only at about 10% (Fortuny et al. 2003: 43). Their employment rates after programs have been lower compared with younger age groups.

The replacement rate of unemployment benefits has also been one of the lowest in Estonia. Low expenditure on passive labour market measures result in low benefits – until the year 1999 unemployment benefits were a flat-rate payment with a replacement rate of about 10% of average salary (in 1999)[3]. At the same time, the same replacement rate for CEE countries was in average 50% and for OECD countries 60%. Also the duration of the benefits was rather short – until 1999 it was about 3–6 months (Riboud et al, 2002). Due to low replacement rate and strict eligibility rules many jobseekers were excluded from or not interested in registration. So Estonia relied mostly on the labour market to mitigate unemployment.

Low unemployment benefits were introduced with an intention to create an "incentive" for the fast return to labour market. However, in case of failure of fast return, the danger of becoming excluded both economically as well as socially became rather high (Kutsar and Trumm 1999).

4.4. Welfare regime

The pre-reform statutory retirement age was fairly low. In Estonia, since 1956 the retirement age was set at 60 for men and 55 for women. In order to make pension systems financially more sustainable, the statutory retirement age has been raised in many transition countries in the 1990s. In Estonia, in the early 1990s the statutory retirement age has been revised and after a couple of reforms eventually equalised at age 63 for both sexes with a rise of 0.5 years annually. Nevertheless, despite this extension the statutory retirement age in Estonia has still and will remain below the EU average (Auer, Fortuny 2000).

Unlike younger workers, the late career workers have an alternative for staying, i.e. leave the labour market earlier. Early retirement schemes usually allow for the dismissal of workers before reaching the mandatory retirement age, while being compensated by only slightly reduced pension benefits in comparison to those gained from "formal retirement". For employees, early retirement may be perceived as a possible means to gain leisure time while at the same time retaining an adequate standard of living or to escape from the unemployment at the end of their careers (Bucholz, Hofäcker 2004). There has been mentioned that in transition countries the early retirement policy was used as a substitute for welfare and unemployment benefits (Müller 2002).

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[3] The unemployment benefits system was changed in 1999.

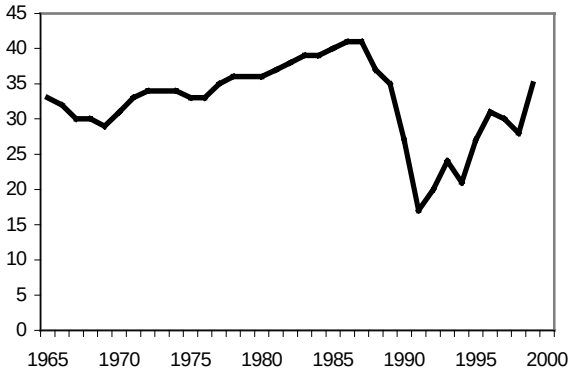
Both during the Soviet time, as well as after pension reforms in the 1990s, there existed special conditions for retiring earlier. However, to a great extent those options were limited to certain professional groups (e.g. pilots, mariners, miners, some groups of artists), positions and parents of disabled or many children. The State Pension Insurance Act in 1998 first provided a possibility of early retirement up to 3 years before the statutory retirement age. However, the early retirement will be penalised by the decrease of the pension by 0.4% per each month. In 2000, 24% of all paid pensions classified as early retirement pensions. Before holding early retirement pension, more than 80% of those were unemployed (Leppik, Kruuda 2003). At the same time, a deferred old age pension for postponing retirement has been introduced providing about 0.9% each month of continuing working without drawing pension. In the early 2002, nearly 16% of the total number of old age pensioners received old age pension on favourable conditions under legal provision. Also disability pensions have been quite frequently used. In 2000 the share of disability retirements in total new retirement formed 34% (Fortunyi et al. 2003: 36). It has caused quite an extensive outflow of mainly older workers. As Fortunyi et al. (2003: 42) mentioned, labour offices are sceptical about the employment chances of many older jobseekers and therefore they often give up intensive job search assistance and provide older workers an offer of early or disability retirement.

While part of the Soviet Union, Estonian pension system operated as PAYG-system. Pension was calculated from the reference wage of monthly earnings received in the last twelve months. It often led to workers' attempt to increase the reference wage during the last twelve months of employment by multiple appointments, change to blue-collar or other better rewarded job, etc. and so increasing job mobility of older workers. In 1992 the pension system changed – all old age pensioners received their pension in similar amount, depending only on the minimum wage. In 1993 a differentiation according to the length of employment was introduced. In 1998 the Parliament adopted the reform programme which aims at the three-pillar system[4] as most other post-socialist countries (Müller 2002, Ferge, Juhász 2004).

The replacement ratio of pensions has been and stayed rather low in Estonia since introducing the pension scheme (Figure 2). In 1956 the maximum pension was fixed and stayed fixed for more than 30 years. Due to the low replacement ratio, older workers usually preferred to retire and then collect both pension and earnings from work. The easiness of finding a job stimulated the work of pensioners while low pension level made it an economic necessity. In the beginning of the 1990s the replacement capacity decreased dramatically and stayed low through the decade – such a low level has not been observed since the 1970s. With their low income,

[4] Three pillars are: 1) pay-as-you-go principle state pension to insure the minimum standard of living, 2) compulsory funded private pension, 3) voluntary funded private pension. Shifting in old-age security reform to partial privatization of pensions is frequently connected to World Bank involment and has been interpreted as a close "analogue" to the Chilean-style paradigm shift (see for example Holzmann 2000).

pensioners have constituted the majority of lowest income deciles (Purga, Viies 1998). Relatively low replacement rates of old age pensions in the 1990s now also motivates older employees to stay in employment after reaching pension age. The motivation is even stronger considering that the legislation allows combining old age pensions with earnings from work without any limitations.



Source: Põldma 2000:260.

Figure 2. Pension replacement ratio in Estonia in 1966-1999, % average gross wage

The situation has been changing a bit throughout the 1990s and there are more and more pensioner-households in higher deciles. However, the situation is explained by the general increase of inequality in society, whereas the situation (income) of pensioners has stayed rather stable (Püss et al. 2001). Thus, becoming a pensioner still remarkably increases the poverty risk, although the highest risk for poverty is becoming unemployed or having an unemployed member in the household (Kutsar, Trumm 1999).

5. Hypotheses

5.1. Regime hypothesis

As Bucholz and Hofäcker (2004) mentioned, trends in post-socialist countries are hard to predict based on the existing institutional patterns because institutions are still undergoing transitions. Previous attempts to classify Estonian institutional pattern into different institutional regimes indicated the contradictions and the inherent dissonance of institutional rules operating for example in educational system and labour market (Helemäe, Saar 2001). Estonian institutional regime after big changes in the 1990s seems to be similar to the one in liberal countries by low levels of employment protection, as well as by the low level of old age income security. It will *foster job-to- job mobility until and even beyond formal retirement*

age, especially downward mobility. Older workers should stay in the labour market because they need labour market related income. But they might *accept less attractive occupations*.

Nevertheless, some features are close to Southern European countries, especially the quite massive use of early retirement schemes and strong insider-outsider logic. So we would expect *rather high rates of labour market exits through early retirement as well as quite intensive moves into unemployment*. Due to differentiation of outsiders and insiders *the return to the labour market should be rare.*

Estonia would reflect the mixture of maintaining and shedding older workers. In the vague and transitional situation the effect of individual characteristics (first of all personal resources) as well as characteristics of the working context on late career will increase.

5.2. Social change hypotheses

As stated above, late career workers faced a rather stable and secure labour market position during the Soviet time. The latter is also one reason for discrepancy between statutory retirement age and the actual time when people left labour market. Due to the vast extent of restructuring in economy and institutional settings in Estonia in the 1990s, the former rather stable status of late career workers in the labour market would have become more insecure and unstable, evident in *increase in the labour market mobility of late career workers as well as in exits of labour market due to unemployment and inactivity***.**

In the 1980s, the statutory retirement age provides legal right to receive a pension and therefore withdraw from the labour market. On the other hand, both rather low statutory retirement age as well as low replacement rates produced an incentive to stay in the labour market as long as possible. We suppose that the retirement in Estonia in socialist period was not clearly related to age (despite the statutory retirement age), but more *a personal process and part of individual career*. However, in addition to individual aspects, institutional factors should play an important role as "push" and "pull" incentives.

Due to the pension reforms in the 1990s (i.e. postponement of statutory retirement age, introduction of deferred pension, etc.), older people are rather expected and/or encouraged to stay in the labour market as long as possible. At the same time the new labour market situation, including the restructuring of industries with lay-offs of often older workers, increasing competition, new technologies and lacking skills, has been more younger worker oriented, meaning that both staying and returning to labour market is related to increasing risks and difficulties for older workers. Unemployment status creates a high risk of exclusion, which may on the other hand make it especially attractive to withdraw from labour market as soon as possible. Early retirement scheme is working in the same direction. We suppose *the increasing differentiation of older workers in timing of retirement and the decreasing rate of older workers continuing work after official retirement age in the 1990s.*

The main hypothesis for late career is that *there are increasing differences for different social groups both in terms of staying in the labour market as well as leaving it for retirement in the 1990s.* Balancing between the tendency to stay in the labour market or to leave it, is expected to result from various individual as well as institutional characteristics.

5.3. Social selectivity hypotheses

There were intensive structural changes in the Estonian labour market in the 1990s. Restructuring (deindustrialization and deagriculturalization) combined with the privatisation of the economy exerted a dual pressure on old workers' labour market behaviour during the 1990s. Industrial and agricultural workers, especially with low-skilled qualifications will show higher probability of moves into inactivity as well as into unemployment. *We expect workers in social service sector to have more stable careers in terms of labour market exits, but somehow higher rates of job mobility compared with employees working in transformative sectors.*

In individualist mobility regimes, workers gain stability through their own personal characteristics (DiPrete et al. 1997). We hypothesise a growth of educational inequalities in terms of the distribution of labour market risks. We suggest that the Estonian institutional environment channels uncertainties generated by structural changes unequally to the lower-educated groups of older workers. *In the 1990s, the risk of unemployment and dropping out of employment would be higher for the lower educated than for the higher educated. We do not expect a significant impact of education on the distribution of labour market risks and opportunities during the 1980s due to the high level of labour market regulation at the time.* We expect some kind of interplay between labour market opportunities and education to influence the labour market behaviour of older workers. For older workers whose labour market location was most endangered by economic restructuring, education was a very important resource to help avoid the risk of unemployment and dropping out of employment.

Tenure is often seen as workers' personal resource as well. Due to the importance of seniority in command economy, we suggest tenure to be an important predictor of labour market risks in the 1980s: the longer the tenure, the lower the risk of forced job mobility and exits from employment. In the 1990s one should take into account that massive increases in worker flows during the transition were driven by increases in job flows (Haltiwanger, Vodopivec 1999). So short job tenure might be an indication of (a) unfavourable labour market allocation (closed enterprises), (b) low level of personal resources (downsized and/or privatised enterprises) or (c) high level of labour market resources in the case of workers looking for a better job. *We expect older workers with short tenure to be both most exposed to labour market risks (moving out of employment as well as into unemployment) and most successful in taking up labour market opportunities (moving directly from job to job).* We expect job tenure to be of

great importance as a personal resource, according to individualist mobility regime patterns. An earlier analysis of midcareer men's mobility pointed to the division of the Estonian labour market between highly qualified, well protected, "core staff" and workers with lower qualifications who failed to successfully integrate into stable jobs (Saar, Helemäe 2002). Men with tenure lasting less than a year were the most vulnerable in terms of the risk of moving into unemployment, and we expect to find the same among late career men in the 1990s.

6. Data and methods

We combine two different data sets in our analysis: the Fertility and Family Survey (FFS) and the Estonian Labour Force Survey (ELFS) as well we use Census data to characterise tendencies in the labour market participation of older workers. The FFS provides detailed retrospective information on job histories from 1934 to 1997 of men born between 1924 and 1973. It covers a long time frame and allows the analysis of labour market exits to extend from the 1980s to the 1990s. The target population of the Estonian FFS also included the foreign-origin population (Katus et al. 2002). According to the 2000 Census, 17% of the Estonian population was first generation immigrants. We made the decision to include only the native population in our analyses in order to obtain a clearer picture about job mobility in Estonia. This is attributed to the fact that 38% of the foreign born population immigrated to Estonia after 1970 and that they likely had a work career in other countries or regions of the former Soviet Union. Our sub-sample therefore includes 416 men older than 50 years and 1,030 job episodes. We analyse two different transitions: (1) job-to-job shifts between firms (i.e. intrafirm mobility), (2) transitions out of employment. Job mobility has been modelled as competing risks with right censoring at the time of interview in the year 1997. Given the limited number of transitions from employment to unemployment, a substantive analysis of this process using the FFS data was not possible, as was the analysis of downward and upward moves.

We started our analysis with a description of labour market participation and unemployment rate of older workers (aged 50 and above) in Estonia in a cross-country comparison and as they developed in time. The rates will be compared with those of the old member states of the European Union. Our previous analysis has shown that differences between labour market cohorts were minor. Most important was the time axis (Saar, Helemäe 2002). So we compare job careers of older workers and their exit to retirement in different time periods (in the 1980s and 1990s). We use survivor functions and logistic regression models both to compare the risk of a respective event occurring (of job mobility, out-of-employment and into-employment transitions) by periods, and to identify factors of occurrence of these events.

7. Results

7.1. Labour force participation of older workers

Low pensions and legal framework which allowed combining pensions and earnings without penalties worked as incentive to stay in the labour market even after statutory retirement age already during the Soviet time. Around the 1970s there was a decline in the participation of older workers in the labour market. This decline reflected primarily the improvements of the pension system (Puur 1993). However, in the 1980s the growth of economic activity became prevalent, accompanied by a growing discrepancy between the actual and the legal age of retirement – in 1989 both men and women ceased working about 4.5 years later than the statutory retirement age (ibid.). By the time of statutory retirement age almost nine tenths of men and women were economically active and 5 years after this almost half of the older people were still working[5] (see table 3). Compared to the developments taking place in most European countries the Estonian case (increase in the economic activity of older workers) represents a deviation from the general pattern.

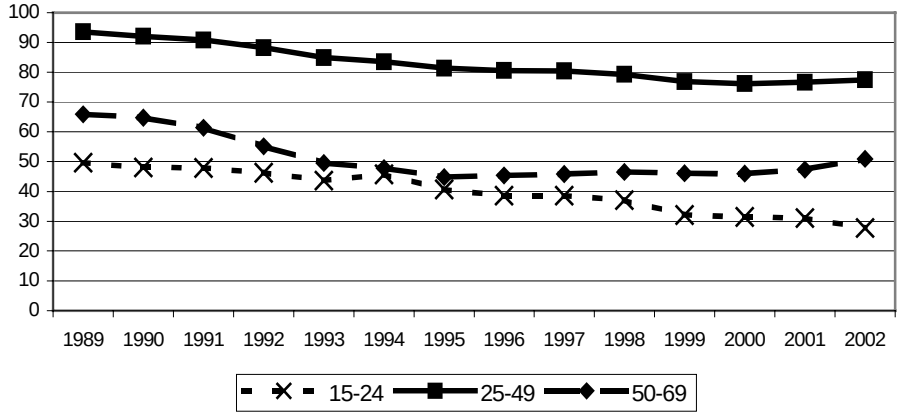
Table 3. Labour force participation rate of late-midlife workers 1959-2000, %

	Men				Women			
	50–54	55–59	60–64	65–69	50–54	55–59	60–64	65–69
1959	92	90	60	…	74	58	35	…
1970	93	86	43	27	85	43	25	16
1979	91	84	42	25	88	45	26	16
1989	93	85	52	36	90	55	38	26
2000	82	71	45	17	82	57	25	11

Source: Census data 1959, 1970, 1979, 1989, 2000.

The immediate reaction to economic uncertainty in the early 1990s was a sharp decline in the demand for labour. The almost full-employment characteristic to the socialist labour market declined dramatically in the first half of the 1990s, reaching 62% in 1995. Decline in labour force participation accompanying the restructuring of the labour market became most visible among the oldest labour market participants – in comparison to youngest and mid-career workers, the oldest workers were pushed out of the labour market most intensively (see Figure 3). Their economic activity rate was lower than 20 years before in spite of the raise of official retirement age. It seems that labour market tensions were in the first place solved by pushing working pensioners out of the labour market. The decline in economic activity in older ages reflects their unfavourable position in the labour market because the economic pressure for older workers in postponing retirement has not declined.

[5] In 2002 about every fourth pensioner was working: among men 28.7% and among women 23% (Tiit et al 2004).



Source: Estonian Labour Force Survey 1995–2002.

Figure 3. Labour force participation rate by age 1989–2002, %

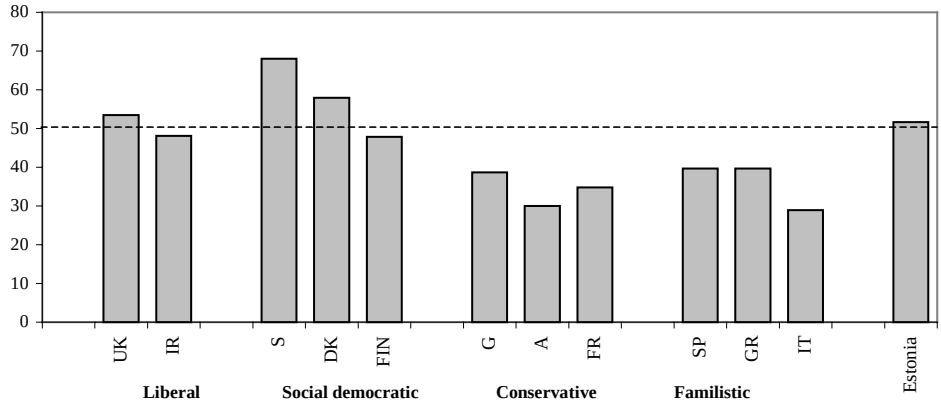
In the middle of the 1990s, the labour force participation rate of late career workers stabilised and started to increase. This increase has been connected with several factors. First, after economic recovery the employment decline stopped and employment rate even started to increase. The higher demand for labour has also led to a higher demand for older workers. Second, there has been gradual extension of statutory retirement age. Third, due to the low level of pensions, pensioners have been forced to work to get additional income.

Finally the participation rates for Estonia and the old EU countries are compared to determine the major differences. Labour force participation rates for older people vary widely across European countries (Figure 4). Grouping the countries to different types shows systematic differences across countries. Labour market participation rate of older workers is very low in conservative (Austria, Germany, France) and familistic countries (Spain, Greece, Italy). These countries relied most heavily on the labour shedding strategy. In liberal welfare states the rate is on the middle level. The Scandinavian social democratic welfare state shows high employment performance during old age: the labour force participation rate in Sweden is close to 70% and in Denmark just above 60%. In Estonia the activity rate is above the 50% threshold and comparable with figures for liberal countries.

The 2002 Barcelona European Council set the requirement about an increase of five years in the average age at which older workers withdraw from the labour force into inactivity. The average exit age from the labour force for the EU was 59.9 years in 2001[6] (European Commission 2003). Thus, to meet the Barcelona target the bulk of exits should be delayed until the age of 65 by 2010. A wide variety of exit ages are observable across European countries ranging from the lowest in conservative

[6] 2001 is the first year for which the necessary data were available.

countries (for example in Belgium 58.5, in France 58.8 and in Austria 59.3) to the highest in social democratic and liberal countries (in Ireland and United Kingdom 62.4, in Sweden 63.4). There are also big differences between new European member states: exit age is the highest in Latvia (62.4) and the lowest in Poland (56.9). In Estonia the average age of retirement was 61.6. However, no country has an average exit age above the required EU-wide average of 65.



UK	United Kingdom	S	Sweden	G	Germany
SP	Spain	IR	Ireland	DK	Denmark
A	Austria	GR	Greece	FIN	Finland
FR	France	IT	Italy		

- - - - EU target for year 2010

Source: Eurostat.

Figure 4. Labour market participation rate of older people in different European countries in 2002, %

There is a direct relationship between older workers' retirement ages and their labour market participation rates (Figure 5). In the countries where the retirement age is below 60, less than 50% of older people are participating in the labour force. Estonia by its exit age and labour force participation seems to be quite similar to liberal countries (United Kingdom and Ireland).

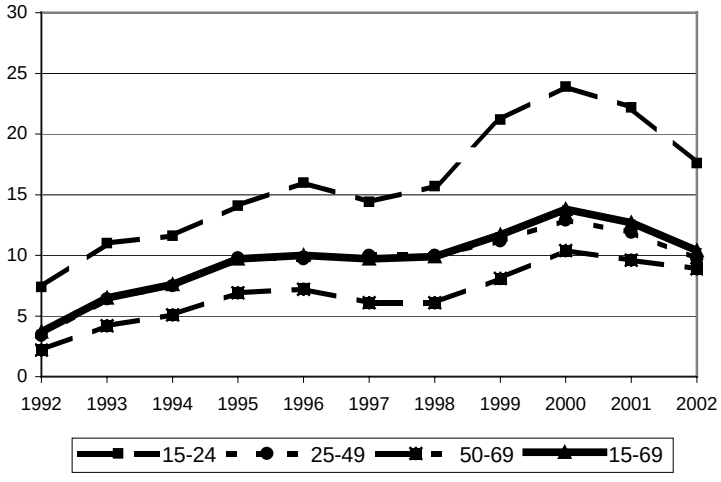
While in Estonia in 1989–1991 unemployment practically did not exist, in 1992 it became a reality. The fall in GDP had not led to high unemployment rate in the first half of the 1990s. The main reason for the rather moderate unemployment growth was the sharp drop in labour force participation. In the middle of the 1990s unemployment rate continued to increase, by 1999 it reached already almost 13%. However, the unemployment affected most strongly the youngest labour market participants, whereas for older workers unemployment rates were the lowest (see Figure 6). Especially among the older labour market participants, the dramatic decline in employment was more likely achieved via an increase in the number of inactive population rather than unemployment. However, the latter does not mean

that the late career workers would be less affected by the consequences of unemployment.

UK	United Kingdom	S	Sweden	G	Germany
SP	Spain	IR	Ireland	DK	Denmark
A	Austria	GR	Greece	FIN	Finland
FR	France	IT	Italy		

Source: Eurostat

Figure 5. Labour force participation rate and average exit age from the labour force in different European countries



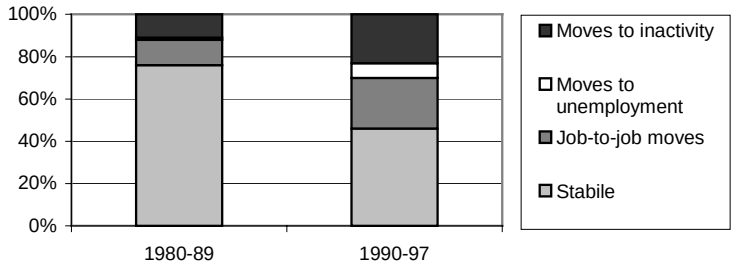
Source: Estonian Labour Force Surveys 1995–2002.

Figure 6. Unemployment by age groups, %

Although the unemployment rate of late career workers has stayed relatively lower compared to the average, the duration of unemployment episodes has become longer. While in 1992 59% of late career workers returned to labour market within 6 months, in 2002 only 30% managed that. At the same time, the share of long-term unemployment has increased remarkably, reaching for late career workers by 2002 about 67%[7]. Older men are much more affected by unemployment than older women. The markedly worse situation of older men in many new European Union countries has been explained by their higher retirement age so that women retire earlier and they cannot be counted as jobseekers (Fortuny et al. 2003).

7.2. Late career patterns in Estonia in the 1980s and 1990s

As we hypothesised late careers were very stable in the 1980s: the vast majority of late career men stayed in the same job (Figure 7). Mobility within the labour market was low: only one tenth of older male employees moved to another job after age 50. The pattern changed considerably in the 1990s. Since 1990 late careers of men in Estonia can be characterised by an increase of both flexibility and instability: their job-to-job-mobility has increased and unemployment and moves to retirement more often endanger their careers.



Source: Estonian Family and Fertility Survey.

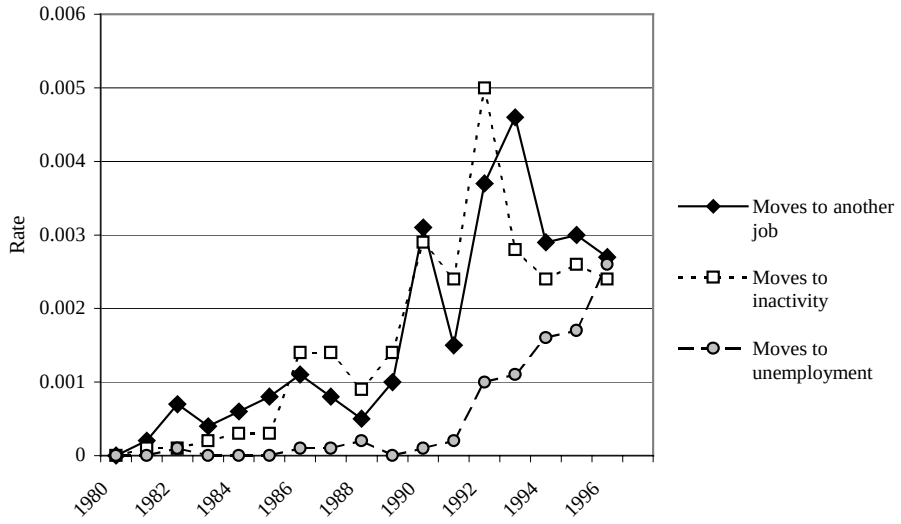
Figure 7. Mobility of late career men

Nevertheless more detailed analysis has shown that if older male workers were mobile, most of them change the job only once. The rate of lateral and downward moves was higher compared with upward moves. Employment mobility was low for older workers in the 1980s as well as in the 1990s. If older workers dropped out of employment they usually did not return to the labour market.

If at the beginning of the 1990s there were more job-to-job moves as well as moves to retirement, from 1994 the rate of moves to unemployment increased more rapidly (Figure 8). This result seems to indicate that employees working after

[7] In the age group 25–49 the share of long-term unemployed was 53% and in age group 15–24 the share was 33%.

retirement age were the first to be pushed out from the labour market. In the middle of 1990s this reserve was exhausted and the risk of unemployment for older workers started increaseing. This result is in compliance with the description of the overall situation in the Estonian labour market, where on the bases of the analyses of the aggregate flows increase in the flow from employment to unemployment was found from 1996 (Rõõm 2002:7).



Source: Estonian Fertility and Family Survey.

Figure 8. Rates of different types of moves

Survival functions are presented in Figure 9. Men of the later cohort (born in 1931–37)[8] face an earlier withdrawal from employment compared to men of the earlier cohort (born in 1923–30). Despite an earlier official retirement age in the 1980s there is a difference of around 10% already at age 58 between the two cohorts. At age 60 the difference decreases but after that age increases again to 15%. So in the 1990s leaving labour market for retirement takes place earlier and labour market participation after retirement age is less frequent. In the 1980s the actual age of retirement was more diverse and the connection with the official retirement age was weaker compared to the 1990s. The institutional prescription was not strong as quite low level of pensions and legal framework, which allowed combining pensions and earnings without penalties, promoted employment after retirement age. As we assumed the retirement in the 1980s could be characterised as a personal process. In the 1990s the crucial point of leaving labour market is around official retirement age.

[8] The majority of them reached statutory retirement age after 1990, whereas the majority of older cohort (born in 1923–1930 reacehed retirement age before 1990.

Source: Estonian Family and Fertility Survey.

Figure 9. Exiting labour market, men after age 50 by birth cohorts

7.3. Transition into non-employment and job-to-job moves

The analysis presented in Table 4 confirms the previous result. The withdrawal from employment did not depend on age in the 1980s. In the 1990s this indicator has an important impact on the risk of transitions to non-employment.

There were no differences between occupational groups, or between employees of different industries in the 1980s. In the 1990s both characteristics became more important. The results did not support our hypothesis that industrial and agricultural workers should have higher probability of moves into inactivity. The risk of dropping out from employment is lower for semi-professionals and agricultural workers. There are no differences between other groups. We interpret this result as sign of smaller competition between age groups in lower occupations (especially in agricultural workers) as less young people are interested in entering that. Employers also demand low-skilled older workers for simpler jobs because of their modest wage requirements, loyalty and readiness to agree to precarious working conditions unacceptable for younger workers.

Employees of the social service sector drop out from employment later compared to employees in the transformative sector. There are no differences between employees of other sectors. Contrary to our hypothesis deindustrialisation and deagriculturalization did not support moves to inactivity of older employees in these sectors.

In the 1980s somewhat more important were personal resources compared to the structural location of workers. As expected, the impact of education on risks of withdrawing from employment was quite low in the 1980s: only higher education

has protective effect against being pushed out from the labour market. Tenure was an important predictor of labour market risks in the 1980s: the longer the tenure, the lower the risk of exits from employment.

Table 4. Men's labour market mobility after age 50 by periods

	Job-to-job moves		Moves to inactivity	
	1976–89	1990–97	1976–89	1990–97
Occupational group				
Managers and professionals (ref)				
Semiprofessionals	.47	.23	–.70	–.97*
Lower non-manual workers	–.52	.30	–.40	–.06
Agricultural workers	.11	–3.42+	–.22	–1.33**
Skilled industrial workers	–.32	-.41	.05	–.12
Unskilled workers	–.54	–1.06**	.59	–.34
Industry				
Transformative (ref)				
Agriculture	–.25	.85+	.45	.48
Mining	.94	–1.52	–.30	–.22
Distributive services	.01	.39	–.33	–.07
Producer services	–.80	.23	–.74	–.38
Social services	.56	–.15	–.72	–1.03+
Personal services	.77	–.12	.09	.47
Education				
Basic (ref)				
Secondary	–1.82+	–.70**	–.53	–.75**
Secondary specialized	–.36	–.23	–.59	–.66**
Higher	–.00	–.20	–1.21*	–.95**
Age	–.15+	–.16+	.03	.06+
Tenure	–.005+	.001	–.002**	.002+
Constant	8.06+	8.61+	–3.62**	–3.95+
Number of events	90	207	71	198
Number of episodes	470	584	572	579
-2 log likelihood	372	642	397	615

Source: Estonian Family and Fertility Survey.
* Logistic regression model. The figures are coefficients from logit regression model. + p<.01; **p<.05; *p<.10.

In the 1990s the effect of education increased: the higher the education of workers the longer employees managed to stay in the labour market. Highly educated workers have been more able to adjust to structural changes in the labour market and dropped out from employment later. We did not find the polarisation of labour demand on high-educated and low-educated workers. This result does not support conclusions made by Fortuny et al. (2003) for the new European

Union countries. Demand on older workers seems to be more connected with specific occupational groups (agricultural workers) and not their educational level. Longer tenure increases the risk of transitions into non-employment. The mechanisms seem to be different from mid-career men because for them longer tenure decreases the unemployment risk (Saar and Helemäe 2002). We suppose that for older workers shorter tenure became an indication of their adaptation with new circumstances and longer tenure lost its value as protective factor and now indicated their higher vulnerability.

The effect of occupation as well as industrial sector on job-to-job moves was insignificant in the 1980s (see Table 4). In the 1990s the importance of market location as a factor of job-to-job moves increased. Unskilled and agricultural workers were the least mobile group. In this respect, skilled non-manual and manual jobs provide greater mobility chances. However, this analysis does not indicate what kind of mobility (lateral, upward or downward) was more intensive. This finding is in line with the conclusions about the mobility of mid career men (Saar and Helemäe 2002). Employees in agriculture were more mobile than employees in transformative sector. This result seems to contradict the previous result about occupational groups' differences but it is not so. There are big differences in the mobility rate of professionals and managers working in agriculture (their mobility rate is significantly higher) and agricultural workers.

Compared to late career men with basic education, men with secondary education were less likely to change jobs in both periods. The effect of job tenure was important in the 1980s: as job tenure increased, the likelihood to experience any job shift decreased. However, in the 1990s this effect diminished. Age was important for both periods. Even in the group of older workers the increasing age decreases the mobility chances.

8. Conclusions and discussion

The aim of this paper was to study if and to what extent structural changes in the 1990s affected older male employees in Estonia. Older workers in Estonia had lower unemployment rates than other age groups in the 1990s. Therefore they do not seem to be in a particularly disadvantageous situation in the Estonian labour market. However, their lower unemployment was mainly the result of withdrawals from the labour market. Employees working after retirement age were first to be pushed out from the labour market. In the middle of 1990s this reserve was exhausted and the risk of unemployment for older workers increased. As assumed, the withdrawal of older employees from labour force seems to be a way to cope with needs to flexibility in the 1990s. The comparison of retirement patterns in the 1980s and 1990s shows that older employees in the 1990s experience a shortening of their working life and participation after retirement age is less frequent. In the 1980s the actual age of retirement was more diverse and the connectedness with the official retirement age was weaker compared to the 1990s.

Before 1990 Estonian pension scheme encouraged workers to postpone withdrawal from labour market. Low pension replacement rate made earnings from work for pensioners economically necessary. In the 1990s Estonia was lacking long-term unemployment insurance, disability pensions constituted practically the only public program allowing older workers to receive income support before retirement age. Despite the narrow pathways to early retirement and increased statutory retirement age the work career shortened. The situation for older workers became more complicated as the tensions related to enterprise downsizing were frequently solved at the expense of older workers. They were pushed out from labour market. At the same time low pensions pushed many pensioners back to the labour market to earn additional income. But their return to the labour market was difficult under the circumstances of a significant fall in employment. Instead of pull factors (favourable benefits) economic push factors were the driving force behind the earlier exit from work in the Estonian flexible labour market in the 1990s.

We have found increasing social selectivity of being excluded from employment in old age in the 1990s. The impact of industry, occupational position and education are stronger in the 1990s than in the 1980s.

The withdrawal from employment was strongly influenced by individual characteristics and characteristics of working context in the 1990s. There were two groups of older workers who had better chances to remain in the labour market and also lower risks to be excluded from employment. The first group is highly educated older workers. Two explanations have been suggested for their lower risks (Fortunyi et al 2003). Firstly, highly educated workers are more able and more motivated to adjust to changes in job requirements. Secondly, employers often value their experience. The other group is made up from low-skilled agricultural workers. Deagriculturalisation did not support moves to inactivity of older employees in these sectors. On the contrary, agricultural workers have been less exposed to the withdrawal from employment. This result could reflect employers' demand for older workers doing simple agricultural jobs.

Estonia introduced the early retirement scheme in 2000. The availability of this scheme would further weaken the labour market position of older workers as employers may consider it socially more acceptable in the case of downsizing to push older workers towards early retirement. This tendency would be strengthened by employers' prejudices against older workers. It has been mentioned that these prejudices seemed to be the strongest in the Baltic states (Fortunyi et al 2003:22). The structural and institutional changes in the 1990s extended labour market inequalities into old age.

We also showed the remarkable increase in the intensity of older men's job mobility in the 1990s. The findings show intense fluctuations, which is consistent with the implications derived from the rather 'open' character of employment relationships in Estonia. Estonia seems to reflect the mixture of maintaining and shedding older workers. Now it is hard to predict which tendency will get prevalence.

Policies related to the promotion of employability of older workers are underdeveloped in Estonia. Training and retraining are offered to older workers very seldom. Estonian welfare state seems to be close to liberal, because it provides quite a few opportunities for early retirement, applies stricter criteria to unemployment and disability and grants small and short benefits. Nevertheless some features are close to Southern European countries, especially the rather strong insider-outsider logic. Due to differentiation of outsiders and insiders the return of older workers to the labour market is relatively rare.

Our analysis concentrated on older men's labour market behaviour. It has been mentioned that older women tend to experience additional problems in the labour market facing double discrimination in the form of sexist and ageist stereotypes (Fortunyi et al 2003:61). Further analysis should show whether women are indeed more vulnerable to discrimination related to age.

Given the limited number of transitions from employment to unemployment as well as downward and upward shifts, a substantive analysis of these moves using the Family and Fertility Survey data was not possible. For this reason we should use the Estonian Labour Force Survey data to model the transitions from employment to unemployment and downward and upward moves as well as compare different periods in the 1990s. It has been found that the liberal early exit pathways are subject to cyclical trends to a greater extent and entailed a larger internationalisation of labour shedding costs by employers and individuals (Ebbinghaus 2003: 86). Closer analysis of the retirement pattern in the 1990s should show whether it is so in Estonian labour market too.

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