



# Challenges of an ageing labour force: extending working life and age equality

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in Work Life**

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## Objectives of the presentation

- The history - older workers and the labour market
- The imperative – labour shortages and sustainable pension systems
- The solution – new policies for older workers
- The new challenge – ensuring age equality.



## The history – older workers and the labour market

- Long-term decline in labour force participation.
- Until recently public policies encouraged early retirement, with collusion between government, social partners and older workers.
- Utilisation of early retirement pathways has been important e.g. disability benefits.
- Societal obsession with age reflected in the labour market.
- Older people viewed as a burden, either blocking younger workers progression or as dependent.

# Labour force participation rates among people aged 55-64

	Men				Women			
	1979	1990	1995	2003	1979	1990	1995	2003
Austria	-	-	42.6	42.3	-	-	18.8	20.0
Belgium	-	35.4	35.9	39.4	-	9.9	13.3	18.0
Denmark	-	69.2	67.9	70.8	-	45.8	40.1	55.2
Finland	56.3	47.1	41.6	55.8	41.3	40.8	42.9	52.4
France	69.9	45.8	41.5	-	39.0	31.1	30.9	-
Germany	66.9	58.3	52.7	52.0	28.4	27.5	28.1	34.3
Greece	-	59.5	61.1	60.7	-	24.3	24.5	26.8
Ireland	77.9	65.1	63.9	66.5	20.1	19.9	21.2	34.1
Italy	37.6	51.7	44.1	44.4	10.5	15.0	13.8	19.3
Luxembourg	-	43.2	35.1	-	-	13.8	13.3	-
Netherlands	65.3	45.7	41.4	58.7	14.4	16.7	18.6	32.9
Portugal	75.6	66.5	60.7	64.7	32.4	32.3	34.3	43.5
Spain	77.6	62.4	54.9	62.9	21.9	19.5	19.9	25.8
Sweden	79.2	75.3	70.4	75.5	54.5	65.8	63.4	69.5
UK	-	68.1	62.4	67.9	-	38.7	40.8	47.3
EU	-	56.6	51.5	56.4	-	26.5	27.0	33.7
Japan	85.2	83.3	84.8	83.0	45.4	47.2	48.5	49.3
USA	72.8	67.8	66.0	68.7	41.7	45.2	49.2	56.6

Source: OECD Employment Outlook (various)

## Average age of withdrawal from the labour force over time

	Men					Women				
	1950	1970	1990	2001	+/-	1950	1970	1990	2001	+/-
Austria	66.4	62.7	58.7	59.9	-6.5	64.7	60.6	56.7	58.5	-6.2
Belgium	64.8	62.6	58.3	57.8	-7	62.9	59.1	54.7	55.9	-7
Denmark	67.1	66.3	63.3	62.1	-5	63	62	59.9	61	-2
Finland	66.8	62.7	59.6	61.5	-5.3	64.7	60.6	59.4	61.3	-3.4
France	66.1	63.5	59.6	58.2	-7.9	69	64	59	58	-11
Germany	65.7	65.3	60.3	60.9	-4.8	62.7	62.2	58.2	60.4	-2.3
Greece	68.2	65.6	62.3	61.2	-7	64.3	64.3	60.6	57.7	-6.6
Ireland	68.3	67.5	64	63.1	-5.2	68.7	69.8	61.8	62	-6.7
Italy	66.9	62.6	60.9	59.6	-7.3	64	60.7	57.5	59.2	-4.8
Luxembourg	65.8	62.5	57.6	57.5	-8.3	64.8	62.3	56	55.3	-9.5
Netherlands	66.4	63.8	59.3	61.1	-5.3	64.1	62.9	55.8	60.8	-3.3
Portugal	67.8	67.2	63.9	62.1	-5.7	68.5	65.3	61	61.6	-6.9
Spain	68.1	65.2	61.6	60.7	-7.4	68.9	64.7	59.7	60.2	-8.7
Sweden	66.8	65.3	63.9	62.2	-4.6	65.4	62.5	62.4	61.9	-3.5
United Kingdom	67.2	65.4	63.2	63	-4.2	63.9	62.4	60.5	61	-2.9



# The imperative – Labour shortages and sustainable pension systems

- Increasing concerns over the effects of population ageing on the sustainability of pension systems and labour supply.
- Population ageing may result in
  - ❖ A marked slowing of labour force growth
  - ❖ An increase in dependency ratios
  - ❖ .....and a “greying” of the labour force.

## European policy

- Stockholm and Barcelona summits in 2001 and 2002 adopted targets on the employment rate for people in the 55-64 age group of 50 per cent by 2010 and raising the average age of retirement by 5 years by 2010.
- The Equal Treatment Directive obliges governments to implement legislation outlawing age discrimination by 2006.

## Trends in employment rates in the EU, Japan and the USA

	<b>1997</b>		<b>2000</b>		<b>2001</b>		<b>2002</b>	
	<b>15-64</b>	<b>55-64</b>	<b>15-64</b>	<b>55-64</b>	<b>15-64</b>	<b>55-64</b>	<b>15-64</b>	<b>55-64</b>
EU15	60.7	36.4	63.4	37.8	64.1	38.8	64.3	40.1
EU25	60.6	35.7	62.4	36.6	62.8	37.5	62.9	38.7
USA	73.5	57.2	74.1	57.8	73.1	58.6	71.9	59.5
Japan	70.0	64.2	68.9	62.8	68.8	62.0	68.2	61.6

Source: Eurostat, Labour Force Survey, annual averages. OECD Outlook reports for the USA and Japan.

Notes: in the USA, data are for 16-64.

Cited in: *Increasing the employment of older workers and delaying the exit from the labour market*. Commission of the European Communities. Brussels 3.3.2004. COM (2004) 146 Final



# The imperative – Labour shortages and sustainable pension systems

- Against this backdrop:
  - ❖ Early retirement schemes are being ended and there is a new focus on flexible retirement.
  - ❖ Governments are emphasising the importance of having a mix-aged labour force.
  - ❖ Active labour market policies targeting older workers are beginning to emerge.

# National policy actions

- Areas of policy:
  - Strategic/integrated approaches
  - Pension and social security reforms and flexible retirement
  - Legislation and regulation
  - Awareness raising campaigns and support to employers
  - Employment and training programmes
  - Wage subsidies and incentives
- Reform of retirement income systems has dominated policy-making.
- Limited progress in the development of integrated policies on ‘active ageing’.
- Policies aimed at the integration and exclusion of older workers also co-exist.

# Public policy

- **Strategic/integrated approaches**
- Finland's *Programme on Ageing Workers* brought together different ministries and the social partners for a range of initiatives around:
  - awareness raising, business support, flexible retirement, support to health professionals, support to older workers, legislative and pension reforms.
- UK has a *Ministerial Group for Older People* to coordinate work across departments.
- Though a recent British official report concluded:  
*“outstanding need to provide an overall framework for work across Government affecting older people because, despite progress in joining up policy-making, there remains a lack of co-ordination in some areas”*.

- **Pension reform**

- Pension ages rising and options for increasing retirement flexibility are being implemented.
- Emphasis has been on reducing incentives to retire early, not for continuing to work.
- Limited success with partial retirement e.g. in Germany transformed into a quasi-early retirement scheme.
- Debate on pension reform and extending working lives, but retirement as an alternative to compulsory redundancy is preferred.
  - e.g. Dutch initiatives undermined by senior minister arguing for early retirement from the civil service.



# Public policy and collective agreements

- **Legislation, regulation and collective agreements**
  - Piecemeal implementation of the Equal Treatment Directive.
  - Some European legislation outlawing age discrimination predates the Directive e.g. Finland.
  - Outside of the European Union some countries have age discrimination legislation e.g. USA, Australian states, Canada, Japan.
  - Elsewhere, older workers have specific protection against dismissal fixed in collective agreements, though not all workers are covered e.g. Germany.

## The research evidence

- Limited evidence on the impact of legislation.
- Overt discrimination certainly appears to have been almost entirely removed.
- But research points to modest effects:
  - Neumark (2001) reports that the US *Age Discrimination in Employment Act* boosted employment rates of those aged under 60 by a small amount (eight-tenths of a per cent) but boosted those aged 60 or over by more (6%).

## Public policy

- **Awareness raising and business support**
- UK has a *Code of Practice on Age Diversity* for employers and the *Age Positive* campaign.
- Germany has had the campaign *Fifty Plus: They Know What to Do*.
- Danish Government has sponsored seminars on age and employment for business.
- Finnish *Programme on Ageing Workers* included free support to small firms.
- The Netherlands has had campaigning bodies - *National Office Against Age Discrimination* and the *Taskforce on Ageing Workers*.



## Awareness raising and business support

- **UK Code of Practice on Age Diversity (1999 -)**
  - Sets out principles of non-age based employment practices and includes examples of best practice
  - An evaluation found little evidence of behaviour change, particularly among SMEs
  - 2 % of companies surveyed stated that they had changed policies as a result of the code.



## Labour market programmes

- **UK New Deal 50 plus scheme (2000 -)**
  - For those out of work for 6 months or more
  - Voluntary and open to those inactive on benefits as well as those who are registered unemployed
  - Practical help from a personal adviser: job-search skills, travel costs for interviews, and work trials
  - In work Employment Credit paid for 12 months to client on top of wage, replaced by a Tax Credit
  - £1,500 in work training grant.

# Labour market programmes

- **New Deal 50 plus (2000 -)**
  - 110 thousand clients, a minority of those eligible
  - More effective in assisting those aged nearer 50
  - Employment Credit attractive, reducing reservation wages, but hardship when it ended
  - Training grant hardly used
  - Effective in regions with low wages/living costs
  - Majority of client work histories of higher paid/skilled work, but most found low paid jobs
  - Some felt demeaned by low pay/unskilled work, but tended to remain in jobs.

# Lifelong learning

- French inter-sectoral agreement between the social partners in 2003 had these key components:
  - Employees with 20 years' experience, and all over age 45 eligible for a skills audit after being in post for 12 months, and given prioritised access to recognition of their work experience.
  - After 2 years' service employees eligible for a careers guidance interview within their company.
  - 'Training passport' kept by the employee.
  - 20 hour per year training entitlement available without age limit.
  - Employees losing jobs can utilise their unused credit.

# Framing policy

- **Integrated/strategic**
  - Ageism is not simply a matter of individual prejudice; it is institutionalised in the labour market and other social and economic systems.
  - ‘Active ageing’ is more than just being about work.
  - ‘Joined up’ policy making which brings together different strands of government is needed
    - e.g. consideration of the effects of working longer on levels of civil participation and its impact on carers.

# Framing policy

- **Age specific or life-course?**
  - Should there be programmes for ‘older workers’?
  - Is this not simplistic and even paradoxical, given that it is age barriers that are being considered?
  - Could such programmes stigmatise older workers and even embed age barriers still further?
  - A greater emphasis on the life-course, with attention being given to the factors contributing to disadvantages in later life is perhaps desirable.

# Framing policy

- **Localised/bottom-up**
- Initiatives should be provided on an out-reach basis or in local communities.
- For firms ready-made solutions brought from outside will be of limited value. Working with firms directly or with sector bodies is more desirable.
- Sector bodies and trade unions should be encouraged to develop their own initiatives.

# Framing policy

- **Nuanced**
- We are not one dimensional and policy making shouldn't be either
- Consideration of factors such as gender, occupation and sector in policy development
- Business support must be provided in collaboration with and via the key stakeholders i.e. employer groups, trade unions.

# Framing policy

- **Flexible retirement**

- ‘Flexible retirement’ should not be viewed as a one way street: a means of encouraging more and more older workers to stay on.
- Upward flexibility may widen the gulf between affluent and poor older people.
- Increased retirement and labour market flexibility would allow workers to move to less demanding jobs.
- But genuine choice about deferring retirement may be confined to just a few kinds of jobs unless age discrimination can be eliminated.

# Framing policy

- **Preventive**

- An emphasis on prevention is desirable (though remedial action will be required).
- In workplaces this might mean grants for job-redesign in order to reduce the risk of disability.

# Framing policy

- **Long-term and consistent policy-making**
  - With the erosion of fixed retirement ages, effective and timely support to older workers in managing careers and retirement planning is essential.
  - Will be aided by clarity and consistency in social security provision and pension policy.



## Key issues – Professional/managerial perspective

- Age barriers in the labour market are persistent, though awareness among employers increasing.
- Growing awareness among government and social partners, but a view of early retirement as a benefit or right persists, and that it is economically justifiable.



## Key issues - Public/popular perspective

- With evidence that early retirement remains popular, need for the promotion of quality employment, if older workers are going to be attracted to employment.
- Key indicator of age equality will be the range of employment opportunities available to older workers i.e. qualitative as well as quantitative indicators are important.

## Key issues – public policy

- Foremost issues relating to age equality in employment are:
  - later retirement from quality work is emphasised
  - while early retirement can have deleterious consequences, a need to acknowledge that for some it is the best recourse.
- Risk that as early exit doorways are shut, for some near to retirement, low status and insecure employment will be the norm, while for those with remote job prospects, a dignified exit will be impossible.