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Working Paper

Active ageing and the European labour market: Synthesis report

ETLA Discussion Papers, No. 911

Provided in Cooperation with:

The Research Institute of the Finnish Economy (ETLA), Helsinki

Suggested Citation: Piekkola, Hannu (2004) : Active ageing and the European labour market: Synthesis report, ETLA Discussion Papers, No. 911, The Research Institute of the Finnish Economy (ETLA), Helsinki

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Keskusteluaiheita – Discussion papers

No. 911

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ACTIVE AGEING AND THE EUROPEAN LABOUR MARKET: SYNTHESIS REPORT

**– Austria, the Czech Republic, Finland, France,
Germany, Italy, Norway, Poland, Switzerland, the UK**

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I would like to thank Steven Ney, ActivAge project manager, and Anni Heikkilä for comments and all the participants in ActivAge project Paula Aleksandrowicz, Karl Hinrichs, Thomas Ribemont, Ingrid Helgøy, Les Mayhew, Richard Heuberg, Gabriele Gsponer, Michal Arend, Anna Ruzik, Jolanta Perek Bialas, Lucie Dovičová, Ladislav Rapušic and Martina Mrázková for providing information on active ageing and labour markets. The usual disclaimer applies.

This paper is part of the "Overcoming the Barriers and Seizing the Opportunities for Active Ageing Policies in Europe" ActivAge Project financed by the EU fifth framework programme (www.iccr-international.org/activage).

ISSN 0781-6847

30.04.2004



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PIEKKOLA, Hannu, ACTIVE AGEING AND THE EUROPEAN LABOUR MARKET: SYNTHESIS REPORT. Helsinki: ETLA, Elinkeinoelämän Tutkimuslaitos, The Research Institute of the Finnish Economy, 2004, 58 p. (Keskusteluaiheita, Discussion Papers, ISSN 0781-6847; No. 911).

ABSTRACT: This study considers active ageing policies in labour market in ten European countries. The study aims to identify changes to European labour markets in the past 15 years and assess what these changes mean for active ageing policy agendas (i.e. identify barriers and opportunities). In Active Ageing programmes the concepts and aims can be European but the national institutions of each welfare state should appropriate its own programme of social learning. The reason is the clear differences shown to prevail both in the labour markets and in the pace of ageing in individual European countries. However, ageing is more rapid in public sector in all countries. For example in Finland, in government sector in 10 years 75% of leaders and 50% of employees retire. It is argued that one of the main barriers to the employment of older people is inaccurate perceptions about the capabilities of older workers such as long professional experience and the atmosphere of reliability and loyalty to employers. However, one cannot isolate issues pertaining to older workers. Age management is bound to general wellbeing at work places. Successful active ageing policy could also be part of innovative human resource management. An increasing number of firms are adopting new human resource management that has large impact on employer-employee work relations. Many of the positive characteristics of older workers relate to a longer work relationship and particularly the recruitment of new older workers is difficult and should be subsidised. Finally, new senior citizenship should be introduced that also covers retired. This is particularly important when active ageing policies are prone to be conducted by labour market participants (unions and employer federations) that are likely to ignore issues relevant for the retired.

JEL-codes: J26, J14, J22, J11

Keywords: Ageing, Older Workers, Retirement, Demographic Change

PIEKKOLA, Hannu, AKTIIVISEN IKÄÄNTYMISEN OHJELMAT JA EUROOPPALAISET TYÖMARKKINAT: SYNTEESI. Helsinki: ETLA, Elinkeinoelämän Tutkimuslaitos, The Research Institute of the Finnish Economy, 2004, 58 s. (Keskusteluaiheita, Discussion Papers, ISSN 0781-6847; No. 911).

TIIVISTELMÄ: Tämä tutkimus tarkastelee aktiivisen ikääntymisen ohjelmia työmarkkinoilla kymmenessä Euroopan maassa. Pyrkimyksenä on kuvata muutoksia työmarkkinoilla viimeisen 15 vuoden aikana ja pohtia mitä nämä merkitsevät aktiivisen ikääntymisen ohjelmille (mitä esteitä ja mahdollisuuksia voi havaita). Ikääntymisohjelmissa monet käsitteet ja tavoitteet ovat yleiseurooppalaisia. Kuitenkin kansallisten instituutioiden on asetettava omat sosiaalisen oppimisen ja aktiivisen ikääntymisen ohjelmansa. Syynä tähän on Euroopan maiden eroavaisuudet työmarkkinoilla ja väestön ikääntymisessä. Ikääntyminen on tosin nopeinta julkisella sektorilla kaikissa maissa. Esimerkiksi Suomessa 75 prosenttia esimiehistä ja 50 prosenttia työntekijöistä jää eläkkeelle seuraavan kymmenen vuoden aikana. Tutkimuksessa väitetään, että yksi keskeinen este ikääntyneiden työllistymiselle ovat väärät käsitykset kokeneen työntekijän osaamisesta, joka liittyy pitkään ammattiuraan ja sitoutumiseen yrityksen toimintaan. Tosin vanhempia työntekijöitä ei voida myöskään käsitellä erillisenä kysymyksenä silloin, kun tarkastellaan koko työyhteisön hyvinvointia. Ikäjohtaminen ja erilaisuuden johtaminen koskettaa kaikkien työntekijöiden hyvinvointia. Aktiivinen ikääntymispolitiikka yrityksissä voi myös olla osa uudenlaista henkilöstöjohtamista innovatiivisissa yrityksissä, joita on yhä suurempi osa kaikista yrityksistä. Vanhempien työntekijöiden hyvät ominaisuudet liittyvät usein pitkään työuraan yrityksessä ja siten uusien ikääntyneiden työntekijöiden palkkaaminen on vaikeaa ja sitä on tuettava. Työmarkkinakysymysten lisäksi on kehitettävä seniorikansalaisuuden käsitettä, joka kattaa myös eläkkeellä olevat. Tämä on tärkeää siitä syystä, että ikääntyminen ymmärretään usein vain työmarkkinakysymykseksi, ei vähiten sen vuoksi että ammattiliitot ja työnantajajärjestöt ovat useimmiten keskeisimpiä toimijoita.



ETLA

ACTIVE AGEING Project

Table 1.	Employment Rate by Age Group in 1989-2002.....	7
Table 2.	The Employment Rate in the Labour Force, Norway.	10
Table 3.	Level of Economic Activity according to Age and Gender in 2002 (%)	28
Figure 1.	Labour Force Participation Rate and Employment/Population in 2002, Age 55-64	2
Figure 2.	Unemployment Rates in 2002, Age 55-64.....	3
Figure 3.	Labour Force Participation Rates for Men by Age Groups.....	5
Figure 4.	Labour Force Participation Rates for Women by Age Groups	6
Figure 5.	Employment Rates Changes 1997-2001 by Education and Age, %-points	8
Figure 6.	Annual Income of Full-time Jobs by Education and Age Groups in 2000	9
Figure 7.	Activity Rates for Men by Age Groups (in per cent)	11
Figure 8.	Activity Rates for Women by Age groups (in per cent).....	12
Figure 9.	Unemployed by Age and Duration of Unemployment, 2001	13
Figure 10.	Employment Rates by Sex, Age 50-54, in 1971-2000, %	14
Figure 11.	Employment Rates by Sex, Age 55-64, in 1971-2000, %	14
Figure 12.	Male Inactivity Rates in 1970-2000, %	15
Figure 13.	Employment Rates by Age, Men and Women 1979 and 2003.....	20
Figure 14.	Labour supply age 16+ between 1979 and 2050.	21
Figure 15.	Change in Economically Active Persons by Age.....	22
Figure 16.	Employment and Unemployment by Sex.....	23
Figure 17.	Labour Force Participation Rates in Poland by Age Cohorts, Men	26
Figure 18.	Labour Force Participation Rates in Poland by Age Cohorts, Women.....	26
Figure A.1.	Old Age Dependency Ratio and Youth Dependency Ratio, 1975-2060.....	54
Figure A.2	Intensity of Ageing	56

1 Introduction

Active ageing policies have so far concentrated mainly on labour market issues. Policies are implemented to encourage people to stay longer in working life. In this sense, active ageing policies whose aim is to extend productive life are very much limited to the individual being active in the labour market. Active ageing has had more rhetorical than practical value. Advocates of active ageing policies like Ilmarinen (1999) or Walker (2003) emphasize the importance of finding the connections between family and work life or targeting the root causes of poor health, inactivity and dependence in old age.

This paper considers active ageing policies at national level, and even at work place level, devoting attention to differences in labour markets and demographic projections in individual European countries. These very much explain the perceived pressures for active ageing policies. For example, Finland and Germany are at the forefront in active ageing policies (Finland) or labour market reforms (Germany), but also likely to be the first countries in Europe facing the challenges of an ageing and decreasing workforce.

European countries have been active in creating common concepts of active ageing and social or lifelong learning. This gives also some basis for supranational policy design. The overview of active ageing policies across countries uses typology that distinguishes the measures according to whether they aim to create institutional or individual capabilities (i.e. pension reform or life-long learning). Second, a distinction is made between policies to recognise capabilities (i.e. anti-discrimination legislation) or to exploit capabilities (i.e. subsidising older workers).

This study gives in Section 2 an overview of the labour market. Subsequently, Section 3 examines the recognition of the capabilities of older workers. Subsection 3.1 examines the human capital of older workers and life-long learning, and Subsection 3.2 deals with age discrimination. Subsection 3.3 examines the subsidies to older workers and Subsection 3.4 examines age management in firms. In Section 4 we bring out discussed topics. Public discussion, also at the EU level, is an important channel through which the capabilities of older workers are debated and recognised. Discussion can also be institutionally linked. Section 5 considers economic, institutional and cultural policies depending on barriers and opportunities for active ageing policies each country or regime has. This also includes a critical appraisal of the policies implemented and their successfulness. Section 6 concludes with some common proposes how to proceed with active ageing in labour market context.



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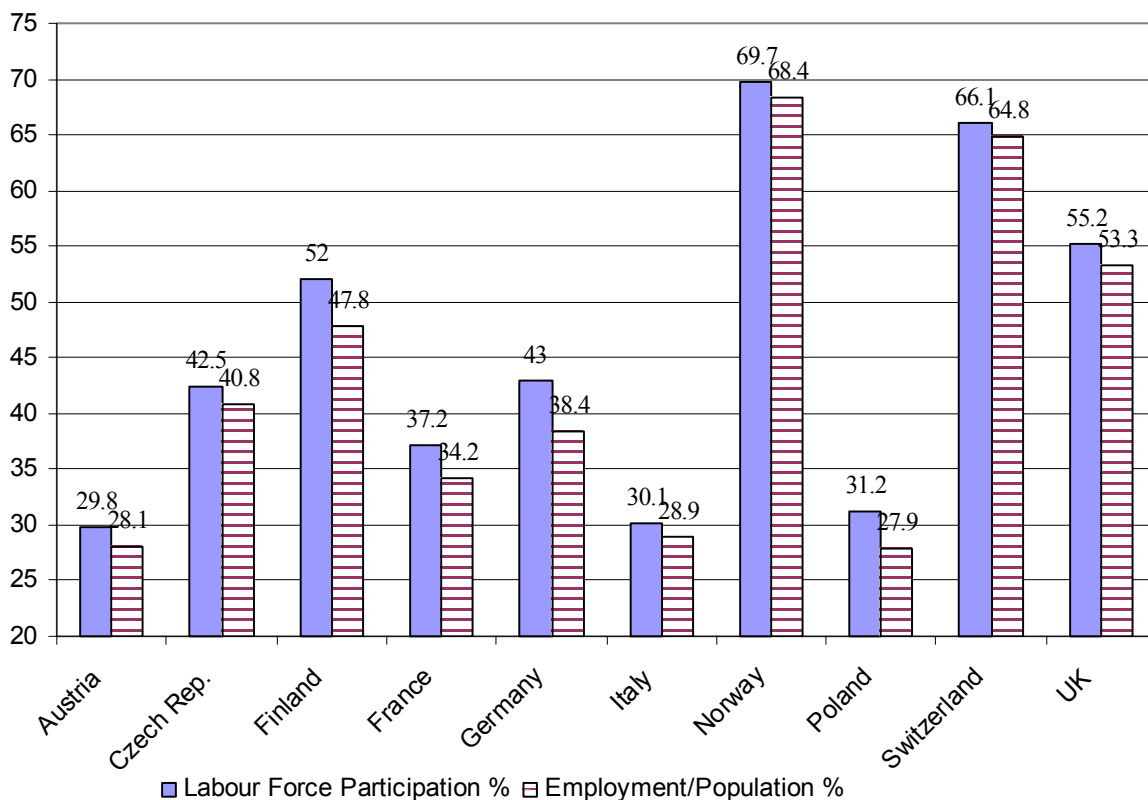
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2 Labour Market Aspects of Ageing

2.1 Overview of Labour Markets

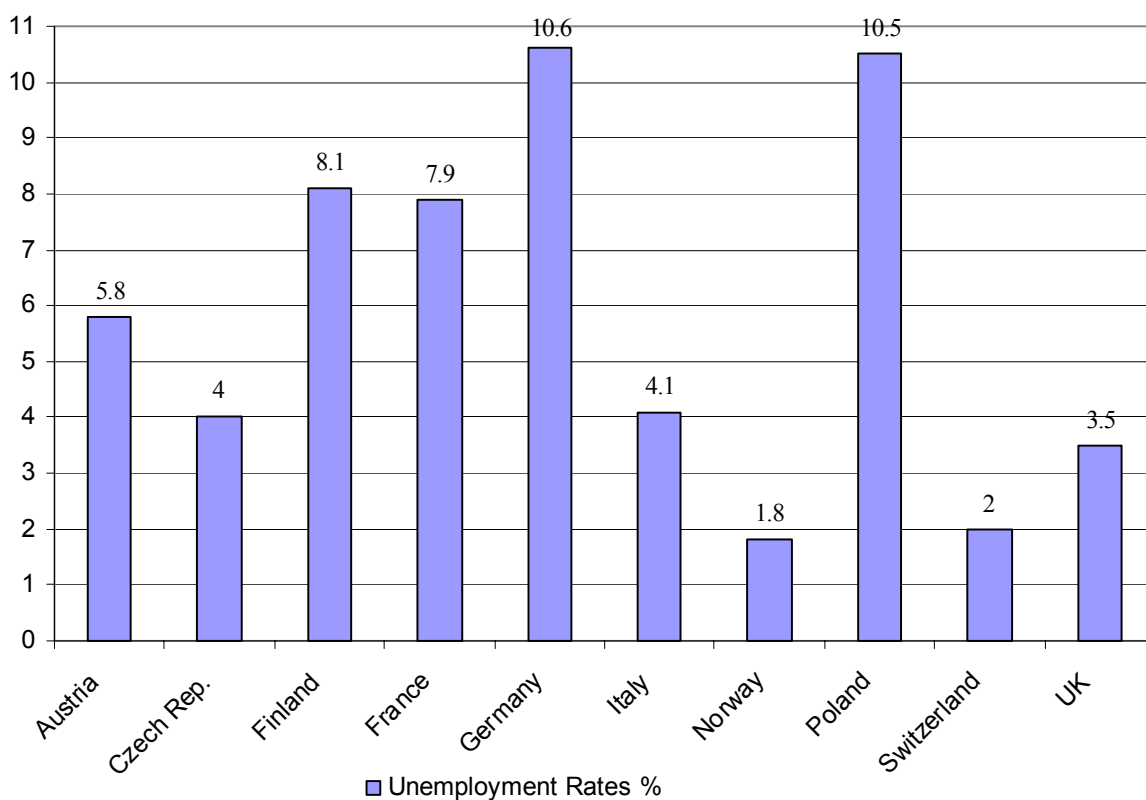
This section, 2.1, is a shortened version of individual country reports that analyse changes in the labour market. Countries included are Austria, the Czech Republic, Finland, France, Germany, Italy, Norway, Poland, Switzerland, the UK. This brings background information regarding the active ageing issues mostly in labour market and, if necessary, in retirement and health care. This study amends the analysis of demographic changes in countries, as done in Piekola (2003). The starting point in Europe is the remarkable increase in unemployment rates for both older men and women in the mid-1990s in several countries (particularly in Finland). While declining in recent years, these rates have not yet returned to the previous levels prevailing at the beginning of 1990s. The following figure shows labour force participation (activity rates) and employment/population ratios across countries.

Figure 1. Labour Force Participation Rate and Employment/Population in 2002, Age 55-64



Source: OECD (2003).

Figure 2. Unemployment Rates in 2002, Age 55-64



Source: OECD (2003).

It can be seen that European countries differ in the employment rates of older workers. Switzerland and Norway stand out as countries with a very high labour force participation rate of 55-64-year-olds of over 66% (Figure 1) and low unemployment (Figure 2). Austria, Italy and Poland exhibit the opposite with mere 30% labour force participation rates. Poland also has a high unemployment rate of 10.5%, together with Germany, 10.6%. With an activity rate of people aged 55-64 amounting to 41.5 %, Germany ranks in the middle compared to other EU countries. Because of the comparatively high unemployment-to-population ratio among the 55-64 year-olds of 4.7 %, Germany falls back by two places in the EU ranking when the employment rate of elderly people is concerned.

France and Finland are the countries where inactivity at the end of the career at age 60-64 is the highest. (This is also true for Belgium and the Netherlands.) Moreover, France (along with Belgium) is in first place as regards inactivity rates for those aged 15-24 (national report for France by Thomas Ribemont). Consequently, younger and older French people have high levels of inactivity whereas the median age brackets have been protected against it during their professional life.



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There are also clear differences in the ageing of the population, as shown in Kotowska (2003) and Piekkola (2003). The Appendix reproduces two tables on the old-age dependency ratio (ratio of 60+ to 20-59) and the intensity of ageing (ratio of 80+ to 60+). It is seen that Italy and Czech Republic will reach the old-age dependency ratio 90, and Finland and Germany will reach the old-age dependency ratio of 80 by 2050. The 90 ratio implies 0.9 active person per every older person. *Italy* and the *Czech Republic* are hence most severely hit by ageing problem. In other countries examined by 2050 there will be less than 80% of individuals at age 60+ compared to at age 20-59. Norway, Poland and the UK appear to be the only countries, where there will be nearly twice more working than inactive people (people above 59 years) by 2050. Intensity of ageing implies that over 30% of elder persons older than 60 will be over 80 years, which is a dramatic change from the current level of around 10%. In Finland the baby-boom generation will reach the age of 80 by 2020, leading to a clear-cut increase in the share of over 80 years old. In Norway, the baby-boom generation was smaller in size and the more favourable demographic projections will keep the figures below 25% until 2050.

Finland and *Germany* will face the ageing of population more severely than other European countries on average. This is one of the major reasons why ageing is examined more closely there than in many other countries. In fact, other Nordic countries than Finland have considerably better demographic prospects. Some of them like *Norway* have a higher fertility rate (1.9 as compared with 1.7 in Finland), a relatively high employment rate of older workers and at least two times higher level of immigration. The demographic prospects are, on the other hand, more uncertain in Central Europe than in Finland. The Finnish fertility rate of 1.7 is tolerable compared with the low fertility rate of 1.2 in Germany, for example.

Germany and *France* are faced with a high level of unemployment and public sector deficit. Also noticeable are the high levels of unemployment among women in Germany. France has a substantially higher fertility rate and seemingly more faith in the functioning of the labour market and/or less willingness than Germans to radically reform the labour market. Yet, in Germany the demographic change and the looming shortage of labour has perhaps not yet been sufficiently acknowledged.

The United Kingdom has challenges of its own; it appears to some degree to imitate the US laissez-faire policy. One view is that this may ease adaptation to large demographic shocks such as ageing. Pension system relies on means-tested benefits. Individuals are only partially protected against the future and raise their savings to cover future lower pension levels when they retire. Means-tested benefit systems also seem to be saving public sector expenditures compared to any continental pension system. One outcome of this can be that the activity rate of older workers is relatively high at 51.5%.

The Swiss and Austrian labour markets have rather similar problems of ageing. However, the activity rate of older workers of 55-65 years of age in Austria is one of the lowest at 28.1%, while one of the highest in Switzerland, 73.1%. The demographic projections are optimistic despite the prevailing low fertility rates. One reason is the reliance on potential immigration in the future in the demographic projections.

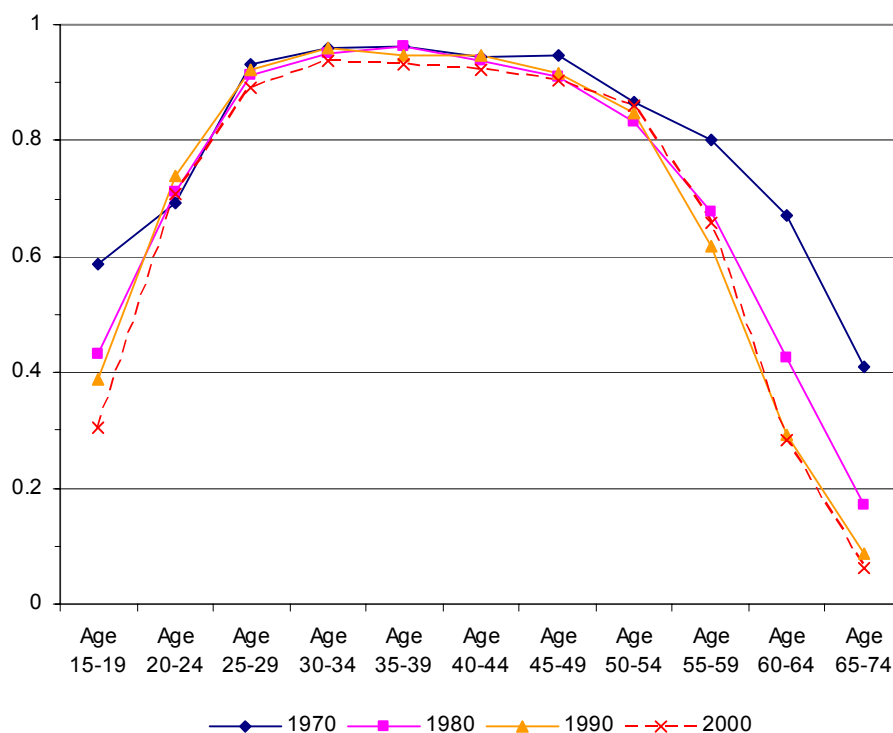
The Polish labour market has experienced a transition to both a low activity rate and the high unemployment of older people, which exceeds the figures of any other country. The main reason is the economic transition, which resulted among other things in layoffs of older workers from big public companies in the course of their privatisation. As older workers are granted numerous opportunities of early retirement they withdraw from the labour market at

a relatively early age. Additionally, it seems as the education level and skills obtained before transition are depreciating fast and that has partially explained the recent low employment rates of older workers.

2.1.1 Labour Market in Finland

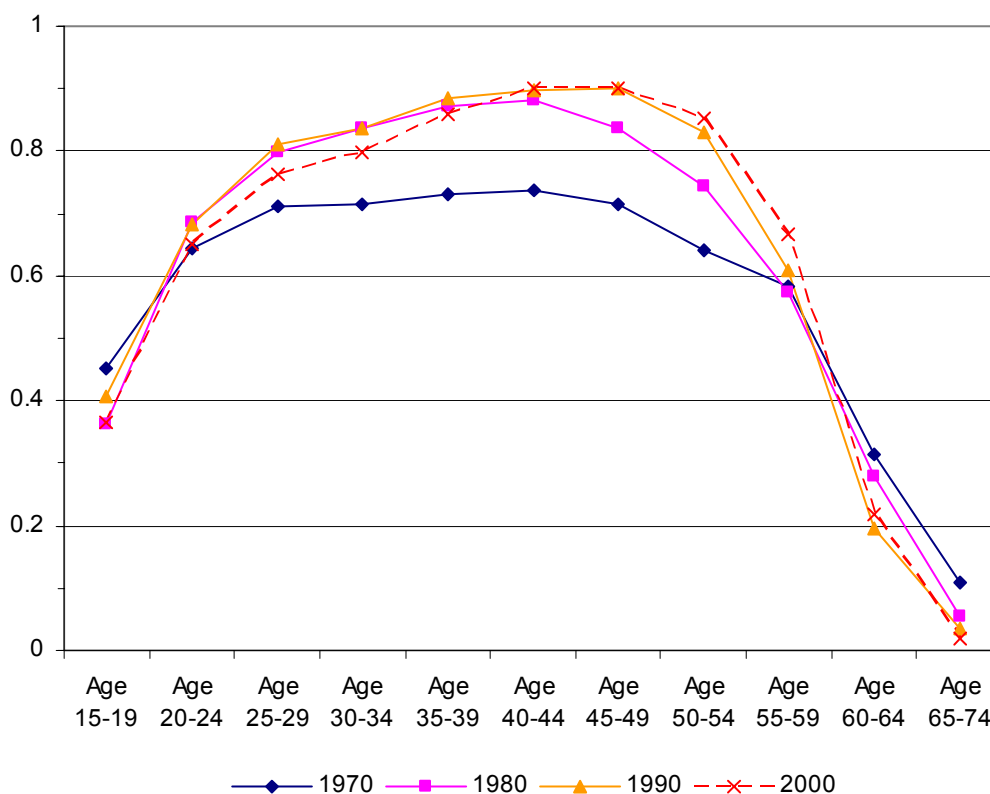
Hannu Piekkola from ETLA has analysed the Finnish labour market. The following table shows the employment rates among different age groups and by gender.

Figure 3. Labour Force Participation Rates for Men by Age Groups



Source: Statistics Finland, old statistics linked to new statistics from 1992 onwards introduced in 1997.

Figure 4. Labour Force Participation Rates for Women by Age Groups



Source: Statistics Finland, old statistics linked to new statistics from 1992 onwards introduced in 1997.

Figure 3 shows that the labour force participation of male age cohorts between 20-50 years of age has stayed roughly the same over the years. The youngest and oldest age cohorts (over 55 years) have clearly decreased their labour force participation. The opposite phenomenon has taken place for the labour force participation of women in Figure 4. Labour force participation has stayed at the same level for women younger than 25 years and older than 54 years. In between, the labour force participation increased in 1990 and stayed roughly at the same level in 2000. It is apparent that Finnish women have postponed withdrawal from the labour force and labour force participation is above the EU average for older women.

There will be a considerable change in the structure of the labour force in Finland in the next few years. The share of the labour force aged 24 - 49 years will be reduced by 150,000 persons during the latter half of the present decade, while the number of those aged 50 - 60 will increase by 170,000. As in many other OECD countries, employers are likely to face increasing pressure to make pay and working conditions more attractive in the coming years. For example, large numbers of public sector employees are coming up for retirement. About one third of municipal employees are due to retire by 2010.

It should also be noted that the low employment rates are related to low skills. Employment rates are systematically higher for the highly educated. The difference is highest at age 55-59, where employment rate of the highly educated is 77.8% compared with 62.8% for those

with secondary education and 53.8% for those with primary education. The labour force participation of people aged over 60 is also lower in Finland than in the EU countries on average. On the other hand, a relatively higher share of those in the labour force also work full-time.

Changes in employment in recent years

The rapid economic growth that had continued for many years came to a sudden halt in the early 1990s, and between 1990 and 1993 real GDP fell by 12%. The poor economic situation of the public sector caused severe problems for the finance of public services, resulting in a drastic cutback in the level of public expenditure and in a need to increase the share of private financing. Unemployment soared, rising from only about 5% in 1987 to an unprecedented 20% in 1994.

The employment rate has been rising since the mid-1990s and stood at 68% in 2002. In 2002, the 55-59 age group was the only one whose employment rate was higher than before the recession in 1989. Thus, the employment rate for older workers (both the 55-59 and the 60-64 age group) has gone up faster than average and is catching up with the employment rate for other age groups (see Table 1).

Table 1. Employment Rate by Age Group in 1989-2002.

Age Group	1989	1994	1998	2000	2002	98-02	89-02
15-24	53%	28%	35%	40%	39%	4%	-14%
25-44	89%	74%	79%	81%	82%	3%	-7%
45-49	90%	78%	82%	84%	83%	1%	-7%
50-54	83%	74%	77%	79%	79%	2%	-4%
55-59	58%	49%	51%	59%	65%	14%	7%
60-64	26%	17%	20%	23%	26%	6%	0%
15-64	74%	60%	64%	67%	68%	4%	-6%

Sources: Ministry of Labour.

The improvement in the employment rate for older workers is an important result. The improvement stems mainly from the fact that employed people are able to stay on at work longer than hitherto, rather than that it would be easier for older unemployed people to find work. Ageing unemployed workers' belief in their chances of finding a new job is still significantly lower than in younger age groups. Older employed people's faith in finding a new job has, however, grown more than that of younger age groups (Working life barometers 2001, 2002).

Long-term unemployment among older people has fallen in recent years partly as a result of improved employment, but particularly because older people are now more likely than hitherto to stay at work after the minimum age of 57 for the 'fast track' to the unemployment pension. (Kansallisen ikäohjelman seurantaraportti 2001 (National Programme on Ageing Workers Follow-up Report 2001)). The following figure shows changes in employment rates by education level and age groups between 2001 and 1997 (Statistics Finland).

Figure 5. Employment Rates Changes 1997-2001 by Education and Age, %-points

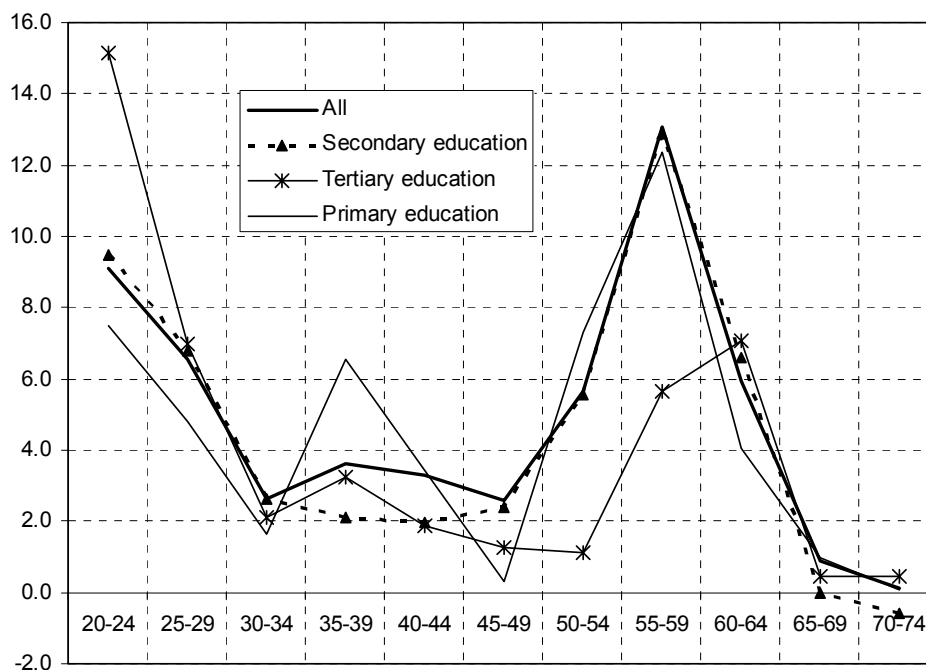
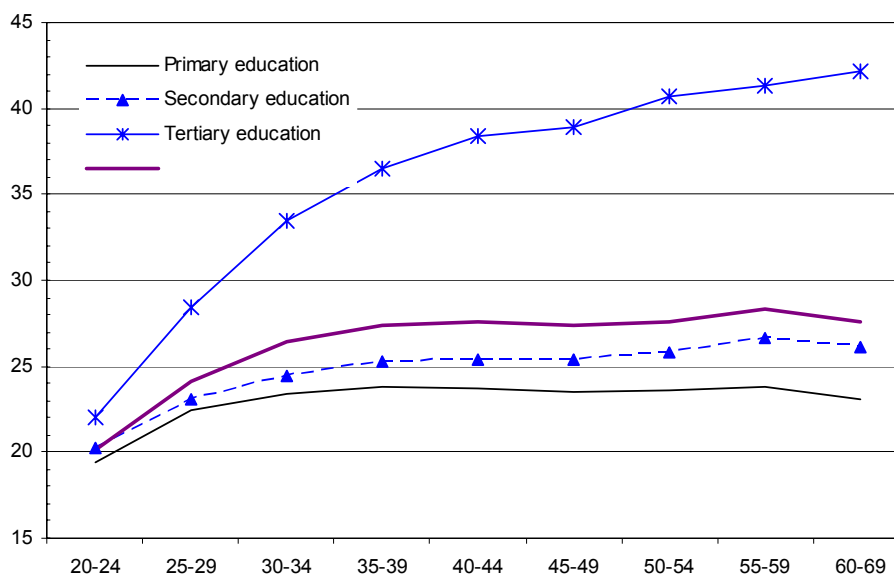


Figure 5 indicates that the improvement in employment rates for the age cohort 55-59 has been greatest for those with primary or secondary education. Employment rate for this cohort has improved and has reached 53.8% at the primary education level and to 62.8% at the tertiary education level. The relative increase in the employment rate has been lower for the highly educated. Improvement in the employment rate of the highly educated has been stronger at age 60-64, where 36.6% were employed in 2001 compared with 29.5% in 1997. One important factor affecting the employment rate in old age is the relative wages. The following figure shows the average annual income from full time jobs in 2000 (1000 euros).

Figure 6. Annual Income of Full-time Jobs by Education and Age Groups in 2000



Source: Wage Structure Statistics, Statistics Finland.

Figure 6 shows that recruitment of older workers can be problematic especially for highly educated. The simple reason is that highly educated receive higher seniority wages and may not be willing to accept a new job offer at a much lower wage level. This is especially so if early retirement opportunities are available.

2.1.2 Labour Market in Norway

Ingrid Helgøy from the Stein Rokkan Centre for Social Research has analysed the Norwegian labour market. Norway is close to the top of the list when it comes to participation among seniors in the labour market (see Figure 1 and OECD, 2003). On the other hand, development has been such that an increasing number of older people exit earlier from the labour market today. The new situation of an increasing share of elderly people in the total population combined with an earlier exit from the labour market has raised problems related to labour shortage and the sustainability of the pension system. Norway has a low unemployment rate. Since 1999 unemployment has gradually increased. From 2002 to 2003 it continued to increase and is at 4.7 percent (with a low 1.8% at age 55-64) today.

Following table shows variation in employment rates among older employees.

Table 2. The Employment Rate in the Labour Force, Norway.

<i>Age/year</i>	<i>1980</i>	<i>1990</i>	<i>1995</i>	<i>1999</i>
45-55	92,3	91,9	90,7	90,7
55-59	85,0	82,0	81,3	84,7
60-64	73,4	64,2	62,5	61,1
Over 65	34,3	25,0	15,3	13,4
16-64	84,3	83,4	82,4	85,0

Source: Labour Force Statistics (2000), OECD, Rønningen (2002)

Employment rates are very high ranging from 84.7% for those aged 55-59 to 61.1% for those aged 60-64. Labour force participation rates have fluctuated more. Persons aged 50-74 increased their labour force participation rate from 45% in 1989 to 54% in 2000, but the participation rate declined for those aged 60 to 66 in the same period, from 44% to 39%. For males aged 60-66 the decrease in the employment rate was radical during the period 1980-2000. When the employment rate was 72% in 1980 it had decreased to 52% in 2000. For women aged 60-66 the employment rate remained more stable, and there was even a small increase during the period.

Even though the labour force participation rate is high, the number of working hours has radically decreased. Between 1970 and 2000 the employment rate increased by 40% but the number of working hours only increased by 9 per cent. Compared with other countries the Norwegians work fewer hours per year. In addition, 10% have retired with a disability pension. The share of persons on a disability pension and on long-term sick leave covers 15% of the population between 16 and 67 years of age. Thus, Norway has a large share of part-timers and full-timers who also work less than the European average.

One of the most characteristic traits in the current labour market is flexibility when it comes to working-time arrangements. National surveys show that 8 per cent of workers in 1980 reported they had a flexible working-time arrangement, 21 per cent in 1989 and as many as 50 per cent of all those employed in 1999 referred to the fact that they could either perfectly, or to some extent, decide when to start and end their working day. Men have flexible working time more often than women, and are also better educated than older women (Torp and Barth 2001).

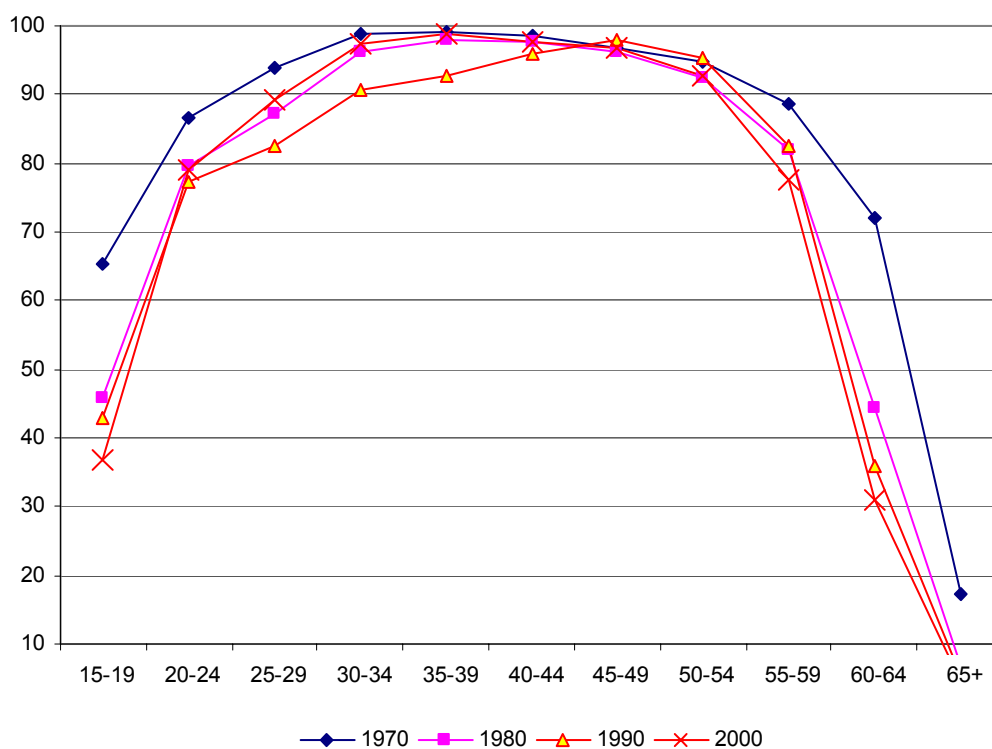
Research results strongly indicate older workers' lack of skills, especially in the competition for new jobs. The importance of human capital and skills, new technology and competence will be even stronger in the future. This could mean a weaker position for older people in the future labour market. On the other hand, the education level of older workers is increasing rapidly.

In addition to the withdrawal of men aged 60-66 from the labour market, the authorities are concerned with the relation between employees and pensioners. The main discussion today is why early retirement is becoming more and more common. Among researchers and experts there seems to be agreement on the connection between early retirement and economic factors.

2.1.3 Labour Market in Germany

Paula Aleksandrowicz from the Centre for Social Policy Research, University of Bremen, has evaluated the labour market in Germany. Activity rates in Germany for men have been falling with age starting with the age range 40-44 years, very similarly to Finland. This trend has held true for the year 1970 and 1980. In 1990, activity rates were falling starting with the age range 45-49, and in 2000, starting with the age range 50-54 (see Figure 7). Activity rates of male workers from the age of 45 on were falling not only with age but also with each cohort between 1970 and 2000. The age groups 60-64 and 65+ have experienced a steady fall throughout all four decades. Whereas in 1970, 72 per cent of men aged 60-64 were economically active, in 1980 only 44 per cent were economically active and in the year 2000 but one third of them.

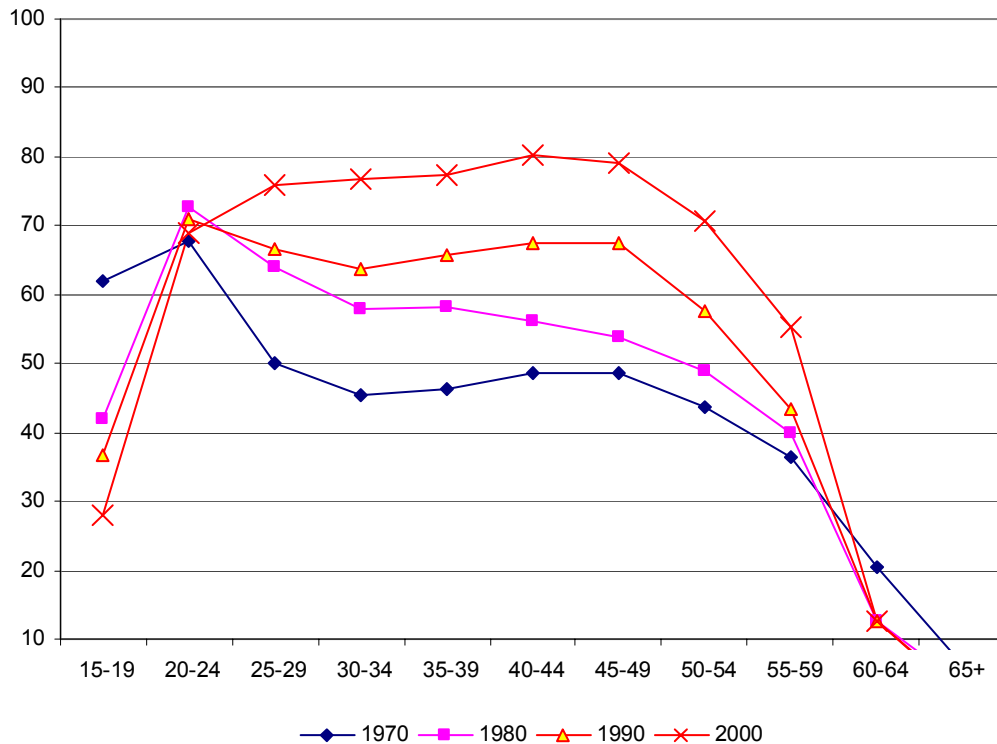
Figure 7. Activity Rates for Men by Age Groups (in per cent)



Source: FROM 1991, STATISTICS REFER TO REUNIFIED GERMANY AND BEFORE, TO WESTERN GERMANY

Female labour market participation has also been subject to far-reaching changes. For each age group between 25-29 and 55-59, activity rates rose between 1970 and 2000 (see Figure 8). This can be attributed to a change in labour market attitudes of women and their emancipation of the domestic sphere. As was the case with male workers, women in the pre- and post-retirement ages have experienced a decline in their activity rates throughout the decades examined. In contrast to Finland and Norway, the activity rates of German women sharply decrease from age 60 onwards. Thus women are orientated to the former standard female retirement age of 60, still valid for age groups born before 1952.

Figure 8. Activity Rates for Women by Age groups (in per cent)

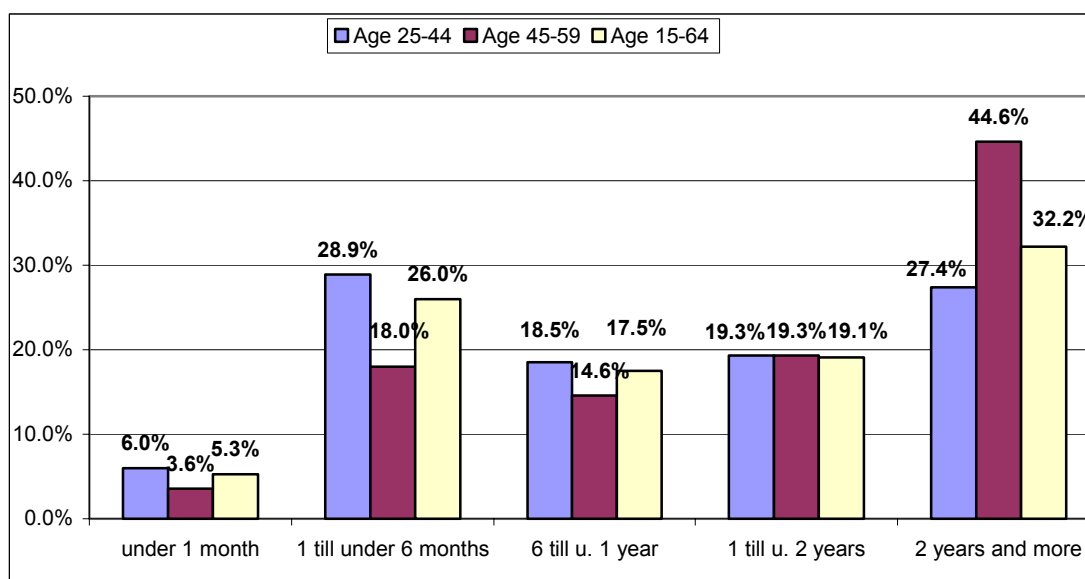


Source: FROM 1991, STATISTICS REFER TO REUNIFIED GERMANY AND BEFORE, TO WESTERN GERMANY

Among the explanations of the decline of employment rates with age the argument of disincentives to employment inherent in the German pension system occupies a prominent place in 1973. Exit options from employment were opened in the form of early retirement for the long-term insured at the age of 63 and the severely handicapped at the age of 62.

Older people face a greater risk of long-term unemployment. In 2001, 44.6 per cent of the unemployed persons aged 45-60 were unemployed for two years or more, compared with 27.4 per cent among the unemployed persons aged 25-44.

Figure 9. Unemployed by Age and Duration of Unemployment, 2001



Source: Federal Statistical Office of Germany (2002a), p. 20

Figure 9 shows that employment rates fall with age starting with age group 45-54. It is seen that employment rates for each age group rise in line with the educational level. Starting with age group 45-54, people with a more theoretical tertiary education achieve employment rates of 65 per cent compared with 52 per cent for the practically-trained. Aleksandrowicz (2004) suggests that the technical competence of older practically-trained people is regarded as outdated, while the depreciation of people with a theory-based education and with an advanced research qualification (ISCED 6) rises with age.

Similarly to other countries of high unemployment (like Finland), a high educational level thus improves the employment opportunities of the unemployed. Buck et al. (2003, p. 87) and Wolff (2002, p. 35) argue that older workers are assumed to be less innovative and therefore 'exchanged' for "young and creative" workers. This practice arises out of the assumption that younger people have the latest and most up-to-date level of qualification. Part of early retirement can also be explained by older workers' voluntary and deliberate decisions,

2.1.4 Labour Market in France

Labour Market analysis in France has been conducted by Thomas Ribemont. The following figure shows the evolution of the employment rate since the 1970s.

Figure 10. Employment Rates by Sex, Age 50-54, in 1971-2000, %

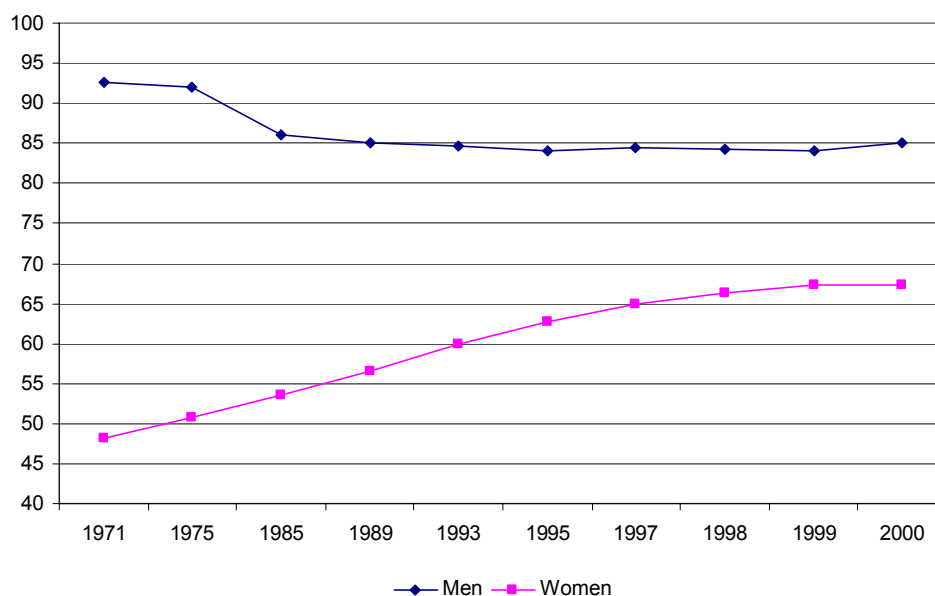
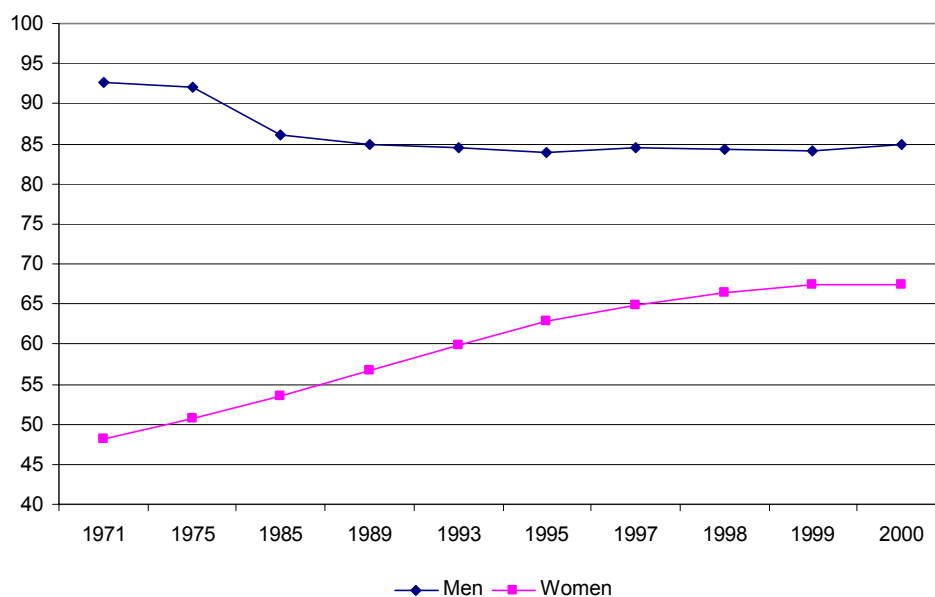


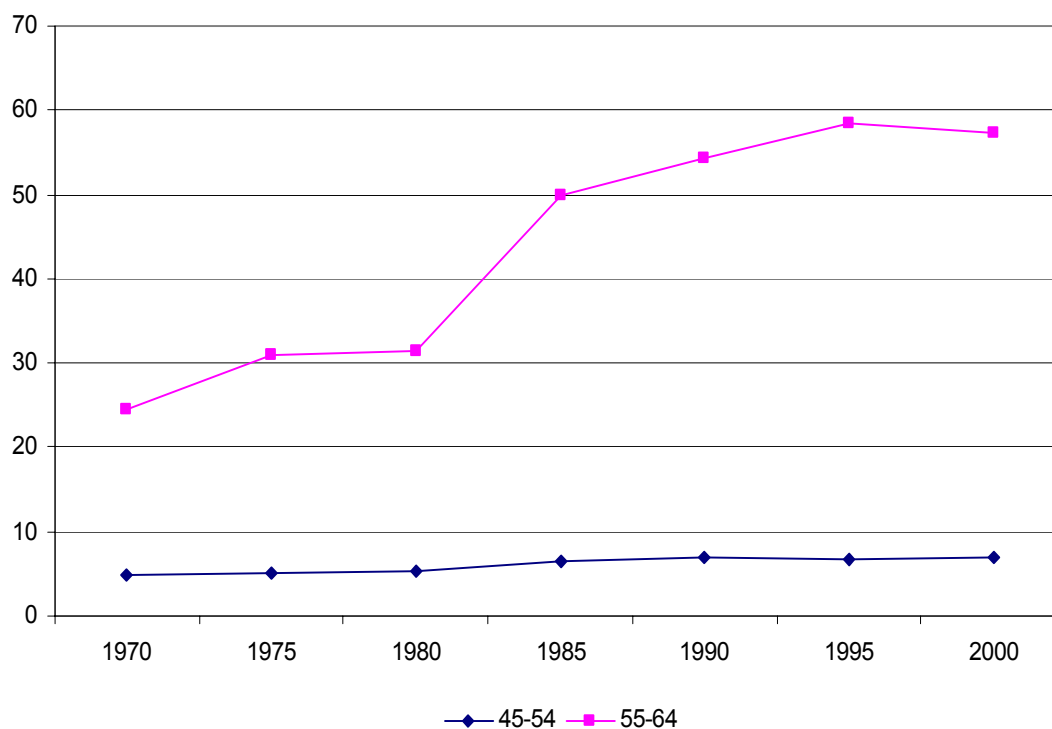
Figure 11. Employment Rates by Sex, Age 55-64, in 1971-2000, %



It is seen that the activity of those aged 55 and over has significantly decreased in France. For persons aged 50-54, the major change happened in the 1970's. France is one of the countries where the labour participation rate of people over 55 years of age is low (37.2%), and unemployment is high (7.9%), see Figures 10 and 11. Employment has become exception rather than norm for those aged 60-64. In 2000, less than one out of five men from this age bracket was active in the French labour market. Concerning the 65 and over age group, only 10% of men belonging to that age group. The effective rate of employment for 55-59 year-olds just reaches the threshold of 60%. We note that at the European level, the em-

ployment rate for the same population was 62% in 1995. In France, along with Italy, the professional activity rate for men aged 50-54 is also declining. The massive increase in the inactivity rate of older men is shown below

Figure 12. Male Inactivity Rates in 1970-2000, %



In France one can also note the emergence of a new kind of worker designated by the term “half-old persons”, between 50 and 54 (“les demi-vieux”) (Guillemard 2003, 31). Generally, they are too old to be promoted or to benefit from professional training. On the other hand, Ribemont (2004) notices that, for the same age group, women’s activity has increased during the last ten years. Moreover, women’s activity rate is more important in France than in the majority of other European countries.

The Italian labour market has developed over the years along the lines of a marked geographical dualism between the Centre-North and the South and employment policies focused primarily on the adult male breadwinner.

The former has distant historical roots that can be traced back to the unification of the country. In the postwar period the problem was somewhat alleviated by heavy (internal and external) migration, and by the adoption of extraordinary measures to boost development. Throughout the 70s, however, the gap started widening again, becoming especially visible in the growing mass unemployment in the South, especially among young people and women.

Moreover, the employment policy followed until the end of the 80s produced two effects: on the one hand, it kept female labour market participation rather low, although it had begun to grow since the mid-70s in the wake of the feminist movements; on the other hand, it produced a clear-cut demarcation line between protected and non-protected workers, i.e. be-

tween a core of employees of the large Fordist-type industry and a peripheral area of traditional and third-sector activities (agriculture, building construction, trade, etc.).

Many things have changed in the last 10-15 years, but the structural characteristics of the labour market are still clearly visible, as shown in the following diagram – according to the most up to date figures (2003), in Italy there are slightly over 22 million employees, 13 of which (62%) are men. Employed women are slightly more than 8 million (38%).

Considering these figures in the light of the Lisbon targets on jobs - if they can still be deemed valid and realistic, that is - it could be said that the main problem is the growth of employment in the South, and of female employment in particular. In the South, in fact, slightly over 1 woman in every 4 of working age is employed, which is a far cry from the specific target set for 2010, which, on the contrary, appears much more realistic for the North of the country. Even male employment rates differ greatly between the Centre-North and the South, although this gap appears to be much smaller.

Although lagging far behind the aforementioned targets, the growth of female employment is nevertheless largely responsible for the dynamism of the labour market.

Table 1 - Employment rates by gender (1970-2003)

	1972	1985	1992	1993	1995	2003
	old series		new series			
Male	52,9	50,9	50,1	68,2	65,9	69,3
Female	18,9	23,3	25,6	35,8	35,4	42,7

Source: Ministry of the Economy figure processed by ourselves

(in "Quaderno strutturale dell'economia italiana", November 2003)

When reading these figures account must be taken of the fact that, until 1992, the employment rates were calculated on the basis of the "actual population", which explains the steep rise after 1993, when they began to be calculated in respect of the "working population" (aged 15-64 years), in order to ensure the consistency of the labour force survey figures with the criteria employed at EU level by Eurostat. In any case, the growth trend of female employment has risen considerably in the last 30 years: while the male employment rate clearly declined between 1972 and 1992, and has risen by just over 1 percentage point in the last 10 years, female employment increased by 7 percentage points in both the periods.

Alongside the general trend, employment rates and, generally speaking, the activity rates of men and women also differ in respect of the age group (Figs. 2 and 3).

Clearly, apart from the greater translation of the curves in the case of women, which seems to confirm the increasing labour market participation of this population group, the curve trends differ in connection with the two central age groups (24-34 and 35-54): while male labour force participation tends to increase when passing from one age group to the next, in the case of women it drops – probably due to the decision to have a baby – although there is

a certain degree of rebalancing in 2003, especially as regards the employment rate. The trends relating to the older age groups are much more similar and the differences between activity and employment rates tend to disappear for both sexes.

The employment rate for the 55-64 age group (30,3%) is also significantly below the target set out at Lisbon (50% by 2010); here too it is the female component (18.5% compared to 42.8%) that weighs heavily on the negative end result.

A last figure relating to the structural characteristics of the labour forces is the one relating to educational qualifications. As a rule, employment rates tend to grow the higher the education: e.g. in the 35-64 age group the figure rises from 32.4%, in the case of people with primary education, to 78.5% of secondary-school leaving certificate holders and 85.7% of university graduates (2003).

Besides the structural point of view, important changes have occurred politically too. Since the mid-90s, in fact, various legislative measures have been passed aimed at regulating so-called 'atypical' employment, which developed enormously in the wake of growing layoffs by the manufacturing industry, introducing a system of employment flexibility.

It can easily be inferred from the following figure that the growth of female employment is a consequence primarily of the spread of these new types of jobs.

2.1.5 Labour Market in the Italy

Sandro Turcio from Istituto di Recerche Sulla Popolazione e le politiche Sociali (IRPPS) has analysed the Italy labour market. The Italian labour market has developed over the years along the lines of a marked geographical dualism between the Centre-North and the South and employment policies focused primarily on the adult male breadwinner. Throughout the 70s, the gap started widening again, becoming especially visible in the growing mass unemployment in the South, especially among young people and women.

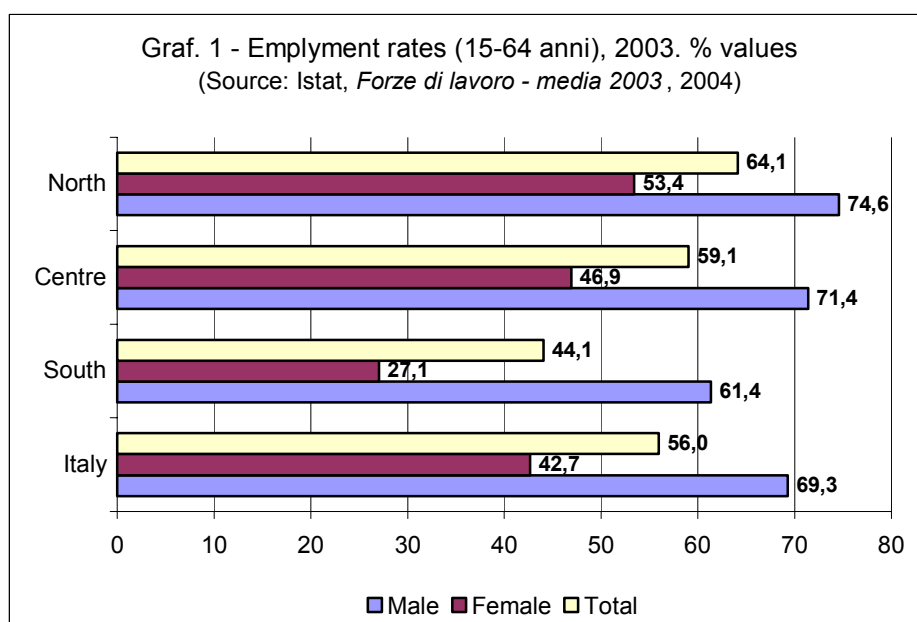
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Many things have changed in the last 10-15 years, but the structural characteristics of the labour market are still clearly visible, as shown in the following diagram – according to the most up to date figures (2003), in Italy there are slightly over 22 million employees, 13 of which (62%) are men. Employed women are slightly more than 8 million (38%). The grey market is also large with undeclared and/or irregular labour covering 15% of the work units (Istat, 2002). This means almost 3.5 million people, 40% of which are residents in the South and, generally speaking, women.



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In the South, in fact, slightly over 1 woman in every 4 of working age is employed, which is a far cry from the specific target set for 2010 in Lisbon summit, which, on the contrary, appears much more realistic for the North of the country. Even male employment rates differ greatly between the Centre-North and the South, although this gap appears to be much smaller.

Although lagging far behind the aforementioned targets, the growth of female employment is nevertheless largely responsible for the dynamism of the labour market.

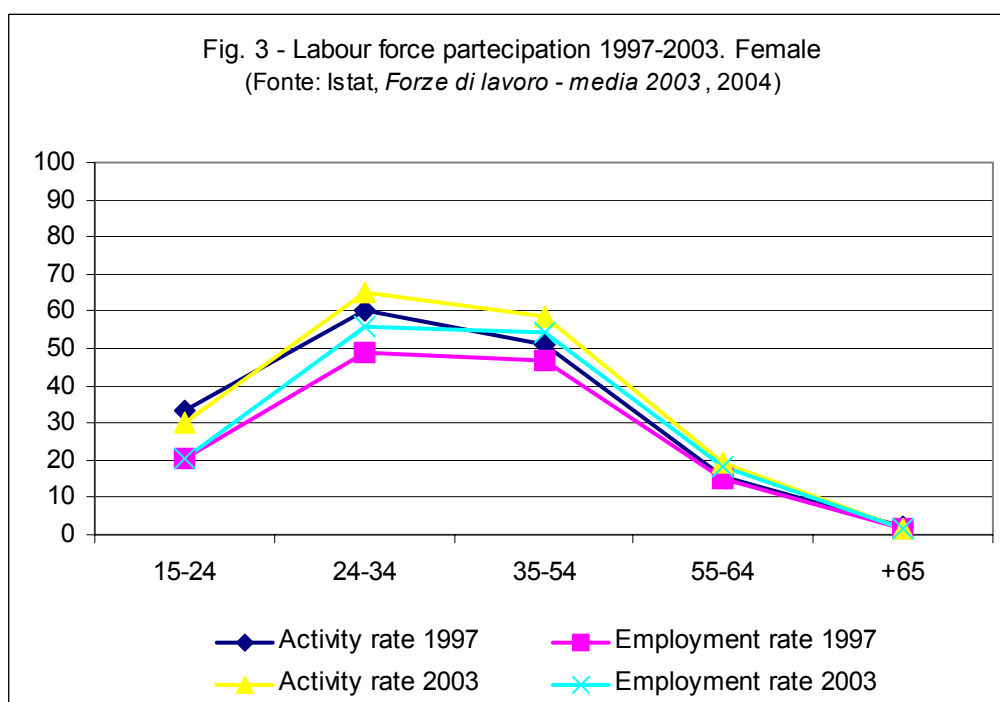
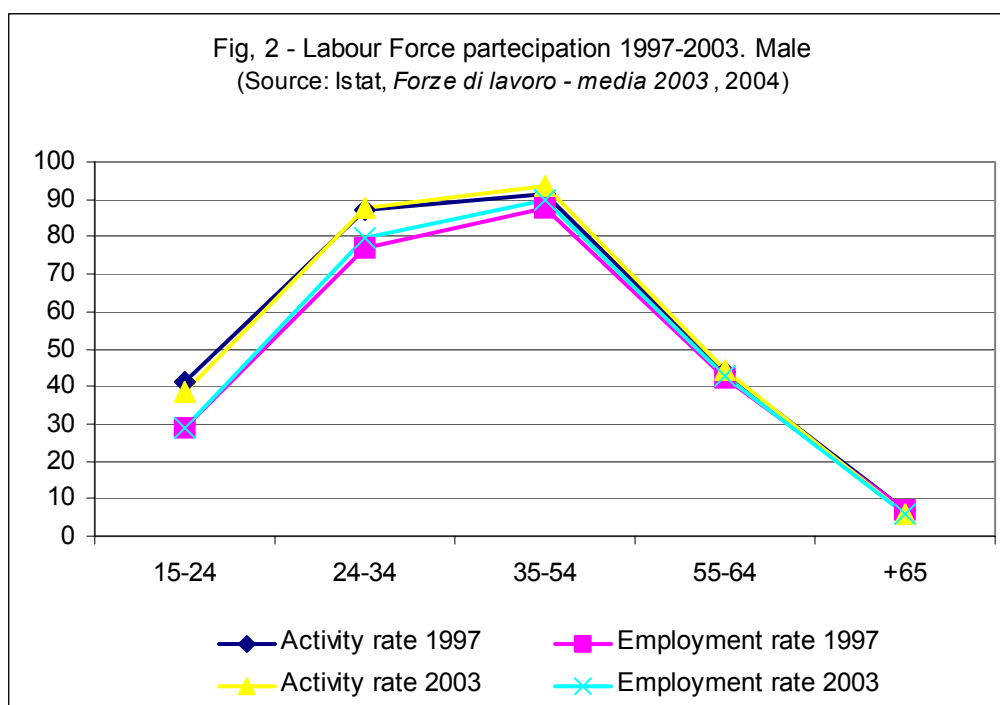
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Male	52,9	50,9	50,1	68,2	65,9	69,3
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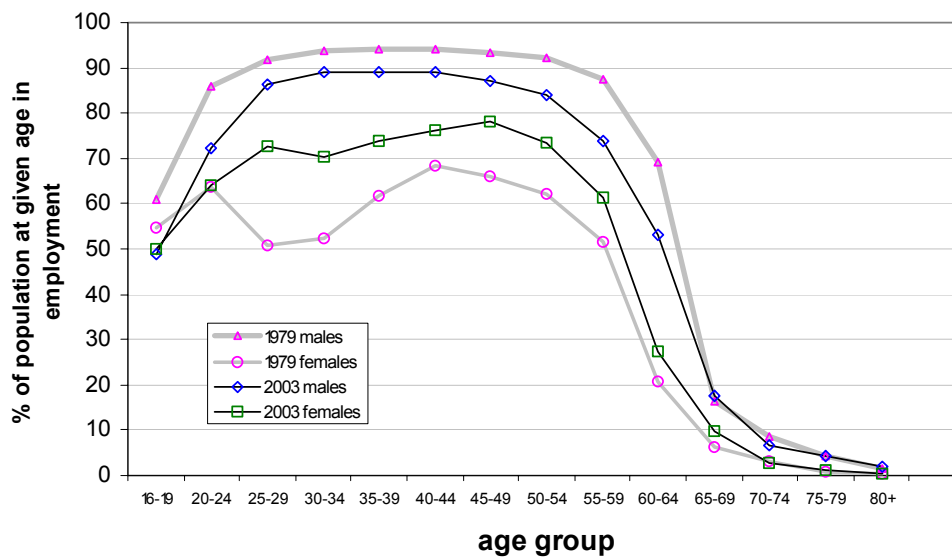
2.1.6 Labour Market in the UK

Les Mayhew from City University has analysed the UK labour market. The UK labour market during the last 25 years is characterised by three key features:

- Fundamental changes in the employment rates of men and women caused by economic restructuring. Employment in manufacturing fell from 28.2% in 1979 to only 13.6% in 2003, and employment in service sector has increased from 61.4% in 1979 to 80.3% in 2003.
- Improvements in the employment prospects for younger people as a result of improved economic prospects and active employment policies for younger workers.
- Growth in part-time employment and the number of women at work.

In the future, the main issues of interest will be the projected decline in the work force. Figure 13 shows employment rates for men and women in 1979 and 2003.

Figure 13. Employment Rates by Age, Men and Women 1979 and 2003.

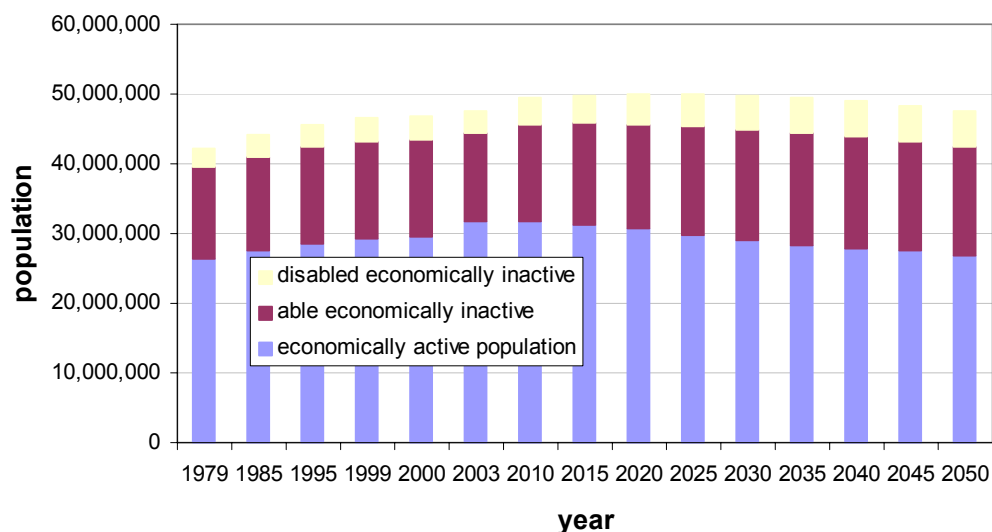


Four key issues are identified:

- The employment rate for men has fallen, especially in the age group 55-64
- The employment rate for women has increased and more than compensated for the fall in male employment
- The employment rate for women has particularly increased in the age group 25-34. This is the result of several effects: women postponing having children, working mothers including single mothers, and the growth in part-time, flexible working.

The projected populations in the following Figure 14 are based on projection figures from the United Nations.

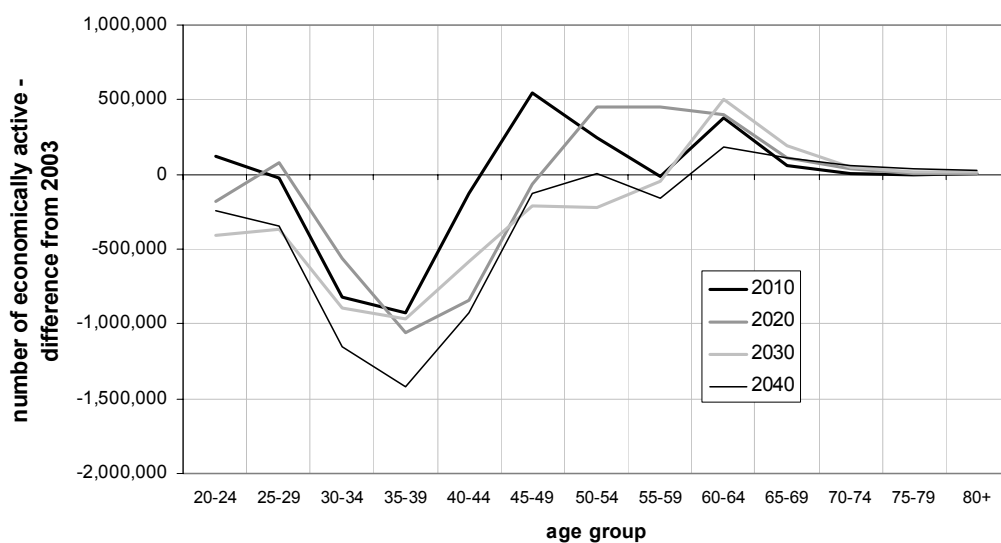
Figure 14. Labour supply age 16+ between 1979 and 2050.



Sources: United Nations Population projections, UK disability estimates and the Labour Force Survey

The active population will rise to a peak in 2015 and 2020 of around 50 million. Between 2003 and 2050, the economically active workforce could shrink by nearly 5 million people, requiring according to Mayhew (2004) something like a 17% improvement in productivity to stay at 2003 levels. This change in demographic structure is, however, modest by European standards. Piekola (2003) gives alternative demographic projections that forecast no decline in population and reach a peak of over 60 million people in 2050, which will not be far from the population in Germany at that time. The old age dependency ratio (the number of people over 60+ to those 20-59) will reach over 100 by 2050, while it will be 120 in Austria and as high as 180 in Italy and Germany (see Figure A.1 in Appendix). Figure 15 shows how the supply of labour at different ages could change if age specific activity rates in 2003 were to remain the same in the future.

Figure 15. Change in Economically Active Persons by Age.



As is seen, there would be a significant decline in the supply of workers in the 30-40 year age bracket, only partly offset by increases in the 45-64-age group. Clearly, there are several possible consequences of these changes. Mayhew (2004) argues that labour participation rates could rise, wages could also rise significantly in certain occupations and financial and other incentives could be offered to older workers to stay at work. He also argues that physical fitness and work capacity will also become much more of an issue, as workers will be expected to stay longer at work – a trend that will be reinforced by the relative real decline in the value of pensions.

2.1.7 Labour Market in Austria

Richard Heuberger from ICCR has analysed the labour market in Austria. In the long run, one can observe a change in the labour market participation in Austria. From 1951 to 1971 the share of persons in employment to the total population decreased from 48.3% to 41.8% and rose until 2001 to over 48% again. The picture changes if the figures are separated by sex: here it is observable that the male labour market participation decreased during these 50 years by approximately 7 percentage points whilst the female labour market participation increased by approximately 5 percentage points. Nevertheless, the female labour market participation is comparatively low in Austria.

Figure 16. Employment and Unemployment by Sex



Source: Statistik Austria, 2003: 164; own calculations

Source: Statistics Austria, 2003: 164; calculations by ICCR

This picture can be differentiated if we focus on the period between 1980 and 2001. The drastic increase of unemployment in the early eighties affected both sexes equally, but since then the unemployment rate of women has been mostly higher than that of men, except recently in 2001.

The level of education in the labour force has increased over the past decade. The share of persons with a university degree in the working population has increased from less than 4% to more than 7% during the last twenty years. Likewise, the share of persons with only a primary education decreased by one half from 40.6% to 20.3%. The educational expansion can be observed throughout the European Union and, compared with other EU countries, the share of persons with university degrees is still a relatively small in Austria, 10%. For instance, in 1992 only Portugal and Italy had a smaller share of university degrees in the labour force than Austria.

Heuberger (2004) argues that with an increased but still comparatively moderate unemployment rate, an accelerated shift towards the service sector, an incremental increase of women labour market participation and a more highly educated labour force, Austria's labour market and economy consolidated as an average European country.

Although the risk of unemployment for older workers is only insignificantly higher than for other workers, older workers are likely to stay unemployed once they have lost their job. In other words, if older workers have once left the labour market, their reintegration is comparatively difficult. This is also true for formally highly educated workers and for white-collar workers. One reason for these lower chances, particularly for highly educated white-collar clerks to find work after a phase of unemployment, is the principle of seniority: the wage or salary increases with the duration of employment in the company, see also Figure 6 for Finland.

Since the pension reform of 1997, the Austrian labour market policy has designed a number of measures to affect the labour market position of older workers, given the low participation rates. Some of these measures restrict access to early retirement. This has increased the labour force potential but has not influenced the labour market participation of older workers. Other measures, like the reduction of non-wage labour costs for older employers, influence the market price of labour.

2.1.8 Labour Market in Switzerland

Gabriele Gsponer and Michal Arend from ECONCEPT have analysed the Swiss labour market. When compared with other economically advanced countries in and outside Europe, they report the specific features of the Swiss labour market to be as follows:

- country's tradition of low unemployment, with current unemployment rates approximately 4% being unusually high in a historical perspective;
- long working time with 40 hours per week still being the official norm and many people exceeding this norm;
- political concordance and social peace ("Arbeitsfrieden"); good relations between employers and employees; very few strikes;
- very high female employment rate due to part-time jobs;
- high percentage of persons economically active at older age close to the current official retirement age, which is 63 for women and 65 years for men. Correspondingly, the number and percentage of early retirements is low;

Like other OECD countries, Switzerland must face the demographic challenges posed by the ageing of its population. In 2050, the number of persons aged 65 and over will reach 43% of those aged between 20 and 64, as compared with 25% in 2000. Figure A.1 in Appendix A shows that there will be an equal number of persons aged 60+ as persons aged 20-59, but the situation is substantially better than in Germany or Italy, where the ratio is almost two times higher.

Early retirement is caused by a structural change of enterprises. One of the main early retirement reasons in Switzerland was a structural change in the 90s caused by an economic downward trend, especially in the “traffic and communication”, “public management” and “credit/insurance business” industries. The accompanying staff reduction mainly hit older people (50+), as they were considered less productive and innovative on one hand and more expensive (wages and social expenditure) on the other. General employment contracts mostly contain agreements concerning early retirement. So, in general, these contracts favour earlier retirement. Moreover, the contracts grant longer holidays for older workers.

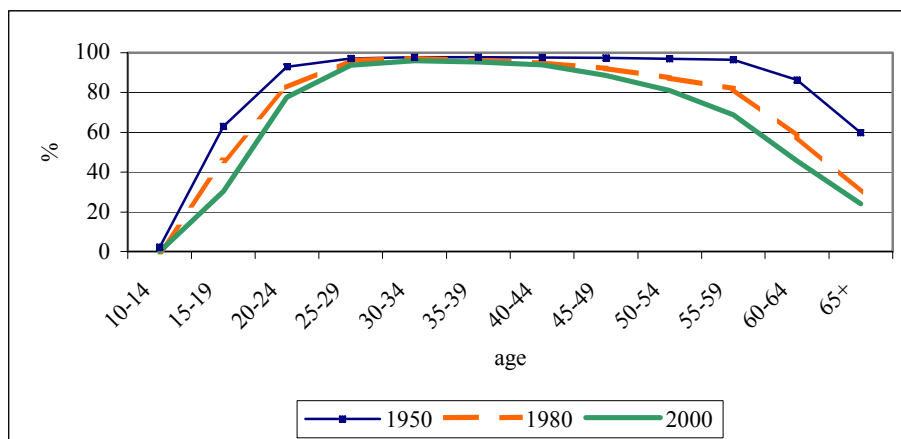
Gsponer and Arend list the following reasons for the higher unemployment rates of the older age groups:

- higher wage costs for the employer, as wages are mostly linked to age and length of service,
- higher social costs for the employers, as the costs for the first pillar are linked to the height of wage; moreover, the contributions for the second pillar (Pensionskasse), which the employer has to finance halfway, rise not only with higher wages but also with increasing age,
- discrimination against older job seekers: Job application ads are often limited to an age under 50,
- prejudice and clichés concerning the productivity and innovation capacity of older workers.

2.1.9 Labour Market in Poland

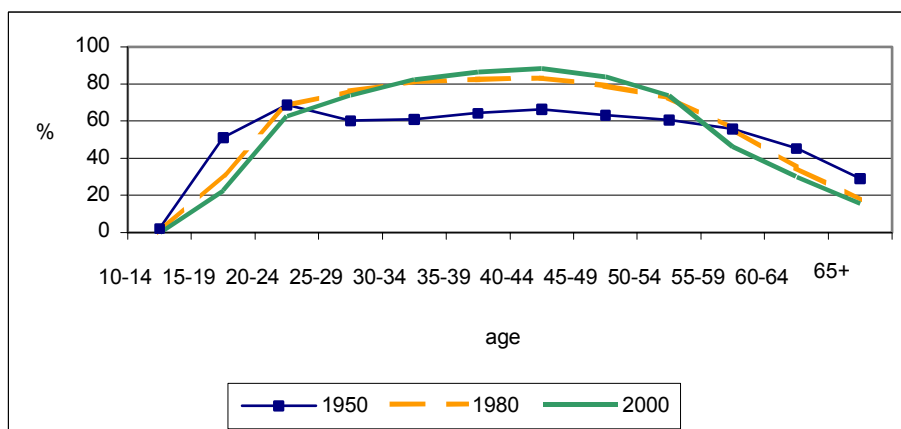
Anna Ruzik and Jolanta Perek Bialas from Jagiellonian University have analysed the Polish labour market. Labour force participation shows that people tend to enter the labour market later in their lives and to leave it earlier. In Poland, individuals at the age of 50 and more have especially low economic activity. Figures 17 and 18 present the development of participation rates in the second half of the 20th century.

Figure 17. Labour Force Participation Rates in Poland by Age Cohorts, Men



Source: ILO, 2002 (<http://laborsta.ilo.org>).

Figure 18. Labour Force Participation Rates in Poland by Age Cohorts, Women



Source: ILO, 2002 (<http://laborsta.ilo.org>).

Older people out of the labour market do not usually come back to regular work. An important event that influenced the whole economy and the development of the Polish labour market was also the transition from the centrally planned economy to the market economy starting in 1989. This produced two main effects on the labour market:

- 1) substantial increase in unemployment (from nearly 0 in 1989 to 6.5% in 1990 and 12.2% in 1991)
- 2) decrease in real wages in the first years of transition (a 24.4% decrease in 1990; after that the negative trend has been reversed and 1996 real wages exceeded 1990 level).

Despite the increasing burden on the social security system, trade unions and some politicians continued granting older workers benefits to keep them out of the labour market and “save” workplaces for younger people. So-called pre-retirement benefits and pre-retirement

allowances introduced in 1997 in effect decreased the economic activity of older persons. Every person who was laid off because of the bad financial situation of the company and had sufficiently many contributory years and roughly less than 5 years to reach retirement age was entitled to either pre-retirement benefit or pre-retirement allowance. (Since 2002 it has not been possible to apply for pre-retirement allowances anymore.) In effect, in 2002 the number of people receiving one of those two types of benefits exceeded 500,000 (Ministerstwo Gospodarki, Pracy i Polityki Społecznej, 2003b).

At the beginning of the 1990s regulations aimed at finding sources of income for people laid off in companies undergoing restructuring. After the slowdown of GDP growth at the end of 1990s, it turned out that strict regulations from the Labour Code made it costly and difficult to adjust employment in times of recession. Protection against dismissals and costly severance payments made the labour market less flexible and initiated debate on legislation which resulted in several changes. The last change – from July 2002 – introduced a further reduction in entitlements and guarantees for employees in different fields. The main cause of that change was the worsening state of the Polish economy and increasing pressure from employers' side to reduce labour costs. So, new regulations intend to make formal regulations more flexible and reduce labour costs.

Rutkowski (1994) examined which way education level influences earnings in Poland in the first decade after the transition to the free market economy, in comparison with earlier times. The author's assumption was that a major factor driving change in the earnings distribution is the change in returns to labour market skills, especially returns to education. It turned out that returns to education had been low in centrally planned economies, but increased in the course of transition. The age-earnings profile in the period described was flatter, which means that experience gained under centrally planned system was less valuable than "free-market skills". Younger labour force cohorts have been rewarded with relatively higher wages.

2.1.10 Labour Market in the Czech Republic

The Czech report has been conducted by Lucie Dovičová, Ladislav Rapušic and Martina Mrázková. The Czech transformation to western capitalism has been characterised by "miracle of employment". This can be explained by the dramatic withdrawal of older workers from the labour force, by the slow pace of structural changes and the prolonged support by the state to avoid the bankruptcy of big companies and by the expansion of private businesses. Subsequently, unemployment has increased among those aged between 20 – 29 years and in older age categories. Ageing is dramatic, since by the year 2020 the decrease in people in productive age (approx. 680,000) will be replaced from the sources of people aged above 60 whose number will increase by approx. 830,000 in the given period (Schreiber 2002). The ideal situation according to this scenario would be an age-integrated labour market which makes use of the potential of the older workers.

In 2002, 46.8% of the Czech population (nearly 4.8 million people) were employed. The level of economic activity, the number of those economically active (employed plus unemployed), divided by the number of people older than 15 percentages was 59.9% (69.4% for men, and 51.0% for women). For those over 60 years of age, the level of economic activity was 8.4% (13.6% for men, and 4.8% for women) (Situace 2003).



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Table 3. Level of Economic Activity according to Age and Gender in 2002 (%)

	Total	15–29	30–44	45–59	60+
Total	59.9	55.5	90.5	80.1	8.4
Men	69.4	64.0	96.9	88.4	13.6
Women	51.0	46.6	83.9	72.1	4.8

Source: CSO, MLSA (Situace 2003)

Another of the marked characteristics of recent developments is the regional differentiation of local labour markets. Preventive and curative institutional measures are, in this respect, limited regarding sources as well as forms.

2.2 Some Concluding Remarks

As our analysis shows, the countries are clearly in a different position in labour market prospects. In Switzerland the labour market participation of older workers and the elderly in general is very high. According to the Swiss team, the driving forces behind this high labour market participation of the elderly have little to do with active ageing and active ageing policies, but (i) with the relative strength of the Swiss economy, which generates demand for skilled labour and (ii) with specific regulations in provision of state pensions which "punish" financially early retirements before the legal retirement age.

Norway has similarly succeeded in maintaining high levels of employment. The traditional institutional focus on full employment in the Nordic countries has also led to the extensive labour market participation rates of older workers, although participation has decreased markedly for men over 60 years of age. One explanation for the high employment rate is that people work part-time. In Norway, 43 per cent of all women work part-time, whereas in Finland only 15 per cent and in Italy 24 per cent. The European average is 38 per cent. In Finland unemployment, on the other hand, staggered from a low 3% at the beginning of the 1990s up to 18% in a few years time and has stayed above the European average level.

In all countries the labour force participation of men has decreased most dramatically. There are four reasons why female workers were not affected to a similar degree. Firstly, women began to increase their labour force participation only in the late 1970s. In most of the countries examined, the labour force participation of older women is not lower than at the beginning of 1970s. Women have also suffered less from the declining share of manufacturing, and low wage jobs in the service sector have expanded. Finally, retirement patterns are different.

It is finally worth pondering on the effects of (poor) health on an ageing workforce. It is generally expected that new cohorts are healthier and better educated than previous cohorts. Thus one would expect this to mitigate withdrawals from labour force. However, the number of disability pensioners has not decreased and is largely attributable to an increasing share which is explained by mental bad health. The UK report uses a working life expectancy calculation similar to that used in healthy life expectancy. These indicate that in 1979 a male worker aged 40 had approximately 15 years of work in front of him, whereas by 2003 this had fallen to around 12 years. Such worsening of the health status indicates that perhaps 60% of the inactive popu-

lation aged 50-65 are physically unfit and incapable of entering the labour market again. However, the only thing that can be said for sure is that health is likely to remain one of the major impediments in the participation of older workers in work life.

3 Recognition of the Capabilities of Older Workers

3.1 Life-long Learning and Human Capital

Older workers feel less need for education than young workers and employers are also less willing to invest in them. The simple reason is the relatively short expected stay in working life. The willingness of older workers to educate themselves is especially low for unskilled and for older workers in new EU member countries. For example, the Czech survey "Life in old age, 2002" indicates that 80% of respondents aged above 60 that have participated in any form of further education state that they had never felt the need to improve their qualifications. The dominant form of education for the third of older workers who have had occupational training is short-term "further education" courses. These figures also reflect the fact that the depreciation of skills has been rapid for older workers that have a major part of their work experience from the socialist period.

The ageing of the population, however, requires the continuous development of adult education, both in terms of education provision and in terms of support systems which enable people to take part in it. The follow-up report to the National Programme of Ageing in Finland sees older people's opportunities for education and training though to have improved since 1995. 68% of respondents felt this was the case. Despite the positive results from Finland, ministries in the fields of labour market and education in all countries should deliberately support the adult education of older workers. Private firms invest in the re-education of their employees (5% of sales in Finland). However, a relatively low share of this is allocated to older workers. Young workers have a longer time for human capital accumulation and are usually the primary objectives in firm-level education. Without public support, older workers will be clearly under-represented in adult education.

The present adult education system does not necessarily help to narrow the 'training gap' between highly educated and the low educated workers, but may even serve to reinforce polarization. It is the people with the highest educational level, leading positions and expert status who take the most active part in adult education, strikingly so in the area of companies' personnel training. Even a partial solution will require forceful action, such as effective advisory, guidance and support services and the creation of an adult education system which is able to respond to individual needs.

3.2 Ageism and Age Discrimination

At the end of 2000, the EU issued a European Union Council Directive 2000/78/EC, which obliged member states to prohibit discrimination on the basis of age and several other categories. All countries in Europe have followed this procedure although some countries like Austria have so far very few regulative measures with any age dimension. For example, in Poland, the Law on Employment and Combating Unemployment was amended in 2001 by art.12/ 3a. It says that an employer advertising a vacancy is not allowed to require any characteristics of an employee that would discriminate with the respect to age or the other above mentioned issues. Similar acts have been or are planned to be implemented elsewhere. One concrete result is indeed the prohibition of discriminatory advertising. As a result, many countries (e.g. the UK) recommend that the age of the applicant should not be announced in the job application advertisement.

In the 1990s age (and entitlement to certain benefits) can be claimed to have been one of the main criteria for layoffs. However, this was not treated as discrimination but rather as a kind of substitute for unemployment. Perhaps more relevant is discrimination in the recruitment process. However, one should also note the fact that older workers have a higher wage level, which may exceed the corresponding productivity. It can be argued that, in continuing jobs older workers do not necessarily face age discrimination. An indication of this is increasing job satisfaction with age. Older workers, at least at the age of 50-54, have, on average, more challenging jobs than primary workers. Older workers also earn clearly more than younger ones, and this is most apparent for the educated; see Figure 6 and the national report for Finland and Austria. The Austrian national report shows that older employees (aged between 51 and 60) receive almost twice as high an income as their younger colleagues (according to the report on social affairs "Sozialbericht 1999"). When it comes to blue-collar workers, younger workers receive an income that is lower approximately 30% than the wage of older workers (men: 29%, women 35%); for white-collar workers the difference is more than 50% (men: 59%, women: 35%). Principally, a higher wage based on the age of the employee alone discriminates in favour of older workers. The working conditions are even better for people aged 55 or above, as reported by the Norwegian group. One reason may be that those with bad working conditions have already retired from the labour market and are not represented in the data.

On the other hand, surveys such as those done in the UK (NOP and DWP, 2001) indicate that 90% of the older people think that employers have age discrimination of some form, while 25% of them have personal experience of age discrimination. Older workers may be divided into well-paid workers and those who are under the threat of losing their jobs. Older workers are in a very different position, depending on their past success in jobs. Low-skilled with experience of frequent unemployment may have lost self-esteem. The low self-esteem may also be the result of inappropriate workplace environments in which older people are made to feel inferior. Both well-paid and low-skilled older workers are likely to suffer more from stress resulting from longer working days (Piekkola, 2004). The Czech report states that older workers, appreciate the prestige of the job, job security and the good quality of the work environment (Dovičová et al. 2004). Older people including those who have already retired also consider work as a necessary obligation.

It should be noted that age discrimination can also be a good excuse for not being employed or may relate to sex discrimination. In most of the countries provisions against sex discrimination are stronger. This may explain why women more often perceive cases of sex discrimination instead of age discrimination. A relatively interesting finding is provided by Mareš (2002) in his research on the unemployed, where 40% of people of 40 years of age and above and almost all older than 55 state that they at least once have experienced rejection due to their (older) age.

In Norway workers cannot be dismissed solely because of age (according to the Act relating to worker protection and working environment, section 60, no. 3). In several cases the court has considered long tenure as objectively justified when it comes to the selection of which employees to dismiss. The importance of long tenure is also regulated in different collective agreements, and the periods of notice may be longer for elderly workers. The situation is somewhat different in Finland, where massive layoffs occurred in the severe recession at the beginning of the 1990s. Part of the lay-offs can be illegal, but the costs of these for employers are customarily restricted to a maximum of one year's salary. This has also offered employers an opportunity to offer voluntary resignation where the maximum extra remuneration offered is from three to 12 months salary.

More severe product market competition than before can also affect age discrimination. There has been much recent discussion on the transfer of manufacturing production to Asia, owing to savings in labour costs. The higher profit demands may also affect the active ageing policy, as stated by a labour office representative in the Polish report:

I think it has changed, because now there is a market economy and employers mainly pay attention to profits. Such a situation makes an employer, a private one, obliged to employ a younger person who is more productive than an older person.
(labour office representative)

The Polish team report lists the following strengths of older workers for the potential employer (see also, *40-Year-Old is Looking for a Job*, 2003):

Advantages

- Long professional experience
- Life experience in working with people and solving conflicts
- Age could be the advantage in selling insurance, in banks, and in real estate offices, as it supports the atmosphere of reliability and trust
- Loyalty to employers, since the older worker does not change jobs too often
- No small children (which mainly concerns women), and the worker can devote more time to work
- Ambitions that are not too high

The list shows that from the employer's perspective many of the positive characteristics of older workers relate to a longer work relationship. It is, hence, no wonder why implicit age



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ACTIVE AGEING Project

discrimination may prevail, especially in the recruitment of new workers. The employer simply does not know whether the worker has gained life experience concerning the matters that are considered important for experienced workers. The report also lists a number of weaknesses. One of them is that older workers do not actively look for new jobs. Consistently with the Finnish findings older workers are also more sensitive to stress from long working hours and resist extensive competition. Older workers are considered to value leisure more than younger workers.

It is also true that active ageing issues are strongly work-oriented. Thus, the major difference to young workers is that older workers give more value for leisure and dislike of very long working days is not sufficiently considered.

Finland is among the unfortunate leaders in ageing. Finnish experts continually emphasize that new attitudes are required in work places to achieve the objective of larger participation of older workers in work life. Work life barometers signal that no large decrease in age discrimination has occurred. This is especially so if the exceptional conditions in the deep recession at the beginning of the 1990s are ignored. The general attitude towards social cohesion in work places may have increased but this is not reflected in the recruitment of older workers. In Finland experts largely agree on the importance of attitudes in work places. This can be considered an important step towards a wider reform of attitudes towards older workers by employers.

On the other hand, age management or management of diversity is not necessarily widely recognised and there is no unanimous attitude towards concepts such as age management. The employer's side does not often consider this age-dependent terminology to be important at all. Management and leadership are the two important concepts, where, especially, the soft values in leadership should be the target. In real business, regular (annual) negotiations between employer and employee about the work relations are important.

In Finland, there has also been much discussion on the companies' societal responsibility. The health care system in work places can be considered a good example of this. Perhaps one measure of this is also the 70% of the expenses paid in addition to gross wages to society. In Norway, as part of a tri-partite solution to promote a longer stay in working life, workers over 60 years of age have one extra holiday per year and in some private firms one extra day off per month. The alternative planned in the public sector in Norway is extra pay up to a certain percentage of the gross wage after the age of 62 years if a later exit is agreed upon.

3.3 Subsidising Older Workers

Very little has been done to adapt society to the shortage of labour in the very near future. Most of the discussion focuses on subsidies for employers to recruit the currently unemployed people, i.e. the focus is on the low educated segment. Without a reliable long-term policy, firms may choose not to invest in Europe, but rather move to countries with a lot of available labour.

The idea of subsidies for the new workplaces for older workers has advantages when

- Subsidies lower labour costs and help older workers to return to work, especially after a long period of unemployment.
- Subsidies in the form of loans for setting up one's own business and accompanied by advisory help on how to do this to avoid passive policy.
- Subsidies for training sessions and improving qualifications will increase the level of human capital and distort the market less than direct subsidies to employment. The best solution will be to retrain persons already endangered by unemployment before they lose their job.
- Subsidies for institutions providing care for sick and old members of families and for babysitting with grandchildren ease the combining of work life with family life and help to keep women in their 50s and 60s in their regular jobs.

3.4 Age Management in Companies

Norwegian and Finnish policy-makers have both devised age management policies targeted at the firm level. However, it is only the Finnish policy-makers that have successfully implemented these types of measures. A successful active ageing policy has been part of innovative human resource management. Firms with age management also typically publish personnel accounting reports or environmental reports. Firms can be broadly divided into traditional and innovative ones. An increasing number of firms is adopting new human resource management that has a significant impact on employer-employee work relations. An important part of this is the knowledge of human capital accumulation and how to maintain it in a way that leads to innovative new products. Ichniowski and Kathryn (2003) evaluate the innovativeness of the work place by seven criteria:

- Problem solving teams
- Blue-collar participation
- Information exchanges
- Extensive employee screening
- Broad job definitions
- Rotation of workers
- Employment-security guarantees
- Professional education
- Incentive-pay schemes



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The age of employees can be included as an additional dimension both in work organisation and human resource management activities and professional education. An example of this is an age management programme which focuses specifically on personnel age issues. In the Nordic countries, personnel reporting has been applied in several firms. Nowadays, this reporting takes place more often as part of environmental reporting. This is becoming customary in all large firms and small- and medium-sized firms, too. It seems likely that innovative human capital practices promote these kinds of activities. Innovative human resource management practices should also be supported in the purpose of promoting active ageing practices.

In Germany the flexibilisation of working hours is important for older workers, as the opportunity for part-time work and life-time work accounts enables them to adapt working hours according to the changing capacity during their lifetime. The gradual model of 'partial retirement' might be a means towards this goal. But collective agreements usually do not support a gradual retirement model (Aleksandrowicz 2004). The option of long-term life time work accounts is not widely-used across branches. An exception is the chemical industry, where collective bargaining partners have developed a new model of long-term work accounts that can be transferred from firm to firm. The model is supposed to fill the gap after the expiry of the partial retirement model by 2010. The Joint Trade Union of the Services Industries has started an initiative on working hours ("Arbeitszeitpolitische Initiative") within which it plans research projects on "long-term work accounts and life-time work" and deals with the reduction in weekly working hours.

France has introduced a 35-hours working week. Perhaps owing to this factor, other forms of working time arrangement seem to be less in dispute. Some suggest that French management, especially is characterised by the edging out of old people by firms. It is possible that the constant search of flexibility by firms who are otherwise restricted by the 35-hour working week has deteriorated the labour market position of older wage-earners.

In Poland age is not integrated with human resource practices and, thus, age management is rarely used if at all. The difficult economic situation can also be blamed for making firms uninterested in costly organizational changes like part-time work or flexible work arrangements. Some practical solutions are, anyhow, presented.

- Older workers could be used as advisors or mentors or in general as those who organize work and manage it, which makes them use their experience.
- Big private international companies who use modern personnel management techniques could potentially be the innovators in age management.
- Collective agreements so far regulate neither training issues, nor age management, nor the adapting of work requirements to the age of the worker.
- Active age policies at the firm level are generally considered desirable in terms of additional training, flexible time and work arrangements and the adaptation of a workplace to the skills of a worker.

Trade unions consider it the result of the wrong public policy that firms do not feel responsible for their employees and the social environment they operate in. According to a representative of a Polish trade union, that has not changed since the beginning of the 1990s. On the other hand, the workers' attitude has changed.

It has been the change in the employees' attitude, not of the employers'. Independently, in the last 10 years people have learned one thing, they have learned how to fight for themselves, as they have to fight. (...) For the young – to get the job to have something for the future; the old have to fight to keep their workplaces, because they know that if they fail their future pension benefit will be very low.
[trade union representative]

In Switzerland the main criteria for redundancy among older staff were excessive wage costs (due to the seniority principle and the rising cost of pension fund contributions), lack of qualifications, less flexibility and mobility as well as poor performance. Risks were lower particularly where customer relations were important (e.g. in banking). In several branches of business (e.g. the engineering, metalworking and construction industries), jobs were eliminated by the deliberate exploitation of unemployment insurance (ALV) and the services offered by the regional job centres (RAV) (such as the financing of social insurance contributions). The possibilities for drawing a disability pension (particularly in the construction sector) were tolerated as a "special type of early retirement".

While corporate policies on age are of little interest to employers' associations, trade unions demanded welfare plans when jobs were lost and advocate working conditions that are appropriate to age groups.

Current and future development of corporate policies on age in Switzerland

- Skills of older employees (knowledge based on experience, team players, social skills, company loyalty) and a need for structural age mix should be acknowledged.
- Trends point in the direction of wage flexibilisation: performance-based pay is increasingly displacing seniority pay. This may improve an older worker's competitiveness. There is also an increase in flexibility in terms of pension age and working conditions, not only to accommodate the needs of companies but also those of the older workforce.
- Qualifications and abilities are becoming the central criteria for integration in the job market and thus represent an area of conflict with the individual capabilities of the older workforce.

4 Problems Discussed

4.1 Discussion on Active Ageing and Labour Market

Section 2 indicated a rather large variation in unemployment rates across countries (see Figure 2). It is thus natural that views to active ageing policy also vary. This section discusses some of these differences in the country-level discussion on ageing. It is clear that in countries with excess supply of labour, unemployment is the main focus. The immediate

task is to create more jobs rather than to have older workers to prolong their participation in working life. The most severe problem can be the lack of alternative workplaces for low skilled workers laid off from industrial sector companies. This can be seen as a barrier for large investment in active ageing policy. The clearest example of this is Poland with an unemployment rate at a high level of 19%. According to the Polish report this has created a huge group of people that has to be helped with scarce financial resources. The Czech Republic has traditionally had a high participation of older workers in the workforce, but the unemployment rate has increased in recent years. The ageing of the population is, however, more severe than in Poland. This gives the active ageing policy in Czech Republic more momentum. Unemployment is at a tolerable level, the government has more resources at its use than in Poland and perhaps the shift to a market economy is ahead of other transition countries. The ageing of population is clearly recognised as a problem. The discussion of ageing seems to resemble that of the Nordic countries and gives ground for an active ageing policy.

Germany is confronted with severe sustainability problems in maintaining its pension system given the rapid ageing of population and the financial consequences of this even within a decade. It is clear that the intention of current policy is still to curb high unemployment. On the other hand, the political arena also intends to manage both problems: the lack of jobs and the sustainability of the pension system. It appears that flexibilisation of the labour market is put to the fore. This may lead to a confrontation of interests between unions and employers. So far, the active ageing policy has been fragmented.

Norway and Finland are examples of Nordic countries that have continued centralised wage setting (albeit subject to new trends). The labour market decisions are centrally made, while Sweden and Denmark have shifted wage formation to take place more at firm level. This is not to say that firm-level wage formation has not increased in importance in all countries. In Finland performance-related payments are nowadays the rule rather than the exception, although their share of total remunerations is fairly low, at around 5%. From the point of view of an active ageing policy, central decision-making has, however, opened the way to an active ageing policy. Most important example of new policy is a more flexible working time arrangement. Labour market participants have been on the boards of all the active labour market programmes, too. This can be said to have created an opportunity for formulating an active ageing policy. It is also clear that many of these policies are targeted at the firm level and thus the interest of employers is important. It is very likely that firms would not put the problems of ageing on the table alone if not encouraged both by active ageing programmes and by the positive attitude that employer federations have in dealing with these issues.

Norway has managed to maintain a very high level of employment of older workers and much of this is explained by the popularity of part-time work, especially among women. The policy of full employment has been fruitful. This shows the importance of flexible working time in order to prolong the labour force participation of older workers. Thus Norway should be considered a very good example of how to manage an active ageing policy in terms of the flexible participation of older workers in work life.

France has implemented a 35-hour working week for all. Unemployment is still very high, close to 10%, even for the older workers. Active ageing policy seems to be absent, which is similar to Germany. Demographic projections are much more optimistic than in Germany. France has coped with maintaining the value of family life. The fertility rate is at a tolerable level. Potentially, France also has good relations with certain North-African countries implying a large immigration potential in the eventual shortage of labour. It is not surprising

that the number one topic is not active ageing but continues to be the high unemployment, in addition to balancing the government budget. This can create a barrier in the implementation of any active ageing policies. The acuteness of ageing problems is simply not apparent enough.

Italy is divided into south and north. An active ageing policy is very much a regional issue. The southern part of Italy has a high fertility rate but it is also losing its population growth to Northern Italy owing to internal migration. Thus, the problems of internal migration are at least as great as the current impacts of immigration from abroad. This fragmentation into regions can inhibit a nationwide application of an active ageing policy. Northern Italy relies on immigration from abroad and internal migration to tackle the population problems. Baby-boomers from the 1970s can continue with this thinking from some time. Presumably the greatest barrier to an active ageing policy is this regionalisation.

In the UK the role of science in governmental policy and public debate is prominent. It thus cannot be said that an active ageing policy is absent, although no such programmes targeting older workers are applied. Empirically oriented research directs governmental policy, at least in principle. It is clear that the interplay between the university sector and policy seems to work better than in many other countries. Unions and employer federations play, instead, substantially smaller role, and no examples of active ageing policies initiated on this level seem to exist. The UK can also be seen as an adapter of a personnel policy which is common in the US or in big multinational companies elsewhere. It thus appears that an active ageing policy should particularly be targeted to the firm level, given the weak position of the unions and the small role of employers' federations. The barrier to an active ageing policy can be too much reliance on public-policy-oriented research that leaves all political decisionmaking issues separate.

In the EU level, "National Employment Action Plan for 2003" older workers is introduced in connection with "Directive 3 of EC 2001/63/ES". The purpose is to promote a more positive attitude towards older workers, taking advantage of their talents and promoting a longer stay in working life through fiscal incentives. The same results can also be achieved by reforming the educational system and by having more flexible working hours and working conditions in general. It is clear that all these objectives are important and consist of a very broad approach to the problems: all the relevant factors are listed!

The emphasis on the attitude level can be considered important, since attitudinal problems towards older workers do exist in work places. The Czech national report suggests that most of the suggested measures, however, primarily focus on improving the existing programmes for active employment policy and on the application of the law prohibiting age-based discrimination in workplaces. Flexible working conditions and changes to the work environment are dealt with fairly little. The maintenance of older workers on the labour market is the primary aim. Despite this, voluntary work and supporting advisory work are also discussed.

4.2 Discussion Specific to Individual Countries



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Nordic countries: Finland and Norway

In Finland ageing is much more rapid in the public sector than in the private sector. In the government sector in the following 10 years 75% of upper-level management and 50% of employees retire. Thus it can be said that baby-boomers are, to a great extent, responsible for the implementation of new wellbeing concepts at the firm level and some active ageing policies have been implemented. The Kaiku project for 2002-2004 in the state administration can be considered to be an important pilot project in active ageing issues. It aims at promotion of occupational well-being and is a development and service programme in State offices, bureaus and institutions in Finland. The services include training, consultation, and information services and also Kaiku-funding. The programme was started in 2002 and will continue through 2004. It appears that active ageing policies will not be implemented before this come a necessity.

Norway is heading for a less severe ageing problem than Finland. However, Norway still implements a full employment policy even for older workers and has been rather successful so far. The employment rate of older workers is one of the highest in Europe. In these circumstances it is not surprising that the Norwegian economists estimate that more part-time work will lead to a decrease in labour supply, since many of the part-time workers would have been full-time workers rather than formerly inactive. Norway has also implemented firm-level policies of active ageing, but these have not been generally discussed.

Continental Welfare States: Germany, France, Italy

In Germany the demographic change and the looming shortage of labour has perhaps not yet been sufficiently acknowledged by employers. One reason is that between 1980 and 1996 the number of potential workers between 25 and 45 years of age still rose more rapidly than the number of 46-65-year-olds (Wolff, 2000, p. 30). Some researchers are also of the opinion that labour shortage will most probably not occur on a broad basis but in the form of regional, professional and qualification mismatches between labour force supply and demand. On the other extreme, German realism is very austere. Hans-Werner Sinn (2003) in his "The German Speech" speaks thus:

"The young people have exchanged the baby carriage for a second car. Everyone wants to be in love and dream of luck, but children hardly ever appear in the dreams. The pension comes from the state, and electricity comes out of the socket".

The German government is well aware of the problem. Older workers have been recently discovered as a target group of labour market policies. The driving forces behind this sudden interest have been the fear of a looming shortage of qualified labour force and of burdens to the social security systems arising from the wide-spread externalising practice of firms directed at older workers. Till the end of the nineties, older workers "have been regarded more as a target group for cost-reduction initiatives and less as an important target group for active labour market policies" (Naegele, 2002, p. 223). There existed a social consensus among the policy-makers, social partners and the individual workers that early retirement was a tool to combat labour market problems, especially among younger people (p. 223). When older workers were considered as a labour market group, it was with the goal to fight unemployment and long-term unemployment. Naegele assesses that recently, a "change in paradigm concerning older workers issues" has taken place. This has been reflected in spe-

cial labour market and research programmes. . This change in paradigm has been prompted by “the foreseeable labour and skill shortage and the pressure on public sector funding” (p. 223).

Employers have also raised initiatives, which mostly pay attention to greater flexibility of the labour market. In 2001, the Federal Employers’ Association has initiated the EU project: “Proage – Facing the challenge of demographic change”, together with German partners and employers’ associations from Denmark, Holland and Ireland. The project has been concentrating on developing strategies for age management at the workplace and for the improvement of employment opportunities for older workers. With regard to collective agreements, the project views regulations concerning the work contract, payment, working hours, organisation of work and qualification as obstacles to the employment of older people. The main addressees of the reform proposals developed in the „proage“ project are the government and collective bargaining partners. The employers, in turn, are addressed with the guideline „Older workers at the firm“ (2003) which gives examples of personnel policy measures aimed at a better integration of older workers in German companies.

In France the heatwave of summer 2003 with over 14,000 casualties has put the ageing problem to the forefront of the discussion. But discussion mainly deals with pension systems and retirement regimes. This ignores the ageing effects in many parts of society: work patterns, social insurances, and the relation between generations.

Conservative Welfare States: Austria, Switzerland

The Austrian government does not pursue a coherent active ageing policy but for a ‘flexible approach’. The pension reforms since 1997 have been most disputed and intend to punish early retirement. The pension incentives are more radical than in Finland, although pension accruals are fairly similar. The reason is that in Finland in the new pension system which was introduced in 2003 and will gradually be implemented by 2009, the average level of pensions is not lowered and the upper limit for replacement rate is removed. In Austria the flexibilisation approach includes a plan for a pension reform, the exemption of older workers 50+ from unemployment insurance contributions (3%), extra firing costs for the dismissal of older workers of 50+ that have 10 years seniority. Older workers of 51+ also have extended unemployment benefit only for 52 weeks or for 78 weeks (60+)

In Switzerland the Swiss pension system has not until 1996 allowed persons to receive the old age and survivors' insurance (AHV)¹ earlier than at the “normal pension age” - which is, for the moment, 65 for men and 63 for women, with a pending political attempt and subsequent probable referendum trying to prevent harmonisation at the higher level of 65 years for both men and women. The political discussion in Switzerland focuses mainly on demographic change and the sustainability of the pension system, including the proposal to raise the legal retirement age. For women the legal retirement age will already be gradually

¹ First pillar of the Swiss pension system



adapted to that of men, 65 years of age. However, this measure may not have the expected effects as regards the increasing discrepancies between the legal and the actual retirement ages. It only hits those who have to remain employed for economic reasons. It is likely to be more effective to implement policies to raise the employment rate with special regard to women and older workers.

It is also argued that the new approach to senior employment will benefit primarily highly qualified and competent older employees. Older employees still present motivational, qualification-related and health risks to employers.

New EU members: Poland and the Czech Republic

The opening of domestic markets to foreign competition in Poland, also an ingredient of future EU membership, tends to lead to creative destruction and bankruptcies of low productivity firms. This, together with a relatively good demographic structure (a sufficient supply of younger workers), may cause disadvantageous employment prospects for older workers in the near future. It is, thus, no wonder that Polish discussion of EU membership has been conducted with severe concern about what will happen to domestic-owned firms and to the already high unemployment rate of 19.9%. Due to the difficult current situation in the labour market, two main challenges for the next years discussed are these: to increase the overall rate of employment and to decrease the substantially high unemployment rate (which also exceeds 19 per cent for older workers). At the same time, the demographic process of ageing is not yet dangerous for the labour supply, as the baby-boom generation born in the late 1970s and early 1980s makes the potential labour force younger than it is in the majority of other European countries.

The prevention of all forms of discrimination in the access to employment and promotion of social inclusion through employment are also the guidelines of the *European Employment Strategy*. If Poland is to fulfil the aims defined in the *European Employment Strategy* for persons aged 54-65, the employment ratio of those persons should be significantly increased up to 50 per cent until 2010. However, plans to implement the "50 plus" programme are still in the preparation phase. Some people interviewed in the Active Aging project – especially those from research institutions or central level governmental institutions – try to give an explanation, as to why the government has not been interested in such a programme up till now. The main explanation (which is similar to the Czech situation) is the scarcity of resources due to the tense overall economic situation, slow GDP growth and a high unemployment rate, especially for people in younger age groups (school leavers).

Liberal Welfare State: the United Kingdom

In the UK the discussion of 'older workers' has been subservient to the discussion of other equity issues related to ethnic minorities, school leavers, the disabled, the low paid and women. It is also evident that in the recession years of the 1980s it became the norm to release older workers to make way for younger workers. Otherwise, the norm set by the government is to favour all equally and, hence, nothing sufficiently. The liberal policy is also to impose generic objectives such as sustaining employment in a locality or region but not using any specific targeted measures, such as subsidising the employment of older workers.

The experience of the 1970s suggests that the old methods of sustaining employment do not work for the reasons that all businesses had come to expect government subsidies and employers had become complacent and, therefore, business uncompetitive. The forms of policy in place today are aimed at both the individual and the employer. Before examining these, more information and knowledge on 'active ageing' in the workplaces is needed.

5 Barriers and Opportunities to Active Ageing Specific to Individual Countries

Nordic countries: Finland and Norway

In both Norway and Finland, policy-makers have designed and implemented policies both at the level of the welfare state and at the firm level. Much of this policy has emerged from a tripartite policy dialogue.

Finland

Barriers

Promoting active citizenship and not just well being at work has been little on the agenda in Finnish discussions. Very little attention has been paid to promoting activity in non-work time. This is despite the fact that research by the Finnish Institute of Occupational Health clearly indicates that job satisfaction crucially depends on how family life can be integrated with work life. Very little is known in general about the valuation of leisure and changes in demand for non-work time as the population ages and is healthier. Huovinen and Piekkola (2002) have evaluated these time use patterns. These indicate that voluntary work and neighbour take relatively insignificant share of total daily time. Household work is instead very important with women on average supplying ten hours more of household work.

Due to demand for non-work time, individuals over 45 years of age may have less motivation for long working hours and higher valuation for active leisure. It is also self-evident that active leisure will take an increasing role in the prolonged after-work time in the future. Currently, only 20% percent of the Finnish population aged 60-64 is in the labour market. At age 60, the expected life expectancy is 23.4 years for women and 18.6 years for men. These are expected to grow by 0.8 years during every five-year period taking post-1973 development as the basis, or 0.5 years during every five-year period taking post-1948 development as the basis. So at 2030, an individual at age 60 can expect to live some 3-4 five years longer than today. Active ageing would be a very restrictive concept if only applied to activity while still in working life. Leisure time is definitely increasing at the end of one's life and should be part of the overall plan of how to allocate time between work and leisure.

It appears that those countries such as Sweden and Norway who have a high level of part-time work among the older workers have succeeded far better in keeping employment rates

at a reasonable level. One can almost think of an idea of promoting for having a longer holiday leave before the planned retirement age. Some firms are indeed applying a scheme that allows longer holidays for older persons that had a long period of service with the firm. This seems to reduce the number of disability benefit pensioners, which is costly to Finnish employers.

One can also raise some criticism of tripartite thinking. One negative side of tripartite thinking is the very high emphasis given to labour market issues. This is regrettable because the general satisfaction with work life depends on many other issues than those related only to the work place.

Opportunities

Tripartite thinking in the Finnish Active Ageing policy is considered to function well in principle. This is the opinion of both the employer and employee sides. General negotiation on wages also includes work groups, where employees and employer in the interim period between general agreements on wages negotiate about several issues (two years 2003-2004 currently). Currently there are around 30 groups that are concerned with labour market issues in general.

Norway

Barriers

Employee organisations have been successful in strict employment protection. This may have led to situation that guarantees that older employees will hold their jobs, but has made employers more reluctant to hire older job seekers. In Norway initiatives taken by different committees to raise the effective retirement age have been broken down by the employee organisations. It appears that the economic situation is good enough so that some participants in the tripartite thinking can easily veto any large reforms.

Opportunities

Norway has succeeded in maintaining high levels of employment. The traditional institutional focus on full employment in the Nordic countries has also led to extensive labour market participation rates of older workers, although participation has decreased in recent years for men over 60 years of age. One explanation for the high employment rate is that older people work part-time. In Norway, 43 per cent of all women work part-time, in Finland only 15 per cent and in Italy 24 per cent. The European average is 38 per cent. The part-time work and flexible working hours for older workers appears to offer good grounds for an active ageing policy.

Continental Welfare States: Germany, France, Italy

In all three countries, the debate about demographic ageing and the labour market has concentrated on the financial viability of social insurance mechanisms. As a result, policy-makers have focused their attention on reforms of social insurance mechanisms, particularly pension reform. Although active ageing measures exist in the different countries (mostly in the form of flexible retirement schemes), there is very little strategic policy approach to the active ageing.

Germany

Barriers

Labour market policies in Germany are decided upon within a tripartite power structure consisting of the Federal Ministry for Economics and Labour, employers' associations and trade unions. This structure has so far proved a barrier to active ageing policies as until the late nineties, there existed a broad consensus among the labour market actors that early retirement was a tool to combat youth unemployment. This policy has proved effective in the case of youth unemployment, which is considerably lower in Germany than in France or Spain. For the labour force participation of older workers, this strategy has proved detrimental.

The government has already undertaken measures to stop the trend towards early retirement. However, collective agreements still include provisions which enable early exit, and German firms are not very eager to abstain from releasing older workers in times of economic pressure. The current economic situation implicates that personnel policies aimed at a higher integration of older workers are regarded as a waste of firms' resources.

Opportunities

The looming shortage of labour force is by many scholars regarded as a chance for workers regarded as less desirable – for whatever reasons –, like older workers or women. This phenomenon will have different impact in eastern and western Germany. Older people have a higher share in the unemployment rates in eastern Germany than in western Germany and this is probably not going to change in regions which have an unemployment rate of 20 per cent and bad infrastructure which inhibits regional mobility especially in rural areas. There will be good job prospects for older people in some regions in western Germany, especially for skilled workers in small and mid-sized companies.

A factor which poses an opportunity for active ageing on the labour market is the high educational achievement of older workers in Germany, both in OECD comparison and in comparison with younger cohorts. These workers will gain in importance when the prognosed "human capital gap" will occur as a consequence of demographic ageing and the decreasing educational level of age cohorts.

In Germany the recommendations by the expert commission called the Hartz Commission have led to new legislation which is supposed to raise incentives to hire older workers and to include them in re-training programmes. To begin with, employers who hire persons older than 55 years of age are exempted from contributions to unemployment insurance. Second,



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the formerly unemployed aged 50+ can apply for a subsidy which bridges the difference between their former and current earnings if they take up a worse-paid job. Third, the lower age limit at which a temporary contract can be concluded 'without objective reasons for the time-limitation' was lowered from 58 to 52. Additionally, by order of the Job-AQTIV Act of 2002, the employment office will cover the costs for further vocational training of older workers in small and mid-sized companies.

France

Barriers

French public policy can be said to be a profusion of measures with a very weak degree of coherency. Older workers are invited to prematurely stop working to improve the employment position of younger workers.

One example of incoherence is the policy allowing enforcement of early retirement of employees over 56 years of age by employers when the vacancy is filled by another employee. This is handled by the ARPE programme under close scrutiny by unions and employers within UNEDIC. Such a programme challenges the separation of roles between UNEDIC and the public services in the matter of early retirement. At the same time, the pension policy aims at a prolonged stay in working life. Thus, in 1993, the pension rule states that 40 years of contributions are required for a complete retirement allowance (instead of 37.5 years).

Opportunities

The restriction of working time to 35 hours could offer an opportunity to older workers. The Aubry (former Minister of Social Affairs) laws (1998) restricted working time to 35 hours a week. However, the French report criticises this for two major reasons:

- This legislation has been implemented without sufficient negotiations on the desirable length of working life.
- The Aubry law has contributed to intensifying the rate of work, which older workers resist.

Conservative Welfare States: Austria, Switzerland

Switzerland

Barriers

The Swiss national report lists three major motives that affect labour market participation of the elderly: (i) provision and financing of pensions, (ii) possible future labour shortage, (iii) the activating impact of work at a higher age (active ageing). The barrier is that only the first sustainability concern plays an important role in the current public discourse and policy debate in Switzerland.

Switzerland is typically regionally oriented, and this leads to the lack of co-ordination also between the different institutions in older worker issues. Each institution deals with its own particular field - employment, unemployment, pensions, occupational pension funds, vocational training or disability - without paying much attention to the possible side-effects in other fields.

Opportunities

The Swiss labour market is decentralized and wages are negotiated at the firm level. However, labour market organisations and unions still play an important role that can give potential opportunities for an active ageing policy

- Cooperation between employer and employee associations places an increase in emphasis on the working conditions of an older workforce.
- While trade unions are demanding the integration of older workers into the job market irrespective of the job market situation, employers' associations are looking to a re-orientation that promotes the flexibilisation of working hours, pensionable ages and the wage system, thereby also contributing to greater integration.

Austria

Barriers

Austria has a political climate in which there is perceived to prevail no need for any active ageing policy. Absence of governmental active ageing programmes may result in fragmented policy. The measures accompanying the restrictions of early retirement (partial retirement schemes, etc) are considered to be sufficient to meet the needs of older workers. Concerning the absent governmental active ageing programme in Austria the measures undertaken in Austria are likely not sufficient regarding the demands of an ageing workforce. It is a shortsighted strategy to concentrate on older unemployed as another problem group on the labour market without taking into account that an ageing workforce will raise other demands with regard to time organisation, flexibilisation, work environment, etc. The fragmented picture of active ageing policy in Austria is thus a result of the governmental misconception of active ageing. The "flexibility" of the Austrian approach stems thus from the concentration on short-term labour market intervention.

Opportunities

Flexibilisation might work. The pension incentives are more radical than, for example, in the new pension system in Finland, although pension accruals are fairly similar. The reason is



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that in Finland the average level of pensions was not lowered and the upper limit for the replacement rate was removed. The flexibilisation approach includes a plan for a further pension reform, exemption of older workers of 50+ from unemployment insurance contributions (3%), extra firing costs for the dismissal of older workers of 50+ that have 10 years' seniority. Older workers of 51+ also have extended unemployment benefit of only 52 weeks or 78 weeks (60+). After that period an unemployed person is entitled to unemployment assistance of some 75 per cent of the unemployment benefits. This as such may create an incentive to look for a new job, as the unemployment pipeline is not very generous. It can still be said that initiatives from the social partners etc. (www.arbeitundalter.at) are most oriented towards a significant change towards a changed age structure on the labour market.

New EU members: Poland and the Czech Republic

In the new EU member countries the retirement age was low in the former socialist regime. Good workers were able to continue working beyond the legal retirement age, and this was financially advantageous. Such integration of older workers does not exist any longer. In the current system the division between the young skilled workforce and older workers is also sharp. Poland and the Czech Republic have been forced to develop policy strategies for reintegrating older workers into the labour market. But this has also included income assistance to those not able to participate in the labour force. Still, it is apparent that people aged 50-69 years are considered by many employers to be too old for the labour market, and this attitude is very rigid.

New EU members may also suffer from the general absence of the custom of firms to invest in the development of its workers' human capital. Czech firms do not consider its cultivation a priority. This can also be explained by the restriction of financial sources. The Polish report suggests that multinationals can differ in this respect, since they have more resources for education and innovative human resource practices.

Poland

Barriers

The main institutional barrier is the lack of clearly stated governmental policy towards older workers. The main social barrier against the integration of older workers in companies and for longer work is the stereotype that older people are worse workers, less productive and less eager to adapt to changes. According to an interview conducted for the Polish national report, such an opinion is common among employers but it is made even stronger by information presented in the media, which show only one side of the situation. The underdeveloped system of care-giving institutions also makes women's participation in the labour market more difficult. Finally, institutions do not feel responsible for finding any solution to the problem of the low activity of old workers.

Opportunities

There exist distinct active labour market policies for groups endangered by high unemployment rate or long-term unemployment. Similar tools can also be used in the case of older participants of the labour market. Accession to the European Union makes it necessary to

think about the increase in the employment rate of persons aged 50 and more. In Poland, there are also some signs that the question of longer activity on the labour market will start to gain some public interest. Background to this is the public debate on social policy that has been conducted from November 2003 until January 2004.

The Czech Republic

Barriers

The tasks of trade unions differ markedly in new EU-member countries. In Poland unions have been active in securing the good position of older workers. In the Czech Republic the Central Office of Trade Unions has ceased to exist. The shift to civic organisations partly explains why the labour market position of older workers is very seldom considered.

Opportunities

The Czech report suggests the following active ageing policies:

- 1) The adaptation of widely defined work conditions and work environment to the possible age-specific change of work abilities: intra-company education, non-standard work load or working hours
- 2) Active employment policy.
- 3) Retirement systems: stricter conditions for early retirement
- 4) The range of offers of active ageing policies should extend beyond the retirement and retirement age.

It is clear that the importance of the grey market and the custom of participating in the labour market after the legal retirement age offers Czechs an opportunity to maintain high level of activity beyond retirement age.

Liberal Welfare State: the United Kingdom

Barriers

Similarly to other regions, the main social barrier for the integration of older workers in companies and for a longer working life is the stereotype that older persons are worse workers, less productive and less eager to adapt to changes. This claim is made even stronger by information presented in the media, which show only one side of the situation. Employers resist investing in training for older persons, as they expect to employ them for too short a time (only until retirement age) to use their new knowledge. Employers also have an obligation to pay severance pay when the worker decides to retire. The reality of a free market economy may also give employers no choice. Additionally, given the high unemployment of young people and a high labour supply, the early retirement of older persons is thought to lower unemployment among younger persons.



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Institutions other than the government do not feel responsible for finding any solution to the problem of the low activity of old workers. Trade union representatives consider the level of social security benefits to be very low and think that the vast majority of people retire because they are forced to do so by employers or by the lack of a job. Thus the laws of labour demand are seen as compelling and very little role is given to the labour supply aspects.

Opportunities

The number of economically active workers at the age of 50-64 is expanding again after nearly two decades of decline. Similarly to Finland, one explanation is that new generations are better educated than the generation born during or before the Second World War. Despite these trends, the potential share of inactive older workers is not seen to dramatically decrease.

Anti-discrimination legislation following a European Directive on Equal Treatment in Employment is based on the competence to do a job rather than on the widespread custom of using age as a proxy for physical capacity, as is currently widely practised. The Disability Discrimination Act has, as its main target to make workplaces friendlier for people with disabilities (including older people) and to improve public transport.

The Government is keen to increase the supply of older workers and to stimulate demand by lowering the cost of employment. They are therefore removing incentives for early retirement, increasing the age of access to state pensions, and introducing incentives to remain in the labour force. For those who are unemployed or seeking to be economically active, there is encouragement in the form of training schemes and job advisors. The government programmes towards this are known collectively as the 'New Deal'. Older workers are mainly affected (1) by the New Deal for Long-Term Unemployed (NDLTU) with personal advisers offering advice and support (subsidised employment and education/training), (2) by the New Deal for Disabled People (NDDP), which offers access to a personal adviser. It is also intended to raise awareness of the employment needs of disabled people among employers and service providers and (3) by the New Deal for People Aged 50.

In the last scheme, the target group is those aged 50 and over, and receiving incapacity benefits or Jobseeker's Allowance/Income Support for at least six months. It offers access to a personal adviser, and those finding work can receive an employment credit for up to one year. The in-work training grant is £1,500 and paid as part of the tax credit for the employed.

6 Conclusions and Recommendations

This study, together with the study of active ageing institutions by Ney (2003), indicates that one of the main barriers to the employment of older people is inaccurate perceptions about the capabilities of older workers. However, one cannot isolate issues pertaining to older workers. Age management (or management of diversity) is bound to general wellbeing at work places and to the way work tasks are settled for all workers. One should also not only blame employers, since the willingness of older workers to educate themselves appears low especially for the unskilled and in new EU member countries.

It cannot be said age management and age discrimination are not well recognised, since many policy initiatives at the European Union level and in national ageing programmes emphasize the fight against age discrimination in one way or another. Part of this process is the formulation of common concepts. Active ageing concepts are 'floating' around policy domains and are available for use and are becoming an 'unofficial' yardstick or quality standard for policy responses to demographic ageing, see Ney (2003). However, to succeed, concrete action plans have to be formulated based on this common conceptualisation. The steps forwards include the following:

- No 'atmospheric' policy but a clear awareness of deep-seated age discrimination. The discrimination patterns differs for employees and for professional staff that usually have a steeply increasing wage curve.
- General programmes for wellbeing at workplaces should be more widely introduced. These are likely to benefit older workers most. Finnish findings indicate that older workers are more sensitive to stress from long working hours and resist extensive competition.
- Better recognitions of the strengths of older workers should be acknowledged. The Polish team report (see Section 2.2) list these as a) long professional experience, b) life experience in working with people and solving conflicts, c) support the atmosphere of reliability and trust (selling insurance, in banks and in real estate offices), d) loyalty to employers, since the older worker does not change jobs too often, e) no small children (which mainly concerns women), and the worker can devote more time to work, f) ambitions are realistic
- Many of the positive characteristics of older workers mentioned above relate to a longer work relationship. This suggests that the recruitment of new older workers is difficult, since many of the human capital attributes of the applicant are not known or they may be lost when switching jobs. As a temporary or permanent measure, subsidies on the recruitment of older workers are required.
- New senior citizenship discourse outlined by Ney (2003) should be introduced that also covers older individuals not participating in working life. This is particularly important when active ageing policies are prone to be conducted by labour market participants (unions and employer federations) that are likely to ignore issues relevant for the retired.

- Piekkola and Kauhanen (2004) argue that active ageing policy should also be part of innovative human resource management. Firms can be broadly divided into traditional and innovative ones. An increasing number of firms are adopting new human resource management that has large impact on employer-employee work relations.
- Ageing is usually much more rapid in public sector. For example, in Finland, in government sector during the following 10 years 75% of leaders and 50% of employees retire. Active ageing policies now implemented in public sector should be able to show an example for other industries how to manage the ageing of workforce.

It should be clear that fulfilling these goals can be also be part of social learning. The second phase of the ActivAge project investigated active ageing policies in European labour markets and found very little coherency among national policies. A common policy is, on the other hand, difficult, given that Section two indicated a clear difference in the labour market and demographic projections between the countries. This suggests that the concepts and aims can be European but the national institutions of each welfare state appropriate their own programme of social learning. Active ageing policies are thus located at the national level of welfare state regimes. This is the only way to meet the challenges of everyday life in work places and beyond. Thus the route to a successful active ageing policy is

- Formulation of concepts and introduction of challenges at the European level
- A programme of social learning depending on labour market and demographic projections at the national level. This differentiation appropriates the right mix between flexibilisation policies and active ageing policies
- Interlinking active ageing policies with wellbeing at work places.
- Interlinking active ageing policies with the senior citizenship concept

Without social learning ActivAge projects are faced with institutional fragmentation. The country with most recent and substantial reforms is Germany, but only the future will show the real effectiveness of the measures to raise the incentives of older workers to search for new jobs. Are reforms concentrating on economic incentives and ignoring age management?

Firms should acknowledge and learn to value the potential of older workers in some way or another. Experts largely agree on the importance of attitudes in work places. This can be considered as an important step towards the wider reform of attitudes towards older workers by employers.

6.1 National Institutional and Economic Barriers and Opportunities

Our research discovered that all of the countries consider active ageing especially in the context of the labour market: (i) how to raise the labour market participation of older workers and (ii) how to raise the effective retirement age. In most of the countries active ageing is

considered as a way to raise economic incentives for labour market participation. None of the countries can be said to conduct an actual active ageing programme. Finland is somewhat an exception with national active ageing projects, but with a sole concentration on labour market issues. One good way to measure success is also to what degree of influence the active ageing policies and related reforms have had at work-place level, especially since any senior citizenship policies are lacking so far. It transpires that rather little has been implemented at the firm level. The only country with an emphasis on age management has been Finland. The absence of any 'senior citizenship' discussion in Finland reflects the close connection of all policies in firm-level age management. Finally, in none of the countries have political parties designed to represent the interests of older people (e.g. in Finland, Poland, the Czech Republic, or Germany) succeeded in elections.

Nordic countries implement active ageing policies, while the employment rate of older workers is high in Norway and low in Finland. Finland also has an ageing problem comparable to that of Germany, while reforms in labour market legislation have been minor. It can also be that active ageing can remain too rhetoric if labour market structures are not reformed. In other countries with more strict employment protection, flexibilisation of the labour market should be accompanied by deliberate age management policies.

So far it appears that Switzerland and Austria rely on a very market-oriented policy, where flexibilisation of the labour market is sufficient. One reason is that the unemployment rate of older workers is not very high in these countries. Germany exhibits a high unemployment of older workers, which the new policies are targeted to lower.

In the new EU member countries like Poland, there are some signs that the question of longer activity on the labour market will start to gain some public interest, which is opposite to the situation in the 1990s.

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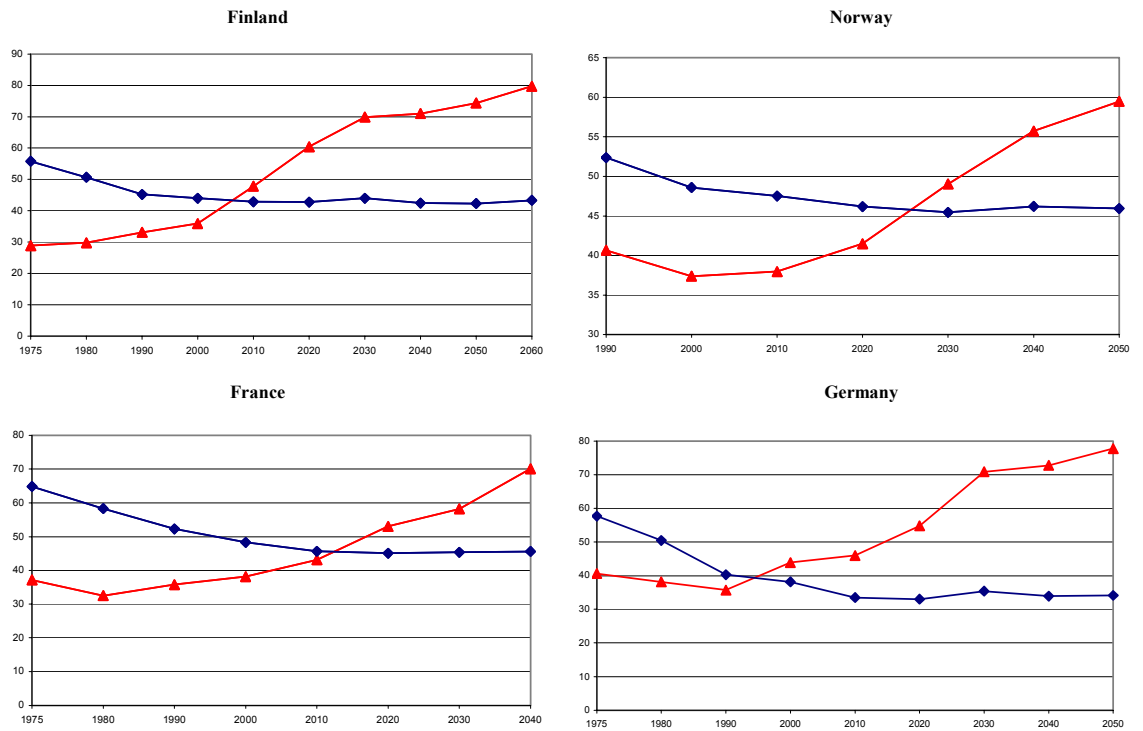
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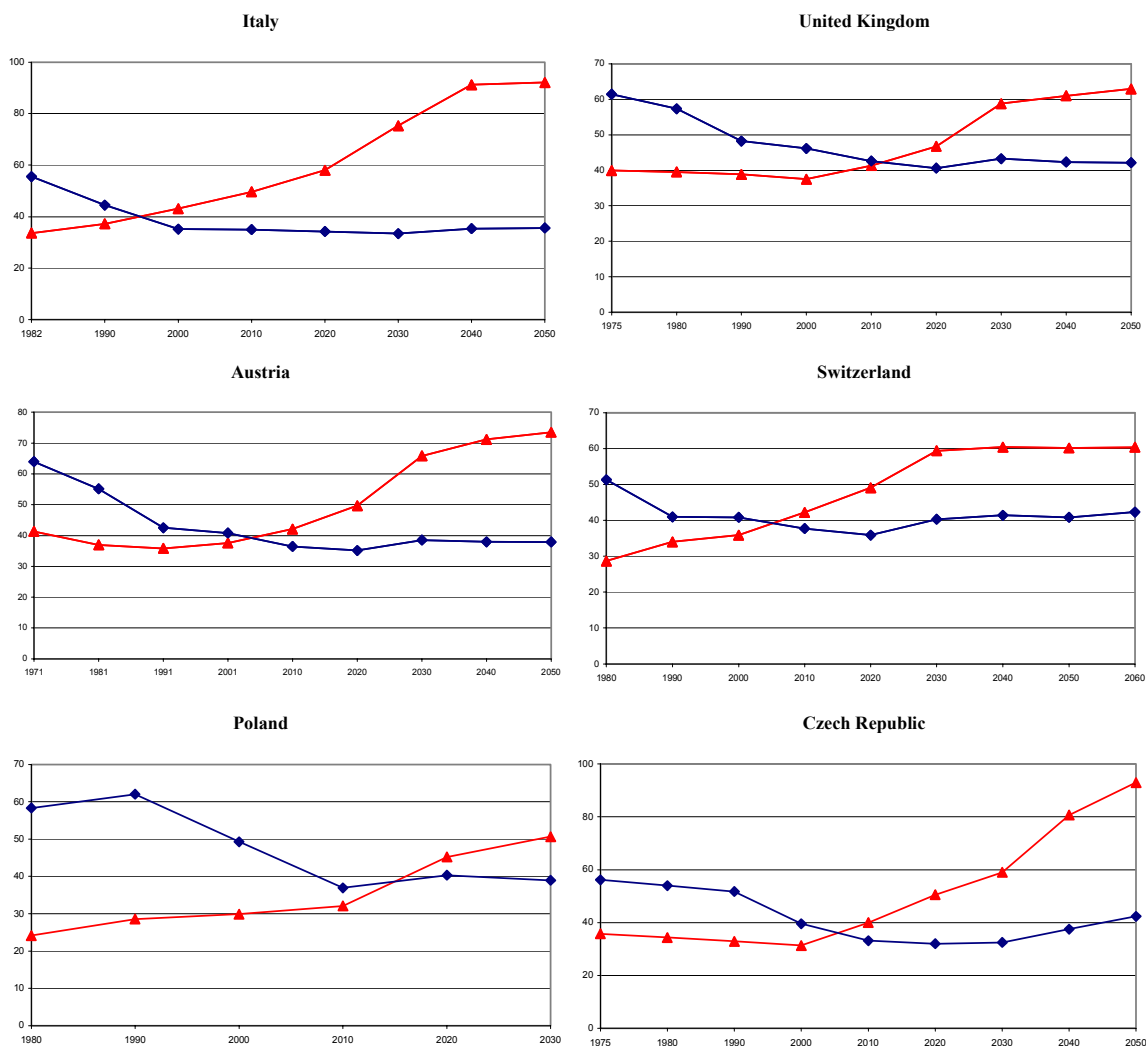
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1. Appendix A. Old-age Dependency and Intensity of Ageing

Figure A.1 shows the old age and youth dependency ratio of the population (ratio of population 60+ to population 20-59).

Figure A.1. Old Age Dependency Ratio and Youth Dependency Ratio, 1975-2060





The share of the labour force (people aged 25 - 59 years) will decrease in future during the latter half of the current decade (in thousands 130 in Finland, 2,320 in Germany, only 3,4 in the UK, 358 in Italy), while the number of those aged 50 - 60 will grow (in thousands by 17 in Finland, 1,823 in Germany, 4,6 in the UK, 390 in Italy). The employment rate of ageing persons is low, and these people are both willing and often advised to retire. Thus, the ageing of the working age population is striking in all countries, although the pace of change differs. Germany will experience relatively the biggest change in the age structure of the workforce in the near future. Germany will also reach the old-age dependency ratio (OADR) of 80 by 2050. In Italy and Czech Republic the ageing problem will be even more severe by 2050. In other countries by 2050 there will be less than 80% of individuals at age 60+ compared with at age 20-59. Norway, Poland and the UK appear to be the countries with least severe ageing problem.

In 1975, the youth dependency ratio (YDR) was 62 in Finland, 60 in Germany and in 1980 67.4 in Italy and 63.7 in Poland. This means that for every younger person there were approximately 1.6 active people to support him. The YDR has been very stable and expected to be that way until 2060. YDR stabilizes to around 60. In many countries this requires an increase in fertility from the current low level. The evolution of both indicators tells us something about how the dependency shifts from children to older persons during demographic transition. In the near future before or around 2010, the OADR is expected to exceed the



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YDR. Workers will now have to support more old people and fewer young people. The ODR is expected to increase, while YDR remains fairly stable around 60.

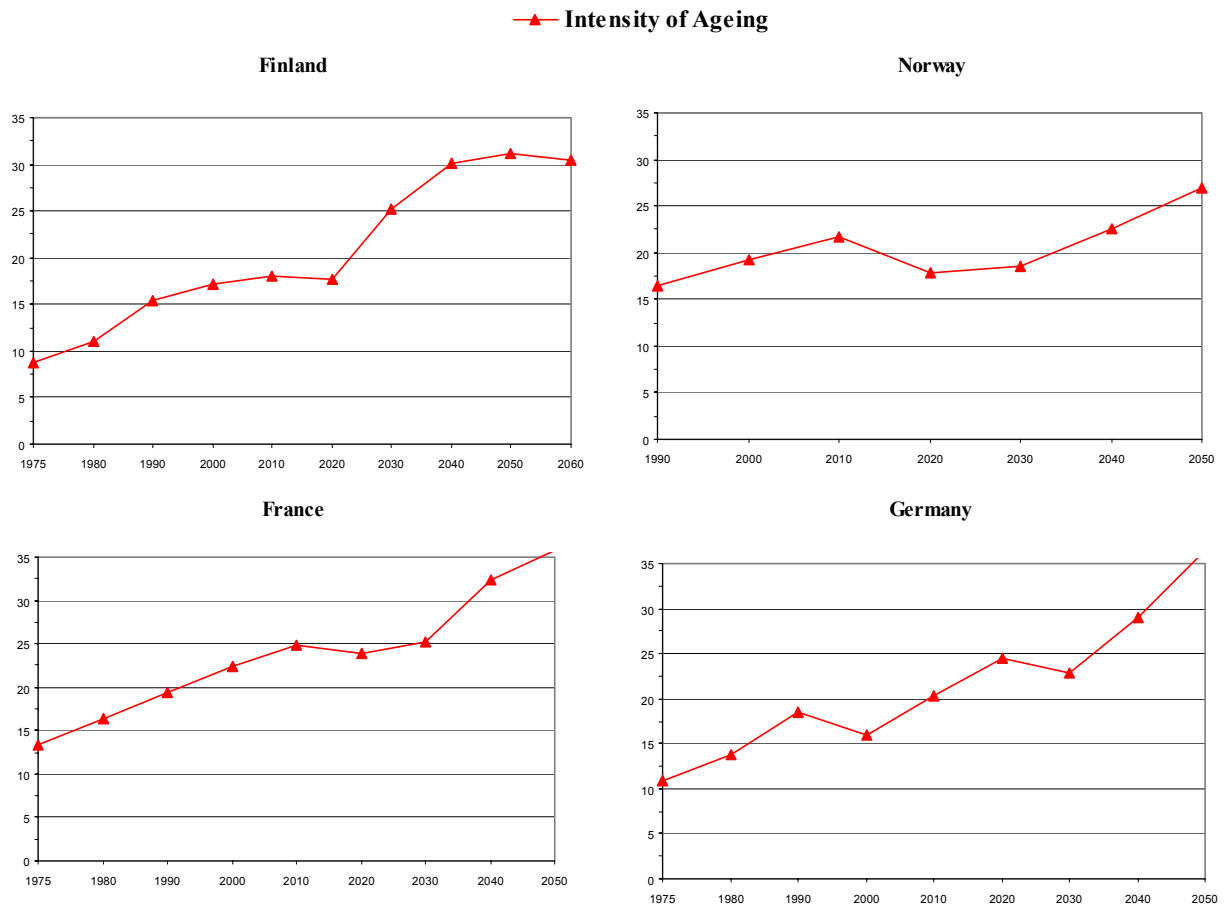
The ageing process, especially in Finland and Germany, will lead to a rise in pension expenditures from 2010 onwards.² This will be followed by a rise in social and health care expenditures in 2020-30s. In many other European countries the rise in expenditures will occur some 10 years later. The rise in pension expenditures in all countries is also explained by the rising share of population with a past working career and a large coverage of pensioners entitled to full pensions in the system introduced 40 years ago. A higher share of 65-year-old persons is entitled to the maximal pension level (in Finland 60 percent of earnings in the old system and no limit in the new system effective in 2005).

Finally, we study the *intensity of ageing*. This is the proportion of the population older than 80 in relation to the population older than 60, also called the “oldest old”.

$$\text{Intensity of Ageing} = \frac{\text{pop} \geq 80}{\text{pop} \geq 60} * 100$$

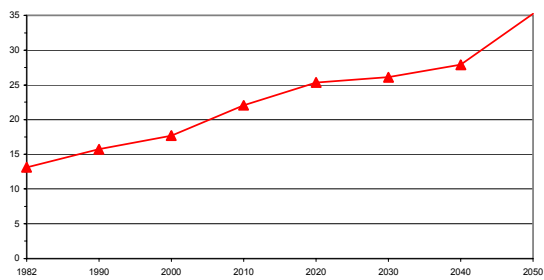
Figure A.2 shows the intensity of ageing from 1950 to 2050.

Figure A.2 Intensity of Ageing

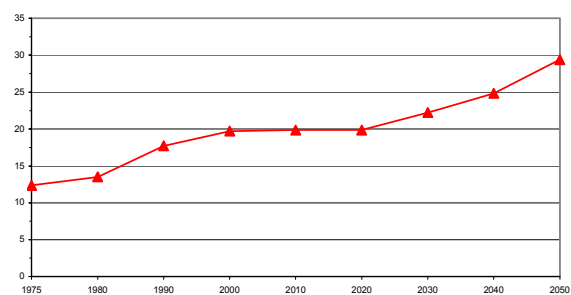


² In Finland if the three large cohorts of the baby-boom generation retire as current old generation, pensioners will increase by 250,000 persons by 2010. The number of individuals over 65 years is 770,000 and expected to increase to 1.4 million by 2030 (Somera 2002).

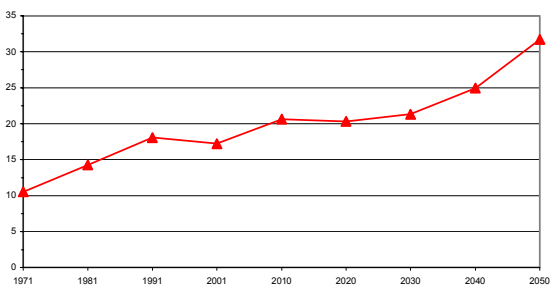
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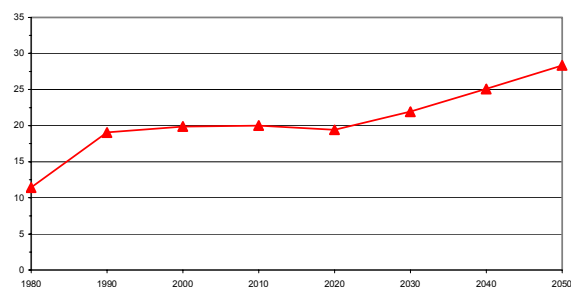
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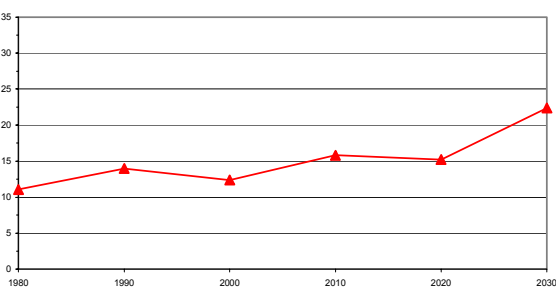
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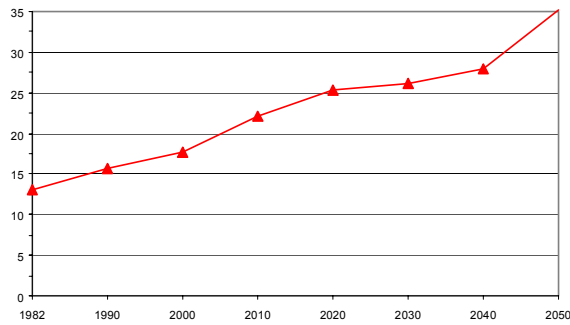
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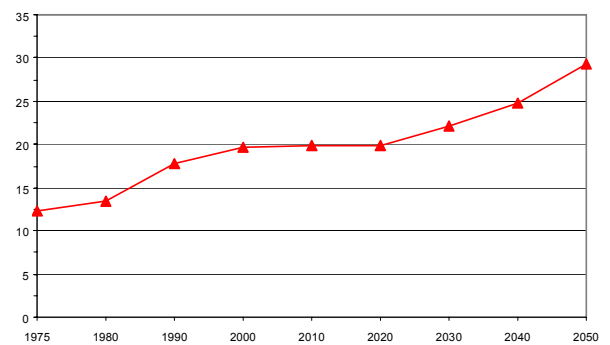
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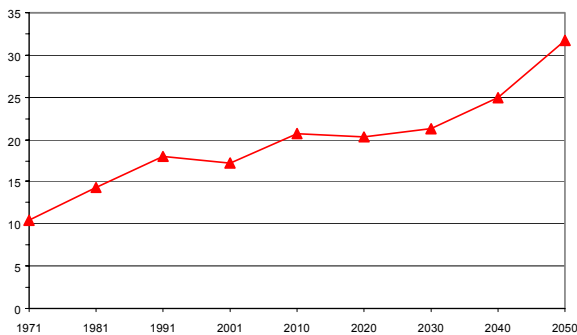
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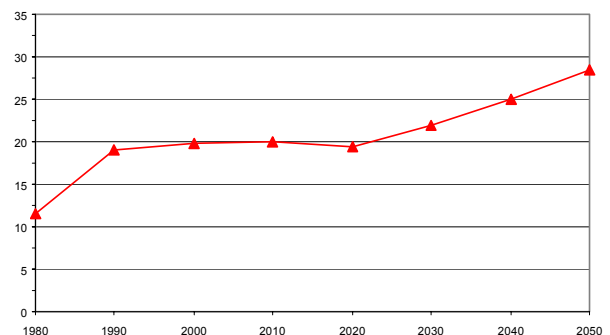
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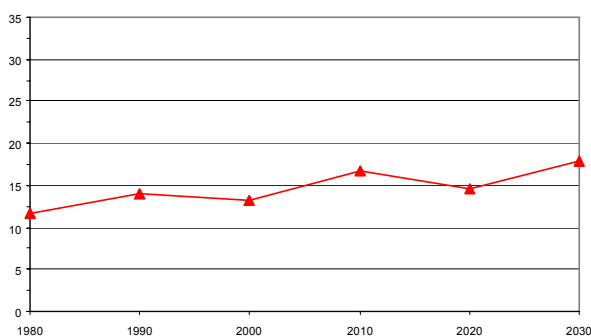
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This intensity of ageing has increased over the years, but the most rapid change will take place in the future. The increase in life expectancy is fairly uniform in all the countries, which also explains that the figures are fairly similar across countries. The trend is that over 30% of elder persons over 60 will be over 80 years, which is a dramatic change from the current level of around 10%. In Finland the baby-boom generation will reach the age of 80 by 2020, leading to a clear-cut increase in the share of those over 80 years old. In Norway, the baby-boom generation was smaller in size and the more favourable demographic projections will keep the figures below 25% until 2050.

The dependency ratios and the intensity of ageing yield the same result as before: the population is getting older at a fast rate. For every young person, there are more people older than 60 now than there were some 50 years ago, and are fewer active people supporting non-active people. The old-age dependency ratios close to 100 and above will certainly create an immense burden for future finance. Also, the proportion of people older than 80 in the population older than 60 rises to one third, which indicates a high intensity of ageing.

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