

The German statutory pension for reduced earning capacity: Different employment pathways and their association with education and medical diagnoses

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Research questions

- What kind of long-term employment patterns can we identify among persons receiving public disability pensions, i.e. a pension due to reduced earning capacity (*Erwerbsminderungsrenten*) in Germany?
 - length and sequencing of activities like employment (above/below-average wage), unemployment, sickness leave, child care etc.? Average age at retirement?
- What is the average amount of pension associated with those patterns?
- To what extent do factors like level of education and medical diagnosis explain why some pensioners are more likely to exhibit one kind of such employment patterns than the other ones?

Data

- “random sample of completed insurance biographies” (*Vollendete Versichertenleben* [VVL]) of the German statutory pension insurance (DRV), nationally representative
- 4 pension-entrance cohorts of 2004, '07, '10, & '13
- N = 12.000: pooled random sample of disability-pension recipients drawn from 4 entrance cohorts
- Info on main medical diagnosis & pension from datafile on the annual retirement entries
- On-site analysis at the research data centre of the German statutory pension insurance (FDZ-RV)

Variables and methods

longitudinal administrative data from individual pension accounts: 11 (recoded) statuses/activities per month, age 20 to max. 60

explorative-descriptive statistical method:

sequence analysis & hierarchical cluster analysis

← grouping of employment careers similar with regard to duration and sequencing of statuses

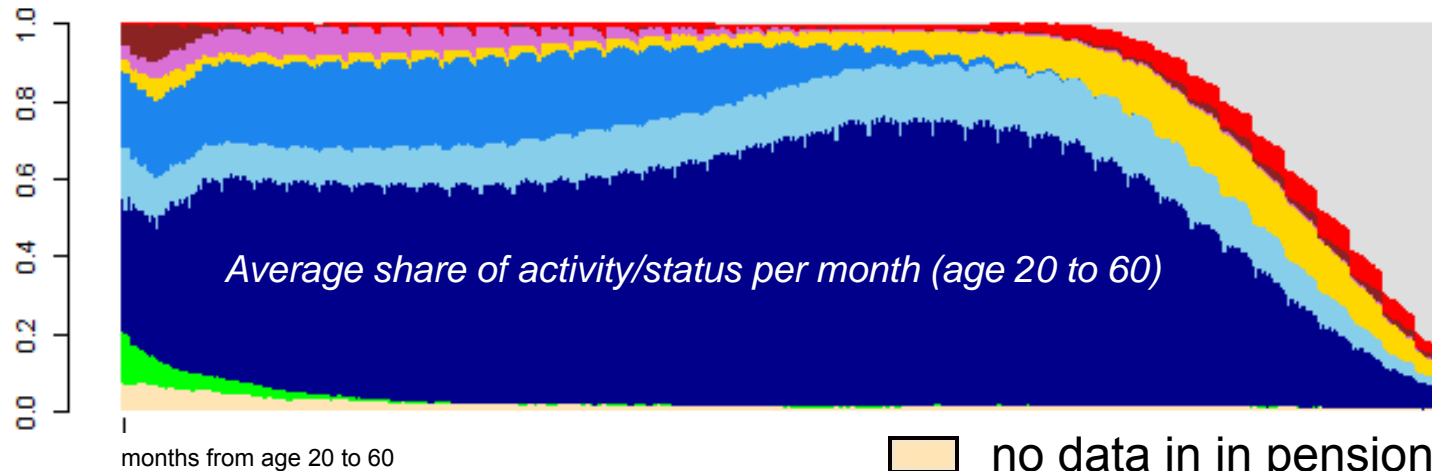
→ here: 6 cluster solution

multivariate approach:

The 6 clusters become the dependent variable in a multinomial logistic regression.

Sequence analysis: disability pensioners' employment patterns

1. continuous employment until late 40ies, retir. age 57, 946 € pension



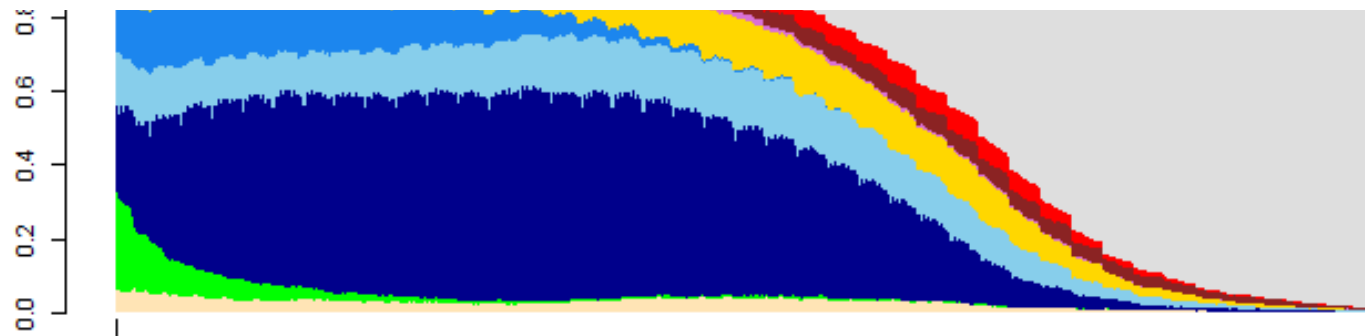
40.2%

Source: FDZ-RV, VVL 2003, 2007, 2010, 2013; own calculation.
N = 12 000, median of age at retirement and pension amount per cluster

- no data in in pension account
- in education
- employ. > 60% of average wage
- employ. ≤ 60% of average wage
- employment in the former GDR
- unemployment
- care for child./elderly (retirem. law)
- paid sick leave
- other statuses
- retired
- future after year of retirem.

61% male
 Ø 31 years of employment
 Ø 2 ½ years unemployment
 Ø 1 year sick leave ←
 similar in all clusters

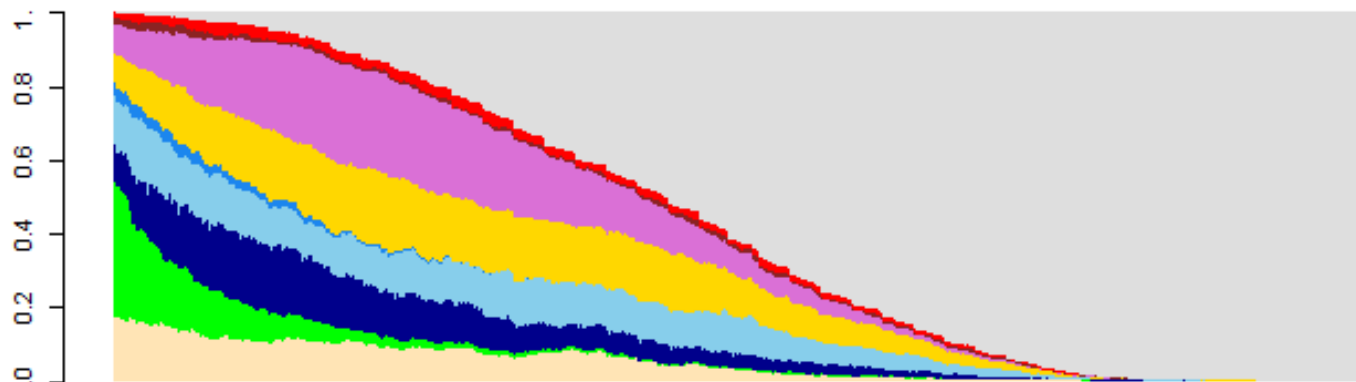
2. Shorter „continuous employment career“, retir. age 47, 862 € pension



21.7%

48 % female; \emptyset 19 ys employment;
increase of below-average wage from mid 30ies onwards

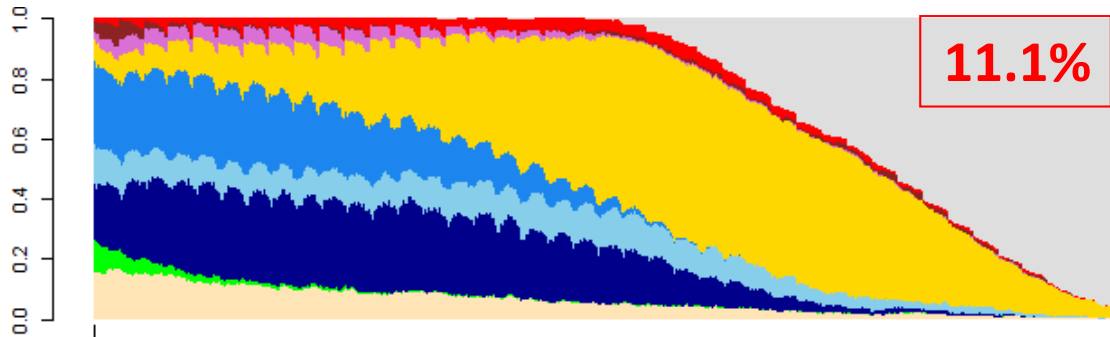
3. precarious employ. career since 20ies, retir. age 38, 689 € pension



13.0%

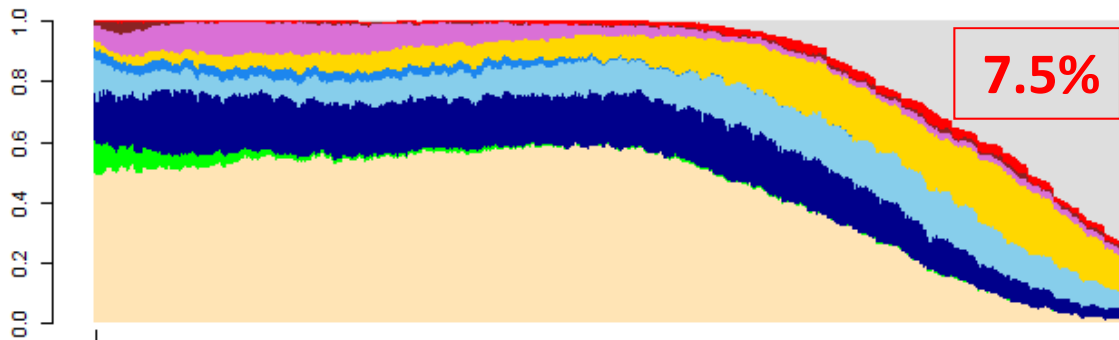
65% female, $\frac{3}{4}$ thereof mothers; formal edu. well into the 20ies;
unemploy. during 24% of time til retirement (almost \emptyset 4 ys);
below-average wage during 3/5 of time in employ.

4. long-term unemployment since 30ies, retir. age 51, 624 € pension



65% male; 36% East-German; Ø 13 ys unemploy.; increasing share in 2010/13-cohort

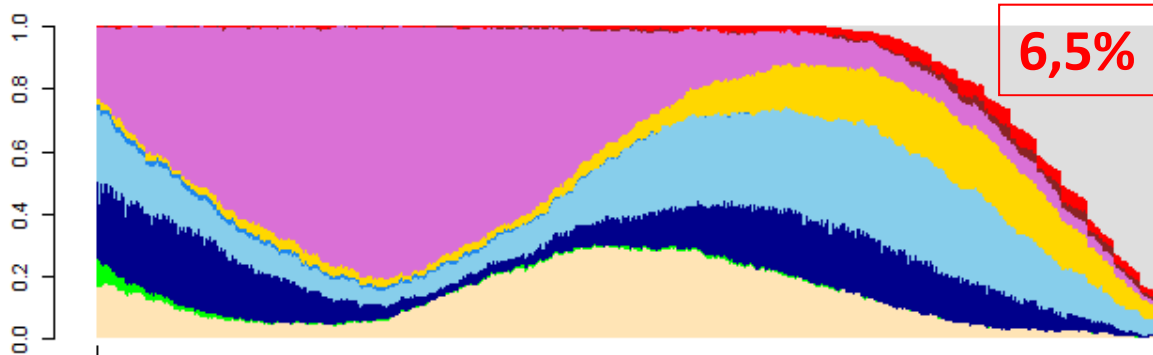
5. many years no information and unemploy., retir. age 51, 624 € pension



6% East-Germans; 25% foreigners; Ø 17 ys no soc.-security contribution; Ø 4 ys unemploy.

6. informal care-work and below-average wage, retir. age 57, 491 € pension

6 viel Familienarbeit und Niedrigentlohnung, 57 EM, 491 Euro



99% female; 7% East-Germans; 25% foreigners; Ø 14 ys care work; 62% of employ. below-average wage

Multivar. prediction of 6 clusters & conclusion (1)

There are different pathways of disability pensioners' employment careers diverging from the "normal" kind of employment history, and different risk factors are associated with those patterns:

- Specific psychological **illnesses** like schizophrenia correlate with very early retirement and with precarious employment histories preceding it.
- **Addiction** and **substance abuse** are associated with retirement after long periods of unemployment (cluster 4) and after periods with many gaps in social insurance contributions (former means-tested welfare; self-employ; time abroad) (cluster 5).

Multivar. prediction of 6 clusters & conclusion (2)

- **Higher education:** only a slightly higher chance of having had an advantageous employment history (e.g. less long-term unemploy.) \approx negative selection into *statutory* disability pension (young age at retir.)
- Employment careers with long periods of **unemployment, contribution gaps** or informal **care work** result in very low amount of disability pension
- **Longer precarious employment careers** (cluster 4 & 5): just “lucky” to fulfill the conditions for receiving (below-average) disability pension instead of being solely referred to means-tested welfare for those with reduced earning capacity (*Grundsicherung wegen Erwerbsminderung*)

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