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Article

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WORK AFTER THE AGE OF FIFTY: SWITZERLAND IN AN INTERNATIONAL COMPARISON

GIOVANNI FERRO LUZZI AND

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People over the age of fifty constitute an enormous potential of skills and experience for society and the economy. Unfortunately, the contribution of older workers is often overlooked. Institutional regulations and the personnel policy of companies are frequently obsolete and hinder the continued employment of this age group. It is thus necessary to overcome the wide-spread stereotypes and enhance the status of those over fifty, who also make up an ever increasing share of the population. Many older workers would work longer if policies and business practices were better matched to their needs.

Thematic OECD study about older workers

The Organization for Economic Co-operation and Development (OECD) has analysed extensively the public old-age pension system in connection with population ageing. It has emphasised the necessity of reforming the pension system and creating a financially sound basis for it. These reforms will not be sufficient, however, to promote retirement at an older age and to reduce the risk of labour shortages. Additional measures in other areas will be needed, such as

- Adapting wage-setting practices to greying workforces;
- Fighting age discrimination and negative attitudes to working at a later age;
- Improving job skills of older workers and their working conditions; and
- Better activating older job seekers.

Relatively little is known about what countries have been or should be doing, in these areas. This is why

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in spring 2001 the OECD Employment, Labour and Social Affairs Committee decided to investigate the policies implemented to promote the prospects of the older labour force¹ – in terms of both the supply and demand side – on the labour market. Approximately 20 OECD countries chose to participate. Switzerland took part in the first round in 2002 together with Belgium, Sweden, Spain, Japan and Korea. The most important results of the report on Switzerland² are summarised below.

Rapid decline and ageing of the labour force

Switzerland – as is also the case for other OECD countries – is facing the problem of population ageing. According to the scenario “Trend” of the Federal Statistical Office (Bundesamt für Statistik; BFS) those over 65 years of age will make up, in comparison to the 20 to 64-year-olds, around 43 percent of the population in 2050 (2000: 25 percent). Even if the participation level remains at the high level of 2000, the Swiss labour force will decline as of 2020 with a marked ageing process. According to this scenario, those over fifty will make up 31 percent of the population in 2020 (2000: 25 percent).

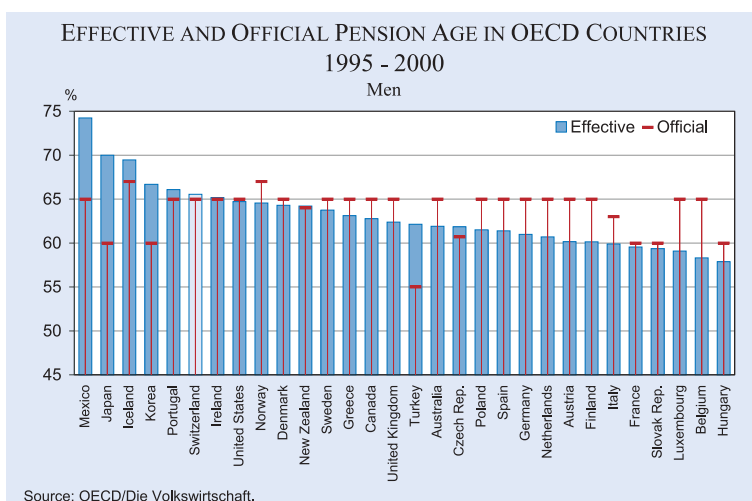
Periodic revision of the social security system

The Swiss practice of periodically adjusting the social security system to the changing social situation makes it possible in the mid-term to proceed in a pragmatic manner and at the same time to consider longer-term demographic changes. The current reforms of old-age and survivor insurance – AHV (1st pillar: pay-as-you-go system) and old-age insurance (2nd pillar: funding principle) should guarantee retirees a sufficient income and greater flexibility. The reform of the workers’ disability insurance (IV) and unemployment insurance (ALV) has taken into account the fact that too many older workers have become invalid or are counted as long-term unemployed.

¹ In this review, “older workers” were defined as those over fifty years of age. The threshold of fifty years does not mean that this age marks the border between the young and the “old”. The feeling of being old is subjective and has little to do with biological age. In numerous countries, however, the participation rate of the labour force begins to decline above the age of fifty. To facilitate an international comparison, it is helpful to use the same age for all countries.

² The report was published in French (Vieillessement et politiques de l’emploi – Suisse). It can be found in the Internet at www.oecd.org/bookshop.

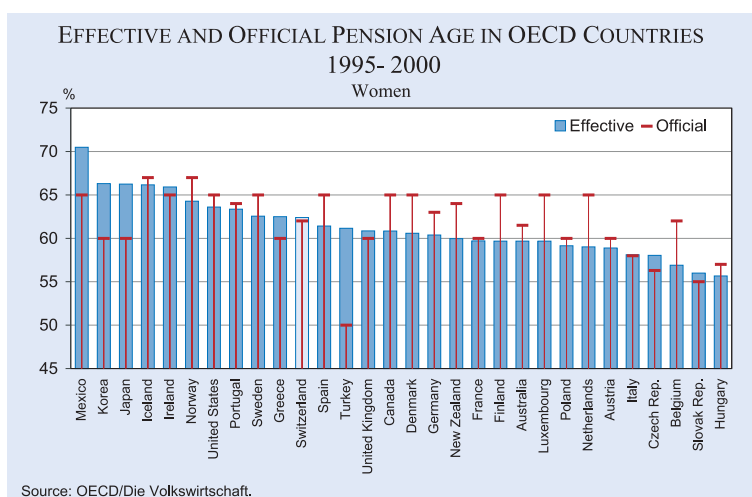
Figure 1



Currently it is being discussed whether the retirement age of 65 should be raised. It has already been decided that for women retirement age will be gradually extended to that of men. Figures 1 and 2 make clear that Switzerland is one of the few countries between 1995 and 2000 in which the effective retirement age was nearly identical with the official retirement age. To be able to maintain this high average age of retirement, however, reforms are necessary that will enable workers to retire early or later, provided that the system is neutral on an actuarial basis and includes appropriate pension reductions and increases. Furthermore, a clear interconnection between higher life expectations and the retirement age must be established, as Sweden has done in its recent reforms.³

³ This reform is presented in the OECD report on Sweden ("Ageing and Employment Policies – Sweden", Paris 2003).

Figure 2



Consolidation of the labour market for the labour force over fifty

In an international comparison Switzerland shows a high employment rate (see Figure 3) for the labour force over fifty. Among men aged 50 to 64, Switzerland is in the second place in OECD countries, behind Iceland. Despite economic stagnation in the 1990s and the increase in early retirement, the employment rate of men has only dropped slightly, whereas for women it continues to rise. Thus it is a question

of consolidating the high employment rate for men over fifty by promoting good jobs for them. Also women's performance at work must be recognized and long-term careers encouraged, while taking into account that a woman's choice of retirement age is often dependent on her partner's situation.

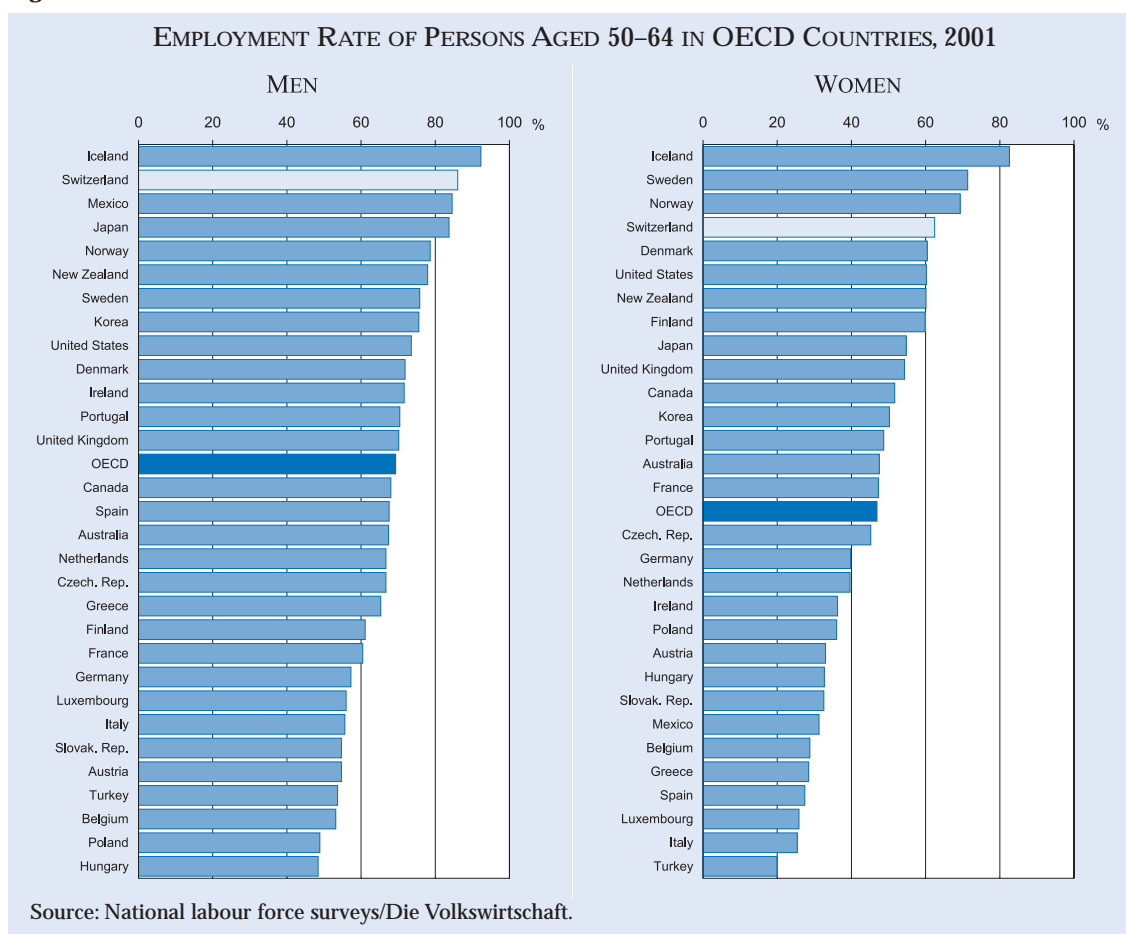
This generally positive situation can, however, not hide the fact that there is a lack of prospective human resource management. Increase in labour productivity has also been too low. The positive situation is mainly due to measures that have been implemented to increase employability, to strengthen professional competency of staff over fifty and also to increase the quality of their jobs. It has been difficult to implement this policy in atypical status such as part-time and temporary work, which is the case primarily for women. Among employed women aged 50 to 64, one-half of them work in part-time positions. A minority of older workers is facing real difficulties. These are mainly long-term unemployed who, without hope of being reintroduced into the labour market, receive either unemployment compensation or welfare assistance.

Where should reforms set in?

Reforms must be implemented simultaneously at several levels and should aim at the following goals:

- Enhancing co-ordination between different institutions;

Figure 3



- Adapting Public Employment Service (PES) measures to end-of-career situations;
- Encouraging employers to review their practices with regard to older workers; and
- Promoting older workers' employability.

Enhancing co-ordination between different institutions

A major problem in the Swiss insurance system is the lack of coordination between the different institutions dealing with the problems of the labour force aged over fifty. They all intervene in their own areas (labour market, unemployment, retirement, old-age insurance, company pensions, job-related training and invalidity) without taking into account the effects that their activities have on other areas.

Contributions to old-age insurance, for example, are calculated – regardless of their effect on employment – on the basis of the entire professional career. These contributions, which are paid by employer

and employee, are 7 percent of wages of young workers but increase to 18 percent of those of older workers. This can hinder employment prospects of older workers. It would be particularly important to evaluate the quantitative effects of contributions to the second pillar on the hiring of workers over fifty and their possibility to continue working.

In any case better co-ordination between the federal government and the cantons is desirable. The present division in social and educational policy has led, for example, to the federal government administering passive compensatory measures, whereas the cantons have been responsible for the implementation of active labour market measures. Proximity is important in order to adjust the active measures to the local needs. It has been noticeable, however, that the so-called “carrousel effect”⁴ has not had undesirable effects. This can encourage cantons to push off the burden of the unemployed

⁴ Thus at the end of the time frame stipulated by the Swiss Federal unemployment insurance an unemployed worker who takes on a temporary job paid by a canton can contribute again to unemployment insurance. The worker is then once again eligible for unemployment for a new time frame.

who are difficult to place – especially those above fifty – onto the federal government. The same is true for disability insurance, the claims for which are settled by the cantons.

Adapting Public Employment Service (PES) measures to end-of-careers situations in the labour market

The Swiss labour market authorities are concerned about the considerable effect of long-term unemployment for 55-year-olds. In connection with the last ALV reform, it was decided to provide compensation to older unemployed for a longer period of time on their way to reaching retirement age. This means that long-term unemployment among older workers could increase in comparison to that of young workers if the extended period of compensation is not accompanied by active measures to help them to find work, following the principle of mutual obligation. There are, however, no special measures currently directed at this target group. The reform of ALV also does not include any such measures. Monitoring is necessary in order to avoid abuse on the part of the employers who, seeking to profit from the situation, could let staff go at the age of 60.

That is why the regional job placement centres (RAV) should pay considerable attention to the difficulties of older workers, who are increasingly faced with employers refusing to hire older applicants aged over fifty. Emphasis should be placed on supporting the older unemployed looking for work. In addition, potential employers should be encouraged to create new positions. The current funds for labour market measures should be evaluated and innovative forms of subsidies developed for those who are most difficult to place. Measures should also be considered that make it easier for the unemployed over fifty to become self-employed. Like-

wise promising appears to be to train the advisors who support people at the end of their working lives.

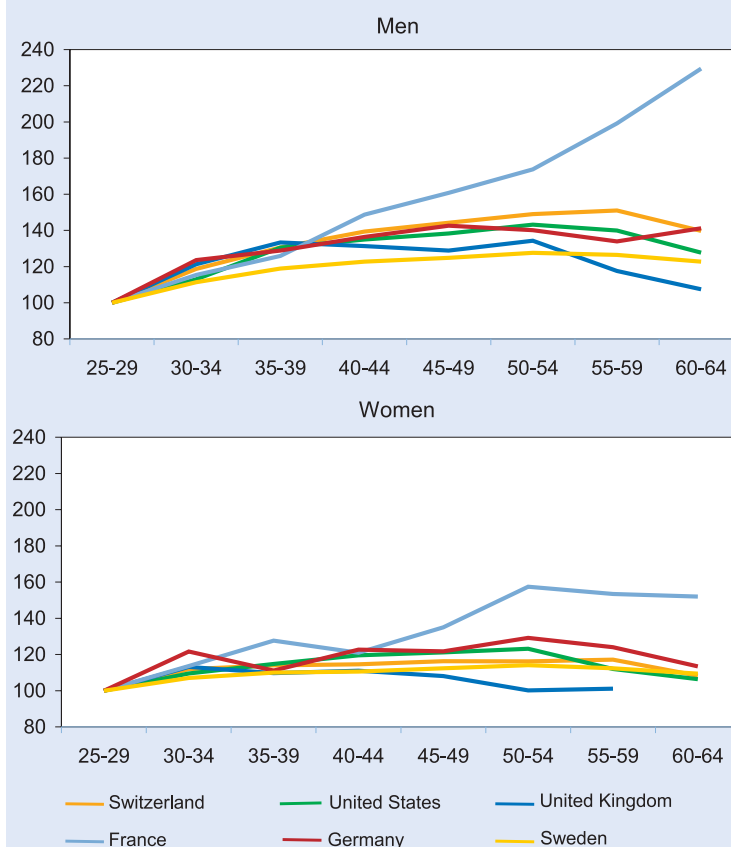
Encouraging employers to review their practices with regard to older workers

Thanks to the considerable reserves of the pension fund, it was relatively easy to finance early retirement in the 1990s. In the meantime, companies have, however, become aware that qualified staff – and thus considerable know-how – have been irreplaceably lost. Recently, the difficult working conditions in the construction industry have resulted in a collective agreement between social partners proposing early retirement.

An essential characteristic of older workers is that their wage is much higher than that of younger ones. This so-called experience or age bonus can be a considerable hindrance for employment opportu-

Figures 4

AGE-EARNING PROFILES IN SELECTED OECD COUNTRIES earnings of 25-29 = 100



Sources: Schweizerische Lohnstrukturerhebung (2000); US: Current Population Survey (2000); Great Britain: Labour Force Survey (2000); France: Enquête Emploi (2000); Germany: German Socio-economic Panel (1998); Sweden: Statistics Sweden (2000)/Die Volkswirtschaft.

nities of older workers, especially in difficult economic situations. An international comparison has shown that earnings for Swiss men increase considerable with age (see Figure 4). Social partners should thus carefully consider the negative consequences of seniority, which links age or tenure with wages. This link could be weakened via a decentralised wage determination, which takes into account to a greater extent the skills and productivity of individual workers.

In practice, it is important that companies' human resource policies incorporate different situations of 50-year-olds. In some areas, it is necessary to intervene considerable before this age. Social partners could publish examples in the internet of companies that do something to promote employment of the older labour force. A website of this sort, very popular, has been created by the Austrian Industrial Organization.⁵

Social partners should make sure that the working conditions are improved for the entire labour force. Every qualitative increase in the working conditions means a reduction in premature health problems and the avoidance of stress, which has a positive effect on keeping older employees at work. One possibility would be to launch a national campaign along the lines of the Finnish model to promote working conditions that are better suited to older workers. Furthermore, specific actions should also be carried out to help older staff, for example, the elimination of night shifts for those over 60 or the possibility of more flexible working hours.

The trickiest issue concerns the hiring of the unemployed over fifty. It is usual for job advertisements to address a specific age group. This can be seen as discriminatory and unconstitutional because categories of the labour force are excluded on the basis of a personal characteristic. Campaigns have to be conducted against this type of discrimination on the part of the employer so that age is no longer a hindrance to employment.

⁵ Website: www.arbeitundalter.at.

Promoting older workers' employability

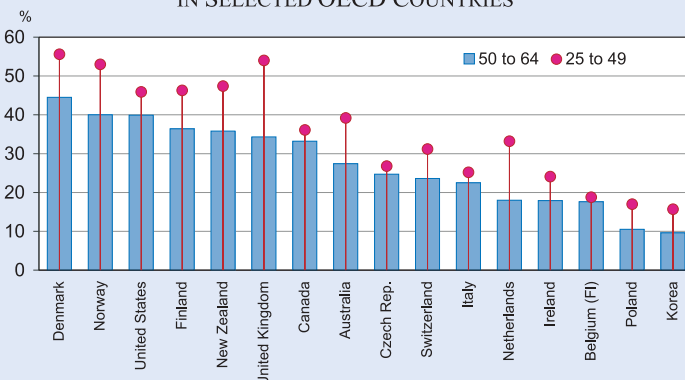
In the Swiss education system, continuous training appears to be a neglected area, in general. Continuous training is primarily seen as being dependent on personal initiative of the individual. The principle of a training right, as in various Scandinavian countries, does not exist in Switzerland. The contribution of the federal government to continuous training is also very limited.

Like in most other OECD countries, in Switzerland participation in further job-related training in companies is not available on a equal basis to all staff members. Young and well-educated employees benefit the most. Those fifty and over have fewer possibilities to update their skills and qualifications (see Figure 5). In a world in which knowledge and technology change so fast, developments of this kind tend to contribute to worsening the situation for this age group.

It is thus necessary to motivate companies and workers to participate in high quality recognised vocational training over the entire career. Methods for recognition, certification and validation of experience could enhance the skills of the older and less qualified labour force and motivate them to continue learning. Furthermore, the social partners should be encouraged to incorporate innovative measures for the financing of training and continuous education programmes in collective agreements. The financial participation of workers in their own further education could be promoted by offering tax incentives.

Figure 5

INCIDENCE OF JOB-RELATED TRAINING AMONG WORKERS BY AGE IN SELECTED OECD COUNTRIES



Sources: OECD and Statistics Canada, International Adult Literacy Survey 1994-1998; and for Korea: Social Statistics Survey (2000).