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Labor market participation of older workers in international comparison

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Articles on labour market issues

16|2021 Labor Market Participation of Older Workers in International Comparison

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Labor Market Participation of Older Workers in International Comparison

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Mit der Reihe „IAB-Discussion Paper“ will das Forschungsinstitut der Bundesagentur für Arbeit den Dialog mit der externen Wissenschaft intensivieren. Durch die rasche Verbreitung von Forschungsergebnissen über das Internet soll noch vor Drucklegung Kritik angeregt und Qualität gesichert werden.

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Abstract

Taking an international comparative perspective, this paper deals with driving forces of and potential obstacles to the labor market participation of older workers. It focuses in depth on four case studies that appear to be prototypical for different contexts. Given the high variance of cultures of work and welfare state systems in Europe and its neighbouring countries, Germany, Israel, Italy and Sweden were selected with the aim of examining the development and situation of older workers in great detail. Each country stands for a specific configuration, e.g. because it may represent a trend reversal, a continuously outstanding performance or lasting problems. The cases also include information on pension reforms and approaches to better manage aging workforces. In face of the different country situations, it becomes obvious that one size of policies does not fit all. Independent of national policies, employability over the life cycle requires more attention. Regarding future developments, several domains of organizational practices are indispensable for appropriately managing an aging workforce, including skill improvement and a healthy work environment.

Zusammenfassung

Der Beitrag beschäftigt sich aus einer international vergleichenden Perspektive mit Treibern und Hemmnissen der Arbeitsmarktpartizipation von Älteren. Der Fokus der Studie richtet sich auf Länderbeispiele, die prototypisch für bestimmte Kontexte stehen. Ausgehend von unterschiedlichen Rahmenbedingungen am Arbeitsmarkt und wohlfahrtsstaatlichen Regulierungen in Europa und benachbarten Ländern wurden mit Deutschland, Israel, Italien und Schweden vier Länder ausgewählt, in denen der Entwicklung und Situation älterer Beschäftigter am Arbeitsmarkt nachgegangen wird. Jedes der ausgewählten Länder steht für eine spezifische Konstellation, sei es, dass eine Trendwende erreicht wurde, ein langfristig hoher Beschäftigungsstand realisiert werden konnte oder anhaltende Probleme zu beobachten sind. Die Fallbeispiele befassen sich u.a. mit rentenpolitischen Reformen sowie arbeitsmarktpolitischen Ansätzen zum Management alternder Belegschaften. Sie zeigen, dass es keinen Königsweg zur Verbesserung der Arbeitsmarktsituation Älterer gibt. Unabhängig von staatlichen Politiken kommt der Entwicklung der Beschäftigungsfähigkeit über den Lebenszyklus große Bedeutung bei. Mit Blick auf zukünftige Entwicklungen sind geeignete betriebliche Praktiken für das Management alternder Belegschaften unverzichtbar. Entscheidend sind dabei insbesondere Initiativen, die auf ein lebenslanges Lernen und ein gesundes Arbeitsumfeld zielen.

JEL classification

J14, J26, M54

Keywords

Aging, COVID-19, future, population development, projection, welfare state systems, workforce management

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1 Introduction

Demographic change is a great challenge for both the economy and the labor market. The populations of the majority of industrialized countries will most likely grow more slowly or even shrink in due course; the same holds for the labor force. In addition, people and workers are on average growing older. However, the process of aging raises numerous questions for economic systems. What does it mean for economic development or trends in labor productivity in the long term? To what degree can implicit knowledge be maintained and skill shortages be avoided? Are social security systems based on contributions by workers sustainable?

A key factor regarding future developments is the employment-to-population rate of workers, particularly of older workers. The extent to which this growing share of the workforce can be utilized is of particular relevance for the future size of labor supply in a given country. A less rapidly increasing or a shrinking labor force has the potential to reduce economic growth and income opportunities for older workers. The more extensively older workers are employed, the more they contribute to economic activities, facilitate knowledge transfer, offer valuable skills, release the burden on social security systems and generate own income.

Taking a comparative perspective, this paper deals with driving forces of employment-to-population rates of older workers and focuses particularly on the process of aging in European workforces. It consists of four case studies that appear to be particularly prototypical for different contexts. Germany, Israel, Italy and Sweden were selected to examine the development and the situation of older workers in detail. Each country stands for a specific configuration, e.g., because it may represent a trend reversal or a continuously outstanding performance or unsolved problems. The conclusion summarizes the main findings and offers tentative recommendations for labor market policies (for more details see Deller and Walwei, 2021 and Walwei/Deller 2021).

2 Labor Market Participation of Older Workers

Due to the differences in employment rates of older workers over time and between countries and their great significance for future developments, it needs to be asked what the drivers of change were. Employment rates of older workers can be influenced by three main factors (Walwei, 2018a). First, national differences in labor market situations and developments are of relevance. A favorable labor market development improves the chances of all groups of workers, including older workers. This argument is perfectly illustrated by John F. Kennedy's famous phrase that "a rising tide lifts all boats" (Kennedy, 1963). Second, changes in characteristics of jobs and workers may also play an important role. Modified job requirements, differences in labor market participation by gender and by educational attainment and variations in the health situation of the population can be associated with labor market participation of older workers. Third, institutional reforms may create incentives or disincentives for older workers to participate in the labor market. Of main

importance in this context are regulations dealing with pension schemes and unemployment benefits that affect older persons.

In order to look more closely at forces that may have driven the employment-to-population ratios of older workers, the following section will outline four country cases. These represent different cultural backgrounds and varying welfare state models. In addition, they are, to a certain extent, prototypical for developments in industrialized countries. The country cases cover Germany, Israel, Italy and Sweden, whose welfare state models differ. Before moving on to the country cases, more systematic information on the four countries needs to be given. The relevant data in this context are: the median age in years as an indicator for the age composition of the total population and employment-to-population ratios of older workers over time by different age groups and by sex.

Table 1: Aging of Population and Workforce

		Germany	Israel	Italy	Sweden	OECD total
Median age of total population in years, 2018		46.0	29.8	46.3	40.6	39.8
Total employment rates by age groups						
1993	25-54	76.8	68.9	66.7	83.2	74.4
	55-64	35.9	45.2	30.4	63.4	46.1
2018	25-54	84.9	80.1	69.8	86.6	78.4
	55-64	71.5	67.3	53.7	78.2	61.4
Employment rates by gender, age 55-64						
1993	male	47.8	62.2	48.2	65.9	59.7
	female	24.2	29.6	14.1	60.9	33.4
2018	male	76.1	73.7	64.2	80.5	70.2
	female	66.9	61.2	43.9	75.8	53.1
Employment rates 65+						
2018		7.4	21.9	4.7	16.9	15.1

Sources: United Nations (2019), Department of Economic and Social Affairs, Population Division World Population Prospects 2019, custom data acquired via website. OECD (2021), Employment/population ratio (Accessed on 09 April 2021).

Table 1 shows that in 2018 the employment rate of older workers (55 to 64 years) was highest in Sweden for both men and women. The largest increase in the employment-to-population rate for older workers between 1988 and 2018 could be observed in Germany and the lowest increase in Italy. Israel has by far the youngest population – as measured by the median age – and the highest share of workers older than 65 years.

3 Labor Market Participation of Older Workers: Country Cases

In order to look at forces that may have driven the employment-to-population ratios of older workers in more detail, four countries were selected as specific cases. Each of these countries is of interest for different reasons. Germany has been chosen for its trend reversal regarding the labor market integration of older workers, Sweden for its consistently high participation rate of older workers, Italy for its difficulties in achieving a high labor market participation among older workers and Israel for its young population as a highly interesting counter-model.

However, before moving on to the country cases, some additional information on the four countries needs to be given. There are two important indicators in this context: the employment-to-population rates of older workers by sex and unemployment rates by duration and age.

The following case studies will address the specificities of these four countries in more detail. They do not aim at providing any causal explanation for developments of employment-to-population ratios in the countries. Instead, they offer circumstantial evidence to illustrate which factors may have been of consequence for developments of employment-to-population ratios in the four countries.

3.1 Germany

The population development of Germany is relatively similar to that of Europe as a whole. In the last three decades, population growth has been relatively slow. From now until 2050, the population will probably shrink. The main reason is the fertility rate of currently 1.59 children per woman, which is much lower than the rate needed to maintain a stable population (2.1 children per woman). Like several other European countries, Germany is confronted with continuous and rather intensive aging. While the share of the elderly population (65+) as part of the total population increased from 1988 to 2018 by 6.5 percentage points, the working age population (15-64 years) shrank by 4.3 percentage points. Germany is an interesting case because the employment-to-population ratio of older workers (55 to 64 years) was quite low in the late 1980s and showed – compared with other industrial countries – an outstanding increase over time. Between 1988 and 2018 it grew by 35 percentage points.

Labor Market Situation and Development

Before the COVID-19 pandemic, the German labor market was in relatively good shape (Bauer et al., 2020; Schneider and Rinne, 2019). Unemployment figures were fairly low and employment-to-population ratios at a record high level. A specificity of the German labor market is that youth unemployment is traditionally low by international comparison, which appears to be related to the dual apprenticeship system and its efficient role in fostering the transition of young people into employment (Baethge and Wolter, 2015). This is also of relevance for older workers because the “scarring effects” are then less likely. The German labor market has also been remarkably robust to policy changes, such as the Great Recession in 2008 and 2009 and the introduction of a

statutory minimum wage in 2015 (Bossler and Gerner, 2020; Möller, 2010). Current challenges include future risks at the European and global level such as Brexit, the stability of the EU and the return of protectionism in parts of the world. In addition, the country is facing massive impacts of demographic change and of economic transformation due to digitization and efforts to implement climate protection (Walwei, 2016). While employment-to-population ratios have risen across the board since the mid-2000s, the increase has been particularly strong among older workers. Moreover, there is clear evidence that older workers were the winners of the recent employment boom (Walwei, 2018a).

As mentioned, until the early 1990s the labor market situation for older workers was poor in comparison to that for younger groups of workers as well as for older workers in several other countries (see Table 1). This applies even more strongly to women than to men. In recent years, however, the older workers' participation in the labor market has improved considerably, particularly for workers aged 50-59 (Dietz and Walwei, 2011). The positive trend refers not only to older workers who are still part of the workforce but also to older workers who are already pensioners (Anger et al., 2018; Walwei, 2018b). The German labor force survey indicates that the latter are above average self-employed or in minor part-time employment (Walwei, 2018a). Research further shows that a stable employment before entering the retirement age favors the likelihood of pensioners' labor market participation (Westermeier, 2019). Before the COVID-19 crisis, another new trend could be observed. Faced with skill shortages, firms have made great efforts to retain workers who were eligible for retirement (Czepek et al., 2017).

As increasing entry rates over time have not been observed for older people, the positive development of the employment-to-population rate for older workers is primarily due to a higher stability of already existing employment relationships, i.e. one can observe a lower exit rate (Dietz and Walwei, 2011). Although the overall development appears to be positive, one can still observe severe problems for particular groups of older workers. The older workers are, the lower their labor market participation (Walwei, 2018b). In particular, the employment-to-population rates for workers older than 60 years are lagging behind those for younger groups. And if older persons are already unemployed, they experience especially severe difficulties in (re-)entering the labor market and bear a comparatively high risk of remaining long-term unemployed. Possible reasons for the low entry rates of older workers are the potential devaluation of human capital and marketable competencies over time, employers' reservations regarding their flexibility and resilience, and the potential of elevated health risks among older people.

Changes in Characteristics of Workers and Jobs

The German case clearly illustrates that the improved labor market situation since 2005 has kept more workers, particularly older workers, in the labor market. However, this positive trend started long before the beginning of the economic boom in 2005 (see Table 1). Therefore, the obvious question is why older workers benefited above average from the boom.

A first contributing factor relates to the skill level of workers, which has significantly increased over time (Bosch, 2011). Studies indicate a positive relationship between workers' skill level and their employment-to-population rate, independent of their age (Dietz and Walwei, 2011). In other words, being old does not inevitably correspond with a low chance of being employed. On the one hand, the employment-to-population rates for people aged 50-59 with a university degree is quite

similar to the rates for academics aged 30-49. On the other hand, the combination of higher age and low skills indisputably deteriorates the chance of being employed. This suggests that the skill level of workers is crucial for workers' labor market success.

Further evidence reveals that the improved labor market performance of older workers relies to a considerable extent on higher employment-to-population rates for women (Walwei, 2018b). In Germany and several other countries, labor force participation rates for women have increased in recent decades (Cascio et al., 2015). Women's career breaks are becoming less common and much shorter on average. This implies that each female cohort reaching old age incorporates a stronger labor market orientation and boosts the labor market participation of older workers.

Other issues, such as the development of health over time, changes in job requirements and the role of retirement decisions amongst partners may also play a certain role. In general, regular reports indicate improved health of the German population over time. For example, work accidents have decreased by half since the 1990s (Gesundheitsberichterstattung des Bundes, 2020a). In addition, the EU-SILC survey indicates for Germany a steady improvement in self-assessed health, particularly for the group aged 50-65 (Gesundheitsberichterstattung des Bundes, 2020b). As for work requirements and resources at the workplace, the overall picture is mixed (Bünning, 2018). According to surveys, the incidence of heavy physical work and stress remained virtually unchanged during the last two decades, but the perceived freedom of individuals regarding their work organization and working hours increased. Moreover, on average workers report better relationships with their superiors and their colleagues. Of relevance for transitions from work into retirement may also be the role of retirement decisions amongst partners (Mergenthaler et al., 2020). Recent surveys show that assessments and opinions are not at all homogeneous in this respect. For 28 percent of all partnerships, joint retirement is important, whereas for 34 percent of all partnerships, the issue is of less relevance; others are more or less in between. Analyses suggest that joint retirement is more likely if both partners are strongly interested in it. Ultimately, however, age differences between partners seem to be the main reason for differences between partners in leaving the workforce at a certain point of time.

Relevant Institutions and Reforms

Both a larger absorptiveness in the labor market and changes in workers' behavior or preferences can be seen as necessary conditions for a stronger labor market participation of older workers. However, the institutional framework may also play an important role and may be regarded as a sufficient condition. In Germany, several institutional changes were implemented in the 1990s and at the beginning of the new millennium that have considerably increased work incentives for older workers (Dietz and Walwei, 2011; Walwei, 2018a). These changes operated in two ways.

First, retirement policies in Germany make clear that the course is set for a longer working life, without offering several bypassing options. As early as the end of the 1990s, the retirement age for unemployed, for women, for long-term insured and for disabled was increased. In 2008, reforms went much further, and the general retirement age was raised from 65 to 67 years. The new regulation, which stipulated a stepwise increase, will be fully implemented in 2031. In addition, public subsidies for partial retirement schemes ended in 2009. This means that partial retirement remains possible but now has to be financed by employers and/or employees. A more recent change in 2014 offered long-term insured aged 63 years or older the opportunity to receive pensions earlier

without any reduction. Although this possibility has been fairly frequently exploited, it is overall not considered to be a substantial rollback of retirement policies (Börsch-Supan et al., 2014).

Second, institutional changes exert more pressure on unemployed in general, and they additionally abolish or at least reduce former policies favoring older people. The “Hartz reforms” introduced a means-tested tax-based unemployment benefit II that is complementary to the contribution-based unemployment benefit I. Of importance here is that the level of social protection became less generous, especially for the group of long-term unemployed. In addition, the maximum duration for the unemployment benefit I for older workers was reduced from 32 months to 24 months. The reforms also focused on fostering stronger labor market participation by an institutional shift, with more emphasis on activating people than on financing unemployment. Evidence shows that these reforms have contributed to a stronger intensity of individual search and a greater willingness of unemployed to accept less attractive jobs (Eichhorst and Marx, 2011; Möller, 2015; Walwei, 2015).

COVID-19 Pandemic

At least up to now, the pandemic does not appear to have worsened the employment status of older workers in Germany to any considerable extent. The unemployment rate has in fact risen less strongly among older workers than among younger groups (Bundesagentur für Arbeit, 2020). Nevertheless, specific groups of older workers are strongly affected. Pensioners with marginal types of part-time employment (known as “mini-jobs”) and older self-employed workers lost all or at least portions of their income (Anger et al., 2020; Westermeier, 2020). These types of employment were covered neither by unemployment insurance nor by short-term allowances. In general, recent surveys indicate that older workers are more satisfied than younger ones with the government’s pandemic-related risk management practices (Westermeier, 2020). That comes as no surprise given that an important aim of containment measures is to protect older people from being infected. More surprisingly, older workers do not show a higher affinity to working from home than younger workers (Foucault and Galasso, 2020; Grunau et al., 2020). According to surveys, the share of older workers (50+) working from home is lower than that of younger workers. Although stereotypes imply that older employees struggle with digital technology, survey findings indicate that they are now more technologically savvy than in the recent past (Morrow-Howell et al., 2020).

3.2 Israel¹

Israel is a young country, which makes it a particularly interesting case. Israel will also age in the future, but even in 2050, it will remain comparatively young, with the smallest age group of 65 years or older out of all the countries in focus. Israel’s youngest age group between 0 and 14 years will slightly decline: In 1988 and 2018, a little less than a third of the population belonged to this group; in 2050 it will still be more than 20 percent. This is the highest percentage out of all the countries.

¹ The case study especially uses, among others, the works of Fuchs and Weiss (2018) and Larom and Lifshitz (2018). This literature is highly recommended as further reading.

Labor Market Situation and Development

According to Larom and Lifshitz (2018), the current Israeli labor market is performing well. It is characterized by high employment rates, low unemployment rates and increasing hourly wages. Nevertheless, two population subgroups, the Arab population (20 percent of Israel's total population) and the ultra-Orthodox (Haredi) Jewish population (10 percent of Israel's total population) still lag behind today's majority group (non-Orthodox Jews) in terms of both employment and earnings. In the upcoming decades, however, the proportions will shift and both the Arab and Haredi populations will represent half of the total population. To continue the positive trend in the labor market, it therefore seems necessary to further boost the comparatively low employment rates for these groups. In contrast to employment, hourly wages of the two groups have not increased, and thus remain much lower than the increased wages of the majority group. Given this background, there is an urgent need to take action against educational gaps, e.g. by early childhood support, the avoidance of educational poverty and improved investment in the human capital of the minority populations, e.g. by establishing additional higher education institutions and training centers.

Israel's employment rate increased by ten percentage points in the last 15 years and was hardly affected by the global financial crisis. Axelrad (2020) reports an overall labor force participation rate of 19.5 percent for individuals aged 65 and older compared with 10.4 percent in 2004. These higher rates may result from the increased retirement age or from immigrants without pension plans who are only entitled to low social security retirement benefits (Axelrad, 2020). In another study, Axelrad (2018) showed that one in five (20.6 percent) individuals in Israel retired late, making Israel second to only Denmark (22.6 percent) of 20 European countries in this respect.

Unemployment has followed a reversed trend in comparison to the employment rates. In 2000, the unemployment rate in Israel was around 10 percent and has declined rapidly since 2004, virtually without a gender gap, to about 4 percent in 2015.

Changes in characteristics of jobs and workers

Highly relevant for Israel's exports (42 percent) is the high-tech sector. It employs only 8 percent-9 percent of Israel's workers (as of 2017; Fuchs and Weiss, 2018). Employment rates in this sector differ by sex and across population groups. Over the past decade, the share of workers in high tech has increased from 8 percent to 15 percent among non-Haredi men, but among Arab and Haredi Israelis the percentage has remained negligible. The share of women employed in high tech is low, standing at 32 percent of those working in the sector in 2017.

By 2015, male employment rate had risen to 81.4 percent, slightly below the OECD average. The change among women was even more noticeable, with employment increasing throughout the period. Until 2002, the female employment situation was similar to the situations in OECD countries. Since 2003, the rate of growth in employment has increased; in 2015, the employment rate among women in Israel reached 72 percent, 7.8 percentage points higher than the OECD average. Presently, the employment gap between men and women in Israel is only 9.4 percentage points (compared with 17.9 percentage points in the OECD). Data on the participation rates show a similar picture.

This increase in employment was accompanied not only by higher wages but also by higher household incomes. However, these positive outcomes are not equally distributed across the entire population. Although individuals who are low-skilled, older and from large families experienced the fastest growth in employment, significant gaps still exist, with especially low employment among Arab women and Haredi men.

Relevant Institutions and Reforms

The change in employment is largely due to a series of successful policy measures, some of which have increased the incentive to work, while others have cut unemployment benefits.

In 1990, Israel improved access to higher education by allowing more academic institutions to open. The number of universities and colleges rose from 21 at the beginning of the 1990s to 67 in 2000. A much higher proportion of the population now has college degrees. In 2013, the share of college students in a cohort reached 50 percent, higher than in the OECD as a whole. According to Larom and Lifshitz (2018), almost a third (30 percent) of the increase in employment can be attributed to the change in educational attainment.

Retirement age is characterized by a gender gap, which is not expected to close. In 2004 the mandatory retirement age was raised from 65 to 67 for men and from 60 to 62 for women. The comparatively high retirement age for Israeli men at 67 has had a direct effect on employment. It has also affected the employment rate close to retirement age. Compared with other age groups, the 55–64 age group has the lowest employment rate but has experienced the fastest increase in employment. The rate for men aged 55–64 increased from 60.9 percent to 73.8 percent, and for women from 38.6 percent to 60 percent. For over a decade, the government has unsuccessfully tried to raise women’s retirement age by another two years to 64 (Fuchs and Weiss, 2018). This issue has been discussed in Israel to address population aging and the declining share of the working-age population. Because employment rates continue to be low for both Arab and Haredi women in the 55–64 age group (in contrast to non-Haredi), they would have to change their behavior to achieve longer participation in the labor market. For that reason, the importance of support for these groups, e.g., through higher education and designated training centers, is under discussion.

Since 2002, a different approach has been to reform Israel’s welfare and benefit system in order to increase the incentive to work and to decrease the benefits of non-employment. The levels of both unemployment benefits and period of entitlement were lowered (Larom and Lifshitz, 2018). These changes substantially reduced the number of eligible individuals.

Following these reforms, the levels of income support, child allowance and entitlement were also cut dramatically. Prior to 2003, the child allowance increased with the number of children. Because the fertility level in Israel is high, especially among the Arab and Haredi populations, the child allowance accounted for about 35 percent of total household income for many poor families, thus reducing the incentive to work. The reform lowered the payment per child and disconnected it from the number of children in the family. Its effect on employment was positive, but negative on fertility. Larom and Lifshitz (2018) argue that the policy measures have had a huge impact on the employment of the two minority groups. Labor income inequality has been reduced by policy measures and the demographic trend. However, the level of net income inequality is still high and growing. This inequality can be addressed, e.g., by encouraging investments in human capital through higher education and training.

COVID-19 Pandemic

Before the pandemic, Israel enjoyed strong employment growth. To contain the spread of the pandemic, the government reacted swiftly and introduced stringent confinement measures in March and April. Emergency measures were introduced to support households and firms. After the economy had largely reopened, a second outbreak gave way to a renewed lockdown in September. Israel experienced a sharp drop in economic activity by a projected 6 percent in 2020. More than a million employees were temporarily laid off (Machlica and Röhn, 2020). After the crisis, the unemployment rate is expected to remain above pre-crisis levels for quite some time (OECD, 2020a). At the height of the pandemic, Israel introduced rules regarding entitlement to unemployment benefits (Lande, 2020). These rules have since been discontinued. At present, redemption of the available accumulated vacation leave is a prerequisite for unemployment payments. In June 2020, the Employment Encouragement Grant Law was passed to encourage the hiring of employees by granting employers financial incentives. Grants are subject to several requirements, e.g., the business must have started before and continued during the COVID-19 crisis. The minimum age of the subsidized employee is 18, the maximum the retirement age. Employment after retirement is hence not supported by this law. Overall, the crisis threatens to aggravate Israel's long-standing challenges of poverty and productivity disparities (Machlica and Röhn, 2020).

3.3 Italy²

The case of Italy is quite similar to Germany in some respects, e.g., continuous and very intensive aging together with a substantial increase in the labor force participation of older workers (aged 55-64), while differing in other respects, e.g., the lower labor force participation of younger individuals (aged 15-24). The share of the elderly population (65+) as part of the total population increased from 1988 to 2018 by 8.5 percentage points, while the working age population (15-64 years) shrank by 4.2 percentage points (Deller/Walwei 2021), albeit growing by almost 70,000 persons in absolute numbers. Italy is an interesting case because the employment-to-population rate of older workers (55 to 64 years) was quite low in the late 1980s and increased by 21 percentage points between 1988 and 2018 (see Table 1), whereas the labor force participation of young individuals has decreased. According to Socci et al. (2017), Italy also needs a “New Deal” among all stakeholders to develop a national strategy for older workers.

Labor Market Situation and Development

Italy is one of the largest economies in Europe. Its labor market is characterized by differences across age groups, including high youth unemployment. Another key challenge is a north-south disparity, with the north continuing to be more dynamic (Marino and Nunziata, 2017). Even in the year before the COVID-19 pandemic began, the share of inactive workers in the Italian labor market increased and the labor market shrank (Colussi, 2020). Young individuals face high unemployment and low participation rates: Participation of young individuals (aged 15-24) decreased between 2000 and 2016 by 15 percentage points, and only around one quarter of this group is actively participating in the labor market (Marino and Nunziata, 2017). This is also due to the emergence of the NEET youth (those not in education, employment or training), which totals about a fifth of the age

² The case study especially uses, among others, the works of Marino and Nunziata (2017) and OECD (2018). This literature is highly recommended as further reading.

group. Additionally, undeclared employment is high. At the turn of the millennium, Italy's labor market first suffered a negative shock from a double-dip recession (Marino and Nunziata, 2017). Since the large drop in 2009, job vacancies have increased. Although Italy has experienced a moderate recovery, the large increase in youth unemployment remains a major problem.

Changes in characteristics of jobs and workers

Since 2000, older workers' (aged 55-64) labor market participation has accelerated and increased substantially after the 2011 "Fornero" pension reforms, with an increase of 25 percentage points between 2000 and 2016, standing at 53.4 percent in 2016 (Marino and Nunziata, 2017). One of the key reasons was the pension reform that drove further participation among older individuals in reaction to an increase in the minimum retirement age. This is mirrored by a very low participation rate for younger individuals.

Although female labor force participation remains low, it increased by 5 percentage points from 2000 to 2016. Female participation is characterized by geographic differences. Variation between regions is large, with specific regions in the north and the south alike being above the median of the increase in participation. However, the female participation rate is still lower than in other countries in the European Union. This can be explained by institutional characteristics of the Italian labor market, including a lack of childcare options and of flexible work arrangements. In general, the development of female participation is encouraging. Female participation ranges from 60 percent to 67 percent in the north and 37 percent to 53 percent in the south. At the same time, male participation in the labor force has remained quite stable.

In Italy, regional heterogeneity remains high, with the south lagging behind the north for all labor market aggregates, without any signs of convergence. Real earnings have increased, but productivity remains at relatively low levels compared with other European countries.

Relevant Institutions and Reforms

Employment policies for older workers in Italy are partly drafted by the regions, not the national government (Socci et al., 2017). The OECD (2018) describes Italy's actions to promote longer working lives by raising the statutory age of retirement, enhancing participation in training and strengthening workplace health and safety as well as some regions' actions targeting workers most at risk of unemployment. Three core policy areas are mentioned: rewarding work and later retirement, encouraging employers to retain and hire older workers and promoting the employability of workers throughout their working lives. Overall, Italy is a late mover, having begun to promote active aging only quite recently (Socci et al., 2017).

Italy has strived to reward work and later retirement in three different ways, first by enhancing incentives to continue working at an older age. In 1995, the Italian pension system switched from a defined benefit pension scheme (DB) to a notional defined contribution scheme (NDC). The pension reform in 2011 ("Fornero reform") accelerated this transition in a more "coercive way" (Socci et al., 2017). At retirement, the accumulated notional capital is converted into an annuity, taking average life expectancy at retirement into account. The second tier is an income-tested "old-age social allowance" entitling employees to a severance payment benefit. Private pension plans form the third tier. In 2016, 30 percent of the total eligible workforce were enrolled. Furthermore, the statutory retirement age has been increased, sex differences will be eliminated and the pension age will become more flexible. In 2012, the retirement age for men was set at between 66 and 70

years of age, and the respective age for women was set at 62, to be raised to 66. Incentives for employees are in place to continue working, as the pension level increases if retirement is postponed. In Italy, very few older workers were interested in phased retirement. As of 2008 it is possible to combine pension income, including early retirement pensions, with income from self-employment or project work. The percentage of retirees working after the age of 65 is very low. Those who do work either have low skill profiles or are highly skilled professionals.

Second, pension reforms have restricted the use of early retirement schemes. As of 2011, entitlement is subject to tighter restrictions and pensions are reduced. A new early retirement program was introduced to have a positive effect on the entry of young workers into the labor market. This effect, however, is widely discussed as its impact is likely to be low over the long term (Bertoni and Brunello, 2017). Workers in arduous and hazardous jobs can more easily access early retirement pensions.

Third, different measures to prevent welfare benefits from being used as alternative pathways to early retirement have been introduced.

Several different measures taken by Italy to encourage employers to retain and hire older workers are identified by OECD (2018). The first is to prevent discrimination in employment on the basis of age. Several exceptions to equal treatment still permit age-based access limitation to labor markets and training. A second measure is to implement age-neutral measures. The third measure focuses on potential future discouragement of mandatory retirement by employers, e.g., in response to the abolition of the right to work beyond retirement age in the public sector in 2014. Encouraging social partners to implement better retention and hiring mechanisms targeted at older workers is a fourth element, given that specific conditions to retain older workers in the labor market have not yet been established. Overall, however, the development of part-time work in Italy lags far behind EU averages (European Commission, 2012).

In the third policy area, the promotion of the employability of workers throughout their working lives, OECD (2018) addresses enhancing workers' participation in training in their mid- to late careers, providing effective employment assistance to older jobseekers and enhancing job quality for older workers.

First, several measures have already been taken to enhance workers' participation in training. However, the participation of workers older than 50 years is very low. In 2015 a framework of rules and instruments was established that implemented a system of validation and certification of competencies, beginning with regional vocational training.

Second, to provide effective employment assistance to older jobseekers, an all-age mainstreaming activation approach has been initiated. It included job reintegration through professional training or tax-relief and reduced social security contributions for companies that employed older workers.

Third, several approaches aim at enhancing job quality for older workers, e.g., by improving workplace safety as well as physical and mental health, reducing the incidence of arduous and hazardous work and balancing professional and family responsibilities.

COVID-19 Pandemic

The first European country to impose a lockdown in order to contain the spread of COVID-19 in 2020 was Italy. Industrial production fell by almost 30 percent in March of that year alone. The

share of inactives in the labor market increased by 2.3 percent, while the employment rate decreased by 11.1 percent. The latter suggests an increase in the number of unemployed who stopped looking for a job during the lockdown. In March and April 2020, according to Checchi et al. (2020), every second Italian firm (51 percent) adopted short-term work schemes. Employees saw their working hours reduced by about 90 percent and experienced a 27 percent loss in their gross monthly wage. Foucault and Galasso (2020) estimate that up to 47 percent of workers stopped working during the lockdown. Blue-collar workers were the most affected: One out of two (50 percent) had to stop working. However, as their jobs could be performed remotely, only 18 percent of white-collar workers could not work during the lockdown, while two thirds (66 percent) continued to work from home and 16 percent at their usual workplaces. About two out of five of the workers of all age groups (40 percent) worked from home, roughly a quarter (25 percent) at their usual workplace and about a third stopped working (30 percent). Across the age groups there were only slight differences. Interestingly, however, it was the oldest work group (60+) that showed the highest percentage remaining in their usual workplace. These findings can be seen as counterintuitive given the higher likelihood of a more severe course of the COVID-19 disease for that age group.

As Colussi (2020) outlines, the Italian government introduced different measures to limit economic consequences of the pandemic. Short-term work schemes and the suspension of layoffs have been successful in limiting short-term effects on the labor market. In August, employment levels were 1.8 percent lower than a year earlier. The lower number of employed is largely due to the end of fixed-term contracts that have not been renewed. In summer the unemployment rate surpassed the pre-lockdown level. Workers employed in manufacturing, construction, tourism and retail suffered the most, while those employed in financial, banking and insurance sectors as well as in public administration and professional services could work from home (Barbieri, Basso, and Scicchitano, 2020). When governmental safety nets are discontinued, Colussi (2020) expects a severe hit to employment levels.

3.4 Sweden

Sweden is one of the European countries with the highest population growth in the last decades. In contrast to other European countries, the population will not shrink in the foreseeable future. Besides a considerable net migration, the fertility rate (1.85 children per woman) is closer to the reproduction rate than in many other European countries. Although Sweden is also experiencing continuous aging, the process is less dynamic. While the share of the elderly population (65+) as part of the total population increased from 1988 to 2018 by two percentage points, the working age population (15-64 years) shrank by the same figure (see Table 1). Sweden is an interesting case in this context because it was and still is one of the countries with the highest employment-to-population ratio for older workers worldwide (see Table 1).

Labor Market Development and Situation

Although employment-to-population rates in Sweden were already comparatively high in the late 1980s, they increased even further for almost all groups of workers in recent decades. They are still among the highest in the European Union and in OECD countries. An important feature in Sweden is that the employment rate of women is close to that of men, independent of age (see Table 1).

Also of note is that labor market participation among young workers has slightly declined, which is largely associated with a stronger participation in education (Albin et al. 2015).

The economic crisis in the early 1990s yielded a significant increase in unemployment and a temporary decrease in labor force participation (OECD, 2020b). At the moment, unemployment in Sweden is lower than the EU average (Eurostat, 2020). The 2008 financial crisis had small negative impacts on the Swedish labor market overall (Albin et al., 2015). Nevertheless, the unemployment rate in Sweden is currently more than twice as high as it was in the 1970s and 1980s (Deller and Walwei 2021). Workers without upper secondary school education fare poorly in the Swedish labor market, and their problems appear to be growing. In addition, immigrants have high unemployment rates, although there is a positive trend in their employment rates (Gottfries, 2018).

The high female labor market participation is one of the major explanations for steadily high employment-to-population rates for all groups of workers, but particularly for old workers. The labor market participation of women increased particularly in the 1990s, when a "feminization of the labor force" took place (Albin et al., 2015). "Housewives" have more or less disappeared in Swedish society. Nevertheless, part-time employment rates for women are still much higher than for men (OECD, 2020b). In connection with the "feminization" of the labor market, the employment rate among older workers is comparatively high and still trending up (Laun and Palme, 2018). In general, the extent of early exit in Sweden varies to a degree with the business cycle (Albin et al., 2015). Participation of the 55-59 age group was high between the 1960s and 1980s, dropped around 2000 and recently recovered. The employment-to-population rate of the 60-64 age group is somewhat lower. However, the direction of the development over time for the older group is similar to that for the younger groups, whereas fluctuation in terms of levels has been more pronounced in the last decades. Recently, even the 65-69 age group has shown an increase in employment-to-population ratios.

Structural change is also of relevance for transitions between work and retirement because certain industries and their particular jobs might be more affected by transformation than other industries and corresponding jobs. One can identify a clear socio-economic gradient in the age of retirement: Low-skilled jobs have lower wages and inferior working conditions, work environment and occupation protection (Laun and Palme, 2018). Although the incidence of long-term unemployed amongst total unemployed is higher for older workers than for the "best agers" (25-54 years), the level is relatively low compared with other countries (see Deller/Walwei 2021).

Changes in Characteristics of Workers and Jobs

The comparatively high employment-to-population rate was bolstered not only by labor market developments but also by changes in worker and job characteristics. Circumstantial evidence recognizes four influential factors, three of which refer to worker-related and one to firm-related issues. First, failing health has been identified as the most common reason for retirement (Albin et al., 2015). Overall, statistics indicate that the population in Sweden shows improved health over time. Particularly between the 1960s and 1980s, mortality decreased, and surveys report a steady improvement in self-assessed health, particularly of older men (Laun and Palme, 2018). Research shows that a good mental and physical work environment potentially avoids high-risk jobs, physical exposure and disability.

Second, similar to in Germany, education is an important gradient for retirement age in Sweden. In this respect, one can observe significant changes in educational attainment. Current cohorts of older workers are more educated than previous ones and tend to retire later (Venti and Wise, 2015). However, analyses show that these developments are more relevant for men than for women. Also worth mentioning is that although firms appreciate older employees for their rigor, skills and life experience, a majority of managers also reported negative stereotypes about aging workers (Nilsson, 2007; Nilsson, 2011).

Third, retirement age is also associated with retirement decisions by life partners or close friends (Laun and Palme, 2018). Joint decision-making of couples leads to an earlier exit for women and later exits for men. In this context, individuals' work motivation is of relevance. Men who plan to work when they are 65 years or older have been found to be happier with their work (Lilly et al., 2007). Men who have worked for mainly economic reasons are more open to an early exit (Soidre, 2005). There is also evidence that factors in childhood and adolescence play an important role in the ability to work.

Fourth, regarding work requirements, there are hints in Sweden that jobs are becoming less demanding. The number of deaths in work-related accidents has decreased. Self-reported assessments indicate lower physical demands (Laun and Palme, 2018). However, the largest improvement in the work environment appears to have happened long ago, in the 1980s, meaning that these developments should not be overestimated as a possible explanation for developments in the recent past.

Relevant Institutions and Reforms

In the 1980s, concerns about the viability of the pensions systems arose against the background of an aging population and a decrease in economic growth. Several political decisions were taken from the early 1990s on to counteract early retirement and increase the actual retirement age (Laun and Wallenius, 2015). These aimed at increasing work incentives, influencing retirement behavior and, as a consequence, delaying labor force exit. Such reforms consisted of several elements. The level of pensions is now more proportional to contributions. A payroll tax reduction for pensioners was also implemented, combined with an income tax reduction. This regulation contributed to delaying labor force exit, which also has helped to keep employment-to-population rates of older workers high (Laun and Palme, 2018). Increasing the mandatory retirement age had, according to analyses, a significant impact only for the 65-69 age group, and much less so for persons aged 64 or younger. However, the strongest effect on persistently high employment-to-population rates of older workers can be attributed to stricter rules governing the disability insurance program.

COVID-19 Pandemic

To a greater degree than most other countries, Sweden expects its citizens to take personal responsibility for their behavior during the pandemic. An increasing number of people have worked from home to reduce the spread of infection (Foucault and Galasso, 2020; Lundberg, 2020). The majority of workers who started working from home had not done so prior to the pandemic. The share of older workers working from home is highest for the age group of 60 years and older (Foucault and Galasso, 2020). Recent surveys indicate that in June 2020 the share of people who fully or partly worked from home was around 30 percent (Milasi et al., 2020). Overall, highly skilled

workers and those in ICT and knowledge-intensive sectors are better prepared for large-scale telework. The differences in the individual ability to scale up telework could lead to growing inequalities within organizations and between workers. At the same time, online orders for food and other goods have increased significantly in Sweden as elsewhere. This development suggests that digital competence among older workers in Sweden has improved over time (Kuoppamäki and Östlund, 2020). All in all, this may strengthen their future employability (Beier et al., 2020).

4 Conclusion and Discussion

This comparative paper considers drivers of and obstacles to labor market participation of workers, with a specific focus on older workers in four prototypical country cases. Each case stands for a specific situation, but also for specific regulations and changes. Additionally, the cases include information on pension reforms and approaches to better manage aging workforces, in some cases including a new balance of work and retirement.

In Germany, one can observe a longer lasting trend of an increasing employment-to-population ratio for older workers. The economic upswing vitalized the labor market in general, with a fairly positive effect on older workers. However, the situation had already been improving in times of weak economic and employment growth; thus, it is not solely growth-induced. Pension and labor market reforms can claim a considerable share of success regarding older workers. However, it seems unlikely that labor market and pension policies alone can explain the strong increase (Steiner, 2017). Other issues, such as a growing educational attainment and an increasing labor force participation, also seem to play an important role.

Israel is a young country whose labor market has improved considerably thanks to a series of successful policy measures. Following a period of exceptionally rapid increase, the employment rate rose by more than ten percentage points and unemployment has fallen to 4 percent. However, serious challenges face two minority groups: Arabs and Haredi Jews. They lag behind in both employment and earnings. While men and women have different legal retirement ages, this finding is highly interesting: Regarding early versus later retirement, Israel is a country of extremes. It has both a strong group of individuals retiring early and another strong group retiring late, thus forming a good case study.

Italy faces the challenge of employing age groups equally. Its labor market is characterized by growing participation of the oldest age group, whereas the youngest group experiences major problems in entering the work force, also due to educational challenges. The second challenge is to continue and strengthen the positive trend in both Italy's north and south. Italy also provides a good example that demographically driven pension reforms can be impactful and lead to behavioral change. However, the reforms may also contribute to unbalanced groups in the labor market. The persisting problem of NEET youth illustrates the importance of education. Shaping this development successfully may set an example for other countries as well.

Sweden has one of the highest labor force participation rates among older workers, to a large extent driven by high female labor market participation. There is evidence that retirement policies

may have led to delayed exit from the labor market, mainly through stricter rules for disability insurance eligibility. Exit patterns from employment to retirement have become increasingly heterogeneous. They augment inequalities between older people in retirement, particularly with respect to educational attainment. Findings for Sweden suggest that good health and high education are the most important factors for a long career and late retirement. It is argued that policies should focus more intensively on providing education and training to vulnerable groups (Albin et al., 2015).

As we can see from the four cases, situations and processes in different countries vary widely. Given the different country situations, we do not look for best practices, but rather for design options. Some aspects are similar, others very different. The case studies show that it is important to understand the mechanisms behind different developments. A comparatively young country like Israel may benefit from a constant inflow of young and well-educated workers. At the same time, it faces challenges such as the integration of diverse population groups into the labor market, groups that have thus far shown very dissimilar labor market behaviors. By contrast, the situation in Germany, Italy and Sweden is quite different. With these country situations in mind, it thus becomes clear that one size of politics does not fit all. Changes must be tailor-made.

The current COVID-19 pandemic may have various consequences for older workers. The reluctance to recruit older workers may be enforced in the current pandemic, when employers may have additional concerns about health risks to older workers. Flexible work is often seen as a suitable way to encourage older individuals to remain in work for longer, e.g. by facilitating working from home. Of importance for the long-term employability of older workers is that digitization has been pushed by the pandemic, implying an increased need for workers to have new capabilities. With respect to future developments, employability over the life cycle therefore deserves more attention. Among others, continuous skill improvement and a healthy work environment are indispensable to keeping older workers employed. Overall, age-inclusive practices are important in order to create relevant framework conditions for fostering work across all ages. These practices appear to be a prerequisite for securing labor market participation of all age groups, especially the oldest age group. However, many organizations are not yet prepared to support the participation of all age groups. Evidence-based and validated instruments, such as the Later Life Workplace Index (LLWI; Wilckens et al., 2020), have been developed to support organizations in shaping workplaces for an aging workforce. To meet this objective, the LLWI measures nine distinct and multi-faceted domains of organizational practices relevant to an aging workforce. Influenced by the LLWI, the International Standards Organization is in the process of publishing a guideline for an age-inclusive workforce (ISO 25550) that contains several dimensions of appropriate work conditions for older workers in small, medium-size and large organizations. It addresses, among others, aspects such as leadership and age-inclusive organizational culture, health and well-being, work design, knowledge management and transition to retirement. These tools will give organizations orientation for appropriately managing their aging workforce. Eventually, these practices at the organizational level can contribute to a better and more sustainable foundation for a higher labor market participation of older workers globally.

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