



“APPROACHES TO IMPROVE THE PROSPECTS OF OLDER WORKERS IN THE LABOUR MARKET”

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Long-term demographic trends, particularly falling birth-rates, mean that the workforce is ageing across OECD countries. In almost all of them there are relatively fewer younger workers and the middle and older age groups represent an increasingly important part of the workforce. At the same time another trend has emerged the across OECD countries, namely a decrease in participation rates of older workers, especially since the 1980s, with major implications for economic growth and social expenditure. In response to these trends, the need to adapt employment policies and practices to the ageing workforce has become a major concern of international institutions, national governments and labour market institutions.

One of the main priorities identified is to increase the level of participation by older people in the labour market by improving their employment prospects, reviewing employment practices, adapting work systems, workplaces and career path to ageing, and promoting equal opportunities.

Increasing the low employment rate of older workers has become a key issue. Thus, national governments, employers and trade unions are coping with the challenge to develop appropriate policies for active ageing, encompassing measures such as combating age discrimination, promoting life-long learning and flexible working arrangements to enable older workers to remain and participate actively in working life, and emphasising the need to integrate an "age dimension" into human resource management.

However, many approaches and policies, designed in order to maintain prosperity in ageing societies, fail to tackle the challenges posed to our societies by ageing comprehensively. They are mainly focusing on the adjustment of retirement and pension schemes as well as of health and care towards ageing.

Necessary adjustments regarding the interrelation between ageing, labor markets and employment policies as well as between ageing and employment practices of firms are not taken into account. What is mostly neglected too is the issue of promoting equal opportunities between women and men. The following sets out a trade union agenda aiming to combat age barriers in employment.

1. Strengthening of economic and employment growth

Reduced inflow of young people into the labour market, longer retirement periods going together with increased life expectancy have put pressure on existing retirement systems. Policies aiming to reduce labour supply at the exit side of the labour market through early retirement have already been restricted in a number of countries. Instead of labour supply reduction, labour supply increases are high on the political agenda today. However, there are many barriers, which do not allow an easy u-turn in labour supply reduction policies. They include beside insufficient growth a low employment intensity of economic growth, which do not allow the expansion of labour markets in order to absorb or to maintain older workers in sufficient numbers. Moreover, in many countries, unemployment is not yet sufficiently low to allow a labour supply expansion. In a nutshell, the reversal of policies favourable to early retirement poses a formidable challenge to policy makers, employers, unions and the older workforce.

It is quite obvious, older worker do better during a period of economic growth than during a recession. In a rather tight labour market firms tend to alter their policies of hiring and retaining workers. In this regard trade unions have got a simple and clear message to policymakers: OECD Finance Ministers and Central Bankers must take immediate, concerted and coordinated monetary and fiscal policy action to kick-start economic and employment growth and reflate the global economy. European policy-makers must take the lead on global economic recovery by establishing a forward-looking framework for monetary and fiscal policy. Increased domestic demand should be prioritised to rebuild consumer confidence and job creation. The ECB with more space to act on monetary policy must aggressively cut interest rates. It is important to note that that with regard to employment performance macroeconomic policy coordination matters more than labour market regulation. Structural reforms, in particular policies aimed to deregulate labour markets, have most often a very limited effect in encouraging overall growth of employment demand.

2. Wage setting policies and employment protection don't drive the elderly out of employment

Some economists argue that trade union wage setting policies are pricing older workers out of the labour market. The assertion is that countries where

trade unions are rather strong tend to feature low levels of employment of older workers. In this regard particular attention is given to what is being called seniority wages. Quite often it is assumed that wages tend to rise with age creating a serious obstacle to the retention or hiring of older workers. Thus, it is commonly believed that, for companies, older workers are more expensive than younger workers, because of higher remuneration, fringe benefits and social contributions.

However, while it is true that wages and fringe benefits often rise with age, there is no evidence indicating that performance and accumulated know how of older workers does not compensate for higher costs. Moreover, it must be emphasized that earnings of workers do not necessarily continue to rise until the end of the working life.

It is equally important to emphasize that the relationship between trade union strength and early exit is anything but clear cut. If there is any correlation between union strength and employment rates of older workers than it is one challenging both the wisdom of economic textbooks as well as concerns of employers: There is a slightly positive relationship between stronger unions and high employment rates of older workers. Sweden and Denmark are providing a case in point; they have got a rather high level of employment among older workers going along with a high degree of unionization. On the other hand, contrary to common belief, the least unionized countries haven't got impressive high participation rates of older workers.

It must also be said that extensive labour market deregulation is neither a necessary nor a sufficient condition for radical improvements in employment. That is not to say that labour market institutions don't matter, they do. The point is rather that even the most faithful efforts to implement the prescriptions for labour market deregulation did not lead to an impressive performance regarding employment and growth. This has been revealed by the OECD's Growth Study. The conclusion to be drawn here is that specific forms of social regulation, contrary to the belief of many, are consistent with remarkable employment performance.

3. Increasing the effective age of retirement is not sufficient – the focus must go beyond the supply side of the labour market

There are good reasons to think that rising the statutory retirement age will raise participation rates of older workers. However, a rise in statutory age alone does not necessarily entail rising effective retirement age. In order to reverse the trend towards earlier retirement, it is of utmost importance to remove the pressures coming from high unemployment, corporate restructuring and low demand for labour by promoting more employment orientated economic policies.

Frequently it is argued that the trend towards earlier retirement is being promoted by built-in incentives of existing social security systems and that employees' desire of enjoying leisure is being realised at the expenses of the society as whole. Hence, it is claimed that alleged costly incentives to earlier retirement should be eliminated and that later retirement would go a long way to reduce the future fiscal burden posed by ageing. Trade unions do not share this view. Quite in contrast, they are considering it as a misconception. In order to provide appropriate social security, intergenerational solidarity and prosperity in ageing societies, it is insufficient to reverse simply the trend towards earlier retirement and to rise the standard retirement age. To avoid a misunderstanding, it must be said that trade unions are not determined to shift labour market problems onto pension schemes. The extension of working life complemented by both a reduction of retirement income and a departure from public pension schemes in favor of advanced funded private provision of retirement income are in no way sufficient to create a new and reliable paradigm of ageing. Hence, trade unions are ready to support the move of the debate on ageing beyond the pension reform debate.

The decision to go on earlier retirement can not be considered to be mainly a voluntary one, strongly influenced by the generosity of pension schemes. What is overlooked here is the fact that individual decisions for earlier retirement in general go along with the acceptance of reduced accrued pensions. This is reflected by the fact, that the willingness of workers to go on earlier retirement, based on a voluntary decision, is limited. An old-age pension, being paid after the completion of a full working life up to the standard retirement age, will be substantially higher than the one being paid after earlier retirement. Hence, a decision to take earlier retirement is by no means a decision to enjoy the opportunities of leisure. Instead, it is rather an effort to prevent unemployment, to maintain self-esteem and to avoid social harm going along with unemployment. However, for most workers early retirement has only been acceptable as long as they were not facing the risk of old age poverty due to reduced accrued pensions. This is underlined by the fact that the current "bear market" is forcing more older workers to stay in the labour force.

With regard to early retirement it must also be emphasized that companies wanted to downsize and to reduce the workforce without losing too many younger workers. Against the background of high youth unemployment early retirement in these instances was often encouraged in the hope that it could improve job prospects for the young unemployed. However, the experience made so far has not been very encouraging; whether young and older workers are substitutes remains doubtful. An exemption must be mentioned, however. Retirement options with a replacement condition are providing a different case. In such schemes, workforce renewal is the main target and the schemes have been successful to some extent, but take-up has not been as high as expected.

4. Combat age discrimination in internal and external labour markets

Employer's attitudes and practices towards older workers need to be changed in a rather comprehensive manner. Research into employer's policies towards older workers does not present a very encouraging picture. There is ample evidence of widespread age discrimination in internal and external labour markets across OECD countries. According to recent surveys there are prevailing perceptions among employers regarding of older workers as difficult to train, unable to adapt to new technologies and as being to cautious. This also being reflected in overt age barriers in recruitment as well as in the fact that recruiting or retaining older workers is a little used strategy across all sizes of firms yet. Moreover, older workers are less likely to be promoted than younger workers.

Age discrimination occurs across the whole spectrum of employment. Research findings are providing evidence which shows that workers once they have reached 50 years of age are experiencing remarkable difficulties regarding both job promotion and the provision of further training as well as in making applications to jobs on offer. Age limits in job adverts are providing a striking example of discrimination. But what is less or almost unknown is the fact, that older workers are no less effective than younger ones. And what is less known too, is the fact that businesses which have eliminated age discrimination as a criterion of employment will be rewarded by a number of benefits.

Rewards, paid of by a successful defeat of age discrimination in employment will enable companies:

- to reduce staff turnover and to make a more effective use of resources available;
- to build and maintain a broadly skilled and motivated workforce;
- to provide solutions both to the challenges of competition and to the requirements of customers, based upon a broad range of experience and expertise;
- to maintain and strengthen competitiveness, based on the ability to innovate, to increase productivity and to reduce costs.

By now, however, there is no clear evidence indicating that attitudes and practices of employers towards older workers are changing substantially. Thus, companies have to be convinced that longer active periods result in gains. In particular they must be convinced to engage in pro-active policies of changes in work organization and working time and training in order to allow older workers to remain in productive work.

5. Improve access to training for older workers

Many employers tend to doubt the ability of older workers to learn new skills, despite ample evidence that these prejudices are unfounded. Some employers do not see the need to adapt to demographic changes because they believe that the current situation of oversupply of labour will continue, as technological improvement will further reduce the need for labour. Other employers may hesitate to invest in the training of older workers because they question their learning ability. The latter argument could be dispelled by research results showing that, if appropriate training methods are used, older workers are able to learn new skills as well as younger ones. And last but not least employers may have doubts about the returns of investment in older workers because, for instance, they have a shorter period of service remaining in the enterprise.

Nevertheless, there are a number of reasons why the need for lifelong learning will be reinforced by the ageing of populations. Above all, lifelong learning can help the adjustment of workers' skills and competencies to labour market demand. Moreover, it can help improve the attachment of older workers to the labour market. Adapting skills will be more fruitful than acquiring completely new ones given the relatively shorter time to recoup costs. In this regard it is clear that effective implementation of lifelong learning can help to facilitate the adjustment of workers' skills and competencies.

With regard to the current situation of training of adult workers it must be born in mind that low levels of training among older workers, in particular among blue collar workers, are largely a result of a lack of opportunities but not of a lack of interest. A number of labour force surveys have provided evidence that the key factor constraining training activities of older workers is a lack of opportunities provided by employers rather than disinterest among older workers.

As far as employment and training of older workers are concerned it must be said that much of current economic and management thinking directs employers (at least implicitly) to target younger workers for recruitment and training. This trend has been supported by recently released studies of the OECD.. According to supposedly new findings it appears to be doubtful that training of older workers will generate appropriate returns. of that investment in older workers Due to a rather short "amortization" time, because they will have a shorter period of service remaining in the enterprise, investment in older workers won't pay off. This will not only support additional incentives for maintaining the existing front-end bias in training. At the same time it will also further limit the ability of older workers to remain employable in the face of changing work requirements.

6. Implementation of age- related design of work systems and career paths

Firms are quite often pursuing strategies of human resources development which do not openly put older workers at a disadvantage. However, many of the strategies are having precisely this effect. A case in point is to be found in innovation policies giving a clear preference of engaging prime-age male workers in the process of innovation. However, older workers are not an obstacle to innovation, on the contrary: There is no evidence of the fact that the ability to participate productively in innovation process declines with increasing age. With regard to maintain the ability to innovate against the background of an ageing workforce it is of increasing importance to provide for an age-related design of work systems and career paths. It is equally important to act before age-related problems arise.

The aim must be to develop and maintain the ability of workers to perform tasks throughout the entire course of their working life. The necessary prerequisites are besides training a health promoting working environment also conducive to learning, innovation and motivation. Workers which are being employed in a learning environment won't face the risk of a decline in trainability. However, in this regard particular attention must be given to new career paths. Because traditional ways of careers and promotion are increasingly blocked due to flat hierarchies, the design and implementation of new paths allowing for a change of jobs within the firm is required.

7. A flexible work-retirement transition as an indispensable element of *active ageing*

With regard to improve employment prospects of older workers and to extend working life, ensuring a smooth transition from work to retirement is a desirable option. This implies that retirement should be flexible and that early retirement should be actuarially neutral, so that decisions on retirement would depend on individuals' comparison of the costs and benefits of extra years of work. Gradual retirement is an option which has important advantages. For instance, it can help to avoid or at least to overcome the supposed "pension shock" associated with a too rapid transition from working to retirement. Moreover, it permits the demands of work to be better adjusted to any decline in health that might be associated with age. Thus, it enables older people to stay longer in work than might otherwise be the case. Finally it retains experience within the employing organization.

In order to contribute to active aging, trade unions support efforts to develop a smooth path for a flexible transition from work to retirement. However, a voluntary decision by employees to agree upon the extension of working life must be considered as a prerequisite of such an approach. This includes also the right of refusal of compulsory retirement. Governments must reflect this in

their own public sector employment practices. The implementation of a flexible work-retirement transition would provide a good example of *active ageing*.

The trade union movement supports the modernisation of the welfare state to safeguard its future. It recognises the need to play a pro-active role in efforts to modernise the welfare state by increasing its efficiency and its cost-effectiveness. Social and welfare concerns must be integrated more effectively into wider economic and fiscal policy, labour market and educational policy, as well as family policy. Social policy is no longer just a question of expenditure programmes. A full and promising response to the challenge of ageing societies must be based on the full involvement of the social partners.

ILO Older Workers Recommendation, 1980 (No. 162)

The Recommendation defines *older workers* as those who are liable to encounter difficulties in employment and occupation because of advancement in age.

It states the principle that employment problems of older workers should be dealt with in the context of an overall strategy for full employment which gives due attention to all population groups and ensures that employment problems are not shifted from one group to another.

It calls upon all member States to adopt a national policy that:

- promotes equality of opportunity and treatment for workers of all ages and take measures to prevent discrimination against older workers particularly with regard to (i) access to vocational guidance and placement services (ii) access to employment of their choice that takes into account their personal skills, experience and qualifications (iii) access to vocational training facilities, in particular further training and retraining; and (iv) employment security.
- aims to improve the working conditions and the working environment at all stages of the working life and devise measures designed to enable older workers to continue working under satisfactory conditions.

It recommends that measures should be taken to ensure that (i) the transition from work to retirement is gradual,

(ii) retirement is voluntary and (iii) the age qualifying a person for an old-age pension is flexible.