

## OLDER EMPLOYEES – MORE INTEGRATED INTO WORKING LIFE

In the early 2000s, a discussion about the integration of persons aged 55–64 years into working life was only just starting in most European Union (EU) countries.<sup>1</sup> At that time, persons in this age group were widely excluded from working life, which was the outcome of previous retirement schemes and a culture that generally fostered early retirement.

In 2000, the employment/population ratios<sup>2</sup> of persons aged 55–64 lay below 40 percent in most EU countries and at an average of 37 percent in the EU21 countries.<sup>3</sup> This figure was slightly above 50 percent only in Denmark, Portugal and the United Kingdom, and over 60 percent only in Sweden (see Figure 1).

The picture has changed for most EU countries over the past decade. The employment/population ratios for persons aged 55–64 years in 2012 show the positive trend in this age group compared to 2000. More persons of

this age group are now participating in working life than before. The EU21 average rose to 49 percent in 2012.

Most EU countries (with the exception of Greece and Portugal) raised their ratios and more people aged 55–64 are now in employment. Sweden remains top of the list with 73 percent, while the ratios in Ireland, United Kingdom, Finland, the Netherlands, Denmark and Germany are above 50 percent. Countries with a poor rate of integration and ratios that remain under 40 percent include Greece, Hungary, Poland and Belgium.

The change in the employment/population ratios in 2012 compared to 2000 for persons aged 15–64 and persons aged 55–64 show that in the older age group, the increase was over-proportional (see Figure 2) in comparison to all persons. Germany tops the list with a change of 23.8 percentage points, while the Slovak Republic and the Netherlands also increased their respective ratios by over 20 percentage points in 2012. Only the ratios of Portugal and Greece decreased compared to 2000. The EU21 average went up by 12.8 percentage points.

Employment/population ratios, however, are not the only figures that draw a positive picture for people aged 55–64 years. Unemployment rates among this age group are also below the average figure for all working people aged 15–64 years in most countries (see Figure 3). During the financial debt crisis and the following recession unemployment rates were rising and younger employees mostly tended to lose their jobs. Spain shows the highest unemployment rate among older persons – as well as overall.

What are the reasons for the positive development in the age group 55–64 years in the past decade? Of course, one reason was the need, widely recognised in the early 2000s, for a response to the demographical changes taking place in most industrial countries – namely that of an ageing society and rising life expectations. Governments installed various reforms to foster the improved and longer participation of older people in working life as a result, like raising the statutory pension age and eliminating male-female pension age differences, reducing incentives for early retirement,

<sup>1</sup> See, for example, Older Employees – A Neglected Source of Workers”, *CESifo DICE Report* 1 (1), 2003, 48–49.

<sup>2</sup> Employment/Population ratio = The employment to population ratio measures the proportion of the country’s working-age population (ages 15 to 64 in most OECD countries) that is employed. This includes people that have stopped looking for work. The International Labour Organization states that a person is considered employed if they have worked at least 1 hour in „gainful“ employment in the most recent week.

<sup>3</sup> This article focuses on the EU21 countries following the OECD definition: “All EU countries prior to the accession of the 10 candidate countries on 1 May 2004, plus the four eastern European member countries of the OECD, namely Czech Republic, Hungary, Poland, Slovak Republic.”

**Figure 1**

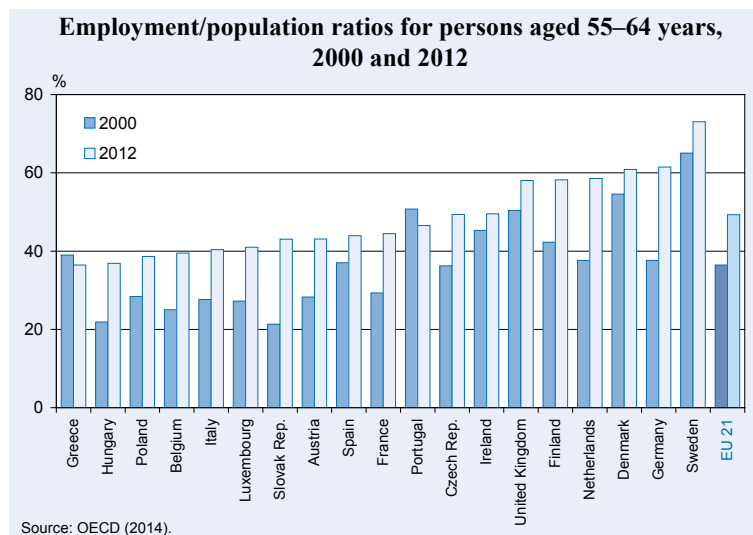


Figure 2

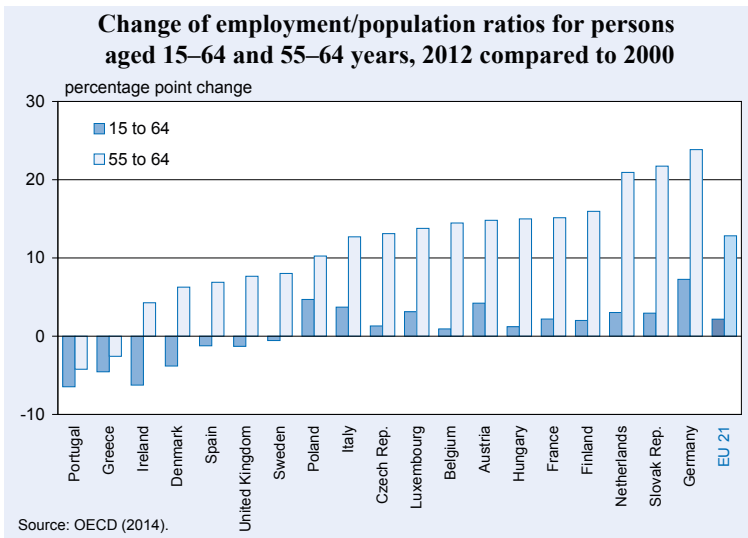
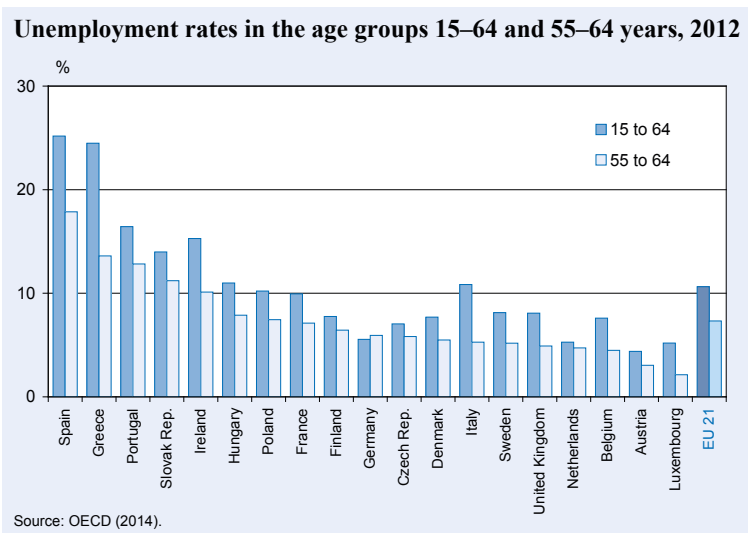


Figure 3



sickness/disability benefit reforms, introducing anti-discrimination policies and creating incentives to promote lifelong learning and skills development in the workplace (Eurofund 2012).

In Sweden, which topped the list with the highest ratio in the EU in 2000, the government has clearly focused on fostering the integration of older employees into the workforce since the 1990s by introducing programmes like lifelong learning, active labour market policy, by promoting healthy working conditions that maintain workers' well-being, by introducing employment-friendly tax-benefit systems (making work pay for older workers under and above statutory retirement age) and policies to combat age-discrimination in the labour market (EEO Review).

The Lisbon Agenda, which was launched in 2000, set an official goal for all EU countries to reach a rate of 50 percent by 2010 as an employment/population ratio for older employees. EU countries reformed their retirement schemes and changed the possibility of taking early retirement by raising the minimum age for early retirement, as well as the minimum general retirement age. Hence some countries like the Netherlands and the United Kingdom do not offer the option of early retirement or do not even have a fixed retirement age set by the government (DICE Database 2012). Ireland, United Kingdom, Finland, Netherlands, Denmark, Germany and Sweden reached the goal of the Lisbon Agenda by 2010.

To maintain this development in the future, one of the five major aims of the European Union's ten-year growth strategy EU-2020 set in 2010 is to foster employment – the target is a 75 percent employment rate for persons aged 20–64. Older employees are one of the special focus groups (together with youths, lower-qualified workers and migrants) – but there are no fixed employment/populations ratios to be reached for all

EU countries. Germany, for example, set a national goal of 60 percent for itself within the EU-2020 goal, but has already reached this target.

Hence the age group 55–64 years is the only special focus group for which there has been a rise in the ratio at all to date. The under-proportional changes in the development of the employment of all persons (see Figure 2) makes it clear that not all age groups gained in the last 10 years. Younger persons (aged 15–24 years) in particular became less integrated into working life, which has been part of the discussion for some time. There have been studies conducted concerning the question of whether older employees work longer and more at the expense of younger people (OECD 2013). Such studies investigate the belief that retiring older employees make

space for younger employees to enter working life, with both age groups seen as substitutes in a fixed amount of people in employment. There is, however, no empirical proof that higher employment rates among older workers reduce job opportunities for youths (Gruber and Wise 2010, Munnell and Wu 2012). The two groups are no longer seen as substitutes, but as complements nowadays, as they mostly do not compete for the same jobs.

As both age groups “older employees over 55” and “younger employees” are the special focus of the EU-2020 strategy, the challenge will be not to outweigh one group with the other, but to strengthen and raise employment rates for both groups.

However, there are critical voices concerning the interpretation of the statistics shown above concerning the employment rate of older persons. In Germany, in particular, there is a broad discussion about how to interpret the findings of these figures. The critics argue that these figures do not show the real picture as low-income jobs without social welfare security and part-time occupation in special models are included in the employment/population ratio. There are a number of older people who still need to work after their retirement if their pensions are too low to maintain a certain standard of living.

After all, and in addition to the figures shown, a lot of older people still want to be employed, as they see work as part of their social life (Eurofund 2012; ZEIT 2014). Hence most do prefer part-time models instead of being retired at one time directly or working full-time (GfK 2013). This would seem to suggest that this trend will continue in the future and flexible, part-time retirement models will probably remain on the agenda for some time to come.

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