

Why Are They All So Eager to Retire? (On the Transition to Retirement in the Czech Republic)*

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Abstract: In an ageing Czech society, the age of retirement has become an important issue in the debates over how to reform the pension system. In this article, which deals with the transition to retirement, the central questions posed are what perspective Czechs have on the timing of their retirement, and whether they are beginning to prepare themselves for the eventuality that they will have to retire much later than has thus far been the case. Using the results from various Czech representative surveys, the paper uncovers the paradox of early retirement. This consists of contradictory links. The Czechs know that their society is ageing, that they are living longer and that the number of pensioners is increasing. They know also that after retirement their level of income (pension) will decrease substantially, having a serious impact on their standard of living. Yet despite these facts, middle-aged and elderly Czechs (45 years and older) not only are opposed to any increase in the statutory retirement age, but more frequently they even indicate a preference for early retirement. Interestingly, research conducted among the elderly has shown that many of those who are already retired today admit that they did not really want to retire. This article tries to find an explanation for this paradox in the mentality that exists with regard to retirement, which was formed by the peculiarities of the socialist labour market, and/or in the psychology of the life course.

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Introduction

As in other developed countries, the issue of an ageing population is currently one of the biggest political and social topics in the Czech Republic. Czech society is ageing and one of the causes of this is the radical change in reproductive behaviour. During the 1990s, the younger segments of the Czech population began to adopt fer-

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tility patterns similar to those of the second demographic transition, which in Western Europe began taking place at the beginning of the 1970s. Another cause is the dynamic increase in life expectancy, which occurred in the second half of the 1990s.¹ As a result, the process of population ageing in Czech society is extremely pronounced. According to the UN's latest projections, in the year 2050 the population of the Czech Republic will be among the oldest in the world.²

As in other ageing populations, the prospect of demographic ageing has incited debate on how to avert an old-age crisis by means of reforms to the pension system. Discussions became heated in the second half of the 1990s, when the transforming economy began to show signs of economic recession.³ The worsening economic situation and the increasing state budget deficit produced debates on how to avert a crisis in public finance and on how to prevent the financial collapse of the pension system.

Reforming the pension system has thus become a hot issue in Czech social policy. The entire system will clearly have to undergo significant changes. As Müller [1999] has rightly pointed out, the onset of the system crisis that is currently being experienced is transformation-induced and not yet linked to population ageing. But considering that from 2005 onwards the process of demographic ageing in the Czech Republic will occur quite rapidly, owing to the relatively large baby-boom cohort of the late 1940s and to the extremely low birth rate during the late 1990s, and accompanied by the dynamic increase in life expectancy, it is clear that there is not much time left to carry out major changes to the system.

Generally speaking, the problem of transforming the pension system is quite complicated. Despite the fact that there exist various theoretical models for organising pension systems in ageing societies (for details see, e.g., Charlton and Mc Kinnon [2001]), their practical implementation is very difficult and no clear-cut models have been worked out yet. Many have argued that in the post-communist environment changes will have to include imposing stricter rules on granting entitlement to pensions. The statutory legal retirement age will have to be raised, along with the period of time during which premiums are paid. At the same time, the pro-

¹ The total fertility rate has hovered around 1.15 over the last five years and male life expectancy at birth increased from 67.5 in 1990 to 72.1 in 2001; the corresponding female figures are 76.0 and 78.5.

² According to UN projections, in the year 2050, 40% of the Czech population will be aged 60 and over, and the median age will be 51.7 [UN 2003]. The Czech Republic will therefore be among the countries with the oldest populations on earth, along with Japan, Slovenia, Latvia, and Italy.

³ The Czech economy has lost its dynamism. While in 1995 GDP increased to 105.9%, as compared with 1990, it decreased to 100.5% in 1999 (and increased again slightly to 103.3% in 2001). Despite annual plans to balance the state budget, there was a deficit of CZK 1.6 billion in 1995, and this deficit gradually increased to CZK 29.6 billion in 1999, thus reaching 67.7 billion, or 3.18% of GDP, in 2001. The unemployment rate increased from 2.9% in 1995 to 9.8% in 2002.

tective role of the state will have to be reduced and the responsibility of preparing for old age shifted more towards the individual. Others believe that the state can maintain its decisive role in the pension system: raising the retirement age and improving the performance of the national economy will suffice to keep the system running in a satisfactory way.

Concrete solutions will of course differ throughout post-communist Europe, but the key principle seems to be increasingly clear: as Daly [1997] has pointed out in realistic terms, in the near future most Europeans will have to work longer than they used to while receiving much lower pensions from their governments. A similar message was sent to ageing societies by *The Economist* in its recent survey of retirement: "the promises governments have made to people retiring today are too large to be met in full. As a result, people will have to work longer, and retire later, than they do now" [*The Economist* 2004: 4]. The Czechs, I dare say, will not prove to be an exception to this rule.

No matter what form Czech pension reform ultimately takes, one thing is quite certain now: It must include an increase in the retirement age. The retirement age in the Czech Republic is currently one of the lowest in Europe (see below). Nonetheless, as the French, German, and Austrian examples have shown, increasing the set retirement age is quite a thorny issue, both politically and socially. In the Czech Republic, the subject has begun to take the form of a social problem; as a result, retirement has become a very topical issue in social debate.

From a sociological point of view, retirement is a very important element in an individual's life course. Leaving the world of work for the world of 'leisure' often signifies a change in roles, a change in everyday stereotypes, reduced social contacts and, for many, even a lowered standard of living. It is clear that the manner in which one retires, and the nature of retirement itself, is significantly affected by the economic, political and cultural aspects of society as a whole. In other words, retirement is socially constructed [Philipson 1993].

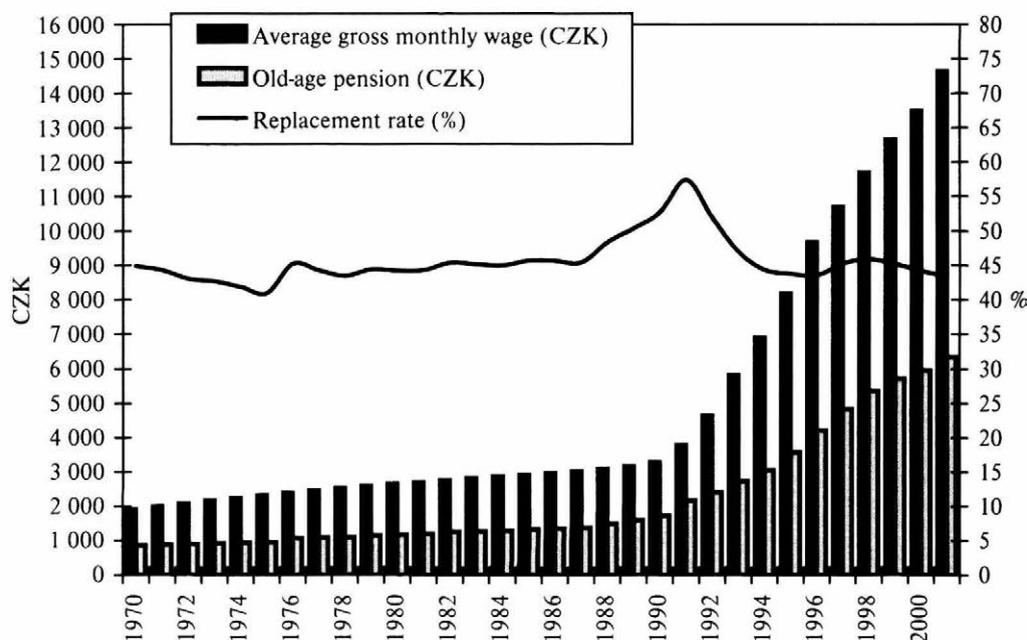
Czech sociology (and Czech social gerontology) has not addressed overmuch attention to the issue of the transition to retirement. As a result there is still no comprehensive study that describes and analyses this phenomenon. In this paper, an attempt will be made to fill the gap in Czech knowledge on retirement. For understandable reasons, the paper is mainly descriptive in character, although it is not entirely lacking analytical features. The central questions are: What perspective on the timing of their retirement do Czechs have and are they beginning to prepare themselves for the eventuality that they will have to retire much later than has thus far been the case?

Before we begin to answer these central questions, it is first necessary to briefly outline the nature of the Czech pension system, because it is a macro-structural framework which itself greatly affects the Czech timing of retirement.

2. The context – the Czech old-age pension system

The Czech old-age pension system is based on two pillars: the first one is a public mandatory pay-as-you-go (PAYG) system, which provides universal coverage and grants pensions to those who have contributed to the system for at least 25⁴ years and who have reached the age of 61 (males) or 54–58 (females).⁵ The compulsory contribution rate is 26%, of which 19.5% is paid by the employer and 6.5% by the employee. The coverage under the first pillar is very high, and the pensions from this

Figure 1. Gross monthly wages, old-age pensions and the replacement rate, Czech Republic 1970–2001



Source: Czech Statistical Office

⁴ Up until 1996, an individual's income over the last ten years was used as the base from which to calculate their pension. Since then, each year one year has been added so that by 2016 one's income over the last 30 years of working will be relevant in calculating the level of one's pension.

⁵ At the moment we are in the middle of a phase of incremental increases to the statutory retirement age. The decision to increase the age was taken in 1995, when the statutory retirement age was 60 for men and 53–57 for women, depending on the number of children a woman had (childless women could retire at the age of 57, and for every child a woman had raised, the age was reduced by one year). In 1995, annual increases to the statutory retirement age began: two months are added annually for men, and four months for women. By January 1, 2007, the retirement age will be 62 for men and 57–61 for women.

public system constitute the main portion of income for elderly Czechs. The replacement rate is about 42–43% of mean income before taxes⁶ (see Figure 1), but the system (as we shall see further on) has a very strong re-distributive character, justified in terms of 'social justice'; therefore, higher income groups experience a much lower income replacement rate.

The second pillar is a system of voluntary private pension funds, established in 1994. This supplementary private pension scheme has yet to acquire a more significant place in the pension system, as the clientele of such pension funds are primarily people of pre-retirement age (a typical client of a private pension fund between the age of 50 and 55), with relatively low premiums. At present, there are 14 private pension funds in the Czech Republic (out of the 44 which began operating in 1994), with a clientele of approximately 2.5 million people, amounting to about 45% of the population aged 18–59. This is not a negligible figure, but the problem is that the savings in these funds are typically based on payment of CZK 300–400 monthly. This is a relatively low sum, given that the average 1999 monthly wage is about CZK 15 000.⁷ Thus, it can hardly be expected that as such these funds will significantly improve the level of future retirement benefits for these people.

3. Retirement and early retirement

In contemporary modern societies, retirement has become a significant element in the life cycle of an individual. There is research indicating that views on retirement are on the whole positive [Atchley 2000] and that the popularity of retirement, particularly early retirement, is growing [Quadango and Hardy 1996]. With respect to the main subject of this article, the timing of retirement, it has become clear that "retirement decisions are shaped by individual preferences, but that individual choices are made relative to the opportunities and constraints that workers encounter" [Quadango and Hardy 1996: 326].

In the Czech Republic, these opportunities and constraints take the form of a kind of chain, which, when connected, creates *the paradox of early retirement*. The individual links in this chain are as follows:

A) With regard to the state of health and life expectancy, after years of stagnating figures during the communist regime Czechs are now beginning to live much longer, and their life expectancies are slowly approaching those seen in Western countries. By contrast, although they are living longer, the statutory retirement age is relatively low. Thus the period of life spent in retirement is relatively long.

⁶ As Czech old-age pensions are tax-free, it is fairer to consider a replacement rate related to net earnings. In this case the ratio is 57%.

⁷ Based on data from the end of 2002.

- B) Although, according to demographic projections, the number of pensioners is supposed to begin increasing in 2006, and although the increasing statutory retirement age should have kept numbers somewhat in check, the ranks of pensioners have been growing since 1997. The cause is the continuing popularity of early retirement.
- C) Even though the Czech population is very well informed about the negative effects of population ageing on the current pension system, and in spite of the fact that they know that the statutory retirement age will have to be further increased (to 63 years of age for both sexes by 2013), the overwhelming majority of the Czech public would like to retire before reaching the statutory retirement age. If their wishes were to be fulfilled, they would be further extending the period of time spent in retirement.
- D) There is a tendency to take early retirement, in spite of the fact that the large majority of people in pre-retirement age know that their pensions will be much lower than their previous income and that their standard of living will drop considerably.
- E) Research conducted among the elderly, however, has shown that many of those who are already retired today admit that they did not really want to retire.
- These individual points will be further illustrated in the following pages.

A) Increasing life expectancy and the statutory retirement age

Since the beginning of the 1990s, Czechs have been living much longer than they did under the communist regime, and their life expectancy is slowly approaching levels typical for western countries. Today, Czech men and women live on average to the ages of 72 and 78 respectively.

The retirement age continues to be relatively low, despite the fact that the Czech Republic is one of the few transition countries experiencing an increase in life expectancy. By 1995, the statutory retirement age was 60 for men and 53–57 for women, depending on the number of children they had (childless women could retire at 57, and they could retire one year earlier for each child they had). In 1995, a gradual increase in the retirement age was initiated, so that by January 1, 2007 the retirement age will be 62 for males and 57–61 for females (again depending on the number of children they have – 61 for childless women, 60 for mothers with one child, etc.).⁸

⁸ The age limit was set too low. This was partly due to the fact that, when preparing the Pension Insurance Act, the government and MPs followed an official 1993 demographic projection from the Czech Statistical Office, which failed to estimate correctly the trend in the Czech mortality rate. The authors of the projection wrongly assumed that life expectancy in 2020 would be 68.7 and 76.6 years for men and women respectively. However, owing to the dynamic development of Czech life expectancy, this estimate was surpassed in as early as

The increase in the retirement age did not follow the recommendations that were made by some demographers and sociologists, and it has been far from sufficient to make any noticeable difference.⁹ Moreover, the 1995 reform did not comply with the World Bank's recommendations, issued in its seminal 1994 manual, *Averting the Old Age Crisis*, which suggested unifying the retirement age for men and women. On the contrary, the reform petrified the peculiar difference in the female retirement age, which is based on the number of children a woman has raised, 'punishing' childless women with retirement at 61 and 'rewarding' the more fertile ones with an old-age pension at 57.¹⁰

The current situation also runs counter to EU legislation, which means that the differences in male and female statutory retirement ages are only a temporary exception. Under EU directives age discrimination of this kind will be banned as of 2006. For this reason, the Czech government has announced plans to make the retirement age equal for men and women at the age of 63 by 2013; there have also been discussions of even raising the age to 65.¹¹

The combination of a low retirement age and increasing life expectancy has far-reaching effects on life during retirement. Czechs today, as long as they reach the legal retirement age, are living much longer in retirement than before: the average is 17 years for men, and an overwhelming 23 years for women (in Western Europe the corresponding figures are 15 and 20 years respectively). Being outside the world of work for that long increases the risk that people will experience feelings of isolation, uselessness and social exclusion. As Giddens notes,

1994 for men and in 1995 for women. The figures as of 2003 are 72.1 for men (3.4 years longer than what was projected) and 78.5 for women (1.9 years longer).

⁹ The Czech government did not dare raise the retirement age dramatically, as it was afraid of the public's reaction, which, according to research in 1994, was opposed to any increase at all. Before the 1998 elections, the Social Democrats even promised that increases to the retirement age would cease and that the retirement age would return to the level it had been under the communist government. The Social Democrats won that election on their pre-election promise, which (thankfully) they subsequently forgot.

¹⁰ In the near future, however, women with more children may not be very happy about the fact that they are supposed to retire at 57. Their shorter working career (reduced both by time devoted to caring for their kids and by earlier retirement) may contribute to a lower standard of living when they retire. The different retirement age for males and females is also problematic from the point of view of EU standards for social policy.

¹¹ Life expectancy, according to scholars who focus on such issues (cf. for example Ryder [1975], Uhlenberg [1987] or Day [1988]), is one of the factors from which a more or less rational model of the retirement age could be derived. These authors suggest that the retirement age should be set at such a level that would allow for a life expectancy in retirement of either 10 or 15 years. If we take the softer of the two norms – 15 years of retired life – as the standard for the Czech Republic, and analyse the mortality projections and the process of ageing for the Czech population, we arrive at the conclusion that as of 2010 the Czech retirement age should be 65 years.

...connection to the work process...is decisive in the fight against involuntary social exclusion. Work brings with it various kinds of benefits for a number of reasons: aside from income, it gives people the feeling of stability and a direction in life, and creates wealth for the entire society [Giddens 2001: 95].¹²

Despite this, the Czech public resists any increase in the retirement age. It was opposed to increases before the Pension Insurance Act 155/1995 was passed, and it continues to oppose it even now, when experts are once again discussing the necessity of such a move. In February 1988, 70% of the economically active Czech population aged 18–59 agreed with the opinion that the retirement age should remain unchanged.¹³ Another representative survey conducted in June 1998 arrived at the same results: 73% of the Czech population were against increasing the retirement age to 65, 11% were in favour, and 16% were undecided.¹⁴ In May 2002, in a survey of the population aged 60 and over, respondents were asked what the retirement age should be. The mean response was 55 years for women and 60 for men. Furthermore, 58% of respondents would like to see the different ages for men and women maintained, while 28% thought that it should be a matter of individual choice, and 15% said that the age should be the same for both men and women.¹⁵ This kind of more or less uniform and persistent attitude is not surprising. Research from other countries also indicates that people generally respond to questions about retirement age by repeating the set age that currently applies.

Statutory retirement age is one matter, but actual retirement is another. In most Western European countries, where many people “race out of the workforce at the earliest affordable opportunity” (*The Economist* 2004: 13), the average age of real retirement is lower than the set retirement age, and a similar trend is being noted in the Czech Republic. This is caused by early retirement.

B) The number of pensioners has been increasing

According to population projections, the number of pensioners was supposed to begin increasing in 2006 (see Figure 2). Before that, the annual incremental increase in the statutory retirement age introduced in 1995 was expected to compensate for the predicted increase in the number of persons of retirement age.

To the surprise of all interested parties, however, the numbers of pensioners began increasing back in 1996. While in 1995 there were 1.255 million pensioners, by 2001 the figure was 1.325 million. The cause of this increase was early retirement. The current pension system allows those who have contributed to the system for at

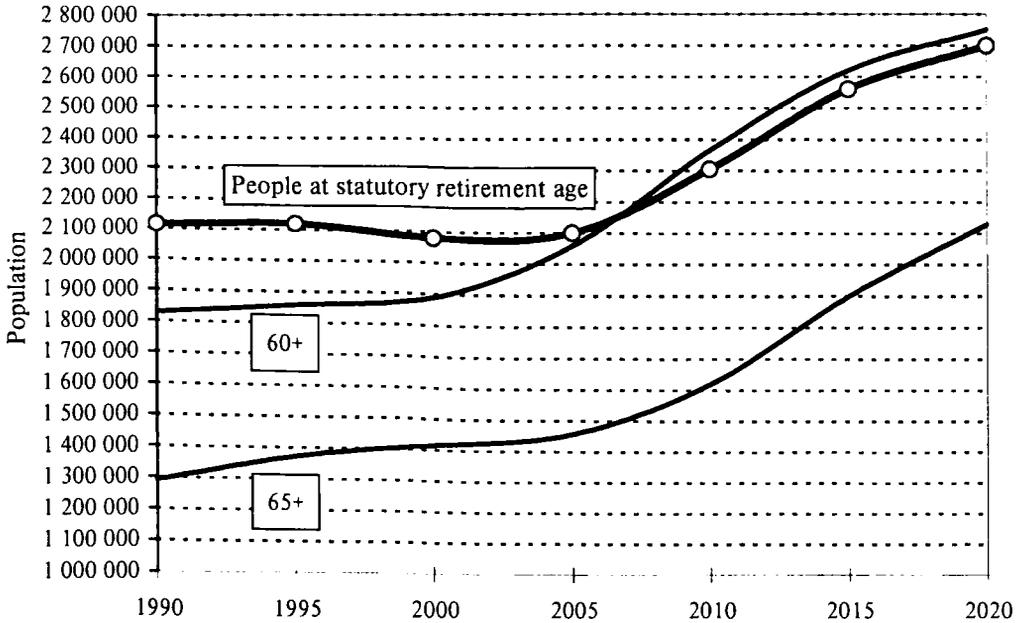
¹² Quoted from the Czech translation.

¹³ OAS data file (see the Appendix).

¹⁴ LSS data file (see the Appendix for details).

¹⁵ *Life at Retirement* data file (see the Appendix for details).

Figure 2. Recorded and projected numbers of elderly persons aged 60+, 65+, and the projected number of old-age pensioners, Czech Republic 1990–2020



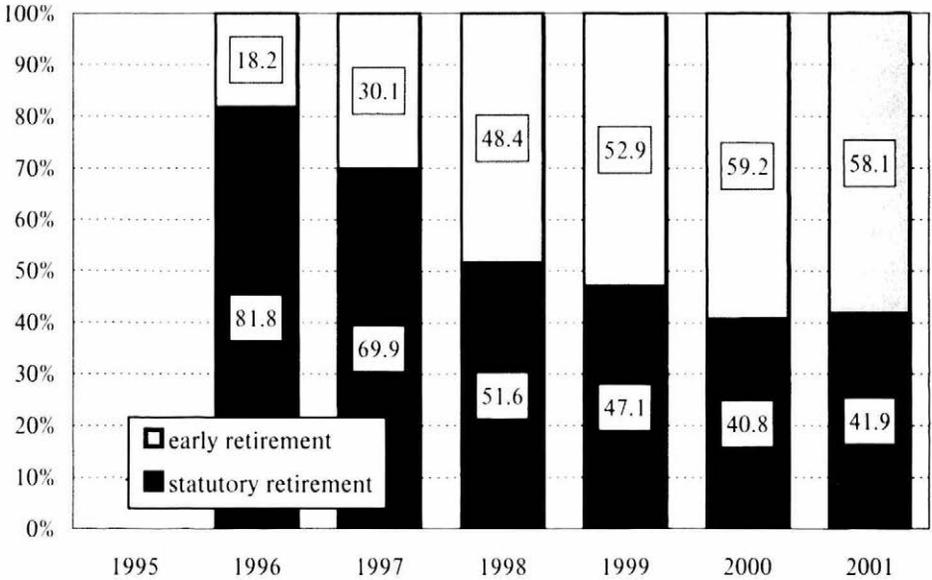
Source: Population projections by the Czech Statistical Office, 1999.

least 25 years, but younger than the set retirement age by up to three years, to take early retirement, although they then receive a reduced pension for the rest of their retirement. People up to two years younger than the retirement age who have been registered at the Labour Office as unemployed or disabled for at least 180 consecutive days, and who have prior to that contributed to the pension system for at least 25 years, can also take early retirement. They receive pensions at a reduced rate for the first two years, then, after reaching the set retirement age, they receive the full amount.¹⁶

Figure 3 illustrates how the practice of taking early retirement has developed since 1995. In 1996, when it first became possible to take early retirement, only 18% of new pensioners had opted for such possibility, while the figures in 2000 and 2001 were around 60%. Thus, in 2001 the average ages of men and women at the time of

¹⁶ In order to make the information given about retirement complete, it is necessary to add that when, conversely, a person does not retire at the permitted age, there is a financial benefit in doing so. He or she will receive a slightly higher pension for each additional period of 90 days worked. At present, for every two additional years spent in paid employment, the pension increases by 1% [Klimentová 2002].

Figure 3. The share of new retirements occurring at the statutory age (%) and the share of new and early retirements (%) out of total new retirements, Czech Republic 1995–2001



Source: Czech Statistical Office

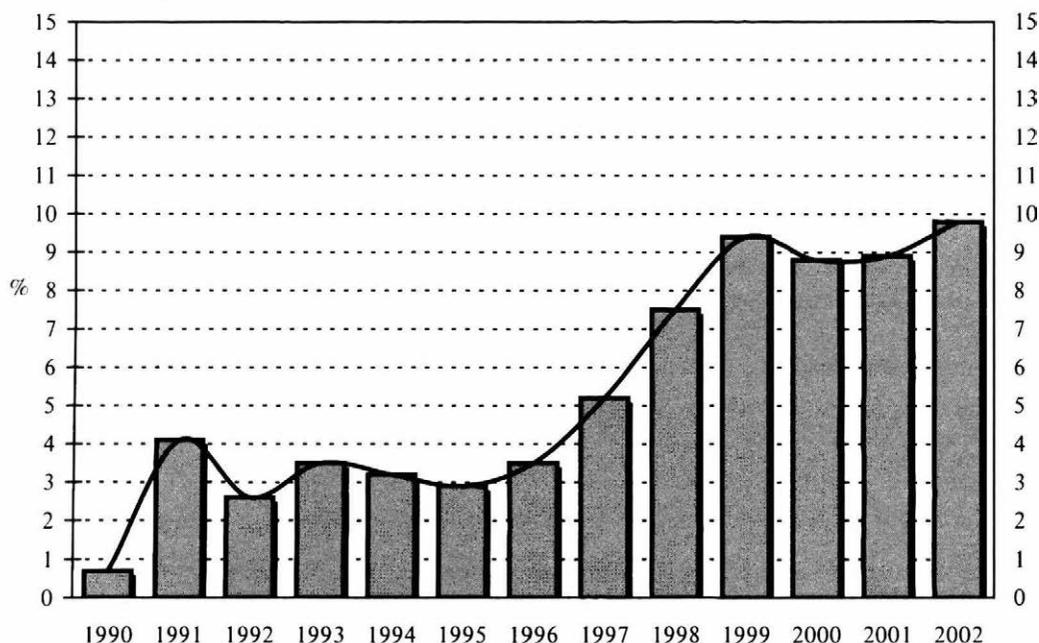
retirement were 59 and 56 respectively, which in each case is two years below the set age.

This marked increase in early retirement could not have occurred without significant macro-structural causes. Among these is the fact that people tend to “retire at the minimum age of eligibility for what they perceive to be adequate retirement benefits” [Atchley 2000: 250]. It appears that Czech must in some way perceive early retirement as beneficial. With regard to personal finances, taking early retirement seems to be a questionable decision. As many Czech economists have shown, [Problém... 2000] it is not entirely easy to state whether taking early retirement may or may not bring about financial benefits, or whether it depends on a combination of factors. Nonetheless, they have demonstrated that taking early retirement is beneficial for those living alone, (even more so for men than for women, and especially for those with low incomes). But in the case of two-member households, the advantageousness of taking early retirement is less clear.¹⁷

One of the most important reasons for taking early retirement appears to be unemployment. In 1996, unemployment rates began increasing during the transforma-

¹⁷ The current ‘maximum’ decrease in the amount paid in pensions to people who take early retirement is about CZK 1130 per month. The average decrease is about CZK 915. In 2001, the average pension was CZK 6350.

Figure 4. The unemployment rate in the Czech Republic, 1990–2002 (as of December 31, 2002)



Source: Ministry of Labour and Social Affairs

tion of the Czech economy (see Figure 4),¹⁸ and significant growth in unemployment was seen in the second half of the 1990s. During this period, legislation to enable early retirement was enacted. The coincidence of the two trends, increasing unemployment and the increasing popularity of early retirement, was not merely accidental.

It is true that with respect to older workers the age-specific unemployment rates during this period were in no way especially high (for example, in 2001 the unemployment rate among people aged 45–54 was 5.9%, but as high as 16.6% among people aged 15–24). This, however, is due in part to the fact that older unemployed persons often took early retirement. When people at that age lose their jobs (particularly those aged 55 and over) it is very difficult to find new employment, as is illustrated in Table 1, which indicates the structure of Czech unemployment in 2002 by age.

Findings presented in a special Czech report on unemployment among older workers [cf. *Problém... 2000*] show that Czech women take early retirement more fre-

¹⁸ Low unemployment rates recorded until 1995 were on the one hand a legacy of the communist centrally planned economy, and on the other were caused by the slow process of economic transformation in the first half of the 1990s. Let us remember here that under communism everyone had to be employed (the Czechoslovak Communist Constitution included a clause about a person's 'right to work').

Table 1. The structure of unemployment (%) in 2002 (yearly averages) by age group

Age Groups	Men	Women
15-24	29.5	21.0
25-29	14.6	15.9
30-34	8.9	13.1
35-44	17.8	22.4
45-54	21.6	23.0
55 +	7.8	4.6
Total	100	100

quently than men, as do people with less education, people from the countryside, and people living near the Austrian and German borders. These data lead towards a speculative explanation that early retirement is chosen by people who have the opportunity to supplement their income by producing small products for sale or through untaxed work.¹⁹ Research conducted among job-seekers at the Labour Offices shows that, of those who took early retirement, only one-sixth were registered as unemployed at the Labour Office. The remaining five-sixths applied for early retirement without even taking advantage of the opportunity to register and receive unemployment benefits [*Problém...* 2000]. There are also socio-cultural factors that come into play here – the social status of pensioners is much higher than that of unemployed persons.

C) *Early retirement is a popular concept*

The Czech public is fairly well informed on the issue of population ageing. In a 1998 survey on the problems of old age security (OAS), which was carried out on a national sample of the Czech adult population, 90% of respondents said they knew that *the population is ageing, the number of pensioners is increasing, and therefore less people are contributing to the pension system*. In another representative survey, carried out

¹⁹ Czech legislation seriously limits the rights of pensioners to acquire supplementary earnings during the first two years of retirement (earnings above the set limit lead to a reduction in the amount paid in the pension). After the first two years, supplementary earnings are no longer restricted and the pension is not reduced.

in 1999, 80% of people aged 45 and over knew that by 2007 the retirement age in the Czech Republic will increase to 62 for men and 57–61 for women. In the same survey, 76% of respondents aged 45 and over knew that it is possible to take early retirement at a reduced pension rate [STEM 1999]. Thanks to the extensive media coverage on the current debate about pension reform, the Czech public also know that the government is considering tightening up regulations on early retirement and increasing the set retirement age from 63 to 65 years for both sexes owing to the deficit in the pension system.²⁰

Similar results were also gained in research that was conducted on a representative sample of the Czech population in the autumn of 2001, as part of the extensive European project titled 'The Acceptance of Population-Related Policies (PPA-2)'.²¹ In the study, among the things respondents were asked about were the questions: 'When do you expect to retire?' and 'If you could decide, when would you like to retire?' The results are presented in Table 2 and disaggregated for non-retired persons aged 40 and over.²² The variables used (namely sex, highest level of completed education, gross household income, number of children, and size of place of residence) are the ones that, according to a number of studies, play the most important role in the decision to retire.

As we have already discovered, all categories of respondents expect that they will retire more or less in line with the statutory retirement age: on average, men expect to retire between the ages of 62 and 63 and women around the age of 59. The main exception is men with university education and with higher household incomes. They expect to retire after age 64; women from the same category expect to retire after age 60 or 61.

From my point of view, however, the information on the preferred retirement age is more important than the expected retirement age. The main finding here is clear: men and women would both like to retire much earlier than they expect to. This of course is not good news in connection with the essential change to the statutory retirement age that is being considered. On average, men would like to retire around the age of 59 and women at 55.6 years. The average difference between the preferred and the expected age is -3.3 years for men and -3.4 years for women. Men

²⁰ The administration of the public pension fund is not autonomous, and income from pension insurance is still part of the state budget. However, in 1996 a special account for pension insurance was set up in which the difference between the income from premiums and expenditures is to be kept. The balance was positive until 1997, but there has been a deficit ever since. In 1998 the deficit amounted to about CZK 10 billion; by 2001 it had increased to 19 billion.

²¹ PPA-2 data file (see Appendix for details). Although the whole project is a comparative one, at the time of writing this paper it was still in its early stages, so only data for the Czech Republic is available as yet.

²² In spite of the fact that there are data for the entire sample, i.e. all persons aged 18 and over, the responses given by younger persons (up to the age of 40) with regard to their preferred retirement age are considered irrelevant for the purposes of this paper.

Table 2: Expected and preferred age of retirement for men and women, by age group, education, and gross household income – a sample of economically active persons aged 40 and over (Czech Republic 2001)

Group of respondents:	Expected age at retirement		Preferred age at retirement		Preferred minus expected age	
	Men	Women	Men	Women	Men	Women
Age						
40–49	62.5	59.5	59.0	55.4	–3.5	–4.1
50–54	62.4	58.5	59.1	54.8	–3.3	–3.7
55+	62.2	57.8	59.2	57.2	–3.0	–0.6
Education						
Elementary	61.4	59.6	58.6	54.3	–2.8	–5.3
Vocational school	62.1	58.6	58.9	55.2	–3.2	–3.4
Secondary school	62.5	59.0	58.8	55.9	–3.7	–3.1
Tertiary/university	64.2	58.9	60.6	57.3	–3.6	–1.6
Gross household income (CZK)						
Low (do 12 000)	61.6	57.7	58.3	55.2	–3.3	–2.5
Low to average (12 000–20 000)	61.7	59.7	58.1	55.7	–3.6	–4.0
Average to higher (20 001–27 000)	63.1	58.8	59.8	55.9	–3.3	–2.9
Higher (more than 27 000)	64.3	58.4	61.2	55.3	–3.1	–3.1
Number of children						
No children	61.1	57.3	57.7	52.0	–3.4	–5.3
1 child	63.1	59.2	60.4	56.5	–2.7	–2.7
2 children	62.4	59.3	58.5	56.1	–3.9	–3.2
3 or more children	62.0	58.1	59.2	54.5	–2.8	–3.6
Place of residence						
Small to medium	62.1	58.7	58.2	55.4	–3.9	–3.3
Larger and city	62.7	59.2	59.9	55.9	–2.8	–3.3
Total sample (N = 365)	62.4	59.0	59.1	55.6	–3.3	–3.4

Source: PPA-2 data set

with university education, one child, and the highest household income want to work the longest. Among women, those wishing to work the longest are those approaching retirement age, with university education, and with one child.²³ The dif-

²³ Similar results were obtained using logistic regression, where the preferred retirement age was dichotomised as 0=early retirement and 1=later retirement. However, the results had one deficiency: the odds ratios were found to be statistically insignificant.

ference in preferred retirement age with respect to the size of the respondent's place of residence was not surprising. People living in smaller villages, where residents often also maintain small agricultural plots, want to retire earlier and do so in order to devote themselves to agricultural activity. The preferred retirement age was not higher than the expected retirement age in any category.

These findings are not a good sign for the active ageing policy of the Czech government. Active ageing is the concept that the European Commission [1999] wants to employ in order to face the challenges of demographic ageing. European policy-makers have begun to argue in favour of a more broadly based policy approach. Rather than relying on either conventional welfare state institutions or market incentives, they have called for a more comprehensive policy agenda that would increase labour force participation among older people. However, in order to achieve this goal it is necessary not only to encourage older people to remain in employment longer, but, at the same time, to encourage employers to retain and recruit older people [Taqi 2002].

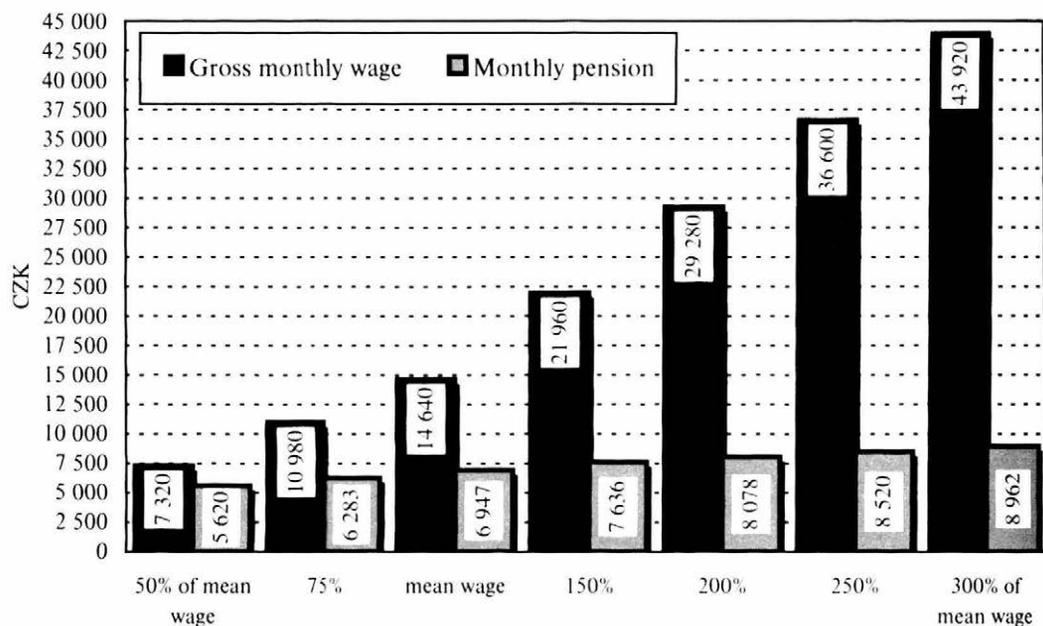
D) Pensions offer much less money than the last pre-retirement income does

Literature on retirement maintains that the decision to retire is related to the financial incentives offered by the labour market and the pension system. It is to be expected that a person's decision to retire or not is based upon a rational choice: a comparison of one's expected financial needs in retirement with expected financial resources. But people also compare how satisfied they are in their current employment with how satisfied they expect to be in retirement. In the event that satisfaction in the latter case is expected to be higher, a person may decide to make a trade-off between being more satisfied and having a lower level of pension income [Atchley 2000].

In the case of Czech pensioners, it is not possible to talk about rational choice. Many older people maintain that retirement leads to poverty, and from research that has been conducted on poverty among the elderly this appears to be true. They regard themselves as being poor – according to surveys on subjective poverty during the second half of the 1990s, 30–50% of the elderly classified themselves as such [Rabušic 1998]. Furthermore, public opinion research tells us that a large part of the non-elderly Czech population also believes that the elderly are poor. Their opinions are primarily based on knowledge of the fact that the Czech pension is very low in relation to last incomes before retirement. In 1999, 68% of the Czech population over the age of 45 were aware of the fact that the average pension is around CZK 6000 per month [STEM 1999].

Although objective poverty among the Czech elderly is not as serious [Rabušic 1998] as the subjective assessment might indicate, the amount of a pension payment is indeed quite low. Among the Czech pension system's serious drawbacks is the fact that retirement benefits are still very much levelled off and the extent of re-

Figure 5. The relationship between gross monthly wages and pensions in the Czech pension system, according to earnings (model calculations for a person who retired in 2002)



distribution from the rich to the poor is considerable (see Figure 5). This continues to be the case despite the proclaimed introduction of the principles of actuarial mathematics, which should tie the level of individual retirement benefits to a recipient's actual earnings and to total individual premiums, thus reducing the extent of solidarity.

If the relation between wages and pensions is expressed in percentages, then, for example, a person who during the years relevant for pension calculation earned about 50% of the average income would receive a monthly pension of about 77% of his/her previous income. On the other hand, someone whose income was equal to the average income would receive a pension of about 47% of his/her previous income. The figure drops to a mere 27% for those who previously had twice the average income, and to just 20% for those who had three times the average income. Thus, for a substantial part of the Czech population the decline in the standard of living is an unavoidable fact, and it is even more so for those opting for early retirement.²⁴

Data from the 'PPA-2' study showed that the economically active parts of the Czech population are aware of this fact. The opinions that respondents gave when

²⁴ Note, moreover, that the old age pension is the sole source of income for most of the elderly.

Table 3. What will men and women miss most when they retire from the world of work – by age (columns %, N=904, economically active)

	Men			Women		
	18-34	35-54	55+	18-34	35-54	55+
The financial difference between their salary and pension	48	59	58	44	56	47
The feeling of usefulness	20	17	24	30	23	28
Contacts with colleagues	22	13	8	17	13	15
I will no longer be occupied by commitments	9	9	9	7	7	8
Contacts with customers or partners	1	1	1	2	1	2

Source: PPA-2 data set

asked what they thought they would miss from the world of work when they retired are presented in Table 3.

Clearly the financial element is the most important factor. Both men and women (in all age groups) are aware that after retiring their financial situation will change. Interestingly, this feeling is more intense among men (especially at 55+ age group) than among women. The second most frequently indicated element that people believe they will miss after retirement is the feeling of usefulness – a view more intensely held by females than males.

Generally speaking, all this information indicates that the Czechs are well informed about one of the greatest problems of the Czech pension system: the high level of redistribution and the weak connection between the level of payments into the system and the *replacement rate* (the relationship between the amount paid into the system and the amount later received). Knowing this, however, the key question to be asked is why do so many Czechs look forward to and rush into retirement when they are aware of its implications? Speculative causes of this situation will be discussed later.

E) Many people who have already retired confess that they did not really want to retire

As has been shown here, Czechs exhibit an overwhelming desire to retire much earlier than the statutory retirement age. But it is also important to look at people who have already retired and have been retired for a certain period of time and ask what their view of (their) retirement is. The very act of retiring might not always be voluntary. Some people retire willingly, but others may be more or less coerced into taking a 'well-earned rest' against their will, and still others are forced to retire for health reasons. A partial answer to such a question is available for the Czech population, as two surveys dealt with this problem in 1996 and 2002, in which respondents were asked what their feelings and sentiments were when they retired (see Table 5).

Table 5. Feelings upon retirement – by gender, in 1996 and 2002 (%)

Feelings upon retirement	1996			2002		
	Male	Female	Total	Male	Female	Total
I was glad to retire	39	45	42	39	42	41
I retired with hesitation	24	27	26	30	29	29
I did not want to retire but I had to for health reasons	16	14	15	10	9	9
I did not want to retire but my company did not need me any longer	21	13	16	18	16	17
I did not want to retire but I had to for family reasons	–	–	–	3	4	4

Source: 50+ data set [1996]; *Life at Retirement* data set [2002]

On the whole, both in 1996 and 2002, only about 40% of respondents retired without any hesitation and about one-quarter retired with some doubts. This means that, in 1996, 31% of respondents did not want to retire but had to because of either health reasons or redundancies. In 2002 the proportion of those who had to retire for these reasons (or, in the 2002 survey only, for family reasons) remained more or less the same (30%). There were no pronounced differences between men's and women's responses in either survey, though in 1996 men slightly more frequently said that they had to retire due to redundancies. Clearly, in the Czech Republic the act of retiring is associated with a number of different considerations, and there is a large part of the population that does not take a pleasant view of retirement.

A clear-cut difference between people's feelings did however appear in connection with respondents' gender and education (see Table 6). Men and women with higher education, in contrast to those with lower levels of education, were significantly less happy about retiring in both 1996 and 2002. It is worth noting that educated men and women more often indicated that they had retired because their company no longer needed them. This finding should be regarded as quite alarming.

The findings about people's feelings upon retirement are important with regard to the concept of active ageing. They indicate that right before retiring many people feel unsure about doing so. If it were possible to convince the labour market that older people are an asset, then it would be much easier to eliminate the barriers faced by elderly persons in finding employment or even keeping their existing jobs. As a result, it would then be possible to decrease the rate of early retirements, and increase the participation rate of those over the age of sixty.

However, the problem is that, as Table 7 illustrates, the non-pensioner population has not really accepted in their minds the concept of active ageing, the concept of staying in the world of work longer and beyond the statutory age of retirement.

Table 6. Feelings upon retiring – by gender and education, in 1996 and 2002 (%)

Feelings at retirement	1996				2002			
	Education		Education		Education		Education	
	Male	Female	Male	Female	Male	Female	Male	Female
	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher
I was happy to retire	41	33	46	38	43	33	46	35
I retired with hesitation	25	23	26	37	26	36	28	30
I did not want to retire but I had to for health reasons	17	15	16	7	12	7	10	7
I did not want to retire but my company did not need me any longer	18	30	12	19	17	19	13	22
I did not want to retire but I had to for family reasons*	-	-	-	-	2	4	4	6

* This item was not included in the 1996 survey

Source: 50+ data set (1996); *Life at Retirement* data set (2002)

Only 31% of respondents wish to continue working even after reaching the statutory retirement age. However, one already ascertained fact is highlighted again: The people approaching retirement age begin to think about actually retiring, and many would rather delay it. Of those aged 55 and over 44% would like to remain in employment as long as possible, which is 13% more than in the total population.

However, hesitations about retiring do not mean that today's Czech pensioners are in any way markedly dissatisfied with their situation. According to data from research conducted among the elderly in 2002 (*Life at Retirement*), 84% of pensioners expressed overall satisfaction with their lives. The effects of retiring did not play a traumatising role: 32% maintained that retiring had a pleasant impact on their overall satisfaction with life, and 52% were convinced that retiring had no impact on their level of satisfaction with life.

4. Why are they all so eager to retire?

The preceding pages have attempted to illustrate the paradox of the transition to retirement. The non-elderly Czech population today knows that there is a chance they will live for many years after retirement, and that their income will fall once they have retired, along with their standard of living. In spite of this, they do not want any increase in the statutory retirement age, and would even like to retire earlier whenever possible. But a substantial number of pensioners have confessed that, just before deciding to retire, they had serious reservations, and that if conditions at work had been favourable, and health permitting, they would not have left their jobs at that point.

Table 7. Responses to the question: *Some people maintain that a healthy person of retirement age should remain in employment as long as possible, so as to maintain vitality and not lose contact with people. Others say that, upon reaching retirement age, a person should leave employment so that they can enjoy retirement while they are not yet too old or too ill. Which of these opinions do you agree with more? (% of those who agree)*

	All respondents	Economically active	Age 45+	Age 55+
Continue working as long as possible	31%	36%	35%	44%
Leave work and enjoy retirement	69%	64%	65%	56%

Source: STEM, *Early Retirement, General Population Research* [1999]

In light of these findings, it is necessary to ask why the majority of the Czech population would like to retire at an age when, from the point of view of the life cycle, they are not yet old enough to be considered elderly. The existing Czech research unfortunately does not make it possible to formulate a direct answer, but some hypotheses can be made.²⁵

One possible answer could be sought in 'path dependency', i.e. the legacy of the communist period, not yet in the distant past. During communism the world of work was not really a world of work. Private enterprises did not exist; all workshops, factories, offices, shops, schools, businesses, companies and hospitals were state owned. In them, efficiency was not important, but loyalty to the system was. Success was not rewarded with higher salaries, nor was education, creativity, or initiative. Instead, ideological conformity was praised and rewarded.²⁶ Salaries were fairly equal, and not even the demonstration of great efficiency would lead someone to a higher-than-average standard of living. The world of work was replaced by the world of meetings, ideological schooling, and the omnipresence of 'Big Brother' keeping watch on us. Work and performance was not valued. As a result, everyone used to rush home from work at the end of the day, and on Fridays many used to leave their places of work as early as noon to go to their cottages, thus fleeing to their private world of home improvements, do-it-yourself and moon-lighting.

As work was not valued, the mentality of retiring as soon as possible could progress, aided along by the somewhat poor health status of the population (in 1980 life expectancy was a mere 67 years for men, partly due to the high death rate among men in the 40–60 age group). The stereotype of employment as something to be loathed and disengaged from has survived in the popular imagination. It is a part of the social transformation and change in society that Czechs are slowly becoming accustomed to taking their work quite seriously and appreciating it.

²⁵ In our opinion this is such a serious problem that it warrants special qualitative research.

²⁶ A popular dictum from that period was: *We pretend to work and they pretend to pay us.*

The second explanation may be of a psychological nature. It appears that Czechs maintain a view of retirement as a fascinating time: 'sweet times doing nothing' and 'enjoying oneself', finally having time for neglected hobbies, looking after grandchildren or other members of the extended family, and even – let's face it – finding un-taxed employment in the grey economy. Therefore, if middle-aged respondents are asked in surveys their opinion on the retirement age, they are most likely influenced by their current situation (plenty of interests, over-burdened at work, or doing work they find uninteresting), and they may thus say to themselves: *Yes, it would be great if I could retire early; I would finally have time for my interests... There are so many things I could do!* Naturally, for someone in this mood, early retirement seems relatively attractive.

These respondents probably cannot imagine that they may have different inclinations and images of their life style once they approach retirement age. At that point they might begin to fully comprehend just how many social contacts work provides them with, and how work adds structure and sense to the daily routine. They might begin to realise that work provides them with far greater financial means than a pension would. Furthermore, they may become aware of the significant change in social status entailed in moving from the position of being 'economically active' to another position, that of 'pensioner'.

If the path-dependency explanation is true, then the conclusion could be drawn that it will only be a matter of time until attitudes toward early retirement change. However, this conclusion has one serious drawback. The retirement mentality is not just a feature of the socialist labour market. In many EU countries the average age at retirement is also lower than the statutory retirement age, indicating the strong popularity that early retirement enjoys. The European Commission has even blamed early retirement schemes for the slow progress made in reaching a targeted employment rate for people in the 55–64 age group (50% by 2010) and in raising the average age of exit from the labour market by 5 years, also by 2010, both of which goals were established at the Stockholm and Barcelona summits in 2001 and 2002.

On the other hand, if the psychological explanation is true, then we may question the validity and reliability of all the data on early retirement from non-senior populations.

5. Discussion

As a part of the effort to avert the negative economic impact of population ageing the Czech government is beginning to consider ways of motivating people to retire as late as possible. The results of the information that has been put together here give off contradictory signals: the middle-aged population (around 45 years of age) does oppose changes, but the population approaching retirement age may be in favour of change. Of course, the big question remains as to what Czech politicians

should do with these facts, as they are faced with the pressing task of dealing with the problems of the pension system. They are well aware that the public, with its values and attitudes, is a powerful player in shaping the development of public and social policies in a democratic society (*Vox populi, vox Dei*). As, for instance, Wayne Parsons has argued:

“Public opinion is to the political market what consumer demand is to the economic market. In a democracy, one could argue that public policy is a function of public opinion. Policy demand determines policy supply.” [Parsons 1995: 110]

The successful implementation of a social policy programme is thus often conditional upon respecting public opinion.

On the other hand, competent politicians do not always have to follow the *vox populi* blindly. If they have a strong project and can envision the suggested programme bringing long-term objective benefits to society, they have a duty to try to present this programme and argue keenly in order to convince the public and at times they must even be capable of introducing a programme that goes against public opinion. This is the simple political principle contemporary Czech politicians should follow. Pension reform is a very sensitive political issue, and, as various European opinion poll data have demonstrated, there is no public in any country that is happy when the conditions for retirement are made stricter with tougher policy measures.

Analyses of the Czech welfare system (see, for example, Večerník [1999] or Rabušic and Sirovátka [1999]) have indicated that the Czech public's welfare policy preferences are determined more by subjective than objective factors. Therefore, it can be assumed that more informative explanations coming from politicians as to why particular measures are being adopted and how they can contribute to long-term economic prosperity could increase public support for effective solutions [Večerník 1999]. But if the public is not adequately informed, and therefore not sufficiently 'competent' to understand current political decisions and debates, then one can legitimately ask: to what extent should its attitudes be binding for politicians?

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Appendix

Five data sets were explored in this paper:

1. *50+*. The authors of this survey were Ladislav Rabušic and Petr Mareš; the data were collected in November 1996 from a national representative sample by the Public Opinion Institute of the Czech Statistical Office in Prague (IVVM). 1302 answers from respondents aged 50 and older were recorded using the quota sampling procedure. The data set can be obtained from the author of this paper.
2. *Life at Retirement (Život ve stáří)*, May 2002, N= 1,036, carried out by STEM with a quota sample of respondents aged 60 and older; the authors of the survey are Věra Kuchařová, Ladislav Rabušic and Lucie Vidovičová
3. *OAS*. The survey on *Old Age Security* was carried out by the Research Institute of the Ministry of Labour and Social Affairs in Prague, under the auspices of a Consensus/Phare project entitled 'Supplementary Forms of Security for the Old Age Period'. Using probability sampling, 2214 interviews were collected from the population aged 18 and older by the research agency STEM in February 1998. The data are stored at the Research Institute in Prague.
4. *PPA-2*. This is the survey on Population Policy Acceptance II, carried out in autumn 2001 on a probability sample of the Czech population aged 18 and older. It is a part of and a sequel to a European comparative study on the perception of population trends and related population policies. The first wave of the study was carried out in the countries of Western and Eastern Europe in 1990–1991 (see, for example, Moors and Palomba [1995]).
43. *LSS*. The authors of this survey on the *Legitimacy of Social Security* are Ladislav Rabušic and Tomáš Sirovátka. The survey was carried out in June 1998 by the Public Opinion Institute of the Czech Statistical Office in Prague (IVVM) using a national representative sample (quota sampling procedure) of 1351 respondents. Data can be obtained from the author of this paper.