A lifelong strategy for active ageing

edited by
Maria Jepsen, David Foden
and Martin Hutsebaut
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Preface

In 2002 the European Trade Union Institute published a first book on ‘active strategies for older workers’. In this first volume the ETUI presented nine national monographs covering Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Sweden and the United Kingdom, describing to what extent the social partners and governments have been successful in achieving higher employment rates for older workers or have failed to do so.

It is generally acknowledged that the employment status of the over 55s in the European Union is unsatisfactory: in 2001 the employment rate in the 55–64 age group in the EU was only 38.5%, far below the target of 50% set in Stockholm in 2001 for 2010. Only four countries out of 15 had reached the target by 2001: Sweden (66.5%), Denmark (58.0%), the UK (52.3%) and Portugal (50.3%). All other members remained far behind.

The first book highlighted good and bad practices in employment, training, social protection and taxation policies in the nine countries. From this first publication it became clear that the countries which had managed, in close cooperation with the social partners, to set out a dynamic and comprehensive multi-dimensional programme targeted towards precise and agreed objectives had also been successful in reversing the trend towards ever lower employment rates of older workers. The European Union as a whole has not really been successful in reversing this trend.

The employment trend of older workers over the period 1995–2001 was most favourable in Finland (+11.2%), the Netherlands
(+10.5%), Denmark (+8.2%), Ireland (+7.7%) and Spain (+6.8%). For the EU15 the increase in the employment rate amongst this group was only +2.6%.

Looking at the average age of withdrawal from the labour market in 2000/2001 we observe low withdrawal ages in Luxembourg (57.5 years), Belgium (58.1) and France (58.7), besides ages above 63 years in Portugal (64.5), Ireland (64.3), Denmark (63.6), Sweden (63.2) and the UK (63.2).

This second publication on ‘active strategies for older workers’ intends to draw some basic conclusions from the nine national monographs presented in the first volume, as well as other research findings. Although we acknowledge, as Philip Taylor writes in his report *New policies for older workers* (Bristol: The Policy Press 2002), that policy-making on age and employment is only in its infancy, much can be learned from existing initiatives.

In this new volume five European experts present their conclusions on the effectiveness of policies in five different fields: incentives and disincentives in taxation and social protection policies; active employment and training policies; reorganisation of work, working conditions and working time; changing attitudes of employers, workers and trade unions; and, last but not least, the provision of social care services and social care infrastructures. Each chapter is followed by critical comments written by five other experts.

The experts’ conclusions in this book do not seem to conflict with those of other experts in the field, such as Philip Taylor (quoted above), and with the recommendations of the ETUC and UNICE in light of the Lisbon strategy. What remains to be done is to translate these conclusions and recommendations into effective policies.

The fact that the European social partners have now decided to deal with the issue of older workers within the framework of the autonomous European social dialogue enhances the prospect that the right policy mix will be developed in order to give a positive
response to the need, expressed by the EU Employment and Social Policy Council of 7 March 2002, ‘to increase participation in the labour market for all and to encourage older workers to stay active voluntarily in response to the challenge of ageing’.

The editors would like to thank all those who have contributed to the production of this volume, first and foremost the authors, who remain responsible for the views expressed in the individual chapters. Warm thanks are also expressed to the European Commission, the Finnish and Belgian Ministries of Social Affairs and Health, the Swedish Saltsa Programme, the European Foundation in Dublin and the Hans Böckler Foundation, without whose financial support this publication would not have been possible.

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What policy approach to active ageing?

Yves Chassard

The European Union has set itself the target of raising the employment rate of older workers (those aged between 55 and 64) from 38% in 2000 to 50% in 2010. This quantified target, designed to prompt a sustained effort on the part of the member states, appears to some of them very hard to achieve. As pointed out in the Guidelines for the member states’ employment policies for the year 2002, in an introductory passage to the section on the development of a policy to extend working life, fundamental changes in attitudes to employment will be required: ‘In-depth changes in the prevailing social attitudes towards older workers as well as a revision of tax-benefit systems are called for, in order to reach full employment, to help ensure the long-term fairness and sustainability of social security systems, and to make the best use of older workers’ experience.’

In this article we will discuss the underlying stakes of a policy to promote the employment of older workers (I), moving on to consider the lessons to be learned from those countries that have made the most progress in this direction, as regards the behaviour both of workers and of employers (II), before asking what forms of labour market policy measures the EU member states could implement to achieve this target (III).

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1 European Council (2002a).
1. **The stakes: why is it necessary to raise the retirement age?**

Why thus seek to prolong working life, when a lowering of the retirement age is a trade union demand dating back over a century? It is well known, of course, that the financial balance of retirement systems is threatened in all member states, because people are living longer thanks to progress in hygiene and medicine. In some countries, but not all, this phenomenon coincides and combines with the imminent retirement of the ‘baby boom’ generations born after the Second World War.\(^2\)

Are there no other ways of remedying the shortfall of the pension systems than to raise the retirement age? We can now come closer to answering this question because, in the course of the last decade, a number of issues of relevance to the pensions debate have received clarification. First of all, the myth of pre-funding has been by and large punctured.\(^3\) No right-headed person any longer believes that pre-funded pension schemes are any less sensitive to population trends than pay-as-you-go systems and economists are now agreed that in the long term the two types of system are equivalent. It is rather obvious, after all, that purchasing power is not something that can be hoarded and that it is current GDP that has to be shared out between the working and the retired population, whether the system in operation is pre-funded or pay-as-you-go.

It has been observed, furthermore, that stock and share prices fluctuate over time depending on the relative size of the population with a high savings ratio (mainly the 40–60 age group).\(^4\) At the point when the baby-boom generations, having arrived at retirement age, want to cash in their assets, there is every sign that they will sell them off

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\(^2\) The countries on the losing side in the War, Germany and Italy in particular, did not experience a baby boom.

\(^3\) See Ország and Stiglitz (2001).

quite cheaply to the next generations, who, being fewer in number, enjoy a better position on the labour market and feel less need to save for their retirement. The selling price of stocks and shares (and, by the same token, the yields on those purchased at a time when prices were high) will, in all probability, fall. For pre-funding to have proved a useful complement to pay-as-you-go, it would need to have been introduced twenty years ago.

This argument is sometimes disputed on the grounds that we live in an open economy. But we would then need to know to whom it is going to be possible to sell the financial assets accumulated by the pension funds at the point when they have to realise their assets in order to pay the retirement pensions of the more numerous generations. And all countries, the most advanced and also the so-called ‘emerging’ ones, find themselves in a basically similar situation, without any plausible scenario as to how they might go about doing this. Thus, it is highly probable that yields will in future be lower under funded than under pay-as-you-go systems as a result of the surplus of capital and scarcity of labour that will characterise the situation once the baby-boom generations have retired.

The immigration question has also come more clearly into focus. There were those who believed that, if immigration quotas were significantly raised, the injection of young workers into the pay-as-you-go systems would act as a useful tonic to improve the yields of the pension systems. On close examination this solution forfeits some – albeit not all – of its merits. We would be speaking here about changes of some considerable magnitude, since the immigrant pop-

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5 The share of the over-60s in the total population is expected to increase between 1995 and 2035 from 16.5% to 28.2% in the United States, from 20% to 34.7% in Japan, from 9.6% to 24% in China, from 6.8% to 13.7% in the other countries of south Asia, from 15% to 24% in the countries of central and eastern Europe, from 8% to 14% in India, and from 7.4% to 17.6% in Latin America (source: World Bank, *Statistical Yearbook*).
ulation, which today accounts for less than 4% of the Euro zone, would have to reach more than 40% in 2030 in order to stabilise the demographic ratio between the over 60s and the 20–59 year-olds. Such a figure appears incompatible with both successful integration of immigrants into society and the legitimate concern of the countries of emigration to restrict their brain drain.

1.1 The challenge: not to leave the baby-boom generation outside the reform

It is thus clear once and for all that there is no alternative to reform of the pay-as-you-go schemes. This reform is urgent for the simple reason that, the longer one waits, the more difficult it will become to include the children of the baby boom in the new system. Yet a pension reform that ignored this generation and remodelled the system only for the next one would be politically and socially unacceptable. It would, moreover, be relatively ineffective, because it would not solve the most urgent financial problem. A reform affecting young people alone would not make its full impact felt until 2040, whereas major deficits are already forecast for around 2020 when the persons born between 1945 and 1960 will have moved on into retirement.

It is frequently very tempting to adopt reforms that are all the more far-reaching insofar as they apply in practice only to new entrants to the labour market. This was true, for example, of the Dini reform adopted in Italy in 1995, the true impact of which will not be felt until 2035. Meanwhile, a way will have to be found of increasing contributions. Such a development will not be readily accepted by the generation born between 1960 and 1975, which has experienced recession, unemployment and notorious difficulties in gaining access to the labour market. If it is implicitly suggested to members of this generation that they are going to have to bear the brunt of financing the deficits, they will be sorely tempted – especially those with the

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highest skills – to seek ways of cheating the system by expatriating their assets. The member states will be faced with a serious risk of shortfall when it comes to the levying of contributions.

The burden represented by an ageing population is necessarily going to have to be shared between the generations. This is clearly stated by the Barcelona European Council: ‘A progressive increase of about 5 years in the effective average age at which people stop working in the European Union should be sought by 2010.’

A trend of this kind has to be masterminded and organised to ensure that it takes place in a fair manner. If the public pension funds are allowed to build up deficits they will have no option but to lower the level of the pensions paid out. The risk then is that increasing numbers of workers will be obliged to remain in work as long as possible and to accept poor quality jobs for fear of hardship during their retirement. A lengthening of working life conceived along these lines would affect workers indiscriminately, penalising first and foremost those who have had gaps in their working careers or suffered arduous working conditions. The real question relates therefore not to the principle of a lengthening of working life – about which there is no longer room for argument – but to the means of its implementation.

Undoubtedly, there is a belief in several EU member states today that there is no longer room for experienced employees on the labour market. In some countries we have witnessed, over the past twenty years, a vicious circle that has gradually led to these senior workers being pushed out of the labour market. Even when employers begin to experience recruitment difficulties, they do not spontaneously turn to older workers. In many European countries the attempts made so far to raise the effective retirement age have failed. Why is this?

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*A lifelong strategy for active ageing*
A first reason is that employers were quite spoilt for choice during the years of high unemployment. They could take their pick of qualifications and skills. When they considered that young persons straight out of school were not immediately productive, they could get away with paying them less than their older colleagues (in particular by demanding a special young person’s minimum wage). When they found that older employees’ productivity was not in keeping with their wage, they could shed them and get society to pay the cost of these early retirements, whether by state-funded early retirement schemes, invalidity pensions granted according to economic and social criteria and not on medical grounds, or unemployment benefits paid to elderly unemployed workers exempt from seeking work (which was in any case impossible to find).

These early exits were accepted all the more easily in that they affected relatively small groups (the generations born before or during the Second World War) and they enabled workers and their representatives to accept the industrial restructuring made inevitable by globalisation and the transition to the knowledge-based service economy. In some countries, these forms of early exit enjoyed broad social consensus, which turned out in reality to be no more than an illusion: the generally accepted idea that the older retiring workers opened up opportunities for young people took a battering when it was observed that there appeared to be no correlation between the average age of labour market exit and the rate of youth unemployment. It should be pointed out, nonetheless, that the very premise on which this attitude was based, namely that an early retirement freed up a job for a young person, however true it may have been, will soon forfeiture its essential legitimacy. With the ageing of the population we are indeed going to be faced, in the coming years, with an employment problem for senior workers, but the problem of youth unemployment can be expected to become a thing of the past.

The second reason for the failure of attempts to raise the effective age of labour market exit relates to the employees themselves,
increasing numbers of whom seek to leave the labour market as soon as possible in order to put behind them the stress generated by the pressure to perform and the fear of unemployment. These attitudes have put down deep roots and compulsory measures will be powerless to change them. Experience shows that when access to a certain type of welfare benefit is tightened up, other types of benefit gradually take over. If the retirement age is raised, without any other changes being introduced, then the odds are that there will be an increase in recourse to invalidity pensions or, quite simply, unemployment benefits paid in the absence of any real search for work.

And yet there is no insurmountable obstacle from this standpoint. For employees to remain in work after the age of 55, or even 60, is possible, provided an integrated policy is put in place and a little imagination is forthcoming. But this requires changing certain forms of behaviour, as regards both the supply and the demand for work on the part of experienced employees.

2. What can we learn from the countries with a high employment rate among the over-55s?

Here we would like to present a few thoughts prompted by the observation of countries, in Europe or elsewhere, in which large numbers of persons aged over 55 are still working.

2.1 The fundamental role of the labour market

The first observation is that a dynamic labour market is a prerequisite for any lengthening of working life. Without employment there can be no job opportunities for senior employees. This means that macroeconomic policies must be geared to employment and growth. This point is all the more crucial in that the size of the working population, on the basis of current trends and behaviour, is set to decrease and this could lead to a slowdown of the economy. But it is important to reject this fatalistic attitude, according to which an ageing country is a lethargic country, one that prefers stability to growth.
The role of economic growth must not be underestimated. Growth in activity and employment can remove some of the obstacles to the employment of older workers, as is clearly shown by the example of the United States. Though, at the end of the 1980s and the beginning of the 1990s, a large number of studies were funded by foundations, by the pensioners’ lobby or by the public authorities in an attempt to show that the performance of senior workers was as good as that of their younger colleagues, it was not until the emergence of tensions on the labour market that any change in employers’ behaviour could be observed. When it did take place, the change was spectacular.

Today – and this was even more strikingly the case when the unemployment rate hit its lowest level, in autumn 2001 – it is the employers who are themselves developing a discourse in which, in a context of sometimes obsessive labour shortage, they boast of the merits of their senior employees, or of those they would like to bring back from retirement. The growth sector firms, and even more so those which do not belong to the most attractive sectors of the labour market, are thus compelled to exploit all their imaginative resources to recruit. The ploys invented to this end include paying out study grants, partnership ventures with the local chamber of commerce, recruitment campaigns conducted with the help of Churches that have contacts with active retired persons, and so on.

The human resource executives of American firms are delighted to note that their senior staff have a lower rate of unexpected absenteeism than other employees, that their so-called ‘digital illiteracy’ is a myth, and that, generally speaking, age is no longer a factor of lower productivity in an economy of which traditional manufacturing industry accounts for a declining share. What is more, they acknowledge the qualities of mature workers in terms of human relationships, an ability to stand back from a situation, to organise themselves, a sense of fair play and loyalty to the employer which
are not to be found among younger workers. Finally, in the case of quite a few companies, the ageing of their client base requires, in some jobs at least, staff who reflect this image. The employment of older workers in the United States entails only one real disadvantage: the level of the sickness insurance premiums which a firm has to pay when it employs a 55 year-old is, on average, twice that payable for a 35 year-old. Fortunately, this disadvantage does not exist in Europe.

2.2 Employers’ behaviour in relation to senior workers

Not that everything can be explained by the labour market situation. If there is a real desire to raise the employment rate of the over-55s, a way has to be found of overcoming employers’ prejudices, for otherwise we could come to witness a situation in which labour shortages are to be found alongside early retirements.

The prejudices are well known. Many companies in Europe consider that older workers are less productive, for the following reasons:

- they are more expensive than young workers, because pay systems are still in many cases based on seniority;
- they are less productive than younger workers, because their health is less good and they have less, or less up-to-date, qualifications;
- they have less desire, and are less able, to gain new skills;
- since they will not be spending a very long time in the firm, any investment in their training is expensive and pointless;
- they are reluctant when it comes to geographical mobility for professional reasons.

To what extent is all this the reality? Numerous studies have proposed work performance indicators and have analysed their link with age. A summary of these findings, commissioned by the OECD, concluded that there is overall no significant difference between the performance of older workers and that of younger ones, and that
performance variations within age groups are much more marked than average differences between one age category and another.\textsuperscript{9}

In some forms of work, productivity does tend to fall with age: initial skills become outdated as the employee ages and results do not lend themselves to improvement deriving from experience. This applies, for example, to work entailing the processing of data at high speed, or rapid learning skills, or the carrying of heavy loads. This negative relationship between age and performance deteriorates if the work content changes frequently or all of a sudden. But the extent of the difference should not be exaggerated. In Sweden, Volvo was faced with tackling the difficulty experienced by older workers in keeping pace with the speed of assembly lines. After consulting the workforce as a whole, the company decided to set up independent teams and assembly lines for older workers. But whereas it was expected that their productivity would fall far short of the average, studies tend to show that it is something like 85 to 90\% of normal assembly lines.\textsuperscript{10}

In other types of task, any obsolescence of initial skills may be offset by experience and, in such cases, there is no clear link between productivity and age. In a third type of work, the absence of a link between age and productivity is attributable to the fact that tasks are relatively undemanding: initial skills are not likely to become outdated but, by the same token, the benefits of experience are minimal.

In some activities, finally, productivity may indeed increase with age, where the initial skills do not run the risk of becoming outdated and performance improves as a result of experience. This applies to activities which call for non-urgent decision-making requiring knowledge and, above all, social skills (retail sales, care, financial advice, consultancy, and so on).

\textsuperscript{9} Warr (1994) quoted in Casey (1997).
\textsuperscript{10} Quoted by Delteil and Redor (2001).
Bernard Brunhes Consultants conducted, in the course of 2000, a survey of some thirty firms, large and small, in five countries (United Kingdom, Germany, Sweden, United States and Japan) where employment rates of the over-55s are high (with the exception of Germany). This survey made no claim to be representative, but its findings, taking due account of the economic and social context of each country, threw some interesting light on the leeway at the disposal of European firms – and the constraints weighing upon them – to alter their employment and skills management policy, and on the way in which the public authorities could supply appropriate incentives for achievement of this goal.

Why do some firms continue to employ older workers? The first reason is simple, but should not be forgotten: because they have no choice. Some firms are constrained in their human resource management policy by the fact that they cannot terminate the contract binding them to their employees, either because the social pressure exerted by the culture of lifetime employment retains a strong hold (as in Japan), or because, insofar as there is no social welfare provision to assist workers who lose their jobs a few years before retirement, they would have to pay a high price if they were to dismiss them and replace them by younger workers (United Kingdom). The company’s decision to keep on its employees until retirement age may also be attributable to a labour shortage in certain sectors and to the difficulty of finding young recruits for whom employment in that particular sector may lack appeal (this is true of certain industrial sectors in Germany).

Ideally, therefore, firms prefer to have a workforce evenly distributed across the ages and they attempt to avoid an imbalance in the age pyramid of their employees. It is true that there is frequently a strong temptation to say farewell to older employees in firms where there is

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11 Chassard et al. (2001).
a close link between age and position in the hierarchy and where the shape of the age pyramid needs to mirror that of the hierarchy. Firms then encounter difficulties if they take on recruits too young for higher posts, or recruit older employees to posts where they work under the supervision of younger superiors. The presence of a large number of workers who, while relatively older, are still some way from retirement age, may thus be experienced as a factor of frustration by the younger ones who feel their chances of promotion to be restricted by this situation.

Other firms, on the contrary, deliberately choose to keep, or even to recruit, experienced workers. We encountered, in the survey conducted by Bernard Brunhes Consultants, firms which set out to redress their age pyramid by recruiting employees in mid-career, because they considered them to possess qualities lacking in younger persons. This is the case, rather surprisingly, with a Swedish computing services firm, included in the survey, which found it necessary to have some more mature persons present in the firm in order to offset the risk of ‘workoholism’ among the younger ones.

In some cases the choice is attributable to the need for a high degree of experience and professionalism for a specific type of work. To employ workers aged over 50 or 55 may give rise to a strategic advantage and become a factor of competitiveness, and the possibility of organising a transfer of skills between age groups is perceived as a factor of competitiveness for the firm.

In other cases, older workers may meet the firm’s needs better than younger ones insofar as their knowledge and experience are better adapted to its client base. The firm thus makes age into a recruitment criterion, to the extent that it considers older workers better placed to respond to the needs of its clients who, in most cases, are also relatively elderly. Furthermore, senior employees are perceived in such cases as possessing a professional attitude and experience not found in younger workers. Their profile is similar to that of the clients, and
their qualities in terms of human relations, are a commercial asset. What is more, in a context where excessive employee turnover ends up turning into a problem, a merit of the over-50s is that they are likely to remain longer in the firm.

Naturally, the social context peculiar to each country, as well as government policies, influence company behaviour. Firms will be more likely to adopt a positive attitude to older workers in countries with anti-discrimination legislation (United States), a code of good practice (United Kingdom) or a lifelong-employment ethos (Japan). In the United States, in particular, the law against discrimination on grounds of age has, to all intents and purposes, turned the over-40s into a protected category. Firms appear to be in a state of panic at the risk of being denounced for discriminatory practices and go so far as to deliberately conceal information concerning employees’ years of birth.

There is a flip side to the absence of age discrimination, which is that pay can no longer be influenced by age. According to the human resources directors interviewed in the Bernard Brunhes Consultants survey, the American firms’ policy is to base employees’ pay exclusively on their performance. There may be the odd instance of promotion by seniority, but this is the case only early in the career (and does not prevent ‘pay packages’ negotiated with the most highly skilled workers from frequently including specific benefits designed to reward loyalty to the firm). It may be said that, where a firm continues to invest in its older workers – in terms of training, internal mobility, career development – it offers them no preferential treatment. Continuing investment on the part of the firm goes hand in hand with continuing pressure on its employees to perform.

This model of deliberately ignoring employees’ age is not found in such an undiluted form in Europe. But what is striking is the apparent scarcity of active measures specifically designed for this group. We found, in the companies we observed, rather few specific policies
geared to older workers, whether in relation to training, methods of pay calculation, or career development. The employers that have a relatively high proportion of senior employees are keen to stress that, in their firm, neither specific measures nor discrimination in relation to younger workers are to be found, and that they set store above all by the professional attitudes, skills and qualifications of each employee, whatever his or her age.

In the English-speaking countries, non-discrimination on grounds of age is much more an attribute of a policy of labour diversity. Numerous human resource directors in American or British firms say that they are at pains to ensure that all their employees are treated as, and regarded as, equal. The question of age is relevant neither to recruitment nor to pay. This concept of diversity and equal opportunities relates equally to the gender and the social or ethnic origin of the workers.

One point is nonetheless striking. Firms which employ older workers are firms which have paid particular attention to improving the working conditions of their workforce as a whole. Frequently, these efforts are regarded as complementary to those designed to improve the quality of the products and services on offer. They relate both to ergonomic aspects (to reduce fatigue and physical effort) and to working hours.

In relation to training, conclusions are not so straightforward. It is a known fact that the ability to acquire new skills diminishes among workers in posts where this capacity is under-used. On the contrary, workers employed in a context that is open to continuous learning appear to be less exposed to the risk of losing their ability to benefit from training. The ability to learn is preserved only if it is used, and those who are best at learning are those who are the most accustomed to doing it.

It may thus be thought that there would be little point in singling out older workers and that it would be better to offer training available to
all at all stages of working life (‘lifelong learning’). But the question
of the nature of the training also has to be raised. Some studies point
out that the capacity for rapid assimilation diminishes with age, in
particular when the new skills or knowledge are qualitatively different
from what has been learned in the past. Japan has set up a wide-rang-
ing training programme for older workers in which extensive efforts
are made to develop appropriate teaching methods.

2.3 Behaviour of employees
The countries with the highest employment rate among the over-55s
are those where it is financially worthwhile to work for longer. Work
has to be made to pay, including during the later years of employ-
ment. This incentive is found, of course, in those countries where the
public retirement pensions system is organised in such a way that
most pensioners receive only very small pensions. This is the case, for
example, in a country like the United Kingdom, where many workers
in their fifties, or even sixties, wish to continue working in order to
increase their supplementary pension rights. But a similar incentive
exists also where there is some freedom – and in certain cases com-
plete freedom – to combine income from work with a retirement
pension. In relation to supplementary company pensions, this com-
bination has long been allowed in the United States, Japan or the
United Kingdom. A more innovative development, in Sweden and
the United States,12 is the new possibility to combine a wage and a
basic pension. It is the case, finally, where the retirement system is
genuinely neutral with regard to the age at which a pension may be

12 In the United States a plan to relax the rules on combining income from work
and a pension was adopted in 1997: from 13,500 dollars in 1997 the authorised
annual ceiling was to rise to 30,000 dollars in 2002. The House of Representatives
and the Senate, in March 2000, passed a law simply abolishing, after the age of 65,
any restriction on the combining of income from work and retirement pension.
Furthermore, the bonus granted in the event of deferred retirement is also to be
raised, from the current level of 5% to 8% a year for those reaching the age of 65
in 2008.
drawn: each additional year of work – and hence of deferred retirement – gives rise to an increase in the annual pension subsequently drawn, the reason for this being twofold: supplementary rights have been earned, while the total period of retirement will be that much shorter.

In Sweden the age of entitlement to a full pension was 65 and this is still the case under the new system just introduced. However, it is now possible to vary the moment at which a pension is drawn, between the ages of 61 and 70, according to a system of penalties or bonuses according to case. The level of the pension is adjusted depending on the age at which it is drawn according to a system of actuarially neutral coefficients. Insured persons may draw a full or a partial pension (a quarter, half or three quarters) and are quite free to combine their pension with earnings from work. These earnings continue to give further pension entitlements. By continuing to work, a retired person can increase his or her pension entitlements by, on the one hand, paying contributions and continuing to acquire entitlements and, on the other, taking advantage of drawing coefficients on the portion of the pension that has not been drawn, which become increasingly advantageous the older a person gets.

It is customary, in discussions of social issues, to contrast the fact of working hard during a short career with that of working less (for example, a 35-hour week as in France) over a longer period. In reality it is possible to create additional flexibility, without falling into such a rigid dilemma, if retirement systems allow workers to choose, on a free and fair basis, the age at which they draw their pension. A genuinely neutral retirement system, containing incentives neither to retire early nor to continue working for longer, would probably be in keeping with employees’ wishes to gain greater control over the pace and intensity of their working lives.

A system of this kind means that the level of pension is adjusted, depending on age, to the pension entitlements accruing, in a manner that is actuarially strictly neutral. This principle of actuarial neutrali-
What policy approach to active ageing?

The determination of entitlements in no way prejudices the details governing the acquisition of entitlements. It in no way prohibits, for example, the granting of periods free of contribution to workers who are sick, unemployed, or who take a career break to care for a young child or an elderly parent, or to workers who perform arduous tasks during all or a part of their career.

3. The main features of a policy to promote the employment of senior workers

We have already discussed the labour supply of workers as they approach retirement age. But let us suppose that these workers were to be given incentives, by means of appropriate pension scheme provisions, to remain active on the labour market, then there would, in this case, still be a need to put an end to the reluctance displayed by employers just about everywhere in the last 25 years to employ workers over 55. In this respect bargaining among social partners and the incentives given by active labour market policies require mutual reinforcement. To this end, there is a need for clear identification of the main features of an active policy to promote the employment of senior workers.

Without any claim to exhaustiveness, we would like here to develop three points: i) the possibility of a trade-off between the gradual relinquishment of promotion by seniority and practical steps to promote workers’ employability; ii) the debate between encouragement to stay in the job and promotion of the mobility of senior employees; and iii) the question of working conditions.

3.1 A new trade-off between the company and its workforce?

One of the main, if not the main, obstacles to the employment of workers aged over 55 is the practice of pay increments awarded on the basis of age and/or seniority. In many cases, where sectoral or company agreements contain provision for automatic pay increases on this basis, the employer is tempted to get rid of older workers and replace them by younger ones who are less expensive and just as pro-
ductive. Provided, of course, that the younger ones are to be found on the labour market.

Automatic pay increases based on the number of years an employee has been in the firm are a legacy of the Fordist industrial model which tended to pay young persons below their productivity and older workers in excess of their productivity. Times have changed. Gone is the age of whole careers spent in the same firm, of skills and qualifications gained once and for all. The accelerated pace of introduction of technical progress into firms, and intensification of competition on the world market, give rise to changes in organisations and in work itself, in the direction of greater flexibility, a better capacity of adaptation to and anticipation of demand. The result is volatile behaviour on the part of firms, and in job contents. Skills, meanwhile, are threatened with much more rapid obsolescence than was the case in the past.

But, if it is true that continuing employment is called into question by flexibility, one must guard against the belief that the wage model of tomorrow will be a small number of professionals, endowed with highly sought-after skills and in a position to hire themselves for a few months to the highest bidding firms, and a mass of casual labourers who can be hired and fired at will. The post-industrial knowledge-based economy does not signify an end to the wage-earning class. Firms will never be able to find on the market all the skills they require. The building up of skills and the incorporation of individual skills into a collective endeavour are a slow process, one which will continue to call for a long-term relationship between the company and the worker. With the drop in unemployment and a return to skills shortages, firms are going to have to pay more attention to the professional development of their employees. And it is in their own best interests that they should.

One of the major challenges, in the context of the knowledge-based economy, is to share out in an equitable manner the costs of the necessary adaptations, which involves reincorporating some of them
within the firm. During the whole period of high unemployment, and in all the countries of Europe, the trend was the opposite: the state and the social protection system bore the brunt of these costs. But social protection cannot on its own solve all the problems associated with the changes brought about by the new economy.

The heart of the problem is, of course, the question of employability. The novelty entailed by the concept of employability is that it takes on board the reality, now inevitable, of worker mobility. But preserving his or her employability cannot be regarded as the sole responsibility of the worker. It has to be a responsibility shared between the company and its employees. Ideally, no longer able to offer employment security, the company would guarantee development of its employees’ employability so that they can easily find a new job and are in a position to cope with change. This ideal situation is, however, far from the reality. Very often the company seeks to develop skills which are nothing more than horizontal qualities (adaptability, rigour, a seriousness of approach) and amount to nothing in terms of real qualifications.

It is not possible to move in one fell swoop from the Fordist industrial economy (with linear and ascendant careers and job security) to the post-industrial knowledge-based economy where the fact of having a job no longer provides security. It would be disastrous for workers and their trade unions were they to accept, without anything in exchange, the abolition of promotion by seniority, on the grounds that such arrangements no longer make sense in the knowledge-based economy and that by making it more expensive to employ the most experienced workers they lead to their expulsion from the labour market.

On the contrary, it is necessary to negotiate a deal with companies and their representatives, according to which precise and concrete commitments in terms of preservation and promotion of workers’ employability become the trade off for a gradual relinquishment of automatic seniority increments. The promotion of senior workers’
employability must be explicitly linked to precise commitments by companies on this question of employability. Training has to be subject to rethinking on the scale of the whole career. It is well-known that most firms stop investing in training for employees beyond the age of 50. If their professional mobility is to be facilitated and their employability preserved, lifelong training becomes urgent and essential. More particularly, access to individual training contracts and arrangements to recognise and exploit the fruits of experience must be significantly broadened if there is a real desire to enable employees, at whatever age, to seek to obtain qualifications to start out on a new career or to update their existing qualifications.

3.2 Promoting the mobility of senior workers in and beyond the workplace

As an immediate corollary of what we have just been saying, it is worthwhile considering whether an active employment policy for senior workers should seek to promote only their continuing presence in their current job. Indeed, the employment policy tools generally used to this end have not proved their effectiveness. In the survey conducted by Bernard Brunhes Consultants, we found, in particular, no effective formula for gradual retirement. In this respect, Germany constitutes a perfect example of how not to proceed: virtually as a matter of course, the subsidised phased early retirements (half-time work on 75% pay, or more) are broken into two, an arrangement known as the ‘Block Model’ and entailing a first period of full-time work followed by complete withdrawal from the labour market, often at the age of 57 and a half. In Sweden the partial invalidity arrangement introduced in 1997 to combat abuse of invalidity status on economic grounds has come up against the resistance of employers who view with no great enthusiasm the prospect of employing on a part-time basis partially invalid workers.

On the contrary, mobility at the end of the working career increases employment opportunities. We speak, in the first instance, of mobility within the firm. ‘Records of achievement’ are still too often asso-
associated with problematic individual situations or the context of voluntary redundancy schemes. There is a need for mobility to become run-of-the-mill at any age by making it easier and, in particular, by stepping up access to ‘career points’ after the age of 50. In the 1980s workers, whatever their skills or qualification level, experienced their working life as a dynamic process, even towards the end of their career. Currently, many workers are potentially in a situation of early retirement once they reach fifty.

To succeed in reversing this trend, two main obstacles have to be overcome. First, the company must put in place the conditions that will enable senior employees to make a full contribution to the performance of the work team as a whole. Second, there is a need to create new dynamic career plans, tailored to the new demographic context. There are many workers who, after the age of 50, would like to change their position in the firm and gain more autonomy in their work. But, for managerial staff in particular, the transition from management to a role of adviser or mentor is often not in the least bit straightforward. This changed position has to be accepted not by the individual alone, but also by his or her working environment. To this end, it is necessary to take advantage of the fact that the new horizontal exchange circuits generated by the new communications technologies seem, in particular where the younger generation are concerned, much more natural than before.

Moreover, the field is wide open for the invention of second-career paths in the corporate sector. In this respect, the experience of Japan, where the ageing of the population is more advanced than in Europe, is interesting, albeit difficult to transpose because pension levels are low and the value attached to work, together with respect for the elderly, are powerful factors for keeping people in work until a very advanced age. Depending on the case, workers may be offered a second career in the same firm, or in another. Mobility may be organised within the confines of large groups, by means of ‘Shukko’, an arrangement whereby the worker is seconded to an affiliated compa-
ny, or on a broader basis known as ‘Tenseki’, which is very much like outplacement.

The survey conducted by Bernard Brunhes Consultants showed that there exists a whole range of opportunities for older workers. In the United States, in a full-employment economy, many firms have no option but to recruit older workers aged over 60 or even 65. Those companies which best know how to exploit their professional qualities belong to sectors (traditional services, hotels and catering) which, though they may not be the most attractive on the labour market, are undergoing major expansion in the American economy.

In Japan, Sweden, and the United Kingdom, there exist firms with workforces consisting virtually exclusively of older workers. These jobs are not necessarily of poor quality but, on the contrary, they enable workers, in specific branches or types of job, to put to good use the experience and expertise gained in their previous career. Firms find it to be in their interest, given the specific characteristics of their market, to employ older workers, without any subsidy, or any philanthropic motive, attaching to these recruitments.

Once it is accepted that employment after the age of 55 can entail labour market mobility rather than simply staying put in the same job, there are some conclusions to be drawn.

The quality requirements must be as demanding for jobs taken by senior employees as for those taken by younger workers. There is indeed a danger that workers who have already decided to draw a pension, in full or in part, but who wish to continue working, may accept low wages and poor working conditions. This would then constitute a factor of unfair competition, which would be likely to exert downward pressure on the terms of employment of the workforce as a whole. This has happened in Japan, where many older workers, whose pensions are low, continue to work in non-standard and low-paid jobs. This question will require close attention, for otherwise promotion of active ageing could lead straight into a situation of social dumping.
Second, it is important to ensure that new obstacles are not put in place to discourage worker mobility. In the United States, some firms are altering their company supplementary pension so that it becomes neutral in relation to occupational mobility. Another type of obstacle is found in countries, like France, which penalise dismissal of older employees over the age of 55.\textsuperscript{13} All in all, this measure has quite pernicious results because many firms now refuse to take on workers aged over 50, for fear of incurring prohibitive costs should it one day prove necessary to dismiss them.

3.3 Working conditions tailored to senior employees

As described above, senior workers have a large number of assets. Experienced, accustomed to hard work and the constraints involved, they have one or more skills, whether in terms of the knowledge they possess, the know-how they have acquired, or their knowing how to behave or how to get things done; they are capable of sustained commitment, good at organising their own work, used to the efficient practice of technical skills, and able to interrelate with others; in some situations they can be creative, and able to foresee how a situation is likely to evolve; what is more, their approach is generally conducive to calm, and even to quelling friction or conflict; they are in touch with reality, little inclined to exaggeration, more attuned to wisdom, and apt to display loyalty; having moved beyond the stage of feeling constantly called upon to prove something, they can contribute meaning to the situation thanks to a memory that has access to the close and the more distant past.

While possessing these qualities, senior employees also have their limits, of which we are all well aware: they tire more easily than they

\textsuperscript{13} If they terminate the contract of an employee aged 55 or over, French employers are required to pay a specific contribution. For companies with 50 or more employees, the level of the contribution is 10 months’ salary if the worker is aged between 55 and 56, or between 58 and 59, and 12 months’ if the worker is aged between 56 and 58.
did twenty years ago, may suffer from insecurity and feel the need for reassurance, and worry about being unable to keep track of change, particularly in matters of technology. This is why attention to appropriate working conditions remains a prerequisite for the employment of older workers.

In manufacturing industry, many production processes have been automated, a development that has given rise, moreover, to considerable job losses. Those workers who have kept their jobs have learned to adjust to these specific developments. But it would be a mistake to believe that, because of technical progress, physically arduous jobs will soon become a thing of the past. In some sectors, indeed, paradoxical phenomena are to be observed. In some motor production firms, for example, we are witnessing a return of Taylorised working methods. Increased competition is leading manufacturers to change their product range at an ever faster pace. The lifetime of products is getting shorter, prompting industrialists to cut down on investment in automated production processes, so that we are witnessing a return to manual work based on short cycles. Moreover, the flexibility of the market imposes greater flexibility of production processes and jobs, and all these developments make work more difficult for older members of the workforce.

In the service sector, there are other forms of arduous work which similarly constitute obstacles to the employment of older workers. The desire to take early retirement is frequently associated with widespread attitudes. When people begin to realise that they are regarded as an ‘older worker’, they come to feel it would be nicer to be a ‘young early retired worker’. The first area in which efforts to achieve a change in attitude are called for is thus the way in which older people view themselves. A major workshop for human resource management thus has to be opened up, to make the workplace more welcoming for seniors so that they will feel more inclined to continue to play a vital role in the firm.
Let us refer here to some of the ideas that have already emerged from the preliminary surveys which we have conducted. As they get older, workers express the desire to no longer feel anxious or fearful, to no longer be constantly driven by stress, to no longer feel that they are always expected to do more, still more, and to try just that little bit harder. Many of them say that they would like a breathing space, that they want some peace and quiet, and to get more pleasure from their work. Above all, they do not want to be made to feel guilty because of their age, or to have to put up with the arrogance of their younger colleagues. They wish for recognition and respect, and not to be given less important or menial tasks, or cast aside on account of their age.

Many of them also state a wish for new experience, for some enjoyment in their jobs, for work that is performed not under compulsion but with a sense of personal decision-taking; they want a say in how they use their time, they want to choose their own priorities, and they want to live, above all, at their own pace. This entails becoming less dependent upon a hierarchy, and gaining more autonomy in their work.

In particular, senior employees are allergic to the ‘management by stress’ that has become widespread in many multinational companies. This practice has, what is more, its own in-built limits, as can be seen in the United States where many companies admit that they are powerless to retain employees in their forties, who leave them to take up a more balanced life and escape the stress which has been such a feature of most of their career.

Once working life becomes a (very) long-haul voyage, it is essential to maintain workers’ vitality and enthusiasm and offer them opportunities for taking a breath of fresh air, for altering their working pace at different points in their career, irrespective of family developments. To avoid the premature exhaustion of young employees who have invested excessive energy in their career and are burnt out at a
still young age, all workers must be offered opportunities to take a break or to change their working patterns, and such opportunities must become the norm throughout their whole career. For workers close to the end of their working lives it may be a good idea, without speaking of gradual early retirement – for this formula, as we have seen, has not proved too successful – to propose special working time arrangements. In the United States, for example, firms agree to negotiate part-time contracts, or contracts allowing for longer holidays, in order to keep on, or to attract, senior employees.

One last idea relates to the kind of end-of-career working time accounts that have already been introduced at Volkswagen in Germany. This motor car manufacturer has negotiated with the trade unions the introduction of a system in which overtime for which no compensation has been given after a year can be saved up in a working time account. Payment is in the form of a blocked share account and, from a certain age, the worker may choose whether to use the capital to bring forward his or her retirement or, if he or she decides to wait until the normal age to retire, to obtain a higher pension.

Lastly, if companies have to learn to live with their older workers, there is also a need for society to adapt, and to adopt new forms of organisation. In the large cities, for example, innovative forms of transport are required, for the discomfort of long journeys by train and/or metro frequently becomes intolerable after 30 or 35 years of working life.

4. Conclusion

It is quite clear, from what has been said here, that government policies and negotiation between the two sides of industry are together required to promote change and progress in the directions indicated. Analysis of the Dutch and Finnish cases shows us how it is possible to reverse the downward trend of employment rates among older workers in order to enter the virtuous circle of active ageing. In neither of these cases were any authoritarian or compulsory measures
adopted. The reform process gave rise to broad involvement and negotiation with the social partners in the devising of the measures, right through to their implementation.

In the Netherlands the employment rate of 55–64 year olds has risen swiftly (by 17 percentage points between 1995 and 1999). Special measures have been adopted for women and older workers, while a concerted effort has been made to implement an overall plan with a quantified target (to raise the employment rate of the 55–64 year-olds by 0.75% a year, to reach 50% by 2030).

In Finland the programme is piloted by an ad hoc committee involving all the actors involved in the process. The purpose is to improve the employment of ageing workers by promoting their professional capacities and delaying the effective age of early withdrawal from the labour market. A major awareness-raising campaign has been launched under the motto ‘experience is a national treasure’.

Will the baby-boom generation transform the second part of life as, before and after 1968, it called into question and transformed the educational system and the family, leisure and ways of life and behaviour? It seems, in any case, that the older a society gets, the more it tends to push back the threshold beyond which workers are considered to be ‘old’. In the United Kingdom, where the population is still on average relatively young, the cut-off point in official texts and in people’s minds is 50. In Germany, it is 55, in legislative as well as labour market administration terms. In Sweden the age above which special provisions are introduced for unemployment insurance was raised a few years ago from 55 to 57. In Japan, where the population ageing process is more advanced, an employment problem is perceived to exist only in relation to workers over the age of 60.

All of which would seem to provide evidence that old age is as much a social construction as it is a biological process.

Translated from French by Kathleen Llanwarne
Bibliography


Comments

Laura Merla

We are facing a paradox today: life expectancy is rising, health is improving, but life expectancy on the labour market is diminishing.

Societies with a low employment rate among the over-55s are characterised by an early-exit culture, based on a social contract between the generations. On the one hand, we find the seniority principle (the young accept lower wages in the knowledge that they will increase over the years). On the other hand, this principle is compensated by a moral obligation on the part of the elderly to make way for the young when necessary.

During industrial restructuring, governments worked along similar lines by creating pathways out of the labour market to encourage a mass exit of the elderly, and to reduce unemployment rates.

The effect on companies was radical: elderly workers became undervalued, and suffered increasingly from stereotyping, a vision that is reinforced by the cost of the seniority principle. High wage costs combined with the possibility of dismissing the elderly with the silent consent of trade unions have led to today’s alarming employment rates among the over-55s.

On the worker’s side, the right to rest has superseded the right/duty to remain in work. While many workers were pushed out of the labour market, for many others early exit has acquired the status of a right. In a recent study conducted by a temporary-work agency, the younger generation expresses its wish to retire at age 54.1

That a change in attitudes is needed on the part of both companies and workers is appropriately stressed in this article. The author offers us a balanced vision of both sides’ points of view, and presents a series of examples from countries with a high level of employment among the over-55s, stressing the advantages and limits in relation to each.

I will make a few complementary remarks on this text, concentrating on some categories of worker that are mentioned, but to whom I think more attention should be paid, outsiders: namely part-timers, women, the low qualified, and temporary workers. I will address a number of different issues: seniority, mobility, employability and working conditions.

**Seniority**

This approach has shown its limits. Apart from what has been said regarding its costs, it penalises categories of worker who choose to interrupt their careers, principally women. But it had an advantage for women: it was a neutral criterion on which they could count in the awareness that they were still subject to discrimination in terms of promotion, pay, and so on.

However, a system based on performance rather than seniority would also reveal its limits, if attention were not paid to the criteria used to evaluate performance.

First, the criteria for judging performance are subjective, and might once again penalise women if based on the same discriminatory criteria as those established for employment classifications. Workers who decided to take a career break or to work part-time would also be penalised, as those forms of behaviour might be interpreted as a sign of a loss of interest in work.

Second, it could turn into a stick and carrot system used by employers to put more pressure on workers.
Third, we should think about which criteria will be applied to the elderly. Will specific criteria be designed for this category? Towards the end of their working life, workers acquire specific qualities that are somewhat harder to evaluate, for example, social qualities such as relations with clients, colleagues and so on. Will there be a place for these criteria in the definition of performance?

**Mobility**

Reading this text, we have the clear impression that all workers are going to move rapidly from one job to another, and that security will no longer be guaranteed. But is high mobility really an unavoidable reality? Is it so for all workers?

The picture may hold for the better qualified who can compete on the labour market, but not all categories of worker will be affected. For instance, when asked whether they thought of changing employer in the course of their career, only 10% of the workers aged under 30 interviewed by the temporary agency answered ‘yes’. And this percentage falls in the older age categories.

Firms might also want to constrain workers’ mobility. Just think about the competition now on between firms to retain workers, who are offered extra services such as laundry, car maintenance, and so on.

It is true that employers might also wish to be able to dismiss workers more easily, should the need arise. But we should remember that our societies are characterised by a high level of employment protection. Our system of social law was built on the assumption that workers are weaker than employers and therefore should be protected. In this system, the employer is free to dismiss a worker, but at a certain cost. This system is under threat today with the growing gap between well-protected, unionised insiders and under-protected outsiders. But we should not engage too fast in the Americanisation of our labour markets. In the USA, workers alter-
nate periods of work with periods of unemployment, in quick succession. This situation may be sustainable for the best qualified, but the others are the first victims of this system of high insecurity. That is why we should be careful when stating that no new barriers should be designed against mobility. Making someone redundant should not become more expensive, but equally it should not become easier.

**Employability**

First, we should bear in mind that competition among companies to retain workers will become more acute in the context of labour shortages. As stressed in the article, companies today tend to provide training aimed at horizontal qualities. I would add that companies increasingly impose contracts on their workers whereby they commit themselves to staying in the company for x years. If they leave, they have to pay back the cost of the training provided.

Employability particularly concerns the highly qualified. But what about part-timers, temporary workers and the low qualified? It is known that today many companies concentrate their training efforts on the highly qualified. There is a risk here of broadening the gap between highly qualified and regularly trained workers, with the rest of the population working in low qualified jobs with no ‘employability’ to highlight and develop.

**Working conditions**

It was a pleasure to see that the article puts the emphasis on improving working conditions. If we are to develop possibilities of combining pensions and paid jobs, we should take care not to introduce a dichotomy between well-qualified and well-paid categories of worker who will be able to afford early retirement, and the low-qualified and low-paid who will have to stay at work to get a decent pension. Such workers are at risk of being offered poor jobs in terms of wages and working conditions.
It is also important, as the author stresses, to improve the working conditions of all workers, in order to avoid burning out younger workers.

We are facing growing insecurity, pressure on workers in terms of workloads, time, and so on. The solution proposed here is to develop opportunities for altering one’s working pace, for instance through the negotiation of part-time contracts or longer holidays. This proposal is interesting, but has to be taken with caution. We should pay attention to the consequences of such contracts on later social security benefits and entitlements, and also on the economic situation of a worker moving from full-time pay to part-time pay.

We agree that until now gradual retirement has not proved successful. But we don’t think we should abandon the idea too quickly. First, women are using it through partial career breaks, at least in Belgium. Second, I think attitudes have to and will evolve. Let’s take the example of part-time conventional pre-retirement in Belgium. The system was created a few years ago, and its success is rather limited. But it is slowly developing, and is used by a majority of men. Many workers do not even know of its existence, however, and companies are reluctant to transmit information on it. But if the principle of flexible retirement is to be adopted (and this has begun), attitudes will change. The advantage of progressive retirement is that it provides benefits that partially compensate the wage loss, offering good levels of economic well-being, while keeping the elderly in employment.

**Conclusion**

First, what emerges above all from this article is that the main change must come from companies. We would like to insist that this change must be engaged before cutting off existing pathways out of the labour market. As outlined here, if the situation of the elderly on the labour market and in companies does not improve, new pathways out will develop anyway.
Second, trade unions should pay special attention to all categories of worker, including the low qualified and women.

Finally, we should not abandon too quickly what makes our system so special: its high levels of employment protection and social security. It is the role of trade unions to reflect on new ways of combining flexibility with security.
The first pillar of the 1999 Employment Guidelines of the European Commission concerns improving employability. Guidelines 4 and 6 refer to ‘older workers’ by stating that each member state ‘will review and, where appropriate, refocus its benefits and tax system to develop a policy of active ageing . . . so that older workers are also able to participate actively in working life’. In the 2001 Employment Guidelines, again, the member states were asked to develop policies for active ageing with the aim of enhancing incentives for older workers to remain in the labour force as long as possible, in particular by reviewing tax and social protection systems with the aim of removing disincentives and creating new incentives for older workers to remain active in the labour market. The Organisation for Economic Co-operation and Development (OECD 1998) also considers active ageing important. Public pension systems, taxation systems and social transfer programmes should be reformed to remove financial incentives to early retirement and financial disincentives to later retirement and remaining in the labour force after a certain age. Retirement income should be provided by a mixture of tax and transfer systems, advance-funded (pension) systems, private savings and earnings. The objective is risk diversification and giving individuals more flexibility concerning their decision to retire.

In the 1970s and 1980s most EU member states put in place special unemployment benefits, disability benefits and early and preretire-
ment schemes to encourage older workers to leave the labour market, with the aim of replacing older and expensive employees with younger and cheaper ones. Early retirement was also introduced to provide a soft landing for the mass of elderly workers who were already out of the labour force, or unable to find a job. The economic environment was at that time characterised by downsizing, industrial restructuring, increasing youth unemployment and long-term unemployment. The generous early retirement provisions were largely responsible for the dramatic drop in labour force participation among middle aged and elderly workers over the last 30 years (see Blöndal and Scarpetta 1997 and 1998; Delsen et al. 1999; Gruber and Wise 1999). The exchange of elderly employed persons for young unemployed persons is not only an expensive way of preventing long-term (youth) unemployment, but also inefficient because it excludes the potential productive resources which older workers represent and results in the latter’s long-term unemployment. Flexible retirement schemes, such as part-time retirement, would be preferable from both a social and an economic point of view (Schmid and Reissert 1996; Delsen and Reday-Mulvey 1996). In the 1990s changes were made to pension systems and social security systems in a large number of EU countries in order to reverse the prevailing culture of early retirement. Pension schemes were made more flexible and disability and unemployment benefits were reduced and the thresholds raised, making early retirement options more limited or less attractive.

This chapter reviews the incentives and disincentives regarding active labour market participation of older males and females arising from the tax and social security systems of the EU member states. In relation to the latter the focus is on old-age pension systems, disability and unemployment insurance, special early retirement programmes and social assistance systems. The (dis)incentives can be found on the contribution as well as the benefit side of these systems and have an impact on the demand as well as the supply side of the labour mar-

*Lei Delsen*
We shall also examine the effectiveness of the recent policy changes to remove the disincentives and to create new incentives by parametric and systematic reform (Chand and Jaeger 1996) of tax and social security systems in EU member states, aimed at reversing early retirement incentives and promoting later retirement.

This chapter is organised as follows. In Section 1 the social security systems in the EU are characterised. In the following sections the parametric changes in these systems are discussed. Then we look at the statutory retirement age (Section 2), replacement rates (Section 3) and contribution rates (Section 4). Section 5 reviews the impact of earnings rules and means tests. The position of older workers in unemployment and disability insurance is discussed in Section 6. Section 7 addresses implicit taxation. After that the effectiveness of the structural changes is discussed in Section 8. These changes concern privatisation, the shift from pay-as-you-go to funding, and from defined benefits to defined contributions. Section 9 concludes the chapter with conclusions and policy recommendations.

1. Bismarck and Beveridge

In Europe, policies and schemes related to social security and retirement from work differ substantially between countries, reflecting both cultural and institutional differences. However, schemes tend to converge. Three types of social security system can be identified: Bismarck-type schemes, Beveridge-type schemes and mixed systems (see Jepsen 2001; Gillion et al. 2000; Prinz 1997; Van Vugt et al. 2000). The focus of Bismarck-type systems is maintaining the standard of living. In most European countries social security programmes providing cash benefits to the aged, disabled and/or survivors apply an earnings-related benefit, underpinned by a social assistance safety net which provide general anti-poverty coverage on a means-tested basis. The Bismarck line is followed by Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, Portugal and Spain. Luxembourg also has a basic benefit which is related to length of contributions. Old-age
pensions are the largest single social security benefit in OECD member countries. Bismarck-type pension schemes offer a contribution-related old-age benefit and a contribution-free survivor benefit. Because women have a longer life expectancy than men, they are the principle recipients of survivors’ benefits; this implies that women have access to pensions derived from their husbands’ employment record. They are also provided with a pension for longer. However, widowed and divorced women cannot rely on a husband’s financial support throughout life, while married women may not share their husbands’ income equally (Ginn and Arber 1998; Jepsen et al. 1997). Bismarck-type systems are characterised by a strong incentive for women to withdraw from the labour market. In countries with only earnings-related pension benefits social assistance schemes usually guarantee minimum levels for older people. Financing is based on a mix of employer and employee contributions, sometimes supplemented by financing from government general revenue. In purely earnings-related schemes women often are unable to achieve (sufficient) pension claims in their own right. This also applies to casual workers. A particularly difficult group to cover are domestic household workers.

In line with Beveridge, Denmark, Finland, Ireland, the Netherlands, Sweden and the United Kingdom provide a universal flat-rate benefit to all citizens. Beveridge-type basic pensions only offer a (usually tax-financed) basic old-age benefit, and are supplemented by a contribution-related second tier. Ireland and the Netherlands only have a basic pension. In Sweden the second tier of the first pension pillar is earnings-related. The two-tier basic pension system clearly encourages the economic activity of women. The mandatory insurance system has an even greater incentive for women to re-enter the labour market because the husband would have to pay contributions in any case. Particularly for women with a continuous work biography and a low income, a situation which is often typical of poorly educated blue-collar workers, this scheme would be ideal. The basic pensions are not related to employment/contribution records, but to age and
length of residence. Finland, Ireland, the Netherlands and the UK finance the basic benefit mainly from payroll contributions; Denmark and Sweden from general taxation. In the UK the flat-rate retirement benefit is based on the payment of contributions for a prescribed period. Universal flat-rate benefits are on the decline (Gillion et al. 2000; Kalisch et al. 1998). Pure universal retirement benefits unrelat-ed to work remain only in Denmark, Ireland and the Netherlands. Moreover, most countries apply means tested social pensions that function as a last resort of the state to ensure a minimum income for the elderly.

Social insurance schemes in Austria, Germany, Ireland, Spain, and the UK apply an earnings threshold or an hours threshold. Most part-timers are unable to acquire an adequate occupational pension because of low pay and lack of access to schemes (Delsen 1995; Ginn and Arber 1998). This applies notably to women. Employers are exempted from paying social security contributions for employ-ees on low wages or in part-time jobs of only a few hours, creating an incentive to offer such jobs. Hence, part-time employment is discouraged among employees because it leads to a lower pension income. Moreover, women often have career interruptions, due to periods of child care, problems in reconciling work and family life incurring a loss of pension rights. The impact of maternity on employment and pension rights is less deleterious in Scandinavian countries. A weaker link between contribution and benefit implies an incentive for women in particular to withdraw their labour to some extent, and the resulting thicker tax wedge¹ may reduce labour supply and labour demand in general (see section 4 on contribution rates). The pension benefit formulas in Austria, Finland, France, Italy, Portugal, Spain, and the UK leave out the best and the lowest earn-

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¹ The tax wedge is the difference between labour costs (inclusive of employers’ social security contributions) and the net wage after deduction of direct taxes and employees’ social security contributions.
ing years. Extending the number of final years and the shift towards earnings over the entire working life (Sweden) reduces the pension benefits of upper-income workers more than of lower-income workers, because the former have steeper earnings–age profiles. The applied earnings ceiling has a similar distribution effect.

Public pension benefits of existing pensioners are indexed to: prices (France, Italy, Sweden, UK), net (minimum) wages (Germany, Netherlands), or gross wages. Finland applies an 80% weight for inflation and 20% for wage growth. Most occupational pension benefits protect against inflation. In the Netherlands they are wage indexed. Indexation to gross wages means the pensioner enjoys the growth of labour productivity. Indexation to net wages takes account of the impact of higher contributions and income taxes. Indexation to gross and net wages fits the ‘breadwinner’ household model and the Bismarck-type system. Indexation to consumer prices takes account of inflation. This is more in line with the deferred-pay concept of pensions and the trend towards individualisation, and fits the Beveridge-type system. Indexing to prices not only implies that older pensioners will have (much) lower pensions than those who retired recently, but also that women will be more affected because of their longer life expectancy at retirement age. Career interruptions, contribution thresholds, and indexation to prices explain the overrepresentation of single females of 65 years and older in the poor households in the EU, notably in the UK.

2. The statutory retirement age

The statutory retirement age in most EU member states is 65. Exceptions are Denmark and Sweden (67), Ireland (66) and France (60). The Danish retirement age will be 65 from 2004. In Austria, Belgium, Germany, Greece, Portugal, and the United Kingdom the retirement age for women is still lower than for men. The OECD (2001) recommends raising the age at which benefits first become available and, in the longer run, raising the standard retirement age.
Increases of statutory retirement age for both men and women are not (yet) recorded. In recent legislation, following developments in European law on equal treatment, an upward harmonisation of the statutory retirement age to 65 for men and women has taken place in Austria, Belgium, Germany, Greece, Italy, and the UK (see Blöndal and Scarpetta 1998; EPC 2000; Gillion et al. 2000; Jepsen 2001; Kalisch et al. 1998; Van Vugt et al. 2000). In Belgium, although the pension age was equalised after 1991, the required number of contribution years remained 45 for men and 40 for women. Hence, after having worked for 40 years, male pensions – presuming a man and a woman have experienced the same wage evolution, which is nowhere near the reality – were still 11% below female pensions. This, of course, is clear discrimination against men. To comply with equal treatment also the required number of working years for women to be entitled to a full pension will be gradually increased to 45 years in 2009; for 2002 this age is 42 years. Also in the UK the basic state pension age will gradually be equalised between 2010 and 2020. However, a man will need 44 years of contributions and a woman 39 years of contributions in order to qualify for a full basic pension. For those who are unable to meet these requirements due to low pay, care responsibilities or periods of unemployment, the state currently provides for contribution credits to fill these gaps and to secure full pension entitlements. The change in the state pension age for women from 60 to 65 means not only that women will have to wait an extra five years to receive the Basic State Pension, but also that if for those five years they are in low-wage or no employment, this will depress

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2 The pension age was equalised to a flexible pension age from 60 years of age in 1991. However, not before 1996 was a law passed that increased the pension age for women to 65 and hence also the contribution period: both will increase gradually to 65 and 45, respectively, by 2009.

3 Contribution credits are paid to the basic state pension for the registered unemployed, those claiming incapacity benefit and invalid care allowance.
the value of their State Earnings Related Pension (SERPS) entitlement. In the UK by 2006 the compulsory retirement age will be abolished (Walker 2002). Also in Italy there are plans to abolish the official retirement age (Paulli and Tagliabue 2002).

Actual retirement age is below the statutory retirement age in all EU member states. From the employees’ point of view both pull factors (the attractiveness of life in retirement, including high net replacement rates), and push factors (aspects of the job from which people are trying to escape in the social security system), are responsible for this (Blöndal and Scarpetta 1997; 1998; Jepsen 2001). Recently much attention has been paid to the incentives and disincentives of social security in relation to work and so the labour supply. Most research on retirement aims to explain the fall in older workers’ participation rates. Three explanations have been found: changes in social security, increases in and coverage of private and public pensions – that is, the result of distortions in the incentives offered to firms and workers – and, last but not least, increases in household wealth (see Hurd 1990; OECD 1994). The issue of labour supply has different dimensions: hours of work, participation, and effort, productivity per hour. The social protection system will have an impact on all three dimensions.

Several EU countries have made it possible to access an old-age pension prior to the standard age under certain conditions. Seniority pensions allow those who have contributed to the pension scheme for a long period to take their old-age pension early (SZW 1997): for instance, in Austria, Belgium, France, Germany, Greece, and Italy for those who have a long contribution or long service history (30 years or more). Since January 2001 in Italy the minimum number of years has been raised from 35 to 40 years for seniority pensions. People eligible for seniority pensions with less than 40 years of contributions cannot accumulate pension and salary (Paulli and Tagliabue 2002). Other countries have introduced actuarially reduced pensions. Older citizens can obtain a pension before the standard age subject to a per-
manent reduction in the pension above a minimum retirement age, including Austria, Belgium, Germany, Greece, Finland, France, Italy, Spain, and Sweden (Delsen et al. 1999; Jepsen 2001; OECD 2001). The corresponding reduction in benefit is commonly around 6% per year or less. The penalties for early retirement in Finland (4.8%), France (5%) and Germany (3.6%) are relatively low and provide an incentive to early retirement. The actuarial reduction is not high enough to eliminate the discouragement to continue to work. In Sweden the actuarial reduction is high enough to encourage continued employment, however other, more attractive early exit options are available.

Social security plays two roles in the decision on whether to retire or to continue working: (i) a wealth effect – that is, higher social security wealth – which will induce individuals to consume more of all goods, including leisure, and to retire early; and (ii) an accrual effect, that is, the increase in retirement consumption resulting from an additional year of work, relative to the value of an additional year of leisure (Coile and Gruber 2000). The incentives offered by the pension system to retire include the replacement rate and accumulated pension wealth. Retiring before the normal standard age results in a lower pension. However, the fact that the pension increases with years of work does not necessarily mean that the system does not encourage early retirement (OECD 2001). Pension wealth is the equivalent of the sum required to purchase the stream of income accorded by the pension system from the day the pension is drawn until death, that is, it is the net present value of all future pension payments that the eligible person can expect to receive. Pension wealth is affected not only by the size of the pension, but also by the point of retirement. Deferring the pension one year reduces total pension wealth by the amount that would have been received during that year plus the cost of pension contributions payable during that same year. On the other hand, if the replacement rate is higher after the additional year of work, this will increase pension payments for
all the years the pension is received. If benefits increase at too low a rate (or if the contribution rates are high) pension wealth will fall if retirement is deferred another year. Hence the person pays an implicit tax equal to the loss of pension wealth (see also section 6). Because of the impact of the flat rate component of pension systems, the incentive to retire early is greatest for those on a low income.

The drop in pension wealth from continued work after 55 has become significantly steeper in recent decades (Blöndal and Scarpetta 1997; Casey 1998; Gillion et al. 2000; OECD 2001). This can be corrected by moving towards actuarial neutrality: expected pension wealth would remain constant and independent of when labour force participation ends; benefit levels would be fully adjusted to take into account the period of contributions made and the period during which pensions will be received. However, factors outside the pension system that influence the retirement decision need to taken into account; for example, disability benefits, special pensions for unemployed older workers. An actuarially fair pension system – a close relationship between premiums paid and received benefits later – would therefore help, but this would not be sufficient (OECD 2001) (see also Section 8). Blöndal and Scarpetta (1997) conclude that old-age pension systems discourage work in old age. The disincentives are particularly strong after the earliest age at which pensions become available: continued work typically implies forgone pensions and continued payment of pension contributions with little or no increase in ultimate pension after retirement. Eligibility for a pension raises the reservation wage by providing an alternative source of income that raises the value of time spent at home, thus changing the likelihood of labour force participation. Pension accrual rates – the rate at which pensions payable at the standard retirement age increase with an additional year of employment and contributions – differ signifi-

\[4\] In reality actuarial fairness does not exist because insurance companies have to deal with operating costs and make profits.

44 A lifelong strategy for active ageing
cantly across EU countries. In some countries full pensions are earned relatively quickly, implying zero pension accrual rates from additional years of work at older ages. For instance, a 55-year-old male worker could expect little or no increase in his pension by working for ten additional years in Denmark, Finland, Ireland, Netherlands, Spain, and Sweden. Earnings-related benefits are computed on the basis of assessed average wage income over a period varying from a few years to the entire career; accrual rates vary from 0.4% in the UK to 2% in Italy (Chand and Jaeger 1996). Old-age pension systems also discourage work before the pensionable age and give an incentive for people to retire early: the increase in pension entitlements due to an additional year of work is insufficient to cover the extra pension contribution. People may therefore try to save more during their working lives in order to have a higher standard of living over a longer period of retirement.

People who keep working after reaching retirement age and delay taking up their pension entitlements usually receive a permanent increment to the pension rate (Luxembourg, Finland, Germany, Sweden, United Kingdom). Some countries have limits on the maximum age of deferment (70). Finland, Sweden and the UK allow indefinite delay of pension take-up. In the UK 7.5% is considered approximately actuarially neutral. Not only non-neutral actuarial factors, but also not permitting additional years of service (for example, a cap at the normal retirement age in the UK or a maximum number of accrual years in most countries) to add to accrual in state pension schemes, represent a disincentive to late retirement (Casey 1998). A maximum on the number of years of service is relatively unfavourable for low-income workers because they tend to begin working at a younger age than high-income workers.

The most important aim of introducing early and pre-retirement schemes, notably those with a replacement condition, was the reduction of the unemployment rate amongst youngsters. These schemes were abolished in Germany and the United Kingdom in the late
1980s and in 1997 in Denmark. However, the schemes still operate in Luxembourg, Belgium and Spain. In France the entitlement to special early retirement benefits was restricted to older workers made redundant after the age of 57 (56) in 1995 (see Delsen et al. 1999; Blöndal and Scarpetta 1997). The effectiveness of reducing the attractiveness of early retirement through changes in public benefits may be limited: the extension of private pension schemes as a substitute, many of which have early retirement opportunities (UK, Sweden, Finland), may lead to further reductions in the effective age of retirement.

3. Replacement rates

A high benefit level relative to earnings from work (the replacement rate) provides an incentive to leave work, and vice versa. In the EU, mandatory public pension plans are generally based on the defined-benefit principle: the benefit received by the individual is specified in advance, usually as a function of the person’s earning history and number of contribution years. The defined-benefit plan can be earnings related, flat rate or means tested. Often a maximum replacement rate applies. Benefits set at flat rates or at a percentage of previous earnings subject to minima and maxima imply that the replacement rate varies according to previous earning levels (SZW 1997). Public pension replacement rates are higher for the lowest earners. The Netherlands is an exception to this rule. In Finland, Germany, and Italy replacement rates are above 100% for the lowest income groups (OECD 2001).

Gross replacement rates differ considerably across EU countries (see Table 1). In Spain and Greece, pensions match or even exceed earnings from work. High rates close to pre-retirement earnings are found in Italy, Luxembourg, Portugal, Sweden and Austria. Ireland and the Netherlands are at the other end of the scale. However, net after-tax pension replacement rates are more meaningful for behavioural decisions about retirement than gross replacement rates. Net replacement rate is the ratio between disposable income based on social benefits when out of work and disposable income earned.
In many countries there is a range of tax concessions (benefit income tax-exempt below a minimum amount and income tax age deduction). Tax relief for elderly people or pensioners explains why net replacement rates are higher than gross (EPC 2000; OECD 2001). Some countries have concessions in terms of social security contributions for pensioners, for example, in Italy, Ireland, the Netherlands, and the UK (Kalisch et al. 1998; OECD 2001). Moreover, because of progressive income-tax systems people will pay less tax on their lower pension than on their earnings when working. Some countries, including Germany, Denmark and the Netherlands, are implementing tax and premium reforms to make the system less favourable to pensioners or to abolish most of the concessions in order to broaden the tax base. This reduction in benefit may mean less incentive to continue to work and look for private alternatives.

Early retirement implies high net replacement rates, especially at the lower end of the income scale. For a production worker with an aver-

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5 Note, however, that work-related costs also reduce take-home pay and further reduce the attractiveness of continuing or taking up employment.
age wage the replacement ratios in terms of previous take-home pay were in 1996 the following: the Netherlands, France, Italy: around 80%; Denmark: around 65%; Sweden, Spain and the UK: about 60%; Finland: about 50%. For a production worker with a wage equivalent to 200% of the average wage, the replacement rates were in 1996 slightly above 80% in the Netherlands, slightly below 80% in Italy and France, around 60% in Sweden and Spain, around 55% in the UK, around 47% in Finland and 40% in Denmark (Hutsebaut 2001). The Dutch, French, Italian, Spanish and British early retirement schemes have more strictly proportional benefits. The Danish, Swedish and Finnish schemes are relatively generous for those with low earnings, but somewhat less attractive to those with higher earnings. Like the early retirement programmes, in Denmark, Finland, France and the UK the invalidity benefit system is relatively more attractive to those with low incomes. In Spain, Italy and the Netherlands those on invalidity benefit are not relatively financially better off. However, they are unlimited in duration (SZW 1997). In Sweden the replacement rate of disability pension is higher than the replacement rate of early old-age pension. In Denmark the net replacement rate of the early retirement scheme for those on a low income is 100% (Hansen 2002). Also in France, because of the benefit ceiling, the early retirement scheme is less attractive for higher wage earners. Moreover, beyond that ceiling no pension rights are accrued, even when paying pension contributions (Jolivet 2002). In France the early retirement scheme is more generous than either the disability or unemployment benefit. In Italy and Austria it is on a par with it. Also in the Netherlands the conditions of the special early retirement schemes concluded in collective labour agreements are more generous. As is the case with old-age pensions, the generosity in non-employment benefit schemes – that is, the net replacement rate – is higher for low-earning than for high-earning workers and spouse supplements imply greater generosity for couples than for single persons. In Austria, Belgium, Finland, France, Germany, Greece, Ireland, and the Netherlands a supplement is granted for a
dependent spouse: that is, the replacement rate for a retired person with a dependent spouse is greater than for a single person. In Denmark, Finland, and Sweden the basic pension for two single pensioners is higher than the pension for a married couple. Survivor’s pensions are granted in almost all member states. In Denmark survivor’s pensions have been abolished in the first pillar. It still exists in the second pillar, but the state does not provide a survivor’s pension: widows without financial resources can take up social assistance. In most countries, except Ireland and Denmark, the accumulation of retirement pension with a survivor’s pension, notably in Portugal, the Netherlands and Luxembourg, creates differences in gross replacement rates between singles and widows (Blöndal and Scarpetta 1997; Gillion et al. 2000; Jepsen et al. 1997). High net replacement rates in unemployment benefits, invalidity benefits as well as pensions in Finland, France and the Netherlands explain in part the low participation rates of older people (OECD 1994). This also explains why in particular the low-educated retire early. The retirement decision of hourly paid employees is dominated by push factors; that of salaried employees by pull factors (Walker 2002). Early retirement tends to be low among females, as well as among persons with more education and those who work in the service sector (Hernaes et al. 2000). Those with lower educational attainment and those in manufacturing are overrepresented among retirees at ages 55–64. The self-employed tend to work longer than employees. The replacement rate for self-employed is much lower than for employees. As a result of flat rates, minimum or maximum pensions, the replacement rates are higher for those on low earnings (Blöndal and Scarpetta 1998; OECD 2001). This partly explains the overrepresentation of people with low earning capacity in early retirement.

Reduction in the generosity of benefits— that is, cuts in benefit rates— have taken place in Germany, Italy, Greece, Finland, Portugal, Sweden, and the UK. In recent years in Austria, Belgium and the Netherlands benefits have been frozen (Delsen 1995; Gillion et al. 2000), implying a reduction in net replacement rates. Experience in
Europe shows that the financial incentive needs to be considerable if it is to influence a worker’s decision on retirement (see Delsen and Reday-Mulvey 1996; Delsen et al. 1999). Empirical evidence suggests that even a relatively large change (of 20% in Italy and Germany) in the generosity of disability, unemployment or special early retirement benefits would affect the average retirement age by only a few months (Blöndal and Scarpetta 1998). A change in the pension benefit level will have a direct impact on the financial well-being of many older people. As low-income retirees in the EU depend relatively more on social security, across-the-board cuts cause a larger percentage reduction in their retirement income than for upper-income retirees. The recommendation of the Economic Policy Committee (EPC 2000) is that containment of the benefit should represent the main instrument for guaranteeing the solvency of the pay-as-you-go pension schemes. In order to limit the reduction in the standard of living of the elderly, reforms should primarily aim at delaying retirement.

Pensioners in the EU member states have disposable incomes, on average, of close to 80% of comparable groups of people during later working life, despite the wide variety of retirement income systems (see Table 2). Bearing in mind that some work-related expenses are no longer necessary, and taking into account greater home ownership, this high quasi-replacement rate means that in most countries people experience almost no or only a minor reduction of their standard of living when moving from later work to retirement.

Housing wealth is considerable even among low-income older people. Financial wealth, although relatively small, is reported by nearly all income groups. The importance of working income for people aged 65 and older has declined in recent decades. In several countries capital incomes (Netherlands and the United Kingdom) have risen over time with the growth of private and occupational pensions. In other countries the reduction of working income has been compensated by an increase in net social transfers (Finland and Italy). The sim-
ilarity across countries in disposable income can be explained from the design of public pensions and the extent to which private pensions are mandatory. The various sources of income are substitutes (OECD 2001). The latter has to be taken into account in policy formulation.

4. Contribution rates

The majority of EU member states finance their social protection through social contributions: Austria, Belgium, France, Germany, Italy, the Netherlands, and Spain. Denmark, Ireland, and the UK rely predominantly on taxation for financing social protection. Portugal, Finland, Sweden and Luxembourg apply both contributions and taxes. In 1990–98 in the EU there was a strong shift from social contributions to taxation as a source for financing social protection (EC 2000; Hutsebaut 2001). Increases in social security contribution rates, in most cases levied at flat rates, up to a specified limit, undermine the overall progression of the tax system. Most countries, except Belgium and Italy, have a maximum earnings ceiling. Financing the well-off elderly portion of the population can be viewed as an unfair

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<th>Table 2: Quasi-replacement rates of mean disposable income of people aged 65 to 74, mid-1990s</th>
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<td>Relative to people aged 51–64</td>
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<td>Denmark</td>
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<td>Finland</td>
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<tr>
<td>Germany</td>
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<td>Greece</td>
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<td>Sweden</td>
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<tr>
<td>United Kingdom</td>
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</table>

*Source: OECD 2001.*
burdening of low- and moderate-income families. Higher contributions may also result in a reduction in employment, in particular low-wage labour and of workers with relatively high labour supply elasticities. In Finland, Germany, Italy and Sweden the earnings-related public pension system increases income inequality among the population aged 65 and over. The taxation system, on the other hand, makes income distribution more equal, especially in Finland, Sweden and the Netherlands (OECD 2001).

Table 3: Pension contribution rates in 1995, percentage of average earnings

<table>
<thead>
<tr>
<th>Country</th>
<th>Contribution Rate</th>
</tr>
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<tbody>
<tr>
<td>Austria</td>
<td>22.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>16.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.0</td>
</tr>
<tr>
<td>Finland</td>
<td>17.9</td>
</tr>
<tr>
<td>France</td>
<td>19.8</td>
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<tr>
<td>Germany</td>
<td>18.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>15.7</td>
</tr>
<tr>
<td>Italy</td>
<td>29.6</td>
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<tr>
<td>Netherlands</td>
<td>14.5</td>
</tr>
<tr>
<td>Portugal</td>
<td>13.9</td>
</tr>
<tr>
<td>Spain</td>
<td>28.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>19.8</td>
</tr>
<tr>
<td>UK</td>
<td>13.9</td>
</tr>
</tbody>
</table>


In most EU countries social security schemes are financed on a pay-as-you-go basis. There is little link between premiums paid and benefits, distorting the labour market, labour demand and supply. Pay-as-you-go systems are vulnerable to demographic shifts and to labour market developments (unemployment): the financial burden on the working population increases. A considerable part of the risks covered by the social security system in Europe is age related – old age, disability, sickness, and unemployment. Hence, the double ageing process will cause rising social security contributions resulting in distortions of factor prices. The main financing source of social security and public pension schemes is social security contributions levied on gross wage earnings, in some countries shared equally by employers and employees. The effect of national insurance contributions is
to drive a wedge between gross and net money wages. Because there is no actuarial fairness, pension premiums are also part of the wedge in labour income. Indeed, contribution rates have been raised in many countries, including Denmark, Finland, France, and Sweden. The UK and Belgium are exceptions. By the mid-1990s pension contribution rates of 18% and over were recorded in Austria, France, Germany, Italy, Spain, and Sweden (see Table 3). Chand and Jaeger (1996) state that because workers and employers increasingly resist further increases in contribution rates (payroll tax rates), it is likely that benefits will be cut and the retirement age raised. However, the latter is opposed by – increasingly well organised – pensioners. That is why there has been a tendency to formulate increasingly forward-looking proposals that involve adjusting the benefits of future generations of pensioners (Chand and Jaeger 1996; Gillion et al. 2000).

Mandatory social security contributions are often viewed as a tax. Contributions to funded schemes are less likely to be regarded as taxes than as personal retirement savings plans. However, income redistribution – upper-income workers supporting the less fortunate – is less likely to be considered a tax and cause distortions. There is also a theoretical ambiguity here. Taxation is a ‘two-edged sword’. Paying more tax may imply that a person feels less able to retire early (positive income effect): in this case a tax cut would reduce labour supply. On the other hand, the reduction of the financial attractiveness of additional earnings makes retirement more likely (negative substitution effect), hence a reduction in tax would increase labour supply. Consequently, tax changes can provoke entry into or exit from the labour force. Where future benefits bear an actuarial relationship to contributions, and are perceived to do so, national insurance contributions are not a tax but simply the price of insurance, which has little if any distortionary effect on labour supply. A simple piece of policy advice in this connection is to strengthen the link between social contributions and benefits at the individual level in order to limit the negative effect of contributions and benefits on the
labour market and employment (see, for example, Casey 1998; EPC 2000). Sweden, indeed, has introduced a stronger linkage between contributions and final benefits. However, in Spain this linkage has been weakened. Luxembourg and Finland allow certain periods outside employment to contribute to pension qualification requirements (Kalisch et al. 1998).

In theory, privatisation and differentiation in premiums reduce moral hazard, because employers can no longer shift the costs of their behaviour onto a collective fund; hence this reduces the cost of the social security system. However, Dutch experience shows that complete privatisation and a tighter relationship between contributions and benefits in sickness, disability and unemployment insurance give incentives to employers to apply screening and even works the wrong way for older workers, the long-term unemployed and disabled people. Employers are reluctant to hire older workers and disabled people because of the financial risks involved (Delsen 2002). Also in relation to the costs of ageing and pension provisions, it is not clear whether privatisation can reduce these costs substantially. The costs of personal pension arrangements are quite high. Operating costs may also be quite high, especially of defined contribution plans (OECD 2001). Privatisation may even increase costs.

The costs associated with social security and pensions in particular – that is, non-wage costs – present a disincentive for employers to hire older people or an incentive to fire older employees. This will certainly be the case in a defined benefit scheme. Pension costs as a percentage of salary increase with age. This burden largely falls upon the employer, because more has to be invested to ensure the requisite pension if the investment is to be called upon relatively soon rather than after a long time (Casey 1998). The pay–productivity ratio is particularly poor in lower skilled and specialised technical jobs, giving employers a major incentive to lay such workers off. The final-pay system acts as an incentive to carry on working in order to reach the maximum pay for the retirement year, while at the same time it puts
people off partial retirement from employment. The current final-pay pension system also tends to mean that older workers are the first to be phased out if the company is reorganised, to avoid a high pension liability. It also has an effect on recruitment, in that an older worker will make hardly any further contributions towards building up a pension, but will in the short term be claiming from the pension fund assets (Delsen 2002). Hence, these pension systems account for both the retirement trap and the reluctance of men to work part-time (Delsen 1998).

A number of national governments subsidise employment of older workers. EU member states, including Belgium, Germany, Greece, Italy, the Netherlands and the UK, encourage employers to hire older people through wage subsidies, exemption from social security contribution or tax credits. In this respect tax expenditures refer to implicit public expenditures in the form of tax relief. For instance, in the UK there is a tax credit for firms that hire older workers. In Germany wage costs of older workers are subsidised. In Belgium and the Netherlands employers receive a social security premium discount when hiring an unemployed older worker. The effects of these active labour market policies targeted on the older unemployed are small (see Kalisch et al. 1998; OECD 2001).

Moreover, there is mortgage interest tax relief for house owners and tax relief for private pensions. The fiscal facilitation of time accounts, pension savings and home ownership will be at the expense of investments in human capital and represents an incentive to early retirement. In many countries pension contribution rates are increasing, while at the same time pension generosity is being reduced. The link between premiums and benefits is becoming stronger. This also implies that pension accrual rates are declining. As a result the increase in pension entitlements due to an extra year's work may be insufficient to offset an extra year of pension contributions. So, this policy may in fact encourage early retirement.
5. Earnings rules, means testing and partial pensions

Most early retirement schemes operate an earnings rule, that is, the benefit is reduced by some or all of labour income, and sometimes by all, or some, of other incomes. Also, disability pension schemes effectively preclude further employment. This is consistent with their purpose. State old-age pension systems rarely mandate inactivity, although some public old-age pension schemes operate an earnings rule. In Ireland, Portugal and Spain entitlement to old-age pensions beyond 65 are conditional on complete withdrawal from work. In France and Finland, access to a pension is conditional on leaving the current job. Given the difficulty for older workers in finding a new job, this practice amounts to a de facto restriction on combining work and pension (Blöndal and Scarpetta 1997). Earnings rules in state pension schemes penalise people who worked beyond pension age. That is why it was abolished in the UK (Walker 2002). In Italy the earnings rule was abolished in 2000. Now retirees are allowed to continue to work after retirement, even if they draw a pension. The aim is to raise the retirement age and to reduce the informal sphere, because most retired persons work illegally after retirement (Paulli and Tagliabue 2002). The most extreme earnings rules are those which are part of means-tested old-age pensions (Casey 1998). In countries where the basic pension is very low, although not means tested (UK) those older people who are entitled to claim means-tested welfare benefits are also effectively discouraged from using employment to supplement their incomes and thus from continued activity.

Means-tested assistance in old-age pensions – only paid if a person has less than a certain amount of income and assets below a specific level – implies there is little or no gain from an individual saving for old age. A savings trap is the result: people who see that increased savings prior to retirement lead to reduced help from the state, may adjust their savings behaviour. It penalises individual effort. A basic income might reduce private provisions, while social insurance bene-
fits could have the reverse effect. On the other hand, due to the absence of a means test, a basic income may help the low- and unskilled and the long-term unemployed to escape poverty, unemployment and the pension trap. This is because it provides an incentive to find a job to supplement this basic income. Actuarial reductions for early retirement would push early retirees below low income thresholds and transfer the problem to the means-tested social assistance scheme. It is difficult to remove all incentives for early retirement from existing systems, in particular in those schemes that offer flat-rate benefits or minimum pensions directed to those with low income (OECD 2001). The equity issue arises.

A social security earnings test may affect the hours a person works before retirement. It acts like a tax on work, and may cause workers to stop working, retire or work part-time (Blöndal and Scarpetta 1998; Gillion et al. 2000). Nine EU member states (Denmark, Spain, France, Ireland, the Netherlands, Portugal, Finland and the UK) offer universal state pension regimes. In all these countries, except Denmark, France, the Netherlands and Sweden, the regimes are means-tested with low-earnings disregards. This implies that in most cases continued work at average earnings would entail the loss of most or all pensions. Earnings tests are often stricter for those who access a pension prior to the standard age – for example, in Austria and Germany. However, as Casey (1998) argues, the abolition of the earnings test will have an income and a substitution effect. As a result, its actual impact is not always straightforward. In relation to the UK, Atkinson (1995) refers to ‘two nations of early retirement’ and polarisation: (i) those men aged 55–64 and those above the retirement age who are relatively fortunate to receive an occupational pension, for whom retirement was a welcome choice, and (ii) those largely dependent on means-tested assistance, or other state benefits, for whom it is a euphemism for terminal unemployment. Older

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6 The additional help (heating, rent, etc.) is means-tested but not the pension itself.
workers who are entitled to means-tested benefits are discouraged from work to supplement their income and are thus encouraged to retire. Pension traps, unemployment traps and poverty traps may occur.

One may expect those who work part-time after retirement to choose hours close to the exempt amount in the earnings test. Part-time work is often chosen to avoid the earnings test (Hurd 1990). The earnings exemption amount in the earnings test allows low-wage workers to work relatively more hours and offers the opportunity to retire partially (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, and Spain). In Sweden the partial pension has been removed.\(^7\) Partial pensions are paid to increase labour supply as it permits part-time earnings to be combined with a reduced pension payment. The option of combining part-time work with a partial pension may retain people in the labour market for longer than if they had an ‘all-or-nothing’ choice (Delsen and Reday-Mulvey 1996; Jepsen 2001; SZW 1997). These schemes are successful in making continued employment an attractive prospect from the financial point of view, but low-income earners might be as well off in ‘full-time’ early retirement schemes in Denmark and Finland, as well as in part-time early retirement schemes, representing a pull factor (SZW 1997; Hansen 2002). A partial pension is an alternative to an earnings test as a way of allowing partial retirement with a partial benefit. Also, the tax system reduces the economic incentives to full-time work. Tax exemption and tax-free basic wages encourage transition to partial employment (Hernaes et al. 2000). Taking into account the pension formula, partial pensions are relatively more favourable for people with short tenure under the pension scheme than an earnings test. Depending on how they are designed, partial pensions would only be attractive to people with limited pension entitlements. Partial pensions based on reduced hours are more

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\(^7\) Early old-age pension and disability pensions can still be drawn partially.
favourable to high-wage workers than an earnings test (Gillion et al. 2000; Delsen et al. 1999). Tightening eligibility (increasing the minimum age of entry) and reducing public contributions to full early retirement and lowering the benefit rates are likely to encourage the development of part-time early retirement in countries where this option is available (OECD 1994).

Work after the statutory retirement age should be hindered as little as possible. Issues requiring further attention here include the anti-accumulation rules in social security and labour and social protection after statutory retirement age, for example, dismissal protection and minimum wage guarantees. However, it also means that no social security premiums have to be paid by the employer when employing pensioners.

6. **Unemployment and disability insurance**

Unemployment related schemes differ widely across EU member states in terms of benefit generosity. In most countries the duration of the unemployment benefit depends on age and occupational history. In all EU member states except Portugal and Greece, the end of the right to unemployment benefit is replaced by a right to social assistance. Contributions levied on salaries and wages for unemployment insurance schemes are found in Austria, Belgium, France, Germany, Greece, Ireland, Portugal, Spain, and Sweden. In Denmark and Luxembourg benefits are financed through taxes. Finland, the Netherlands, and the UK use a mixed system of taxes and contributions (Jepsen et al. 1997; Jepsen 2001). Entitlement conditions have been relaxed for older workers in unemployment related schemes. In Austria, Belgium, Denmark, Finland, Germany, Ireland, Italy, Portugal, and Sweden unemployment pensions have been introduced. It opens up the possibility of early access to old-age pension for unemployed older workers after a certain age (55+). Other mechanisms used in EU countries – Belgium, Denmark, France, Germany, the Netherlands, Finland, Sweden, and the UK – are lengthening of
the duration of unemployment benefit for elderly workers and no longer obliging the elderly unemployed prior to retirement to register at the labour office or to actively seek a job. This measure results in an underestimation of the unemployment phenomenon and labour market participation. This feature may also partly explain why the average duration of unemployment for older age groups in all OECD countries is higher than the average for all workers (Blöndal and Scarpetta 1997; Delsen et al. 1999). In the Netherlands this beneficial treatment of older workers in unemployment insurance was abolished in 2002.

As regards disability pensions, eligibility requirements have been tightened and programmes have been introduced to increase the rate of employment among people with disability, so they can rely more on their own earnings to support themselves than on social security (Kalisch et al. 1998). Health is an important factor in the retirement decision of older workers (see Jepsen 2001 for an overview). Health insurance offerings may be endogenous to retirement inclinations. Moreover, workers may justify retirement by reporting poor health. Workers in fair or poor health are significantly more likely to retire than workers in good or excellent health. Health conditions deteriorate with age and are influenced by labour market status. Health is also endogenous to labour market conditions (Coile and Gruber 2000; Heyma 2001). In many countries the disability benefit is the most generous compensation, relative to unemployment schemes and special early retirement schemes. Exceptions are France and the Netherlands (same rate as unemployment benefit). The benefit levels are close to those available in old-age pension systems at the standard age of entitlement, reflecting the common practice of crediting years of disability until the standard retirement age for pension purposes (Blöndal and Scarpetta 1997). In general, the net replacement rates of unemployment and disability benefits are higher for low-earning workers than for high-earning workers (see also section 3). In Sweden the disability pension for older workers due to labour market reasons was abolished in 1991.
With higher labour market participation, the probability that elderly people will be laid off or experience bad health conditions increases. In such circumstances, relatively more unproductive and unhealthy workers are employed, who have a higher probability of being laid off or becoming disabled in the course of their work. The lay-off probability is highest for less educated employees at lower levels and with only a few years’ experience. Involuntary retirement as a result of lay-offs and health can only indirectly be influenced by financial policy measures (Heyma 2001). Training on the job for (elderly) workers to increase productivity can be stimulated by subsidies or fiscal advantages. Policy measures may also be directed to working conditions that reduce motivation for employment (reduce push factors).

In the literature hardly any attention is given to the demand side of the labour market. Also, policy attention has focused mostly on the supply side. The demand side needs more research to identify the barriers to employment of older workers as perceived by employers (OECD 2001). There are strong indications that entitlement conditions have been de facto eased in disability benefit systems in the EU, even in countries where disability is supposed to be assessed against rigid medical criteria only, for instance, France and the UK. In some other EU countries the legal eligibility criteria for a disability benefit explicitly include a labour consideration: Austria, Finland, Germany, Italy, the Netherlands, Spain, and Sweden. In Finland, Germany, the Netherlands and Sweden these labour market considerations in the definition of disability have been abolished (Blöndal and Scarpetta 1997; Delsen et al. 1999). However, disability insurance is still used as an early exit route. Hidden unemployment among older workers is the result.

7. Implicit taxation

Some insurance systems impose implicit income taxes on workers eligible for benefits. For an implicit tax both earnings tests and sub-
actuarial accrual are necessary. The implicit tax rate concerns the difference between costs and benefits of continued work at a certain age, relative to expected gross earnings, that is, the financial losses from working longer due to the functioning of insurance systems. Applied to old-age pensions, the costs are equal to continued payment of pension contributions and forgone pension benefits, that is, the sum of the pension contribution age and the pension replacement rate. The benefits are the net present value of the increase in the pension replacement rate as a result of delaying retirement (Blöndal and Scarpetta 1997). Older workers are calculating in their behaviour: they are strongly influenced by financial incentives. Income is one of the most obvious determinants of elderly labour force participation. Financial incentives to retire early are amplified in countries where it is possible to get access to public income support prior to the pensionable age: cost of an extra year of work is not only paid contributions, but also forgone benefits, whereas ultimate pensions are often unaffected. Such de facto early retirement schemes operate within disability programmes, notably where a labour-market criterion is explicitly used to assess entitlements to benefits. They are also embedded in unemployment-related programmes, especially when benefit periods for older workers are extended to the pensionable age, or the job-search requirement is removed for older workers, and/or where unemployment pensions have been established. Moreover, early retirement programmes have been established in several EU countries to assist older people to retire before the pensionable age. The implicit tax rate at early retirement varies considerably between EU member states (see Table 4). The difference in average age of retirement across countries is closely related to the extent of these disincentives.

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8 Actuarial equilibrium: at each point in time the amount of reserves is equal to the present value of all liabilities.
Gruber and Wise (1999) find positive implicit tax rates, even in the absence of earnings tests. Their tax variable explains over 80% of the cross-sectional variance in non-work of older people 55–65 ($R^2 = .82$). Research by Johnson (2000) confirms the significant negative impact of retirement incentives on labour supply found by Gruber and Wise (1999). He uses replacement rates and implicit tax rates to establish the size effect of old-age insurance (OAI) on the participation of males. He concludes that men retire earlier when OAI benefits exist for their age group, but do not do so because of an anticipation of benefits later on. Thus, changes in eligibility ages are particularly important to male participation rates. However, greater wealth explains most of the reduction in participation of men aged 60–64. The steep fall in participation after 1970 is partly explicable in terms of disability and other near-retirement schemes. The number of contributors decreased, while the number of retirees, that is, recipients increased.

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9 Wealth refers to non-social security, non-pension wealth.
Older workers’ marginal tax rates increase significantly with size of programme (Mulligan 2000). Blöndal and Scarpetta (1998) found a close relationship between the average effective retirement age of older males and the implicit tax rate on continued work across OECD countries in 1995 (see Figure 1). Countries with high implicit tax rates tend to have lower average retirement ages, and vice versa. The average implicit tax rate on continued work due to the old-age pension system in 1995 was particularly marked after the earliest age at which pensions could be accessed. This implicit tax rate is very high in countries with high replacement rates (Austria, Spain and Italy). In many countries the accrual rate is negative for workers past the minimum pensionable age. This negative accrual is an implicit tax on work and encourages retirement. The availability of de facto early
Incentives and disincentives to labour market activity

retirement benefits prior to the earliest age at which old-age pensions can be obtained has major implications for the implicit tax on continued work. Additional work has three effects: it raises total wage earnings, increasing utility; it reduces the number of years over which benefits are received, lowering utility; it may raise or lower the pension benefit amount, depending on the shape of the benefit, that is, on the accrual rate. The common practice of crediting years of unemployment, special early retirement and disability in calculating old age means that the level of old-age pensions is not affected in most countries. As a result, there are no gains to offset the costs in terms of contributions and lost benefits. Estimation results from pooled cross-country time-series regression show that removing these disincentives could lead to an increase in the participation rate of older males (55–64) of almost 10 percentage points in those countries where the financial penalties are particularly high (Blöndal and Scarpetta 1997).

Most research takes into account only incentives to work in the next year, that is, accruals. However, incentives in all future years are also considered by individuals. Coile and Gruber (2000) conclude from their research into the impact of social security on male retirement that these forward-looking incentive measures for social security are significant determinants of retirement decisions. In fact, retirement responds much more to social security incentive variables defined with reference to the entire future stream of retirement incentives than to the accrual in retirement wealth over the next year alone. Their research also suggests that social security policy which increases the incentives to work – the benefits of working – at older ages can have a big impact on the work decisions of older persons and significantly reduce the exit rate of older workers from the labour force. Due to offsetting wealth and accrual effects there are at best modest effects from raising the normal retirement age on labour supply.

Gustman and Steinmeier (2001) analyse the reasons behind the counterintuitive notion that an increase in or abolition of the social secu-
rity early retirement age leads to more people retiring earlier, not later. The reason is that raising the retirement age would reduce the reward to continue work, since some of the reward results from deferring benefit claims: that is, there would be no benefit from deferring a claim associated with the decision to postpone retirement from 62 to 65. Intuitively, we expect that raising retirement age will result in many people deferring their retirement, for example, because of liquidity constraints. Much research has been carried out on the relationship between retirement and the incentives created by pensions and social security. Studies of retirement recognise that pension and social security benefit formulas affect the reward to continued work, including such incentives. These equations are important in a behavioural and policy analysis seeking to predict the effects of a significant change in current social security policy and changes in pensions on retirement, increasing the age of eligibility for early social security retirement benefits.

8. Fundamental reform

Parametric reform – that is, changing the parameters of the existing public pension system – is the most widespread reform approach. More fundamental systematic reform concerns the privatisation of social security in order to mitigate labour market distortions associated with payroll taxation under the pay-as-you-go approach in Europe, by linking benefits and contributions to take advantage of the conceivable better rate of return of private fully funded schemes, to increase savings and to reduce the risk of political management (Chand and Jaeger 1996). The combination of pay-as-you-go financing and capitalised schemes enables a better balancing of risks

10 Studies of retirement typically assume that capital markets are perfect, so that savings and consumption decisions are made in the background, and do not affect the retirement decision. However, there is a relationship between retirement and savings behaviour.
(OECD 2001). According to the Economic Policy Committee the role of funded schemes should be gradually increased (EPC 2000). The latter would reduce the need for unsustainable increases in payroll tax or contribution rates and would generate additional net savings. In defined-contribution pension plans the annual contribution paid by the individual is specified, usually as a proportion of gross salary, and benefits depend on accumulated contributions and the realised rate of return on past investments. However, these issues are controversial. Dutch experience shows that replacing pay-as-you-go early retirement schemes by flexible pensioning – that is, more actuarially fair replacement rates – has only a limited impact on the employment participation of the elderly. In part disability and unemployment insurance is used as an alternative. Insofar as disability benefit is not an option, notably those people with health problems and considerable wealth will choose an early pension despite a lower benefit. The employee bears the brunt of the costs: early retirement will result in considerably lower pension income. This can only be afforded by people with sufficient income or wealth, especially highly educated employees with a larger volume of valuable (firm specific) human capital. A flexible pension allows them to retire early, while less productive employees will continue working. At the same time, less productive employees will be dismissed earlier. Hence, flexible pensioning results in both early exit and more dismissals (Heyma 2001: his simulation results may come as a surprise to policy-makers).

In most EU countries social security schemes are defined-benefit schemes. Some countries are moving towards defined-contribution schemes. In the UK, workers are permitted to contract out of the earnings-related part of social security and replace that defined benefit scheme with an individual account-defined contribution scheme. Italy (1995) recently reformed their public pension schemes in the direction of mixed defined-benefit, defined-contribution plans to make the pension system actuarially fair. The new Swedish old-age pension system (1999) is a pay-as-you-go financed defined-contribution system (Gillion et al. 2000; OECD 2001; Wadensjö 2002). Fully...
funded defined-benefit occupational pension schemes are found in the UK and the Netherlands. Only in Denmark, the Netherlands, and the UK are the second and third pillars well developed. Also in France more funding is being introduced. Private sector pensions are usually fully funded. Fully tax-financed (Denmark, first-tier) or fully contribution-financed schemes are rare (UK, Ireland). Most schemes are mixed financed (Gillion et al. 2000). In the Netherlands and Sweden state involvement is being reduced and the role of the market sector is increasing. The idea is that the costs of early pensions are met by the employer and/or the employee rather than the public. In Ireland and the UK greater emphasis is put on private schemes to supplement the low level of public benefits (Kalisch et al. 1998; Delsen 2002). Financial incentives were also introduced by privatisation of (parts) of the social security system and the pension arrangements in Denmark, Ireland, Germany, and the Netherlands (see also section 4).

In defined-benefits plans, the pension formula is defined in advance. In most plans, benefits depend on years of employment and salary over some period (for example, final year(s)). The risks of longevity and economic downturns is borne by society. However, in case of defined benefits, workers bear the risk of pension loss in the case of mobility as well as the risk of tax changes. Compulsory participation (overinsurance) and pay-as-you-go financing (wedge) distort the labour market. Defined benefit plans protect pension benefits of the worker against inflation because prices and money wages change at about the same rates. However, pensions once taken are not protected against inflation, so that a worker who retires early and is then rehired on fewer hours will not have inflation protection for the pension. This method of reducing hours on the main job expose a worker to considerable inflation risk compared with staying on the main job longer than retiring completely (Hurd 1990). In defined-contribution pension plans workers bear considerable investment risk. Defined-contribution plans increase the compensation from work-
ing. Unlike pay-as-you-go schemes defined-contribution schemes do not insure households against shocks to longevity, earnings, and inflation and involve high transaction costs (Chand and Jaeger 1996). Defined-contribution schemes disadvantage those who are forced to leave the labour force prematurely and introduce an element of uncertainty into future retirement income. Inadequate retirement income may be the result. Although the annual contribution is defined in advance, the benefit depends on how well the investments are managed and how long the workers contribute and collect. So workers bear considerable investment, disability, and longevity risk. The effect of inflation on the defined-contribution plan will depend on how the worker’s assets are invested (Hurd 1990). Personal pensions and defined-contribution plans are by definition fully funded.

Defined contributions have a wealth effect because they represent forced savings that the worker might not have amassed otherwise; they can influence the age of retirement by a so-called liquidity effect. Retirement wealth from defined-contribution pensions will usually continue to rise with age, while defined-benefit pensions often have a strong incentive to work to a particular age and disincentives to work beyond this age (Coile and Gruber 2000). Defined-benefit retirement and pension schemes may affect retirement age through the minimum pensionable age, an earnings test for workers to receive retirement benefits, the generosity of the benefits and the adjustment of benefits when workers postpone receiving them (Gillion et al. 2000). In the literature it is often suggested that defined-contribution schemes are neutral with respect to the retirement age of workers. However, also mandatory defined-contribution schemes may affect retirement age (Gillion et al. 2000). Similar to defined-benefit schemes a minimum pensionable age could cause workers to retire earlier or later than they would in the absence of a social security plan. Also, the generosity of the benefit available may affect retirement age, depending on the rate of return in capital markets near the expected retirement age. Changes in the interest rate on the monthly

A lifelong strategy for active ageing
benefit provided by an annuity will affect workers’ retirement decisions, too. Changes in asset values and annuity markets, and interaction with minimum benefit programmes therefore affect retirement age. Defined-benefit schemes usually require a minimum number of years of coverage or contribution to receive pension benefits. Defined-contribution schemes usually do not have such a requirement, because workers with few years of contribution simply receive smaller benefits. A moderate requirement as to minimum years of contribution may encourage more years of work. However, long requirements are disadvantageous for women because they tend to have fewer years in the formal labour market than men.

Individual retirement savings can also serve as a source of early retirement income. This would not be an issue if occupational and personal retirement plans were given the same tax treatment as other forms of savings. Most countries offer preferential treatment to retirement arrangements by exempting contributions and capital gains from taxation and taxing only payments from such plans. However, the financial situation of the household/family improves due to employment and private savings. Offering workers greater choice and thus greater sovereignty can also result in adverse selection on the labour market. The average life expectancy is increasing, and older people are fitter, leave employment earlier and have greater financial means at their disposal (Delsen 2002). Workers who are well-off and highly productive in particular are able and willing to opt for early retirement. The less well-off and less productive workers will choose, or be financially compelled, to carry on working for longer, perhaps even too long. The lower paid will have even less opportunity to choose, certainly when conditions are increasingly individualised and made actuarially fair. The growth in the number of female workers and in the number of households with two incomes will increase the demand to stop work, which will also become possible thanks to private schemes. The financial scope to retire early is on the increase. This may mean that despite the fact that the unem-
ployment and disability benefit rules and the rules in (company-based) retirement schemes have been tightened up, the activity rate among older men will not increase by much. Also, more complete careers and higher reference wages offer greater financial scope for early retirement. Public and private pension schemes act like substitutes. In fact, reduction of public pension provisions may be overcompensated by private provisions and savings. Reversing the incentives in early retirement may therefore be a necessary but not a sufficient condition for active ageing. New policies will change the relationship between retirement and the increase in the value of social security benefits with postponed retirement, resulting in incorrect predictions of the effects of new policies.

9. Conclusions and policy recommendations

Increasing the employment rate of older people has not only a denominator effect – because the basis for financing is broadened – but also a numerator effect, when the number of allowance recipients with a pension, disability, early retirement or unemployment benefit goes down. The European Commission considers a paid job the ultimate guarantee of social security and a remedy against poverty and social exclusion. Based on this notion the national social security systems in the EU put more emphasis on the promotion of activity, reintegration and the obligation to work of those on benefits than on providing benefits and guaranteeing a minimum standard of living for those who are no longer able or no longer needed to work (see Van Vugt et al. 2000). The social security systems in many EU countries still target exclusion, rather than transition towards employment.

Raising the pensionable age, increasing the required number of years of contribution, increasing the contribution rate and cutting benefits are policies applied to ensure the financial viability of retirement benefits and to increase the employment rate of older people in the EU. Another option applied is to introduce an efficient social security sys-
tem with incentive-compatible contribution schemes, including privatisation, defined benefits and funding. All decisions taken in relation to employment will have consequences for the retirement decision, that is, changes in contributions result in changes in benefit levels. The implication of this is that working time should be considered from a working life perspective and the implications of social security and taxation for these decisions should be taken into account in order to realise the working time preferences of individual workers at all stages.

One may question the effectiveness of the policy measures for active ageing in the EU. A higher minimum age at which public pensions become available or reduced benefits may not result in an increase in actual retirement age when other favourable public and private early-exit routes are not altered or abolished (‘communicating vessels’). Experience in Europe, moreover, shows that a financial incentive needs to be considerable if it is to influence a worker’s decision on retirement.

The desire to retire early and the incentive for employers to dismiss older workers may in fact be a consequence of the policy changes and the newly created incentive structure, that is, policies to increase the activity rate of older workers may be counterproductive. For instance, in many countries pension contributions are increasing. On the other hand, as a result of the cutbacks in pension generosity pension accrual rates are declining. Consequently, the increase in pension entitlements due to an extra year’s work is insufficient to offset an extra year of pension contributions. Pension wealth will fall. The changes in the pension systems aimed at reversing the culture of early retirement may in fact encourage early retirement.

There is also doubt about the reduction of the costs of ageing and pension provisions by privatisation. Moreover, privatisation and individualisation may result in adverse selection and a narrowing of the tax base to finance welfare state expenditure. Workers who are well-off and highly productive in particular are able and willing to opt for
early retirement. The less well-off and less productive workers will choose, or be financially forced, to carry on working for longer, perhaps even too long. The lower paid will have even less opportunity to choose; certainly when the conditions are increasingly individualised and made actuarially fair. These incentives will reinforce the incentives to retire early instead of later, resulting from household wealth, increasing household income and higher pension benefits linked to longer employment and contribution records. Social security systems influence savings decisions, particularly the extent to which people make provisions for old age. The various public income provisions and private sources of income are substitutes. The latter have to be taken into account in policy formation.

The policy measures aimed at active ageing not only have allocative effects, they also have distributive effects. As low-income retirees in the EU depend relatively more on social security, across-the-board cuts cause a larger percentage reduction in their retirement income than for upper-income retirees. Flat rate benefits directed towards those with low incomes are an incentive to retire. Earnings rules and means-tested benefits create pension, unemployment and poverty traps, notably for those at the lower end of the labour market. Removing these disincentives to late retirement by the introduction of actuarial fairness may result in inadequate retirement income. The fear of poverty, segmentation and polarisation is real.

Empirical studies on early retirement employ different definitions of retirement (Hurd 1990). We need an exact definition of what is meant by working and what it means to be retired. This is an important reason why empirical research has only been able to demonstrate a very modest impact of social security benefits on the retirement decision and dates: self-assessed retirement; permanent departure from the labour force; leaving a firm; sudden and discontinuous drop in hours of work. The demand side needs more research to identify the barriers to the employment of older workers as perceived by employers.

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Removing the incentives to early retirement and creating incentives to later retirement are necessary but not sufficient conditions for active ageing. In order to achieve an effective and efficient pension system, reforms have to go beyond changes to the financing and the introduction of a flexible pension date and part-time retirement. Increasing the employment/population ratio of older employees is an essential condition for maintaining the European social security systems, since many of the risks covered become bigger with age. Effective stimulation of the employability of older employees requires that both the interests of the employer and those of the employee are looked after. Both the financial and the material conditions must be created to allow people to stay in work for longer, that is, for a greater number of years. Therefore, in company practice, variables have to be improved that make work at the end of the career less expensive, more flexible, customisable and more productive.

A tight(ening) labour market seems essential for older people to become active in the labour market. However, it may be a necessary but not a sufficient condition. Most employees prefer to retire as soon as possible, independent of income, health, and working conditions. Therefore, a policy that aims at changing attitudes of employees and employers with respect to retirement seems necessary. The demand side of the labour market in particular deserves more policy attention.

Since less-productive workers are laid off first, policy should be directed towards elderly labour productivity by training on the job. To promote employment opportunities, training for older workers to increase productivity can be stimulated by subsidies or fiscal facilitation. Age barriers should be removed from training schemes.
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Incentives and disincentives to labour market activity

Lei Delsen’s paper deals with a very important subject – the effects of tax and social protection systems on the supply and demand of older workers. I will comment on some aspects of the issues covered in his paper.

**Models of the welfare state**

All industrialised countries are welfare states in the sense that they all have some form of social security financed through the public sector. However, these welfare states differ from each other in many ways, not only in terms of the extent of the welfare state (measured, for example, as a share of GDP), but also its structure. The social security system covers different areas in different countries, and replacement principles and rates differ, as do methods of organisation and how systems are financed. This means that it is a complicated matter to compare welfare states. One country may have more social protection in one dimension than another country, but less in another. This makes international comparisons difficult for social scientists. A careful comparison of, for example, the 15 welfare states of the European Union containing a description of every detail would be unreadable in practice and any reader who succeeded in reading the description would be none the wiser. It is therefore necessary to make simplifications, to work with models of the welfare state. Welfare state models are also of interest because they have been used as arguments in the political debate on the design of social security and tax systems.

Lei Delsen’s paper also starts with a discussion of welfare state models. The two models mentioned are the Beveridge model (basic secu-
rity) and the Bismarck model (occupation-based, earnings-related compensation). I am not sure that this classification fully covers the major varieties of welfare state. Gösta Esping Andersen’s (1990) three models of the welfare state – the liberal, the conservative and the social democratic – may be a better classification scheme, as would the classification scheme presented by Walter Korpi and Joakim Palme (1998): the targeted, the voluntary state-subsidised, the corporatist, the basic security and the encompassing.

There are problems with fitting the different countries into a two-model scheme. I will illustrate this using Sweden as an example. Sweden introduced the Beveridge model in the early post-war period, for example a pension system with a basic pension (*folkpension*) for everyone, independent of contributions paid, in 1948. The minister of social affairs, Gustav Möller, was a strong and successful advocate of the Beveridge model. However, as early as the late 1940s a debate started about turning to earnings-related social security. In the early 1950s this won approval in the governing Social Democratic Party and Gustav Möller had to go as minister of social affairs. Earnings-related social security systems were introduced, for example, for sickness benefits in 1955 and for pensions in 1960. The new pension system was constructed as a two-part scheme – a basic pension (*folkpension*) and an income-related pension (ATP), but in practice the new system was an integrated income-related system. The Beveridge model had lost the battle. The rejection of the Beveridge model is even clearer in the new pension system adopted by Parliament in 1998. The guarantee pension is a safety net for those who receive a very low income-related pension, not a pension system in its own right. Lei Delsen’s classification of the Swedish pension system as a Beveridge-type system is therefore incorrect. The same type of revision could be made for other countries. It shows that it is important to look at social security systems as a whole. And the social security system is the first pillar, not the first and second pillar.
Social security and occupational insurance

In most studies on incentives and disincentives in the social security system, only that system is included in the analysis, resulting in only a partial analysis. In many countries occupational insurance schemes decided by collective agreements, by employers only or by the individual employment contract are very important. First, they are important in the sense that the design – and modifications – of social security systems is influenced by the existence of occupational insurance. The influence also goes in the other direction, of course. Second, the existence of occupational insurance is important when analysing, for example, how the labour supply of older workers is determined. Older workers’ decisions regarding (early) retirement are not influenced only by the social security scheme but by compensation schemes as a whole, including occupational schemes. The neglect of occupational insurance schemes is a flaw in many studies in this field.

Early exit paths

Delsen mainly discusses the influence of old-age pension schemes on (early) exit from the labour force, but mentions other programmes, such as disability pension schemes. In practice there are many different pathways from the labour market before retirement age, and early old-age pension is only one (and in many cases not the most important). Among other exit pathways are: disability pensions, (long-term) sickness benefits, unemployment insurance benefits, labour market programmes, work injury compensation, partial pensions and employer-paid early pensions (in different forms and combinations, for example an annuity and severance pay). In many cases payments from different programmes are combined to pave the way for early retirement.

1 See Rein and Wadensjö (1997) for studies on the interrelations between social security and occupational insurance schemes.
2 See Kohli et al. (1991) on early exit paths in various countries.
The existence of alternatives and combined forms of compensation at early exit is important for several reasons. Alternative pathways out of the labour force may make changes in one of them less effective. If, for example, it is made more difficult to get a disability pension, people may instead get sickness benefits and so counteract the intended effects on labour supply. The example shows that it is important to look at replacement rates and the rules governing the granting of benefits in all the different systems simultaneously. This is, of course, impossible to do in a short paper but it would have been an advantage if the problem had been discussed more.

**Older workers: supply and demand**

Incentives and disincentives are important not only for employees but also for employers. Employers who gain from employees leaving early have an incentive to encourage them to quit or to lay them off if that is possible. The incentives are stronger if wages are seniority-based. Social security and occupational insurance schemes may, through the way they are financed, give employers incentives or disincentives to try to get rid of older workers.

In most studies the emphasis of the analysis is on the behaviour of employees rather than employers. But there is much evidence that not only the pull of compensation in social security schemes influences early exit but also the push of the employer. It would have been of great value if the relative importance of the supply-side and the demand-side factors had been discussed. It is, of course, impossible to make a judgement on the relative importance of the two sides of the labour market, and the relative importance may also vary between countries, but a discussion would have helped the reader to grasp the intricacies of the early-exit phenomenon.

**Taxes and labour supply**

Taxes levied to finance social security schemes – and of course other taxes – influence labour supply (including the decision when to
There is both an income effect and a substitution effect. Higher taxes lead to lower income and if leisure is a normal good, labour supply will increase (the income effect). On the other hand, reduced hourly compensation due to taxes will lead to a lower labour supply (the substitution effect). The relative effect of taxes on labour supply depends on how the tax system is constructed – if it is regressive, proportional and regressive, age dependent, and so on. It is an empirical question whether the income or the substitution effect dominates.

The issue of taxes and labour supply is dealt with in a number of places in Delsen’s paper, but it could have been approached in a more systematic way. This is also an area in which more formal economic analysis could be of great help (it is one of the standard issues in the modern labour supply literature). As it stands, the statements regarding the effects on labour supply are formulated in a way which is not always supported by the analysis.

Conclusions

Incentives and disincentives in social security schemes are of crucial importance in any analysis of how the employment of older workers can be influenced. Lei Delsen discusses many different aspects of this. As it is a complicated issue it is, of course, not possible for him to deal with everything in detail. In my comments I have stressed some questions which are worth more in-depth analysis: the choice between welfare state models; the importance of including both social security schemes and occupational insurance schemes in the analysis; the existence of many pathways out of the labour force; the inclusion of both the demand side and the supply side in the analysis; and the importance of how social security schemes are financed and the effect of other taxes on the labour supply of older workers. Lei Delsen’s paper constitutes a good starting point for approaching the issues.
Bibliography


The application of active labour policies and programmes to older workers

Céline Lafoucrière

Europe-wide policies on early retirement pension schemes, disability and unemployment benefits, unconnected to active job search after a certain age limit, have encouraged early withdrawal of older people from the labour market. As a result, the employment rates of people aged 55–64 have been declining drastically and have now reached worryingly low levels in the European Union (EU). A number of research studies have shown that policies of early exit for older workers have put a great strain on current social welfare expenditure whilst threatening the long-term sustainability of public pension systems because of demographic projections of a gradual increase in the share of dependent people (Walker and Taylor 1997a; Lafoucrière 2002). These demographic changes have also created a tightening of European labour markets, resulting in substantial skill shortages. Since 1997 the European Employment Strategy (EES) has largely focused on tackling European unemployment rates through its four pillars. However, although the employability pillar stresses the need to make older workers more employable through a range of active labour market schemes, while the adaptability pillar highlights the importance of in-company training, with the aim of making employees and businesses more adaptable, no clear focus was originally given to the issues posed by demographic challenges. Recent job-creating economic growth, leading to a substantial diminution of unemployment rates across the EU, has highlighted these challenges for future progress. As a consequence, and following a re-evaluation
of the EES at the Lisbon Summit, the issue of older workers finally
gained legitimate recognition on the European agenda. In March
2000 the European employment guidelines were redefined, and a
specific guideline can now be found on ‘active ageing’, finally con-
sidering older workers as a risk group worthy of concern.
Furthermore, the Lisbon Summit also established new Horizontal
Objectives in which the issue of active lifelong-learning measures,
specifically aimed at older people, takes on overarching importance
(European Employment Guidelines 2001, point B). The latest devel-
opments, therefore, show that a certain level of awareness has been
reached by the European institutions on issues concerning older
workers’ activities in the labour market. However, while the
Stockholm Summit reinforced this position by setting the objective
of raising the average EU employment rate of 55–64 year-olds to
50% by 2010, an in-depth analysis of National Action Plans (NAPs)
shows a striking lack of coherent strategies aimed at older workers at
national level.

Recent research has shown that positively targeted active labour mar-
ket policies and programmes are efficient tools with which to reverse
these processes of early exit, skill shortages and/or skill erosion.
Training/re-training schemes, as the central element of these active
labour market programmes and policies, tend to act as a motivating
factor for older workers to remain in the labour market for longer,
and present individual firms with the possibility of enhancing and
positively utilising valuable skills (Walker and Taylor 1997a).
Furthermore, training measures also offer a positive answer to long-
term unemployment amongst older workers by providing a regular
update of skills which facilitates their reincorporation into the labour
market and combats social exclusion. However, training must not be
an isolated response to these complex challenges. Training alone will
not change the face of the labour market as it currently stands. These
valuable measures must be accompanied by further public employ-
ment programmes, for both employed and unemployed older work-
ers, such as job-creation schemes, personal guidance initiatives, anti-age discrimination policies and/or campaigns, alongside strong integration and targeted subsidies. It is crucial, furthermore, that all relevant actors be involved in these approaches and measures.

This chapter is a cross-country analysis of the application of active labour market policies and programmes to older workers, based on the nine country reports published in the first phase of this study.\(^1\) In section 1 we briefly outline a typology highlighting the different traditions of member states in applying active labour market policies and programmes to older workers. This typology will be used throughout the chapter to make possible a better understanding of the different models found within the European Union (EU).

Section 2 emphasises the various anti-age discrimination and equal opportunities policies across the board. Training policies and programmes geared towards older workers are considered in section 3, while section 4 highlights public programmes, targeted subsidies and programmes of personal guidance to facilitate the reintegration of the unemployed into the labour market.

1. **Towards a typology of active labour market and training programmes**

From an analysis of active labour market policies and programmes for older workers it emerges that the principal instruments with which to retain older workers, or to re-incorporate them into the labour market, are training and lifelong-learning practices. To apply these alone would nearly always lead to failure. Vocational training measures, to be fully efficient, must be combined with a series of other reforms and practices, such as anti-age discrimination policies and/or campaigns, job-creation schemes, targeted integration subsidies, employment programmes and personal guidance. Paradoxically

\(^1\) Maria Jepsen, David Foden and Martin Hutsebaut (2002) *Active strategies for older workers*, Brussels: ETUI.
the opposite can also be said to be true. When dealing with shortages and/or erosion of skills, the above-mentioned active labour market policies and programmes must nearly always be linked to vocational training programmes. These measures must complement each other in order to be successful. A second element must also be taken into consideration, namely determination of where responsibility lies and where decisions come from. Whether national policies are applied or individual local programmes are devised by social partners, it is essential to evaluate what works best and in which situation. State and industrial relations traditions must evidently be taken into consideration when comparing such phenomena. However, the complexity of such an analysis must not stop at that. Different situations in different member states with different traditions might make matters more complex and incur different responses. In order, therefore, to provide a global understanding of national differences in applying active labour market policies and programmes, strongly linked to vocational training for older workers, a typology is necessary. As argued by Rainbird, training systems are often ‘embedded in broader systems of social relations with which they interact’; it therefore seems necessary to consider these contexts in an attempt to distinguish between lifelong-learning systems and developments (Rainbird 1993: 185).

Four competing conceptual frameworks are commonly used to contrast national systems of industrial relations and vocational training: the institutional model, the industrial model, the market/education model, and the work/school model (Winterton 2000). Since each of these models contributes to the understanding of the diversity of lifelong-learning systems and development of active labour market policies within the EU, they are briefly explained below and combined in an attempt to establish a typology.

The institutional model attempts to make generalisations possible through identifying common characteristics of countries. These generalisations are made according to the countries’ national labour market regimes. Contrasts have therefore been made between the
Romano-Germanic ‘strong state’ approach and the Anglo-Irish tradition of bargaining over employment issues (Rhodes 1995).

The concept of industrial order, often used to explain differences in patterns of industrial organisation and the social institutional environment, takes on its specific form as a result of critical historical phases of industrialisation, thereby making government, together with the financial system, training and education systems, the system of industrial relations and intermediate institutions such as trade associations, into the basic components which shape the development of the industrial order (Lane 1994). In Germany, for example, industrial order entails a high degree of legal regulation coupled with industrial self-organisation and a government structure which devolves much to regional government in the Länder. In France, however, industrial order has been historically dirigiste, centred on the role of the state, both through nationalisation of key enterprises and the regulation of investment through control of the banking sector. Industrial order in the UK exhibits continuity in state structures and an attachment to voluntarism, leading to minimal political involvement in industrial organisation and highly fragmented institutional structures (Winterton 2000).

In the market/education model, articulated by Campinos-Dubernet and Grando (1988), a distinction is made between market models and educational models of vocational training systems found in active labour market programmes. The UK and Italy are characterised as following the market model, where enterprises are responsible for most vocational training, there are few training institutions external to companies and the volume of training tends to be driven by short-term employer needs. The market model is, therefore, often associated with periodic skill shortages, chronic under-investment in training and employer strategies of poaching skilled labour. France and Germany, on the contrary, are often more associated with the education model, where external institutions play a major role in training, which is viewed in an educational perspective.
Finally, the *work/school model* distinguishes work-based systems of vocational training from other training systems such as school-based and government-led systems (Lynch 1994). Among the work-based systems, the emphasis in Germany and Denmark is on apprenticeships, while in France there is an employer training tax system. The common problem with a work-based system is how to encourage providers to supply training in transferable skills (Winterton 2000). This problem becomes even more salient when dealing with older workers who do not represent the future workforce, and therefore offer a limited investment in time.

The above presentation of the theoretical debate around the application of vocational training practices and active labour market policies/programmes, highlights two important dimensions of the structures and processes of lifelong-learning systems which shall be referred to in this chapter: the locus of training/active labour market measures, and how they are regulated. The key features of active labour market programmes/policies, vocational training and lifelong-learning measures in four EU member states, highlighted in the examples used here, can be distinguished according to these two dimensions.

*Table 1: Locus and regulation of lifelong-learning and active labour market programmes for older workers*

<table>
<thead>
<tr>
<th>Locus</th>
<th>Regulation</th>
<th>Market</th>
<th>Government</th>
</tr>
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<tbody>
<tr>
<td>Workplace</td>
<td></td>
<td>Denmark</td>
<td>Germany/Finland</td>
</tr>
<tr>
<td>Educational institutions</td>
<td></td>
<td>Italy/UK</td>
<td>France</td>
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</tbody>
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Although this typology does not claim to be fully representative and precisely applicable to all types of programme and policy in different member states, it nonetheless allows some tentative conclusions to be drawn. It highlights the fact that in countries with a high degree of state regulation of vocational training and active labour market pro-
grammes/policies, and extensive institutionalisation, as in Germany, France and Finland, the degree and nature of the social partners’ involvement can be determined by political means. In Denmark, the UK and Italy, however, where those programmes/policies are ostensibly market-led, competitive and based on weaker institutionalisation, the circumstances appear less conducive to social dialogue. Aided by this typology and together with the different independent factors which might have led member states to adopt measures, programmes and policies to tackle the challenges of demographic change, this chapter presents conclusions concerning which of the models function best in applying active labour market policies and programmes to older workers.

2. Anti-age discrimination policies

The common practice of early retirement, promoted over recent decades to tackle job shortages and to replace ‘old’ skills by ‘new’ ones, has generated a trend of discrimination against age, across the board. Employers warmly welcomed these initiatives, perceiving them as a way of replacing ‘obsolete’ and ‘expensive’ skills with ‘new’ and ‘cheaper’ ones. As a consequence of the existence of age discrimination in European labour markets, older non-employed workers have a negative perception of their own position in the labour market in terms of the probability of regaining employment (Walker 2002). Moreover, employed older workers have often alleviated this situation by accepting early retirement pay-offs in order to exit from many years of strenuous work. Furthermore, and probably more problematic, trade unions have acted as a third catalyst – of what is now a deeply engrained situation – by encouraging this practice since the early 1970s in order to tackle unemployment amongst younger workers. However, labour market needs have changed tremendously in the last decade. New technologies and demographic changes have significantly altered the face of the labour market. Today, older workers are urgently needed as active participants in the labour market in order to reach viable levels of employment in Europe (see Figures 1
Figure 1: Employment/population ratio for older workers


Figure 2: Employment rates of older workers aged 55–64, 2000

and 2) and to tackle skill shortages, as well as to ameliorate the serious threat to national social security and pension systems. The level of consciousness concerning these challenges has undoubtedly risen in the last few years and the new employment guideline on ‘active ageing’ provides concrete evidence of this. However, simply advocating the application of active labour market polices and programmes to older workers will not solve the problem unless steps are also taken to bring about a change in attitudes. It is, therefore, imperative that all actors should be aware of the challenges currently threatening the EU.

2.1 Anti-age discrimination awareness campaigns

The common view that older workers are not willing to train further and are simply ‘waiting for retirement’ must also be abandoned. Older workers, like any other workers, must be given the opportunity to work and/or train further. However these changes cannot, and must not, be left to the responsibility of the worker alone. A combination of measures must be established in order to reverse this process of early exit and achieve a positive change in mentalities.

Interestingly, and contrary to what one might think, the principal method utilised to change attitudes and guarantee equal opportunities at national level has not been the creation of formal anti-age discrimination legislation. Although most member states have already introduced, or are in the process of implementing, the European Directive on Equal Opportunities, very few national initiatives have followed up this measure. This has formally been the case only in Finland, with the Contracts of Employment Act (Vinni 2002).

This phenomenon might have been expected in countries with less-regulated labour markets, such as the UK, where formal legislation of this kind does not exist, but it seems a little more surprising for countries such as France or Germany. This can be explained, however, by the fact that the level of awareness in France and Germany is fairly low. This leads us to make another distinction in respect of which
France can be grouped with other member states, such as Italy, where the lack of formal legislation does not appear to be replaced by advertisement or awareness campaigns. In Germany, however, as in the UK, the Netherlands and Denmark, awareness campaigns have increasingly been conducted in the last few years, with varying degrees of intensity.

These awareness campaigns take different forms, and should be classified in terms of three different types, according to their degree of intensity and specialisation:

1. The first type could be described as slow and tentative initiatives to create greater awareness; this is witnessed in Germany where, so far, older workers have been regarded by policy-makers more as a target group for cost reduction initiatives in public pension policies and less as an important target group for active labour market policies (Naegele 2002). As a consequence of this, no explicit public policy on older workers could be found in Germany until recently. However, and following a slight change of paradigm, the Bündnis für Arbeit,2 created in 1999 to advise the government on combating long-term unemployment and creating new jobs, has recently been endowed with responsibility for creating greater awareness on senior issues (Naegele 2002). Compared to other member states, this late start of awareness campaigns shows that the demographic changes witnessed in the last few years have finally been acknowledged as important by the German government. However, this is a rather recent measure and no real initiatives have been launched as yet. Furthermore, the responsibility for older workers’ employment has been endorsed by an already existing group with no specific specialisation on senior issues. It therefore remains to be seen whether this

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2 In 1999, the German government introduced the ‘Alliance for Jobs’ (Bündnis für Arbeit), which is composed of government officials and social partners, and operates at both state and federal level.
will lead to a re-thinking of the prevailing youth-centred personnel policy of German companies at large, social partners and public labour market agencies.

2. The second type of awareness campaign could be defined as targeted on-going campaigns; this is the case in the UK, since 1993, where government, influenced by the rapid expansion of the economy in the 1980s, coupled with strong demographic changes, launched the ‘Getting-On’ campaign which aimed at changing employers’ attitudes and enhancing the value for them of recruiting/retaining older, experienced workers. This campaign led to another campaign, ‘What’s age got to do with it?’, which further encouraged employers not to discriminate against older workers. Due to the relative success of these awareness campaigns, the Labour government, in power since 1997, carried on with these anti-age discrimination campaigns, as well as producing a non-statutory *Code of Practice for Age Diversity in Employment*, aimed at tackling discrimination at work and reinforcing many other campaigns. Walker (2002) avers that a survey conducted in small and medium-size enterprises shows that the majority of employers were unaware of the code, and when they were, did not intend to change their recruitment or training procedures to adapt them to older workers.

3. The third type is the most advanced model and can be described as fully fledged awareness campaigns with a high degree of specialisation; this is the case in Denmark where the issues of older workers have been on the political agenda since the early 1990s, and where the government appointed a semi-autonomous body, the Initiative Committee on Senior Policies (ICSP), in 1997, to advise government on senior activities (Hansen 2002). The ICSP is composed of representatives of social partners’ organisations.

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3 For the purpose of this analysis ‘semi-autonomous bodies’ will be defined as ‘only partly governmental’.

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and selected ministries and appointed researchers. The ICSP has the defined role of advising the Minister of Labour and Social Affairs on senior policies, promoting actions in the area, and providing and disseminating information on senior activities and developments. This Committee has been quite successful in providing consultancy services in small and medium-size enterprises on job design and development of senior workers, establishing specific agreements between management and employees when hiring senior workers, enabling part-time frameworks, enhancing participation in training schemes and elaborating financial agreements for retirement schemes. The author explains that, together with the help of the ‘senior fund’, created to support enterprises hiring older workers, the ICSP has been extremely successful and has managed to generate a considerable amount of job retention for older employees, as well as changing employer attitudes. The scheme was therefore extended for a further two years. A similar example can be found in the Netherlands, where the Social Economic Council supports the government’s attempts to develop an active labour market policy for older workers. In the case of the Netherlands, however, government is much more pro-active, as will be shown below.

These three types of procedural campaign, designed to raise awareness of the value of older employees’ experience and work, are very different. They first of all diverge in their degree of organisation and specialisation. Second, and regardless of their experience, they also diverge in their efficacy. Despite the level of awareness reached in some member states, some of these measures appear to be rather more ‘symbolic’ than others. Our typology can be used here to identify the fact that, in the institutional model – characterised here by Germany – attempts to make generalisations and the lack of specialisation lead to rather low-key intervention by the state. This is in stark contrast with the Danish work/school model, where the initiative is taken by a government body but later left to specialised, individual
bodies. This model has proved to be rather more successful than the first in that it is market-led and therefore provides practical answers to challenges encountered in the labour market. This model, in contrast to the first one, distinguishes between global initiatives, taken at national level, and individual ones. The consultancy attitude adopted by the Danish model has proved to be far more efficient because much closer to individual employers and employees. The level of specialisation encountered within the ICSP also makes possible a better understanding of specific challenges and a strong focus on the issues. However, not all market-led models prove fully successful in this respect. The UK example, representing the industrial order, exhibits continuity in state structures and shows an attachment to voluntarism. This system, albeit highly advanced, does not appear to succeed fully. Relying strongly on minimal state involvement it leaves the door open to voluntary initiatives and does not, in this case, provide a specified autonomous, or semi-autonomous, body, as is the case in Denmark. This is the consequence of highly fragmented institutional structures.

Whether due to lack of awareness or an unwillingness to regulate further, it is crucial to note that the only member state to possess a full-fledged, and highly controlled, anti-age discrimination act is Finland. In Finland, discrimination practices, including discrimination against age, are criminalised by the penal code, making them very unattractive to employers. It is, however, extremely difficult to draw conclusions and establish reliable links between the lack of national anti-age discrimination legislation and pro-active active labour market policies or programmes. The lack of national legislation does not always call for more pro-active programmes and policies aimed at older workers, employed or unemployed. On the contrary, this lack of legislation often reveals a lack of awareness of the issues, as is the case in France, Italy and Germany. However the greater presence of strongly dissuasive anti-age discrimination legislation can be linked to better functioning and more pro-active roles on the part of the differ-
ent partners involved in creating programmes and policies for older workers, as can be witnessed in Finland. This observation leads to the conclusion that a combination of the two is essential in order to attain viable levels of awareness and practical solutions to threatening problems. This belief is reinforced by the case of the UK where no formal national legislation exists, but where government has indeed been pro-active in providing diverse age awareness campaigns with a limited influence. The voluntarism pattern witnessed in the UK does not prove highly efficient. It is worth noting, therefore, that the Finnish case should here be held up as an example for other member states, the starting point being to establish a formal framework within which further positive steps can be taken. In this example, formal national legislation seems to provide boundaries within which it is allowed to proceed and progress towards age-neutral personnel policies and programmes, involving all actors. In the absence of these boundaries the different steps taken invariably seem to lead to low levels of awareness and lack of focus in further initiatives.

2.2 Age-neutral personnel and training policies

Although present European legislation forbids age-discriminatory practices in recruitment procedures, these can still, in some cases, be found in member states. The different national awareness campaigns described above have, in reality, done very little to change this phenomenon. However, if age discrimination in recruitment procedures is a well-known practice, albeit hidden, it is not the only one. In the UK, for example, surveys conducted among older workers have found evidence of discrimination in all areas of employment (Walker 2002). Although age discrimination in access to training can sometimes be less obvious, it remains a concrete reality. Lewis and McLaverty’s study showed that, in 1991, 36 per cent of managers in the UK reported that there was an age barrier for internal promotions in their organisation, while 45 per cent had received no further training in the last five years (Lewis and McLaverty 1991).
Several factors can act as deterrents to the hiring and/or further training of older workers, the most common being the alleged lack of heightened productivity. First, employing older workers tends to be perceived as ‘hiring obsolete skills’. Employers tend to feel that the only jobs open to older workers are part-time and/or extremely low-paid ones, and therefore they commonly believe that training them would lead to an ‘unproductive waste of financial resources’. Paradoxically, keeping on an older employee also works as a deterrent due to the age-related pay systems currently in place in most member states. Second, older workers are often believed to be more difficult to train due to their unwillingness to engage in training and/or their low ability to understand and cope with new technologies.

Accordingly, it becomes clear that anti-age discrimination awareness campaigns could not alone be efficient in achieving a change in attitudes across the board. For them to prove entirely successful, they must be accompanied by deeper personnel policy reforms. A holistic approach is needed in order to involve all actors. Policy-makers have an important part to play in establishing public policies enabling age-neutral pay systems, thereby reducing employers’ costs. Crucially, financial incentives must also be developed to ensure that training is given throughout a person’s working life. The two issues are closely related, although they do not seem to be fully understood or applied at national level. According to the nine national contributions in Jepsen et al. (2002), very few member states have adopted a holistic approach in order to reverse processes of early exit. With the exception of Finland, no member state seems willing to rethink its lifelong-learning systems so that they do not solely target the end of the working life. Lifelong-learning practices should be reformed not only to ensure age-neutral access to training, but also to make learning a lifelong process, thereby avoiding skill erosion at the end of an individual’s working life. This should take the form of a complete reform crucially involving all actors. The rather poor financial contributions aimed at developing training practices, and highlighted by the authors...
across the board, have simply addressed isolated cases; they have not led to deeper reforms. This is often characteristic of countries which have not yet reached a holistic understanding of the challenges and the threat they represent to the future of European labour markets. This is very much the case in France, Italy, Belgium and, to some extent, Germany where, according to the authors, responsibility for tackling these challenges has been left to individual, isolated actors. In order for reforms to be truly dynamic and efficient, trade unions and older workers themselves must also be involved in the process. All national and local actors must play an active role in order to alter employer and employee mentalities, and to enhance the value of older workers’ experience and skills. It is imperative for the future of European labour markets that these skills be used positively, in order to heighten productivity and/or train younger workers (Walker and Taylor 1997b).

3. Vocational in-house training initiatives

As already observed, recent research has shown that training initiatives are among the most effective tools with which to tackle problems of skill shortages/erosion. The favourable economic situation of the last few years has highlighted the fact that skill shortages may come to constitute grave problems for European labour markets. It is important, therefore, whilst devising more extensive reforms of personnel policies and practices in the long term, not to neglect the shorter term and to retain older workers within the labour market by providing viable training and/or re-training solutions. However, while the employment rates of older workers have increased in a few member states, the situation across the EU generally seems to be stagnating, and sometimes even worsening. This issue was highlighted in March 2000 at the Lisbon Summit, where the issue of lifelong learning for older workers started to become more prominent. New guidelines were created and old ones were clarified to raise awareness of the fundamental issues of training. For the sake of simplification and clarification of the guidelines, the European Commission intro-
duced new Horizontal Objectives, resulting from the Lisbon Summit conclusions. Along with redefining the role of the various actors and reiterating the need to further develop targets and benchmarking methods, additional horizontal issues concerning lifelong learning were introduced (European Commission 2001a). The aim of this horizontal issue is to redefine the concept of lifelong learning and highlight it as a crucial element of the EES. Together with the member states, the European Commission set a renewed definition of the concept of lifelong learning as ‘encompassing all purposeful learning activity, whether formal or informal, undertaken on an ongoing basis with the aim of improving skills, knowledge and competence’ (European Commission 2001a). This clarification process has enabled the European Commission to set clearer targets for active measures involving training. It invites member states to set a target of at least 20% for training measures offered to the unemployed, with the aim of gradually achieving the average of the in this respect three most advanced member states (European Commission 2001a). More importantly, the new title ‘developing a strategy for active ageing’, elaborated in the 2000 Guidelines, has also been widened from the tax–benefit aspect to a more comprehensive set of policies to support active ageing. The European institutions take a strong stance by calling for change in the prevailing social attitudes of older workers in the labour market. This new title represents a threefold strategy. Whilst the initial purpose of ensuring the sustainability of social security systems remains, two additional social factors have been added. It now calls on member states to make more effort to ensure long-term fairness, and thereby avoid social exclusion throughout the life-cycle, and aims at making better use of older workers’ experience, thereby tackling the issues of skill shortages, deeply linked to the demographic changes of the last few decades. Together with this new title, Guideline 3 also demonstrates that tackling the issues of older workers efficiently must entail a process of widespread vocational training practices. European institutions, therefore, seem to be ‘ahead of the game’ in terms of understanding the key concepts.
3.1 National contexts of lifelong learning

An in-depth analysis of the nine member states included in this study shows important disparities in national responses to training demands. These disparities must, of course, be related to the typology developed in part 1, but should also be encompassed within a framework of national understanding and approaches adopted by governments towards older employees’ work and demographic changes.

Depending on varying national contexts, the reasons for wanting to retain/reintegrate older workers within the labour market often explain the different measures taken, as well as their degree of intensity.

Overall, two main factors act as catalysts for change. First, growing concerns about heavy financial pressures on social security and pension systems, generated by early exit schemes, are reflected in most of the national contributions (see Table 2). Whether these member states are mostly concerned about pension spending, as is the case in Italy, or the well-being of overall social security systems, as is the case in France, Belgium, Denmark and the Netherlands, the results remain constant in that active labour market policies and programmes tend, in relation to older workers, to be less focused on re-integrating and/or retaining this group within the labour market, and more on reducing public spending whilst ensuring a minimum standard of living to the early retired.

The second factor, perhaps more conducive to adapting active labour market measures to older workers, is the increasingly desperate shortage of skills. Countries such as Germany, Finland and the UK, having witnessed a tightening of their labour markets in the last few years, have started to devise concrete measures to tackle this phenomenon of skill shortages and erosion of skills.

These two conceptions of future challenges, sometimes combined, have created wide differences in national approach to active training/re-training labour market initiatives aimed at older workers, as shown below.
3.2 The right to train

Although most EU member states seem to provide government legislation to promote vocational education and training (VET), their application of VET practices differs tremendously. In many cases, national legislation has long been in existence but tends to lack focus. This is typically the case in France, for example, which was among the first member states to establish government legislation on in-company vocational training. As far back as 1971 the French government introduced a sweeping policy for continuing vocational training based on labour–management agreements and requirements on employers to provide in-company training (Lafoucrière 2000b). French companies, therefore, have a legal obligation to spend 1.5 per cent of total staff costs on vocational training initiatives. However,

Table 2: Gross expenditure on social protection as % of GDP

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1993</th>
<th>1990</th>
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<tbody>
<tr>
<td>PT</td>
<td>22.5</td>
<td>17.5</td>
<td>21.4</td>
</tr>
<tr>
<td>IE</td>
<td>24.8</td>
<td>23.6</td>
<td>26.8</td>
</tr>
<tr>
<td>ES</td>
<td>25.9</td>
<td>29.9</td>
<td>29.9</td>
</tr>
<tr>
<td>LU</td>
<td>28.8</td>
<td>28.5</td>
<td>30.8</td>
</tr>
<tr>
<td>GR</td>
<td>31.4</td>
<td>30.3</td>
<td>33.7</td>
</tr>
<tr>
<td>UK</td>
<td>28.2</td>
<td>21.0</td>
<td>20.7</td>
</tr>
<tr>
<td>IT</td>
<td>24.0</td>
<td>24.5</td>
<td>22.3</td>
</tr>
<tr>
<td>DE</td>
<td>28.9</td>
<td>26.0</td>
<td>29.1</td>
</tr>
<tr>
<td>FI</td>
<td>35.3</td>
<td>29.0</td>
<td>29.4</td>
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<tr>
<td>AT</td>
<td>31.0</td>
<td>33.0</td>
<td>33.6</td>
</tr>
<tr>
<td>BE</td>
<td>38.6</td>
<td>29.0</td>
<td>15.6</td>
</tr>
<tr>
<td>FR</td>
<td>19.1</td>
<td>19.9</td>
<td>22.6</td>
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<td>DK</td>
<td>23.2</td>
<td>23.2</td>
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<tr>
<td>NL</td>
<td>25.4</td>
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<tr>
<td>SE</td>
<td>26.7</td>
<td>27.7</td>
<td>29.7</td>
</tr>
<tr>
<td>EU-15</td>
<td>32.5</td>
<td>33.1</td>
<td>25.4</td>
</tr>
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</table>

*Source*: Eurostat–ESSPROS.
the French legislation makes no distinction between the age or the specific needs of the workers benefiting from training initiatives.

As a result of this, younger workers tend to benefit more widely from this legislation, leaving older workers the difficult task of seeking training schemes for themselves. The relative failure of this type of government legislation, in terms of promoting widespread training among older workers, lies in their organisational structure. So far, national laws on training have taken an ‘obligatory form’, lacking subsidies and strong incentive messages for both employers and employees. This compulsory practice could provide a good basis if combined with an appropriate mix of measures. Too often, however, this type of legislation is found as a stand-alone measure, lacking clear focus and guidance. This phenomenon is strongly linked to national contexts, as already indicated, and can often be found in countries where tackling demographic challenges is mainly linked to the wish to reduce high social security expenditure rather than a genuine will to retain and/or re-integrate older workers in the labour market. This is the case in France, Italy and Belgium, where the low level of development of active training measures specifically aimed at older workers is striking. In all three countries, which have the lowest rates of older workers’ employment in the EU, the target has been to relieve the heavy weight on social security expenditure and, whilst youth unemployment still remains a challenge, labour markets are relatively slack.

The types of training measure observed in these countries tend to be oriented to all types of worker; very few directly targeted measures have been designed for older workers. This is the case in the Employee Training Leave\(^4\) and the Training-Time Credit Scheme\(^5\) in France, or other national training schemes in Italy, which, according to the authors, attracted only 0.1 per cent of older workers in 1999 (Paulli and Tagliabue 2002).

\(^4\) Congé Individuel de Formation.
\(^5\) Capital de Temps Formation.
The notion of the ‘right to train’, therefore, must not only be introduced as a social right but must also be accompanied by specific targeted measures ensuring that all workers can benefit from it. Research has shown that older workers’ participation in in-company training is much lower than that of younger workers, although their participation rates have increased in recent years (Delsen 2002). European rates of in-house training amongst older workers show that job-related training is not really geared towards older workers (19 to 25 per cent in 1999).

Since April 2001, however, the French government has decided on a new bill to combat discrimination in the labour market. This bill contains specific clauses referring to training and age discrimination in training. Many other member states have recently also opted for government legislation in order to combat discrimination in training. This was the case of the Netherlands when in November 1999 a new bill was introduced to combat specific age discrimination in training initiatives (Delsen 2002), as well as Germany since April 2001 (Naegele 2002). However, even if some of these initiatives have produced positive results, the authors perceive them as remaining largely ineffective in broad terms.

3.3 The need to train

Member states that have devised measures to tackle demographic challenges along with tight labour markets and skill shortages seem to have achieved better results in terms of personal training schemes for older workers. According to the authors, the most striking examples can be observed in Denmark and Finland.

The Finnish PURO programme is a very positive example of retention and re-integration of older workers in the labour market through a combination of different training measures.6 Initiated in the mid-1990s by the Finnish Council of State, it has been an upward process

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6 National Programme for Ageing Workers.
of making ‘better use of the ageing workforce’ (Vinni 2002). Finland, after creating a variety of very generous early retirement schemes in the 1990s in order to create jobs for younger workers, also experienced a tightening of its labour market and heavy social security expenditures. Having tackled the problem at source, the Finnish government produced a study which highlighted the fact that the ageing workforce had a fairly low educational level and tended to be excluded from further training programmes. Through a wide variety of measures, tackling the causes rather than the consequences of older workers’ unemployment, the PURO programme has managed to promote a more positive image of older employees.

Amongst these initiatives the Finnish Government launched an advertising campaign using the following slogan: ‘Experience is a national treasure’ (Vinni 2002). Further to this the Finnish National Programme also concentrated on producing a mix of measures in an effort to promote health and well-being at work throughout an individual’s career, as well as to improve economic performance and labour market outcomes. As a result, the programme emphasises human capital as a key resource for sustained growth and, more importantly, comes as a complementary alternative to technological change since it is based on different aspects of lifelong learning. The central and most important objective of the PURO Programme lies in its intent to convert the principles of lifelong learning into practical solutions. The main targets are to promote practical learning and to develop connections between health, education and working life (Vinni 2002). The health aspect is a crucial element of the Finnish programme, which aims at evaluating people’s abilities (healthwise) with their incentives to work (further training) in order to facilitate older workers’ reintegration and/or retention in the labour market.

This programme was implemented with great success in ten major cities, following which the Finnish government decided to try this combination on a national scale.
Two inspiring original aspects make the Finnish experience stand out from other, less successful, national initiatives. First of all, it aims at tackling both employers’ and employees’ challenges.

Launching a high-profile awareness campaign, it aims at altering corporate and employer attitudes by highlighting the true value of hiring or keeping older workers on board. Rather than confining its efforts to this campaign, as might have been the case in other member states, the programme reinforced this first step with wider training measures specifically aimed at and designed for older workers. Taking into consideration individual needs and capacities, with a strong link to health matters, these training measures were carefully tailored to the needs of the workers concerned.

Last but not least, it is also important to comment on the organisation of the programme itself. Although the initiative originated in the Labour Ministry, it was first tested at local level before being more widely implemented on a national scale. This valuable combination of human factors, local and national actors seems to provide for a successfully coherent national initiative. According to the author, this initiative has been widely successful and has since then been extended to all sectors of the labour market (Vinni 2002). The industrial order model witnessed in Finland provides a good example of the need for close collaboration between government and local actors in order to provide a variety of answers to the complexity of senior and training issues. In Finland, therefore, industrial order entails a relatively high degree of legal regulation coupled with industrial self-organisation and a government structure which is capable of devolving much to local government and actors, as witnessed here. A broad combination of measures, combined with a variety of actors, local and governmental, seems to be a productive and efficient way of tackling the issues.

In the case of France, for example, the historically ‘dirigiste’ industrial order tends to remain far too centralised and fairly poorly target-
ed. Several examples found in the literature highlight the extent of isolated measures and lack of clear global focus. This is the case, for example, with the 35-hour-week legislation which has sometimes created a favourable situation for individual firms to use training schemes more widely. Research shows that certain firms and industry-wide agreements on the 35-hour-week legislation have enabled recognition of an individual’s right to train in return for co-financing by the employees (Jolivet 2002). This is mainly the case in the examples of Renault and Peugeot where employees can manage their own on-the-job training via a ‘training savings account’ (Jolivet 2002). However, these initiatives tend to be available to all workers without distinction of age or any clear focus on retaining older workers.

Too often the French system tends to rely on the labour market’s own needs to generate practical solutions to deep and critical problems, when clearer focus and guidance is needed. This paradoxical situation – between a rather ‘dirigiste’ state widely imposing legislation and a rather ‘laissez-faire’ type of attitude in the implementation of concrete and targeted measures – makes for the spread of rather inefficient and isolated initiatives.

As stressed by the author of the Finnish report, the success of reversing early retirement trends lies in a mix of targeted and well focused measures.

4. Public employment programmes

4.1 Insertion training schemes

Research has shown that, unlike traditional production factors, knowledge-capital does not wear out through use, but in fact improves in quality: however, when knowledge is not used its quality deteriorates (Delsen 2002). However, it is often the case that, having reached a certain age, older workers tend to receive less attention and are often given few opportunities to train. This decrease in vocational training is directly linked to a decrease in

108 A lifelong strategy for active ageing
employability, which often leads to early exit or long-term unemployment (Delsen 2002).7

The challenges presented by the long-term unemployment of older workers are probably deeper and more complex than the issues so far addressed in this chapter. They entail additional deep psychological factors for the workers involved who have, in most cases, resigned themselves to remaining on the fringes of the labour market. Due to the widespread context of early withdrawal, most of these workers are convinced that their skills have become useless in fast-changing societies, and they do not believe in their ability to return to training. It could be argued, therefore, that the ‘age barrier’ to returning to work is probably even stronger on the side of the job-seeker than on that of the potential employer.

In many of the nine member states studied in this chapter the principle of training and/or re-training unemployed older workers has been generally more widely understood and applied than in-house training. In most cases this represents a malfunctioning of in-house training processes, whereby curative actions come to replace the lack of targeted preventive actions. As already observed, this is mainly the case in France, Italy and Belgium where retaining older workers within the labour market has not yet been understood as a process of avoiding skill shortages, being regarded rather as a process of reducing social security and pension scheme expenditure. It logically follows, therefore, that we should observe a wider process of getting older workers back to work rather than retaining them. The last few years have seen an increasing number of government initiatives to retrain older workers and help them back to work. This is the case in Germany, with the ‘50 plus Plan’,8 in the Netherlands with the ‘Personal Development Plan’,9 in France with the ‘Back to Work

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7 37 per cent in 1999 (European Commission).
8 ‘50plus – die können es’.
9 Persoonlijk Ontwikkelings Plan.
The increasing concern about social security expenditure tends to explain the rather better organised and slightly more successful outcome of these initiatives. Accordingly, more or less all of these initiatives tend to combine demand-led personal development plans, following a framework of evaluation of skills and proposed training schemes bridging the gap between older workers’ skills and the fast-moving labour market. It is important to note that these are true processes of re-integrating older workers into the existing labour market rather than creating an external labour market.

Interestingly, only rare attempts at creating external labour markets for older workers can be observed in the national contributions, as will be highlighted below.

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10 Plan d’Aide au Retour à l’Emploi.
The creation of several training funds also characterises most of these schemes, helping the unemployed to regain adequate skills at minimal cost. However, it is interesting to see that few of these schemes can claim broad success (see Jepsen et al. 2002). A common explanation for this seems to be, once again, the lack of well-targeted and truly relevant awareness campaigns. Still stigmatised by the concept of early exit having become more of a ‘social right’, employees and employers have not yet reached a sufficient level of awareness to allow for successful reintegration. These ‘back-to-work’ schemes are more often than not perceived as a ‘forced’ exercise to try and ‘impose’ obsolete skills on the labour market, without any added value for productivity. The ‘positive message’ has therefore not been well disseminated and/or understood.

Some schemes have been more successful than others and the Danish example is highlighted here as an interesting and valuable mix of measures.

Denmark has commonly been amongst the member states offering very generous and widespread early retirement schemes. Due to strong pressures on the social security system and a tightening labour market, long-term unemployment among older workers has long been recognised as a major issue. The local job centres (job offices), under the directives of the central board, have introduced some particularly well adapted initiatives to tackle the problems of long-term unemployment. Conscious of the fact that they can play a key role at local level, these local agencies have put in place a very positive initiative, acting as a ‘half-way house’ between older unemployed people and enterprises, to reduce the time spent in unemployment by triggering a process of ‘job rotation’. The strategy aims at matching unemployed workers’ skills and requirements of specific firms. The idea is that an unemployed senior worker temporarily replaces another employee, who is generally participating in a VET scheme (Hansen 2002).
This original combination is twofold. On the one hand, it has been extremely successful in reducing the time spent in unemployment and, on the other hand, it has enabled older employed persons to access training whilst being temporarily replaced at work, although several other reasons must be highlighted to fully understand the success of this initiative in contrast to others:

- First, by reducing the time spent in sedentary situations, the unemployed workers do not find themselves totally disconnected from the labour market.
- Second, it enables the workers concerned to discover different types of job and make informed choices for future workplace.
- Third, and most crucial, it reconciles companies and employers with older workers, giving the latter a chance to prove their skills and capacities, as well as show high levels of attendance and good time-keeping, qualities often demonstrated by senior workers.

The key concept of this initiative lies in this last point. Employees are enabled to work in different firms and demonstrate their skills and competences at a very low cost for employers. The temporary basis of these initiatives allows employers to ‘test’ older workers, at plant level, and realise how valuable they might be for their firm. This has probably been one of the most successful ‘awareness campaigns’ so far, although it takes a much more practical form than others, allowing employers ‘to try out the product’ on the ground and change their own mind on older workers’ capabilities.

Further to this the Danish initiative also tackles the challenges early in the unemployment spell and thereby prevents long-term unemployment for special risk groups (Hansen 2002). As Hansen’s study shows, the ‘Job Offices’ initiative has been very successful with the elderly. However, this success is slightly different from similar schemes. Although it has, to some extent, provided permanent jobs for a substantial part of the unemployed, as a result of the ‘skill
matching process", the main contribution of this initiative has been to create an external labour market. Similar to temporary agencies, these ‘Job Offices’ provide a reliable bank of skilled workers for enterprises and allow an easier transition to retirement, as workers can switch from ‘active’ to ‘less active’ periods. Although this initiative was primarily aimed at the unemployed, the Danish government has recently started to expand it to the area of training, in cooperation with employers, in order to avoid the long-term unemployment of older workers and tackle the issue early in the employment process.

The Danish example therefore shows a great deal of originality by combining targeted subsidies to finance adequate further training, personal guidance to curb long-term unemployment processes and reintegration of older workers into the labour market using a simple process of changing attitudes through encountering the workers on the ground.

The use of targeted subsidies is unfortunately far too rare, or too modest, across the board to permit substantial analysis in this chapter. Many isolated cases, however, often fairly successful in practice, can be found in most member states and should stimulate wider initiatives. However, it is essential to note that the striking absence of substantial targeted government subsidies denotes the low level of action taken in order to tackle the challenges of early exit and skill shortages on a larger scale.

Traditionally situating itself within the work/school model of our typology, whereby employers are often seen as training providers, Denmark shows a great ability to adapt to the market model, in this example, by initiating government action and triggering local initiatives. On this basis, the recent government initiative to create local agencies has allowed a strong link to be maintained with different

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11 Figures not available.
firms and is proving successful in avoiding total disconnection of the unemployed from the labour market, as well as altering employers’ attitudes through a process of subsidised trial periods.

5. Concluding remarks and suggestions

As highlighted in the various national chapters in Jepsen et al. (2002), greater development of active labour market policies and programmes for older workers is essential in order to tackle the challenges of demographic change. However, this chapter has highlighted the inadequate coherence of these national active measures, mainly due to a lack of global understanding and truly targeted approaches. A holistic approach is therefore called for. So far, member states have tended to respond to these challenges according to their national context. A general will to tackle the problem fully is hardly discernable. Whether motivated by strong pressures on social security and pension systems and/or tight labour markets and skill shortages, the responses provided by different member states tend to be too narrowly applied. As the above analysis demonstrates, it is extremely difficult to draw a parallel between the existence, or the absence, of formal anti-age discrimination policies and effectively targeted active measures for older workers. However, all examples, positive or negative, tend to converge towards the need to establish formal government legislation in order to provide for a global framework within which further actions can be taken. As the UK expert avers, ‘public policy is crucially needed in order to establish the external context within which organisations may develop their own specific forms of age management’ (Walker 2002).

The complexity encountered when dealing with early exit challenges and senior issues calls for an appropriate mix of measures. Whether or not supported by formal legislation, anti-age discrimination campaigns will undoubtedly be doomed to failure if they are not accompanied by deeper personnel policy reforms, involving all actors. The fiscal and financial aspects of early retirement trends are key issues;
as such, policy-makers have a crucial role to play in establishing age-neutral pay systems and reducing employers’ costs, thereby truly helping to advance processes of changing attitudes among employers. The role of social partners should not be neglected. They have an important part to play at the local level in order to foster change in the workplace. Although their intervention should motivate reform agreements in the long-term, they should also be highly proactive in finding responses for the shorter-term. Older workers still active on the labour market should be provided with training opportunities. The lack of global understanding of the principles of lifelong learning is a salient point. While the tightening of the labour market produced by demographic change seems to be generally more conducive to better functioning training practices, a malfunctioning of the different systems in place is broadly apparent. It is essential that the concept of lifelong learning be understood as truly a lifelong process. The different contributions show a general will to tackle the issues at the end of workers’ careers. Social partners, therefore, have an important role to play in changing attitudes and actively encouraging training throughout employees’ working lives. Although patterns of lifelong learning differ enormously according to different national contexts, the obligatory pattern witnessed in countries such as France has, more often than not, sent the ‘wrong’ message, sometimes serving to strengthen the negative perception of older workers’ skills. Far from condemning the use of these obligatory patterns, which can indeed be useful in providing a formal framework, this chapter crucially highlights the need for them to be accompanied by further financial contributions, as well as clearer quotas and targets. The general trend of curative measures, often better developed in national employment programmes, shows a global malfunctioning of lifelong-learning systems in general. It is crucial therefore that national social partners should seize the opportunity given to them by the EES and create a synergy within which concrete preventive responses can be found and coherent national strategies can arise. National systems of employment must, therefore, become more flexible, and
age-neutral personnel policies come to be considered as a concrete answer to combat age barriers amongst employers. Changes in government policy should entail a series of reforms, mainly in wage, recruitment and training policies.

It is interesting, however, to note that none of the models underpinning the typology seems to hold the key to concrete answers to senior issues. A combination of the industrial order model, characterised by Finland, together with the work/school model, characterised by Denmark, would seem to provide an efficient basis for further development. The combination of a high degree of regulation and industrial self-organisation facilitated by government structures capable of devolving much to regional government, coupled with a demand-led system which provides for a high level of specialisation and consultancy practices, involving different actors, appears to respond well to the issues concerned. These two models crucially highlight the necessity for an appropriate mix of measures in order to reverse complex, deeply engrained processes of early exit.
The application of active labour policies and programmes to older workers

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Comments

Peter van der Hallen

Overall appreciation
This is a well-written and highly readable paper, so what more do we want? It is a good, accurate overview of the various strategies used to tackle the problem of the ageing workforce and their weak labour market participation.

I very much agree with the conclusion that ‘the complexity encountered when dealing with early exit challenges and senior issues calls for a mix of measures: cost-reduction, (re)training’, and that the role of social partners cannot be neglected. Even so, it seems to me rather the result of a ‘panic strategy’: every measure is a good one, if it helps, that’s fine, if not, it does no harm. Also the conclusion that training problems should be tackled not ‘at the end of one’s career’ but ‘throughout an employee’s working life’ is very much to the point. Although the EU has launched the concept of lifelong learning as a basic principle, nothing has yet been done in terms of a major step forward in its operationalisation and practice.

Discussion

I would like to add a new viewpoint to the discussion. In contemplating the Lisbon process and the strong emphasis on the over-50s in solving/tackling the problem of early retirement and the need for longer labour market participation, I wonder whether we are not tackling the wrong group?

If we consider the figures and trends on labour market participation in Belgium/Flanders, it is striking that there is a high concentration of labour market participation in the 25–49 age group, for both men and women. Belgium/Flanders not only has the highest participation rates in the EU in this age group, they also work harder (if compared in full-time equivalents).
Table 1a: Participation rates by persons and full-time equivalents among 15 to 64 year-olds according to age (Belgium, the regions, EU-3 and EU-15; 2001)

<table>
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If we want people to work longer, we need to tackle this huge concentration in the 25–49 age group. Referring to the idea of the transitional labour market, developed by Günter Schmid, it should become more common for people at work to retire from the labour market for shorter or longer periods on a frequent basis. The reasons for such transitions can be diverse: a short rest, family care, professional training, and so on. A policy that facilitates labour market transitions of this kind can easily be combined with the concept of lifelong learning and tackling the skill shortage. If we were to succeed in changing this participation model into a flexible, transitional participation, perhaps people will no longer feel a strong need to retire early, at 55, after a long period of participation.
Of course, this kind of flexible participation model has to be financed and the financial health of the social security system in the long term is already precarious. Maybe the time has come to put into practice the old sixties slogan ‘haal het geld waar het zit’: why can we not finance social security with taxes on capital instead of labour?
The cluster of issues surrounding working time, work organisation and job design

Annie Jolivet

Keeping older workers in employment or extending working life, even beyond retirement age in some cases, involves adapting not just individual incentive/disincentive mechanisms at work, but also the conditions in which work is carried out for at least some of the older workforce. Such adaptations can be applied individually or collectively and may relate to various aspects of work. They reflect different approaches, varying from changes made to the workstation to take account of particular situations and specific individual needs, to changes to the overall work organisation.

The conditions in which work is carried out are also determined by rules laid down at national or multi-sectoral level. Reducing working time for older workers, particularly through specific measures, is regarded as one of the key factors in increasing their participation in the labour market. Among the guidelines defining the aims of the European Employment Strategy, Guideline 3 – which specifically refers to the development of a policy to prolong working life – suggests introducing flexible work options, such as voluntary part-time work.

We therefore need to think about ways of adjusting the conditions of employment of older workers, mainly in relation to working time, and at the same time their working conditions in the narrow sense, covering a wide range of aspects. However, although these two dimensions are linked, they come under two separate disciplines: eco-
nomics for working time, and ergonomics for working conditions, including working schedules. Furthermore, they do not necessarily go hand in hand: changes in working conditions in the narrow sense are not necessarily accompanied by changes in working time. An average working week covers very different working hours: long but fewer working days, regular or irregular working hours, working time distributed over the year, the quarter, the month, the fortnight or the week. There are also qualitative aspects involved: transfer to a less demanding job, the reduction or elimination of night work or overtime, the length of time not worked. Because of all this we shall look first at the working time arrangements offered specifically to older workers, and then at the factors involved in adjusting working conditions.

1. Specific working time arrangements for older workers

1.1 Working time: a specific issue for older workers

In the context of demographic ageing, working time patterns for older workers are crucial in promoting activity in later life. More particularly, two aspects are regarded as having special importance: flexible working hours and reduced working hours.

Older workers occupy a special position on the labour market. They are often regarded as less productive than their younger counterparts. They will usually leave the labour market at a predicted age, even if mandatory retirement is not widespread. Finally, they may wish to increase their leisure time, either by leaving the labour market early altogether or by reducing their working hours. As we can see in Table 1, many industrialised countries promote an early exit from the labour market through various schemes, mainly early retirement, early preretirement, unemployment compensation and disability schemes. This has created a strong trend towards low employment among older workers. However, some countries still largely keep their older workers in employment: Greece, Portugal, Sweden, Norway, Canada, the USA and Japan.
Table 1: Employment rate, 2000

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It is assumed that more appropriate working time patterns help to promote higher labour force participation among older workers, in various ways.

First, reduced working hours may limit the impact of a drop in productivity for the firm. The delayed payment contract model developed in Lazear (1981) to explain the need for mandatory retirement...
provides a comprehensive framework for this practice. Reducing working hours means a proportionate reduction in the loss resulting from the difference between the marginal productivity value and the wage. The advantage for the firm is that the implicit contract with the older worker is not broken, and so there is no impact on the firm’s standing with its other employees. Older workers will accept this reduction only if the wage loss is offset by some other income, though the compensation provided may be only partial, for two reasons: the difficulty of finding another job without taking a drop in wages, and the increased value of non-working time in the final years of working life.

Reduced working time for older workers can take different forms. In order to clarify the various options involved, we need to distinguish between specific schemes and identify two factors: the type of reduction in working time (fixed or increasing with age), and the kind of income offsetting the wage reduction. The distinction between pre-retirement and early retirement lies in the nature of the transition involved, expressed in terms of the type of compensation given to older workers: preretirement involves the transition from employment to unemployment and provides entitlement to a specific unemployment allowance, while early retirement is an option offered by flexible pension rules, involving the transition from employment (or unemployment) to retirement, and providing entitlement to a partial pension. Partial or progressive retirement is the combination of a period of part-time work with the payment of a partial pension to compensate for the reduction in working time. Of course, this breakdown is not as clear in practice, since names given to schemes do not necessarily reflect what they involve.

Second, reducing working hours means that work constraints and the demanding aspects of work can be adapted by reducing work duration, rather than by changing the nature of the working conditions themselves. Older workers need more time to rest when their work schedules are demanding, so reducing their working hours helps
them to feel less tired. Consequently, shorter working hours may encourage them to remain on the labour market for longer, even beyond the usual retirement age.

Finally, offering older workers part-time jobs may make it easier for them to return to employment, because firms may be less reluctant to hire them under such conditions. Older workers may also be more interested in shorter hours rather than working full-time, in order to prepare for their move to retirement or to develop other activities.

Thus, special working time arrangements may encourage workers to remain in employment and to delay their departure from the labour market – particularly if they can combine a wage and a pension – and may increase both the demand for and supply of older workers. In countries where early departures are widespread, reducing working time for older workers is seen as a way of creating an alternative to total early departure, of combating age discrimination by employers and of changing employees’ expectations in relation to total early departure. These aspects have been considered in Austria and Finland, for example.
This breakdown does not cover all possible transitions between full-time work and retirement. One of the main problems is how to classify intermittent full-time work, which is regarded as partial retirement in Germany and Sweden (Latulippe and Turner 2000). It highlights the central issue of the period over which working time is analysed.

1.2 Reducing working time for older workers

1.2.1 Wide variations in the European situation depending on country

What does reduced working time really amount to for older workers? A comparison between European countries is difficult because of the differences in working time, so what we really need to look at is working time for older workers compared to working time for younger ones. Table 3 gives the usual average weekly working time for employees only, calculated on the basis of figures from the 2000 European Labour Force Survey. It indicates the extent of the reduction in working time between the ages of 45 and 64.

The development of the usual average weekly working time between the ages of 45 and 64 appears to differ widely from country to country, and there are also fairly marked differences between men and women. Three types of situation can be identified.

1. In some countries, working time for employees decreases considerably between the ages of 45 and 64. This is true of the Netherlands, Finland, Denmark, the UK, Sweden and Belgium. We can see that the reduction occurs at different ages: between 45 and 54 in Belgium (with specific arrangements allowing for a particularly early retirement), but not until 60–64 in the Netherlands and Sweden and 55–59 in the other three countries.

2. The reduction in working time is much more moderate in a number of other countries: Luxembourg, Germany, France, Ireland, Austria and Portugal. Apart from in France, working time main-
ly decreases between the ages of 60 and 64. The reduction in working time for women is also greater in Austria, Germany and France.

3. Lastly, in some countries there is almost no reduction in working time, or even a slight increase. This is the case in Italy, Spain and Greece.

It is particularly difficult to compare changes in working time for older female workers in different countries, since it depends on two widely varying factors: the level of part-time work among women in

Table 3: Usual average weekly working time by age and sex, employees, 2000

<table>
<thead>
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general, which results in an earlier and greater reduction in average weekly working time, and the fact that older women have earlier access to specific working time reduction arrangements.

If we look at the distribution of working time in the 45–54, 55–59 and 60–64 age groups, we can see that the proportion of employees working shorter hours increases with age in eight of the fifteen EU countries. This trend is particularly evident in the Netherlands (see Figure 1) and Finland, but also exists in Denmark, Belgium, France, Germany, Sweden and the UK. It is more marked among women in France, Belgium, Germany (see Figure 2) and the UK. Generally speaking, the average weekly working times that increase with age range from 1–9 hours to 25–29 hours. Finally, the proportion of workers on reduced hours increases marginally among those aged 55–59, but much more considerably among those aged 60–64.


Figure 1: Distribution of normal weekly working time in the Netherlands, men, 2000
1.2.2 Specific schemes available

Table 4 (see Appendix, pp. 154–56) – which is based on information mainly supplied by the European Industrial Relations Observatory (EIRO 2001), updated where appropriate – summarises the main features of the specific working time reduction schemes: minimum age, whether or not access is limited to full-time workers, definition and possible scale of the reduction in time worked, conditions under which the scheme is terminated, type of supplementary income.

In addition to these national schemes there are also mechanisms for reducing working time which are specific to certain sectors or firms. Various types of reduction can thus be differentiated.


Figure 2: Distribution of normal weekly working time in Germany, women, 2000

A lifelong strategy for active ageing 131
Reduced working time mainly funded by the state

In France, progressive early retirement (PRP) is a public employment policy scheme set up in 1982, when the minimum age for retiring on a full pension under the general scheme was reduced to 60. It was designed to allow workers aged 55 and over to reduce their working time and young workers to be recruited to compensate for this. The pay conditions with progressive preretirement are particularly attractive: workers earn around 80% of the previous salary for working half-time. However, the ceiling applied with PRP makes it less advantageous for those on higher salaries (as is the case for many managerial staff). Even though the numbers taking PRP have fallen every year since 1995, at the end of 2000 there were still 42,000 people on the progressive preretirement scheme.

Taking PRP is an individual decision, but it is covered by an agreement signed in advance between the firm and the Ministry of Labour. In particular, the agreement defines the firm’s commitments in terms of recruiting workers from groups classified as having priority under public employment policy. Successive changes to the scheme have placed new constraints, particularly financial ones, on firms. Firms are also encountering certain problems in implementing PRP: difficulties for workers to return to work, the need to recruit from priority groups, problems with organising working time, and problems due to the firm’s decision not to take on someone new to take over the now vacated post.

In Belgium, the career break mechanism that had been in place since 1985 was replaced in the private sector in January 2002 by the time credit mechanism, which is also open to all workers. For older workers a number of important changes have been introduced: the one-third or one-quarter reduction in working time is no longer available, the monthly career break allowance has been increased, and workers must now have been employed for 20 years and employed by the firm for 5 years. The compensatory recruitment requirement has not been
extended: employers are now free to recruit or not, and they can recruit whoever they want. There are two options available for reducing working time: a reduction of one day a week for those working full-time, or four-fifths time, or a move to half-time for those working at least three-quarters time. A reduction in working time entitles workers to a flat-rate allowance paid by the Onem (Office national de l’emploi – National Employment Office), which is higher than for those aged under 50. In firms with 10 workers or less the employer must give his consent. In firms with more than 10 workers the employer may object only if more than 5% of the workforce is already on the scheme.

Reduction in working time linked to a time savings account or individually funded

In France, under the 1993 Loi quinquennale, time savings accounts were introduced in company or sector agreements. Workers can capitalise paid leave entitlements in various ways: by transferring unused days of leave to the account, by converting bonuses into time not worked, or by saving up overtime. The time savings account thus enables workers taking a minimum of six months’ leave to be paid throughout (at a rate calculated on the basis of the wage received when the leave is started). The minimum amount of leave may be changed by agreement between the social partners. The introduction of the 35-hour week has revived the popularity of time savings accounts, since the time freed by the reduction in working time is a new way of feeding the account.

Time savings accounts have two uses for workers at the end of their career. First, a number of collective agreements allow accumulated leave entitlements to be used as end-of-career leave, making it the equivalent of early retirement funded by the worker. This option may also be combined with progressive preretirement. Second, the time savings account may be used to finance some or all of an end-of-career reduction in working time. An agreement concluded in 2000
in the metalworking sector allows workers aged over 50 to reduce their working time for a maximum of five years. The wage compensation depends on the amount of time saved and is wholly funded by the individual.

In Belgium, an agreement concluded in March 2000 in the private health care sector offers workers aged 45 and over the choice between more time off without loss of pay, or additional income. The weekly working hours can be cut to 36 hours for workers aged 45–49, 34 hours for those aged 50–54 and 32 hours for those aged 55 and over.

**Reduction in working time mainly funded by the company**

In Germany, a total early retirement scheme used to allow workers to leave the labour market from the age of 55. It was replaced in August 1996 by ‘part-time retirement’. This new scheme allows older workers to halve their working time with a limited loss of income: the employer tops up the half-time pay to guarantee a minimum income of 70% of the net full-time income, and old-age insurance contributions are paid on the basis of 90% of the gross full-time income. The Federal Employment Office refunds the sums paid by the employer to top up the part-time wage if an unemployed person or a trainee is taken on in return. Partial retirement was initially limited to five years, but was extended to ten years in 1998. Since 2001 the Law on the development of part-time work for older workers has improved access to this scheme in SMEs and has extended the existing arrangements until 2009. Up to January 2001, 545 company or sectoral collective agreements on part-time retirement had been signed.

Compared with the previous preretirement system, partial retirement is much less attractive for workers, so most of the collective agreements have supplemented the statutory provisions. For example, the agreement signed in the chemicals sector in March 2000 extending the 1998 agreement on partial retirement until 2009 gives workers aged 55 and over the right to partial retirement for a maximum of six
years. However, the employer may refuse a worker’s application if either 5% of the workforce or a certain proportion of workers aged 55 and over are already on the partial retirement scheme. Finally, the minimum income in partial retirement has been increased to 85% of net full-time pay instead of 70%. Some company agreements guarantee old-age insurance contributions corresponding to full-time work, while others undertake to compensate for part of the pension rights lost.

Since it was introduced, part-time retirement has offered older workers the option of working full-time for the first half of their partial retirement and being completely exempt from working thereafter. This ‘block model’ is actually the most commonly used, being the option chosen by workers in nine out of ten cases (Naegele 2002). The success of partial retirement, which involved almost 54 000 people in September 2001, many more than forecast, must therefore be seen in very relative terms, at only just under 7000 people.

In the Netherlands, two ways of reducing working time are available: progressive retirement and the adjustment of working time, which is not specifically aimed at older workers. In 2000, two-thirds of all collective agreements contained progressive retirement provisions in the form of reduced working hours or extra days off. These flexible schemes are gradually replacing early retirement schemes. Collective agreements have also developed specific clauses on the reduction of working time for older workers. Older employees are allowed to reduce their working time under 69 of the 132 agreements concluded in 2000. This option is usually offered to employees reaching the age of 60, but many agreements set the minimum age at 50. Twenty-five of the agreements make a reduction of between four and eight hours a week available. In two-thirds of the 69 collective agreements there is no effect on the level of pay. Some agreements also guarantee that the level of pension will not be affected.

The Law on the adjustment of working time, which has been in force since July 2000, gives all workers who have worked for their current
employer for at least one year the right to lengthen or shorten their weekly working time. No limit is set on the number of hours that the individual can ask for, over and above his usual working time. In firms with more than 10 workers the employer must comply with requests to adjust working time except where there are serious economic problems or for operational reasons.

Since 1997 the ‘social chapters’ of many private-sector collective agreements in Denmark have included specific sections on older workers. They usually contain provisions on reduced working hours and part-time work, together with other provisions, such as the option of moving to other posts or access to training. For example, the collective agreement signed between the trade unions and district councils allows employees aged over 52 to work reduced hours while keeping their entitlement to a pension based on full-time work. The framework agreement for state civil servants offers workers aged 55 and over the possibility of applying for shorter hours and part-time work. Progressive retirement is part of an active campaign initiated by the government under its ‘senior policy’ and conducted in cooperation with the social partners. It also reflects the recent trend towards making working time more flexible and offering free access to part-time work.

Outside these provisions a reduction in working time may also correspond to a very small reduction in working hours, usually in the form of extra days of paid leave for older workers.

**Reduction in working time funded by a partial retirement pension**

Options appear to be limited for combining specifically part-time employment with a retirement pension after the retirement age, and they are closely linked to the conditions for drawing a retirement pension. In Sweden, for example, the partial preretirement scheme in place since the 1970s was abolished in 2001 as part of the reforms to the retirement system (Wadensjö 2002). On the other hand, combination options are available in Norway, France, Italy and Spain. In
France, progressive retirement allows a worker to draw a proportion of his pension while remaining in part-time work. This scheme, which was initially only available to full-time workers covered by the general scheme, was extended in 1992 to full-time independent skilled workers, industrial workers and tradesmen. The progressive retirement scheme is not very attractive, however, and involves a very small number of people (924 in 1998). Its main limitation is that it is impossible to acquire new pension entitlements for the general scheme during the period of progressive retirement, even though those involved continue to pay pension contributions. Since 1 January 2002 it has been possible to work part-time and also full-time after the age of 65 in Spain (Liaisons sociales 2002).

A number of countries have introduced schemes to reduce working time before the retirement age, with the loss of income offset by a partial pension. In Italy, the 1995 pension reforms introduced the possibility of reducing working time from the age of 57, on condition that the worker concerned has paid at least 37 years’ contributions. The worker receives a partial retirement pension in exchange, but the sum of the part-time wage and the pension must not be more than the full-time wage he would receive. The employer must also take on a young unemployed person in return. In view of the restrictions and the cost of part-time working this option has been little used: only 186 people between January 1996 and July 1999 (Paulli and Tagliabue 2002).

1.3 The ambivalence of reduced working time at the end of working life

The wide range of different schemes available clearly shows that reduced working time specifically for older workers can serve a number of different purposes.

First, it may serve employment policy objectives. This is particularly true of progressive early retirement in France, but it also applies to a lesser degree to partial early retirement in Germany. The idea here is to promote compensatory recruitment, particularly of unemployed
workers. The aim of partial withdrawal from the labour market in five of the nine EU countries which have working time reduction schemes for older workers is thus to replace older workers with younger workers and the unemployed in a sort of job-sharing arrangement. The recent abolition of the requirement to recruit an unemployed person in exchange in Belgium (time credit) and Austria (‘Altersteilzeit’, that is, part-time work for older workers) shows that employment policy considerations are now no longer uppermost.

The schemes may also offer a way of reorganising working time in the run-up to retirement, and thus have more to do with the need for individuals to reorganise working life at the end of their career for various reasons, such as looking after dependent parents or children, or the desire to spend more leisure time with one’s spouse. Here again there is the idea of organising the transition from work to retirement at the end of working life.

This option may be offered to compensate for a situation in which an individual is deemed to be at a disadvantage. Two examples illustrate this. Part-time work may be offered to workers who have been contributing for a long period and thus came onto the labour market very early. If this option is made available before retirement age, it clearly plays a palliative role. Part-time work may also be targeted at those who have experienced hard working conditions.

More recently, the accent in trying to increase the activity rate among those aged 55–64 has been refocused on a collective rather than an individual shift towards staying in the labour market, with part-time work for older workers operating in tandem with a progressive reduction in the number of early exits. This also contributes to changing employers’ negative attitudes. There should therefore be a fall-off in these schemes once those aged 55 and over become more highly valued.

Unlike ‘normal’ part-time work in mainstream working life, part-time work at the end of working life is not generally regarded as a transi-
tional period between two periods of full-time work. Whether it involves a fixed or an increasing reduction in working time, it marks a permanent partial withdrawal from the labour market. Its position in relation to total withdrawal is therefore ambiguous, and its impact on participation in the labour market depends on the situation before workers at the end of their careers are offered the chance to reduce their working time. It may be a half-way house between stopping work early altogether and staying in employment, thus helping to increase the activity rate among older workers, but it can also be a way of continuing to exclude them, with their agreement or even at their own request, in a situation where the numbers stopping work altogether are falling, as is the case in Germany. On the other hand, end-of-career part-time work encourages individuals to reduce their working time. From a macroeconomic point of view, therefore, reducing working time will only be positive if it helps to raise the age at which people actually retire (because they do that rather than stopping work early altogether) and/or if it helps to keep some workers in employment after the retirement age, thereby offsetting the reduction in hours worked during the years leading up to retirement.

Alongside this there are questions about the fact that these schemes are specifically open to older workers at the end of their career. Should the oldest workers be offered more attractive options for reducing working time than younger workers? The first danger here is that this will encourage those who would otherwise have stayed in full-time employment to work part-time. This was seen as a particularly cogent argument in Sweden’s decision to abolish partial retirement. A second danger is that it will rubber-stamp the stigmatisation of older workers. This is why some countries, such as the Netherlands and Belgium, have opted to give everyone the right to a reduction in working time.

The issue of partial withdrawal from the labour market is most often planned for and covered in schemes which apply before retirement age. It is rare to have progressive or partial retirement provisions
which allow paid employment to be combined with receipt of a partial pension. There are no provisions which allow partial retirement before retirement age and after retirement age to be linked, because of the separate ways in which the two schemes are funded.

Finally, the development of part-time work for older workers clearly depends on the features of the scheme. The conditions of access and level of wage compensation offered will obviously influence an individual’s decision on whether to join. But it is also often necessary for the firm to join, either because it is required to give formal commitments on a number of reciprocal concessions (as in France), or because the introduction of the scheme is the subject of collective bargaining. The attractiveness of reduced working time at the end of the career or at the start of retirement also depends on the alternative options available for stopping work early altogether, both for individuals and for firms. Lastly, it depends on the types of part-time job available and, more broadly, on how these older workers are managed.

2. Work organisation and job design

2.1 Work and ageing

The conditions in which work is carried out influence how ageing manifests itself (Teiger 1989). It is not so much individual constraints taken separately as the accumulation of constraints, in a particular work situation or throughout the working career, that triggers the problem.

First, work has effects on processes of transformation over time, as we can see from the existence of occupational diseases and the differences in mortality between socio-occupational groups. Ageing is partly a ‘product’ of work. Thus, physically demanding work or work performed in difficult conditions (exposure to noise, dust, and so on) tends to accentuate the effects of biological ageing and to influence lifespan. Shift working, particularly night shifts, causes various health
problems (‘shiftworker syndrome’), with sleep disorders one of the main and most frequently reported problems. Such effects depend on the duration of exposure. They often do not appear immediately or quickly when a worker is placed in a particular post, and they may even be felt long after the worker has ceased to experience the conditions in question. The disorders caused are never completely reversible.

Second, individual ageing cannot be judged in absolute terms, but is the result of the confrontation between the demands of the job and the worker’s abilities: it is thus ageing ‘in relation to work’. Where the sensory demands are very high, where information has to be received and interpreted very quickly or where the operating methods are designed in such a way that compensatory behaviours cannot be developed, the productive performance of older individuals with sensory deficiencies is actually reduced. Some work-demands thus create specific problems for older workers, but also affect younger workers in that they promote premature ageing.

Studies focusing on work activity show that people regulate ageing at work (Volkoff et al. 2000, Gaudart and Weill-Fassina 1999). Individuals develop specific strategies based on their occupational and personal experience. Ageing workers try to achieve production targets, set by the firm, but also health protection or deficiency compensation targets, which they set themselves. These special strategies may be individual or collective. Workers will, more or less deliberately, compensate for a problem (by checking the information received more thoroughly, avoiding overloading their immediate memory), avoid the problem (by using less tiring gestures or postures), adapt or disobey instructions, and anticipate (to avoid having to react very quickly). In a work community, it is possible to cooperate in carrying out a task (such cooperation may vary over time and depending on the task) and to replace/be replaced for certain more difficult tasks or tasks which some are less capable of performing.
By regulating work at micro-level these strategies ensure individual efficiency and the efficiency of the production system. Individual performance thus depends both on the previous occupational pathway, in terms of experience gained in various work situations, and on the conditions in which work is currently being carried out, which determine individual and collective constraints and freedom of action. The workers and their immediate superiors are aware that this is how things are regulated, but those further up the hierarchy usually know nothing about it.

2.2 What working conditions and work organisation play against the employment of older workers?

Older workers can develop and use specific strategies to remain efficient while protecting themselves only if workstations are designed and work is organised in such a way as to allow or even encourage this. The scope which a worker has to adjust his working rhythm, movements and way of operating are more or less limited by the restrictions of his working hours, his orders, work distribution and the time allocated for carrying out tasks. Firms often underestimate or are ignorant of the demands actually made by jobs and also the importance of these strategies, and may even reject some forms of behaviour deviating from the prescribed work even though they are designed to achieve performance targets (Pueyo 1999). For the firm, maintaining performance levels despite an ageing workforce means identifying the conditions in which this performance can be achieved and the strategies actually used in order to do so. This knowledge is vital to avoid undermining performance when making changes, however slight, to the way in which work is organised, and to encourage the acquisition of the relevant skills through the career pathway chosen and the establishment of teams (with a range of different ages).

Maintaining or reintroducing ‘soft’ jobs in the firm is, of course, one way of keeping the situation open. The idea here is to keep a degree of diversity in the demands made by jobs, in terms of both skills and
working conditions, so that workers who are no longer able to stay in their current jobs can be reassigned.

Career pathways are a complex element in the management of older workers. They help to build up an individual’s skills through acquired experience, and they determine his ability to develop at any given time. The ability to acquire new knowledge also depends on the characteristics of the work in question, and in particular on having a degree of specialisation which does not impede remaining adaptable. Workers are more adaptable if they are accustomed to regular training and changes of jobs or tasks. Some pathways, on the contrary, lead to a dead end. Excessively narrow specialisation and jobs which require a low level of skills can make it difficult to adapt skills through training. How work has been organised previously thus tends to make the accumulation of skills an irreversible process. From this point of view older workers have an occupational past to which the only conceivable response is to take corrective measures. However, workers can be managed preventively, by designing career pathways for today’s younger workers who will become the older workers of the future. If more regular changes make workers more adaptable, they still need adequate periods of stability in order to gain experience in a work situation.

Special attention needs to be given to situations of change, whether they involve changes in work organisation, working techniques or products (Cau-Bareille and Volkoff 1998). The strategies adopted by older workers are a response not just to performance targets, but also to psychological factors: self-confidence and the feeling of being in control of the situation. Any change in the work situation thus requires consideration to be given to the skills that can be transferred, the extent to which the conditions of performance for older workers will be affected and how these workers can be involved in the process of change, both individually and in terms of the work community.
In the case of today’s older workers, the issue of career pathways is really all about looking at opportunities for advancement and mobility during the latter half or even at the end of the career. It most often involves changing direction in order to adapt to the firm’s or organisation’s current requirements. However, such developments must be assessed in terms of the link between expertise and efficiency: being less multi-skilled or less mobile does not always equate to being less productive, and this can mean modulating the pathways proposed. Further factors involved in a move or retraining are the transparency of the job changes proposed to the worker and the psychological and financial effects of the move. In particular, the close link between job and pay often deters workers from moving to a less prominent post. Lastly, the way in which the end of a worker’s career is handled is a very important factor in motivation.

2.3 National initiatives are difficult to identify

Changes to work content, the conditions in which work is performed and the way it is organised require discussion at the lowest level, the level at which there is adequate knowledge of the work in practice. There is therefore a sort of incompatibility between the operational response level and the level at which national differences are observable. Consequently, few initiatives have been recorded, even though it is likely that many measures have been taken in this field.

In Denmark (Jensen 2002), in 1995, most collective agreements included ‘social clauses’ on the creation at local level of jobs with adapted working conditions for those with a reduced capacity for work, including older workers. In 1997 legislation introduced subsidies to encourage employers to redefine jobs or create new ‘soft’ jobs suitable for older workers. In the public sector, employers developed a wide range of measures for older workers, mainly designed to develop their skills. In 1997, bridge jobs were introduced alongside the various part-time options. A framework agreement concluded in the state civil service created a scheme for those who have occupied a management post or equivalent for at least ten years, allowing them
to transfer to a lower level post with financial compensation. Advisory services were also introduced for SMEs to help them to design and implement policies to help older workers. This measure was extended after 2000 (Hansen 2002).

In the Netherlands, many collective agreements contain provisions exempting older workers from night work and shift work (Delsen 2002). In 2000, 85 of the 132 agreements concluded allow older workers (minimum age 50, most often from age 55) not to work irregular hours such as overtime, weekend work or team rotation work. Ten agreements contain clauses on career changes for older workers, within the company or outside it.

In Belgium, the Law of 5 September 2001 on improving the employment rate among workers enables workers aged 50 and over on the half-time time-credit scheme to provide training, supervision or mentoring for new recruits during their time off. This can take place either in the firm where they work, in another firm or in a training centre in the same sector of activity. It may be paid, though the conditions have yet to be laid down. The Law also establishes a fund at the Ministry of Employment and Labour to promote good-quality working conditions. Financed from social security contributions and the recovery of incorrectly paid subsidies, it is designed to subsidise measures to adapt working conditions for workers aged 55 and over.

In France, mentoring is also provided for in some company agreements setting out details of how progressive preretirement is to be implemented. However, it seems not to have been developed much in formal terms, even though those in progressive preretirement are in some cases clearly helping to train the workers partly replacing them. Mentor posts are mainly introduced in large companies. Where mentoring is provided for outside working hours, workers on progressive preretirement are reluctant to accept the job.

Finally, in the 1990s Finland introduced a comprehensive policy to maintain the working capacity of the oldest workers. Working capac-
ity is seen as being the result of both individual resources (health and functional capacity, education and know-how, values and attitudes), and of the characteristics of the job and the working environment (Vinni 2002). The measures taken involve evaluating the situation of older workers using ‘working capacity barometers’, collecting positive examples and disseminating them to firms.

2.4 Features and limitations of measures relating to work organisation and job content

Analysing how work organisation and job content can encourage older workers to stay at work highlights just how many different challenges are involved, even more than with the reduction of working time: the ‘sustainability’ of the job for those with limited abilities, maintaining employability, the motivation to stay, occupational development and mobility. The number of these challenges is matched by the range of ‘solutions’ applied. Three elements appear crucial: (i) working conditions, (ii) the options for acquiring/developing skills, and (iii) the characteristics of career pathways.

There are two possible approaches, illustrated by the national initiatives described earlier. First, older workers can be seen as a special group for which specific solutions need to be proposed: ‘soft’ jobs, and end-of-career routes within or outside the firm. There are then two risks: (i) that the number of people involved will be out of step with the number of posts available, and (ii) that ‘sidelining’ these workers will cut them off from the activity of the firm. An overall approach is also possible, covering both working conditions and career pathways, and it involves adapting work organisation and the management of mobility to suit the diversity of the workforce. This approach avoids stigmatisation, offers a wider range of opportunities for an older workforce with very different characteristics, and encourages management in advance. It is then no longer the case, for example, that all older workers are shielded from certain working conditions, but instead a less demanding combination of working
conditions is created for everyone (by introducing greater autonomy and freedom of action). However, this sort of approach is more difficult to implement because it involves rethinking working conditions, organisation, mobility and implementation of changes that might be regarded as dictated by the economic and competitive situation.

There are clearly certain links between the targeted and overall approaches, such as specific reduction of working time, work organisation and job content. A move to part-time work can make up for working conditions which fail to improve or even become harder. As well as reducing the duration of exposure to difficult working conditions, it may also mean that workers are able to avoid certain demands (night work, overtime, Sunday working). However, the nature of the part-time jobs can also affect the attractiveness of reduced working time: a large proportion of workers want to keep the same job content after moving over to part-time work (Charpentier and Jolivet 2001). Improving the management of workers in mid-career or even throughout their working lives reduces problems at the end of the career and therefore the need for special management.

A distinction also needs to be drawn between keeping workers in the firm and keeping them in employment. Most arrangements for older workers are designed to keep them in the firm, in an ‘internal market’ perspective. Others encourage external mobility instead (outplacement, the establishment of consultant subsidiaries, or the ‘shukko’ mechanism in Japan). The situation of older workers then depends on the continuation and nature of their ties with their company of origin. In the USA and Japan some arrangements involve the individual leaving the firm and being taken on again, usually under less favourable conditions. In addition to the uncertainty that this creates for the individual, his conditions of pay and employment will now be different from those of the other workers. The concept of a ‘bridge job’, forming a transition from employment to retirement, is clearly
distinct from the previous ‘career job’. On the contrary, there are very few initiatives which create external employment options with collective guarantees, in other words, which reconcile labour market flexibility with worker security, as in the ‘transitional labour market’ perspective (Schmid and Gazier 2002).

3. Recommendations

3.1 Move away from the implicit idea of a continuous, linear career; support moves at end of career

‘End of career’ all too often refers to how companies manage their older workers and how an individual chooses to reduce his working time, in the absence of any possibility of giving up work early altogether. Thinking in terms of the external labour market for older workers means rethinking the schemes offered to this group in the labour force. Up to now, schemes have all been designed to encourage employed workers at the end of their careers to reduce their working time or to carry on working. The requirement that the worker must have worked for the company for a certain number of years, and in some countries that he must previously have been in full-time employment, automatically excludes those who have just been recruited part-time from any financial compensation, even only partial. Reduced-time working should also be seen as a possible feature of a new job for the older unemployed.

A change of job or of working conditions in the later years of working life may also entail a change of employer. To the extent that the possibilities of recruitment are reduced, this external mobility could equally receive support from the employment services or the social partners (bargaining to settle the terms of such mobility and in particular the financial support).

3.2 Take account of the selective aspect of the special schemes set up

Access to a reduction in working time with compensation involves individual selection: selection according to seniority in the job and in
the company, but also according to level of income, type of job held and family situation. As with schemes for stopping work early altogether, but in a different way, the special schemes for moving to part-time work have a redistribution effect. Consideration of the aims pursued here should therefore be based on knowledge of the characteristics of those agreeing to reduce their working time, but also and above all on the characteristics of those refusing to do so, and the reasons for their decision.

3.3 Set up reversible schemes?

A move to part-time working is final in all countries except for the Netherlands. Yet individual preferences can change. Wanting to work part-time at the end of one’s career is often linked to wanting to spend more time with one’s spouse and in some cases to looking after dependant parents or children. A change in the individual’s family situation (death of spouse, putting dependant relative in care) or financial situation, or else failure to anticipate the level of reduction in income can make him want to go back to full-time working or increase his hours. It would therefore seem a positive step, and consistent with the desire to promote activity among older workers, to make the individual’s decision reversible, provided that the employer is given a period of notice. Another example of reversibility – the option in Denmark of resuming part-time work after taking early retirement (flexible early retirement, see Table 4, pp. 154–56) while retaining the previous level of income (the wage earned is deducted from the preretirement allowance) – enables the level of activity among older workers to be increased.

3.4 Be clear about the aims being pursued when encouraging workers to move to part-time

Certain aims are pursued when workers are encouraged to move to part-time work. The ambivalent nature of a reduction of working time for older workers means that these aims need to be clarified. In particular, the relatively old schemes that still exist in some European
countries and that were set up in a different context need to be brought into line with today’s situation.

Also, the attractiveness of working time reduction schemes for older workers depends on whether they have access to schemes allowing them to retire early altogether. If we are to increase the participation of older workers on the labour market, we need to look simultaneously at the conditions offered by both types of scheme.

Finally, the promotion of short-hours jobs after retirement age must not be used as a way of alleviating the deterioration in purchasing power of retired persons. The choice to continue or take up once again a part-time job must not be forced by the development of retirement systems.

3.5 Support the introduction in practice of end-of-career reduced working time

Limitations exist on the distribution of part-time working in companies, particularly for those at the end of their career. The complex rules governing special schemes and difficulty in obtaining the necessary information may discourage both firms, particularly SMEs, and individuals. It may also be difficult to design part-time jobs at local level, as is the case, for example, with managerial posts or some jobs which are regarded as incompatible with reduced hours, or for sites which cannot find a replacement for the hours not worked. For individuals, wanting a part-time job does not necessarily mean wanting a different job, less interesting work and the loss of previously-held responsibilities.

It would be desirable, when part-time working is introduced in practice, for it to be accompanied by information on successful examples and supported by advisory services such as those proposed in France for the introduction of the 35-hour week and in Denmark for the development of pro-ageing policies.
3.6 Focus on measures which are suited to each situation

It is essential to carry out a detailed assessment of the situation in the company, on the premises and at the workplace in order to develop measures which take account of the characteristics of the workers and their workstations (Laville and Volkoff 1994). Ergonomic studies clearly show that recommending rules and proposing lists of instructions are to be avoided. Seeking attractive or less physically demanding work may actually lead some people to accept tougher hours. For example, some workers at the end of their career work night shifts, as security guards, say. It should also be borne in mind that ageing tends to increase individual disparities: shift work may become more difficult with age, but some older workers withstand this very well. Likewise, the emphasis on developing multiple skills may run counter to the compensating strategies which experienced workers use and can mean that a firm underexploits the specific skills of a given worker. Rather than setting out a list of things to do, we need to encourage discussion and action in firms and at sectoral level.

3.7 Incorporate curative and preventive dimensions in age management

Developing active strategies to encourage older workers to stay at work involves not just looking at how to keep today’s older workers at work, but also creating the conditions for younger workers to age less. In addition to curative measures we also need to promote production systems which are designed to take account of workers’ characteristics. Production targets, technical options and work organisation largely determine how workers adapt to a lower level. They also have an impact on younger workers, as well as older ones, by shaping their exposure to difficult working conditions, the type of skills required and the development of experience.

Translated from French by Julie Barnes
Bibliography


### Table 4: Features of specific working time reduction for older workers

<table>
<thead>
<tr>
<th>Countries</th>
<th>Date/level of definition</th>
<th>Eligibility age</th>
<th>Type of reduction</th>
<th>Duration/end</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time work</td>
<td>2000</td>
<td>men 55, women 50</td>
<td>40 to 60% of previous hours (at least 80% of full time)</td>
<td>early retirement age (men 61.5, women 56.5)</td>
<td>at least 50% of pay reduction</td>
</tr>
<tr>
<td>Partial pension</td>
<td>1993</td>
<td>men 61.5, women 56.5</td>
<td>previous working time: full time – max 28 h/week part-timers – max 70% of previous hours</td>
<td>retirement age (men 65, women 60)</td>
<td>partial pension</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career break</td>
<td>1985</td>
<td>50</td>
<td>1/5, 1/4, 1/3, 1/2 reduction for full timers, 1/2 reduction employees working at least 3/4 of full time</td>
<td>retirement age (men 65, women 62)</td>
<td>fixed public allowance pension: status of full-time worker</td>
</tr>
<tr>
<td></td>
<td>2001 (private sector)</td>
<td>50</td>
<td>1/5 reduction (for employees working at least 4/5 of full time or half time (for employees working at least 3/4 of full time)</td>
<td>retirement age</td>
<td>fixed public allowance pension: status of full-time worker</td>
</tr>
<tr>
<td></td>
<td>interprofessional coll. agreement and law</td>
<td>55</td>
<td>50% of previous hours (full timers only)</td>
<td>retirement age</td>
<td>unemp. benefit, supp. compensation</td>
</tr>
</tbody>
</table>

**A lifelong strategy for active ageing**
### Denmark

- **Flexible early retirement law**
  - 1998
  - 60 variable hours reduction
  - Retirement age (65)
  - Partial early retirement pay (difference between early retirement pay and wage) + tax-free bonus

- **Social part-time pension**
  - 1986, modified in 1999 and 2001
  - 60 at least reduction of 7 hours or 25% → 12 to 30 h/week on average
  - Retirement age
  - Partial pension

- **Senior policies ‘social chapters’**
  - 1990s sectoral agreements
  - 60, 55 in the public sector
  - Variable hours reduction
  - Minimum 15 h/week in the public sector
  - Retirement age

### Finland

- **Part-time pension**
  - 1987 (private sector), 1989 (public sector)
  - 58, from 1998 until 2002, 56 (experimental)
  - 16 to 28 hours
  - 50% of previous hours for self-employed
  - Retirement age (65)
  - Part-time pension (50% of income loss)

### France

- **Progressive early retirement (private sector)**
  - 1982, modified in 1993 and 1997 law
  - 55 reduction of 50% for full-timers (on average, max 80%, min 20%)
  - Minimum age for a full pension (min 60, max 65)
  - Public supplementary compensation (30 or 25% of full-time basic wage)

- **Phased-in retirement (public sector)**
  - 1982
  - 55 (public sector)
  - Reduction of 50% for full-timers
  - Same
  - Same

- **Gradual retirement**
  - 1988
  - 60 variable reduction of full-time work
  - Full-time retirement, full-time activity or second part-time job
  - Partial pension proportionate to work time reduction
### Table 4: Features of specific working time reduction for older workers (cont.)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Date/level of definition</th>
<th>Eligibility age</th>
<th>Type of reduction</th>
<th>Duration/end</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Progressive</td>
<td>1996</td>
<td>55</td>
<td>reduction of 50%,</td>
<td>retirement age (65) or early retirement age (63)</td>
<td>at least 70% of previous full-time income</td>
</tr>
<tr>
<td>retirement</td>
<td>law</td>
<td></td>
<td>18 hours/week minimum possibility of compacted working time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td>variable hours reduction</td>
<td>retirement age (65)</td>
<td>according to collective agreements</td>
</tr>
<tr>
<td>Progressive</td>
<td>1980s</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>retirement</td>
<td>collective agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Early retirement</td>
<td>1984</td>
<td>reduction of 50%</td>
<td>retirement age (65)</td>
<td>proportionate partial pension</td>
</tr>
<tr>
<td></td>
<td>law</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>Partial pension</td>
<td>1976</td>
<td>Reduction of 25, 50 or 75%</td>
<td>retirement age (65)</td>
<td>partial pension</td>
</tr>
<tr>
<td>(until 2000)</td>
<td>law</td>
<td>60, 61 since 1994</td>
<td>(with a maximum reduction of 10 hours)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>Partial pension</td>
<td>1997</td>
<td>variable hours reduction</td>
<td>retirement age (67)</td>
<td>partial pension</td>
</tr>
<tr>
<td></td>
<td>nationwide</td>
<td>62 since 1998</td>
<td></td>
<td></td>
<td>(difference between income before and after part-time retirement)</td>
</tr>
<tr>
<td></td>
<td>collective agreement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annie Jolivet’s article is a summary of the questions and problems of extending working life, especially for older people.

There are significant variations between EU countries concerning working time and pensions, but one may also hope to identify common features, which is what this paper has done.

It is difficult to compare the development of different phenomena in different countries and in different circumstances. There are three (at least) main questions to consider in relation to working time, and especially part-time work:

- What does part-time work really mean for older workers?
- What do we really need to look at in this situation?
- How is the reduction in working time funded?

These are very basic questions. More research is needed to solve them. The wide range of different schemes available, however, shows that reduced working time, especially for older workers, serves a number of different purposes. The problem is to strike a balance between the different aims of the part-time schemes and at the same time assure that they are accepted by the majority.

Employment participation of older workers depends on many factors related to individuals, enterprises, and society: for example, the individual’s capabilities and goals, enterprise personnel policies, and state social security. In previous discussions the benefits of partial pensions have been emphasised both in the financial sense and in the sense that they increase older workers’ ability to cope by providing an alternative to full-time work.
The demand for part-time retirement is to a great extent explained by the demand for active leisure. It is, however, unclear whether part-time retirement schemes have improved the quality of working life of the individual in the firm.

Working ability is the result of the interaction between individual resources and the job. A person’s individual resources include health, abilities, education and experience. Values and attitudes, motivation and job satisfaction are also important.

A person realises his or her resources at work, under the influence of the work community and environment, as well as the job’s physical and mental demands. A well-functioning work community or environment can at least partly compensate for diminished personal resources.

What concerns us is the strong influence of the level of social protection on employment among older workers. As Jolivet says, the notion of life without the worries of work has its attractions.

The question of how job demands correspond to the skills of older workers is extremely important. However, it seems that lack of skills is not the primary problem as regards workers and their jobs. It is possible, however, that management sees the skills of workers in a different light from the workers themselves.

Older workers have:

- work and professional experience;
- the ability to communicate;
- a capacity for critical thinking;
- a sense of responsibility;
- consistency and stability;
- motivation.

Everyday working conditions are more problematic. Older workers need more time to rest when their work schedules become more
demanding: their physical capacity is not the same as that of younger workers.

The main question is how working life can be arranged so that it takes into account the skills of both older and younger workers. Is it possible to organise special jobs for older people? Is it possible to change their jobs so that they become more suited to their age and skills?

Critical comments mainly concern the benefits and attractiveness of the part-time schemes to people who would otherwise stay at work until retirement but who are now beginning to seek partial pensions. In other words, the original aim of the law has totally changed.

Attitudes towards leaving work have become more positive.

One problem related to pensions is how part-time work can satisfy all parties. The spread of atypical working hours allows flexibility, but for employees too much flexibility can have its downside.

We therefore need to think about ways of adjusting the conditions of employment of older workers, mainly in relation to working time, and at the same time their working conditions in the narrow sense, covering a wide range of issues.

Two aspects of working time are particularly important:

- flexible working hours;
- reduced working hours.

The theory is that shorter working hours encourage older workers to remain in the labour market

As Annie Jolivet says, the solution to these problems is to be sought in two separate disciplines: the economics of working time and the ergonomics of working conditions. This is true, but only if we understand ergonomics in a broad enough sense, as the study of the ability to work.

It is my pleasure to congratulate Annie Jolivet on her excellent work.
The contribution of social infrastructure and services to the increased employment of older workers

Jozef Pacolet and Georges Hedebov

Introduction

The problem of ‘work and family’, or the reconciliation of work and family obligations such as childcare and care for the elderly, has a strong impact on the employment of women in particular. For younger age groups the main problem is that of childcare. For older age groups different ‘conflicts of loyalty’ arise concerning whether to carry on working, take care of older family members or step in to look after the grandchildren.

The policy of encouraging women to work by improving childcare facilities has been an issue for a long time now, one of the intentions behind it being emancipation. During the 1990s, greater attention was paid to this problem and in the future the risk of labour shortages will cause this to become even more pronounced.

Until relatively recently, too little attention was paid to the role of older workers – grandparents – in this care process, despite the fact that the image of the ‘sandwich generation’ has become fairly common: a generation of people between 50 and 65 with a fourfold role of spouse/worker/grandparent and son/daughter or son/daughter-in-law of dependent elderly people. In this chapter we examine the degree to which this image is a true reflection of reality and will continue to be so (or become even more prominent), and also the degree
to which further improvements in childcare and care for the elderly (as well as other kinds of care, such as for invalids) can help encourage older workers to continue in employment.

Different considerations may lie at the heart of the decision to retire early. There are ‘push’ factors (industrial change, redundancy, obsolete qualifications), some of which can become ‘pull’ factors (people trying to escape from some aspects of the job) if workers come to feel that they cannot do the work any longer; on top of this are the attractive aspects of exit that really pull (attractiveness of life in retirement, a financially rewarding early retirement, family obligations). The importance of the task of caring (caring for the elderly, looking after grandchildren, and so on) in the decision to stop work early is the focus of this chapter.

It is clear that just as the provision of childcare facilities encourages young women to take up employment, the same provision of care for the elderly (care at home and even residential care) also encourages older workers to continue to take up employment. Both types of service will certainly provide relief to the so-called ‘sandwich generation’ that may be called upon to be ‘on duty’ for both. There is also a direct relation between the situation of young and older women since the provision of childcare can allow younger women to participate in the labour market without having to rely on the informal support of grandparents. Finally, labour market participation at a young age guarantees higher labour market participation in later life.

1. Care remains above all a women’s issue

The ECHP (European Community Household Panel) Survey (Eurostat, Beschreibung der Sozialen Lage in Europa (2001), p. 117) reveals that about 16% of men and 31% of women spend time (unpaid) looking after children, while a further 4% of men and 8% of women take care of adults. The care providers are not necessarily older people.
### Table 1: Share of adults caring for children or adults as % of total, 1996

<table>
<thead>
<tr>
<th></th>
<th>% of adults caring voluntarily for children and adults (handicap, illness, other)</th>
<th>% of adults caring voluntarily for children</th>
<th>% of adults caring voluntarily for adults</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of adults</td>
<td>% of adults</td>
<td>% of adults</td>
</tr>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>EU-15</td>
<td>19</td>
<td>36</td>
<td>16</td>
</tr>
<tr>
<td>B</td>
<td>22</td>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>DK</td>
<td>26</td>
<td>33</td>
<td>23</td>
</tr>
<tr>
<td>D</td>
<td>19</td>
<td>33</td>
<td>16</td>
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<tr>
<td>EL</td>
<td>13</td>
<td>39</td>
<td>12</td>
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<tr>
<td>E</td>
<td>13</td>
<td>33</td>
<td>11</td>
</tr>
<tr>
<td>F</td>
<td>14</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>IRL</td>
<td>19</td>
<td>44</td>
<td>17</td>
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<tr>
<td>I</td>
<td>18</td>
<td>41</td>
<td>15</td>
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<td>L</td>
<td>23</td>
<td>37</td>
<td>20</td>
</tr>
<tr>
<td>NL</td>
<td>34</td>
<td>45</td>
<td>31</td>
</tr>
<tr>
<td>A</td>
<td>15</td>
<td>37</td>
<td>14</td>
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<tr>
<td>P</td>
<td>6</td>
<td>29</td>
<td>5</td>
</tr>
<tr>
<td>FIN</td>
<td>23</td>
<td>32</td>
<td>19</td>
</tr>
<tr>
<td>S</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>UK</td>
<td>26</td>
<td>43</td>
<td>21</td>
</tr>
</tbody>
</table>

*Source: Eurostat, Haushaltspanel der Europäischen Gemeinschaft (ECHP) (1996).*

In general, care for sick and dependant adults is concentrated at the end of a person’s lifetime, so that care for the elderly is often carried out by the older partner and not by still active older workers. It is therefore true that ‘the majority of people in need of LTC (Long Term Care) live at home, with a daughter typically providing care for a parent or a wife for her husband’ (Nocera and Zweifel 1996, p. 79); however, within this group the main carer is the partner.
2. Childcare and employment of parents and grandparents

2.1 Childcare provisions

Care of young children can be handled by the parents themselves, either with or without the support of more or less attractive parental leave conditions or formal provisions for childcare, up to 2.5 to 3 years of age outside the school system, and informal care provided by grandparents. Thereafter the provision of out-of-school care and the school system come into play in most EU member states. Finally, informal solutions may also play a role.

In more advanced welfare states there is an increasing tendency to leave early childcare to the parents. A comparative study of welfare expenditure on children in the EU illustrates the importance of being able to take parental leave in the first (and sometimes the second) year for female labour market participation in Sweden. However, a considerable amount of formal care is also available in the first six years of a child’s life. Denmark, Norway and Finland also provide care of this kind. These provisions are available to a much lesser degree, if at all, in Germany, the Netherlands and the United Kingdom (Finansdepartemented, 1996).

The degree to which childcare provisions are taken up also depends on length of maternity and parental leave and how they are compensated (Appendix 1). Maternity leave in a number of EU countries is between 12 and 21 weeks, with either a flat rate being paid or an amount between 66% and 100% of income. In addition, people are entitled to take parental leave of between 6 and 18 months. In Scandinavian countries, compensation for this may amount to anything up to 100% of income (with a set ceiling). In other countries it is 60% or 30% or a reduced monthly amount (OECD 2001, p. 32; SCP 2000). For children above three years of age, the education system offers a range of provisions (OECD 2001, p. 47). Childcare for under-threes may be available free of charge or with a partial parental contribution.
Contribution of social services to increased employment of older workers


Figure 1: Relationship between female labour market participation and expenditure on childcare and leave, selected countries, 1994


Figure 2: Relationship between income per capita and expenditure on childcare and parental leave, selected countries, 1994

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Figure 3: Relationship between social expenditures and labour market participation of women aged 55–65

Source: Own calculations based on ECHP (2001).

Figure 4: Social benefits for the family, 1999, as a percentage of GDP
It is with good reason that the OECD bundles these systems of ‘Early Childhood Education and Care’ together under the heading ‘Starting Strong’ (OECD 2001). It represents a good start as regards these societies’ investment in human capital. Nonetheless, some research points to possible negative gender aspects of some provisions, such as parental leave, generally taken up by women. Although parental leave may be short-term, it can have long-term negative consequences for a career (OECD 2001, p. 33). In some countries quotas are set so that part of the parental leave can only be taken by the father.

Figure 5 shows that level of educational qualifications is linked to level of labour participation. In the absence of detailed figures concerning the use of day-care related to mother’s level of qualifications, the degree of use of day-care was kept constant across qualifications.

The relationship between employment of women/parents with school-age children and childcare provision is widely documented. The need for childcare provided by parents, as well as after-school activities, is defined by the school schedule itself (holidays; school until midday or until the afternoon; Saturdays included). The tables in Appendices 1, 2 and 3 clearly illustrate how the employment – especially full-time employment – of women with children under 15 years of age is higher when there is greater provision of childcare and after-school care (SCP 2000, pp. 38–39). Southern European countries have lower rates of formal childcare, and also lower employment rates (with the exception of Portugal). Even countries such as Germany, France and the Netherlands have little out-of-school care and also have lower employment rates. Figures for former East and West Germany reveal both alternatives: in former East Germany almost all women work and almost all children receive after-school care; in the ‘richer’ (dixit SCP 2000) West Germany, only a small number of children benefit from after-school care and most of the women do not work full-time. The preference here for infor-
Source: OECD (2001); SCP (2000).

Figure 5: Relationship between use of day-care for children and labour market participation of women with a child under 6 years or age, by educational qualification, selected countries, 1997 (as % of total)
mal childcare would seem therefore to be a social one and is not linked to a greater degree of prosperity or vice versa. Once a society has reached a high level of prosperity it is in a position to make choices. However, although it is not a general rule, there seems to remain a positive correlation between economic development and the provision of these services. Above a certain level of economic development, there can be a shift again towards informal care provided by the parents, supported by more or less generous allowances.

Increasing attention is being paid to the ‘rush hours’ of life. Working life is gradually being compressed into a relatively short period due to the increasing amount of time spent in education and early retirement. This means that the critical time for career advancement typically coincides with the period when children are young and the demands of the family are the greatest (OECD 2001, p. 26).

The first half of this picture is probably inaccurate. The experiences of two generations are being conflated, namely the experience of early retirement of earlier generations and the experience of later entry into the workplace of the current generation. The latter’s eventual pensionable age is still an open question. What is true is that family life is at its most intense just when career demands are also likely to take up a lot of time. State provision of childcare services or parental leave can compensate for this. There will be an increased preference for such provisions in order to safeguard the combination of family and work over the whole life span. Schemes with provisions for time credits, life-span (time) savings accounts and adaptation of the social security and tax system are also being put forward. Later, we shall look at whether they are substantial enough to cover the full range of needs arising from the reconciliation of work and family life.
2.2 Older workers and care

What is much less well documented is the role of grandparents, the generation of women between 50 and 65, and their role in childcare and in the care of the elderly. Fewer children, better childcare facilities and improved health among the older generations (increasing life expectancy) could make life easier for the so-called ‘sandwich generation’. But society may also want to stimulate informal intergenerational solidarity (unless we choose the Scandinavian model of ‘intimacy at a distance’). Research was carried out recently in Italy on the possible influence of geographical mobility on the availability of informal help. Tomassini, Wolf and Rosina (2001) demonstrate how parents in Italy provide considerable help to children in purchasing their own home, with the result that many people end up living close to their parents. In Italy 20% of homes are bought with the help of parents. In contrast with earlier times, the ‘intergenerational tie function’ will play an increasingly important role ‘through women’ in a situation where exchange of care is an important factor. The decision to settle somewhere may be determined by the availability of care provided by grandparents. In addition to parents’ altruistic motives, there is also the consideration that support provided by parents for their children should be reciprocated. The preferred strategy in Spain is also to settle close to parents with a view to benefiting from childcare. In Portugal this informal form of care must exist given the high number of women with small children who work and the fact that there is no significant provision of formal childcare. The scope and form of this childcare has not been documented. Wealthier economies with more developed systems of formal care may still be making considerable use of informal childcare.

Grandparents (as older workers) usually offer to take on the childcare of their grandchildren either from their own choice or because care provisions are insufficient or too inaccessible. In Flanders (Belgium) a quarter of pre-school and school-age children are looked after by grandparents.
3. Care for dependent elderly people or other people in need of care

3.1 Target group

Because of the ageing of the population – and more specifically the ‘double effect of ageing’: in other words, the fact that more older people are getting older – the number of elderly people needing care is increasing. When making calculations for the future it is usually assumed that the degree of age-specific invalidity will remain unchanged (or be pushed to a later age) so that the increase in the number of those needing care is entirely accounted for by the higher number of elderly people. Because the problem of providing care, in part at least, will fall to older workers, it will become an additional pull-factor that will put workers, primarily women, in a dilemma. As already mentioned, this generation that must cope with competing demands for care from both their children and their parents is called the ‘sandwich generation’. How can we quantify this development statistically? Care for older generations depends on how much institutional care is available, the provision of home help and the degree to which older generations live together with their children.

3.2 The current involvement of older age groups in care of the elderly

We have no specific information on older workers and so we use overall figures on older age groups as an approximation. From a theoretical reconstruction of the age categories of the children of elderly people needing care (Jacobs, 1993) we can deduce that this refers mainly to older workers. In a reconstruction based on the survey data from the Panel Study of Belgian Households (Jacobs 1993) it is calculated that half the children of people over 75 generally fit into the 45–54 age group and more than two-thirds into the 40–59 age group. We start out from the hypothesis that the number of those needing care after 75 increases dramatically.

From research into family care for the elderly, it would seem that in addition to partners, it is mainly the children who take care of their...
invalid parents (Hedebouw and Winters 1988; Jones 1992; Lehr 1992). In Flanders, 43% of the main carers (those who take on the lion’s share of care and perform a co-ordinating role) belong to the 45–64 age bracket and 40% are 65 years old and above. In almost half the cases the partner provides the care (particularly in the older age groups) and in more than 40%, it is one of the children who provides care (Hedebouw and Winters 1988). If dependency is postponed to later life, the burden of informal care will remain on the partner, or elsewhere on the daughter, when she has already retired.

Time budget research, on the other hand, reveals that because it is concentrated, the time that the cross-section of the population uses for caring is on average fairly limited. However, where the need for care does arise, and in situations of severe invalidity, the process can be very demanding (see section 3.5).

### 3.3 Women are the prime carers

A second element to emerge from the research is that mainly women are involved in care of the elderly (Jacobs 1993): more than 20% of the women in the 55–60 age-group look after a sick, handicapped or elderly person (Vanderleyden 1996). The above-mentioned research in Flanders (Hedebouw and Winters 1988) reveals that two out of three main carers for the elderly are women: usually the wife or the daughter. Similar findings emerged from other Flemish studies (Vanderleyden and Dooghe 1984; Dooghe et al. 1988) and international research (Sanborn and Bould 1991; Jones 1992).

### 3.4 The role of living conditions of the elderly

The degree to which people have to rely on informal care depends on the degree of institutionalisation (see below) and on whether an alternative is sought, namely having the parents live with the children. A less drastic intermediate form would be the model mentioned above, where parents live close to their children and are thus available for looking after their grandchildren; they may also hope at a later date to receive care when they become dependent.
There is a significant difference in the frequency with which parents live with their children between northern countries (where ‘intimacy at a distance’ is more prevalent) and southern countries. In southern countries it provides an implicit network of informal care.

3.5 Involvement in terms of time and intensity

The demands of intensive care should not be underestimated. Extensive literature exists on the heavy burden that care for an elderly person represents, physically, mentally and financially (Dooghe 1992; Montgomery 1989). This care is usually not full-time, however. The intensity of care can vary from being very fragmentary to very intensive. Full-time involvement is usually limited.

The Panel Study of Belgian Households indicates that 44% of female carers above 55 (or 22% of the total) provide help for one to five hours per week. One-fifth say they provide six to ten hours of help to the elderly, and another fifth state that they provide more than 20 hours of help. The figures for men are much lower.

Our own research on the cost of care in Flanders, Greece, Ireland, Finland and Spain for people with Alzheimer’s Disease (AD) allowed us to estimate the amount of time spent on formal and informal care (Pacolet, Hedebouw and Winters 2001).

In Table 2 the results are measured in minutes of formal and informal care per day. A narrow definition of informal care refers to personal care and practical help (household work), while a broader definition also refers to the time spent keeping the patient company. Professional time includes district nursing, home help, and other types of professional care, but in Spain it also includes private housekeeping to a large extent (only affordable for higher income groups, so it does not really reflect the care available to the average person). Even with many limitations, it immediately becomes clear that the level and structure of professional care differs from one country to another, as do the level and structure of informal care. What is not apparent in the macro- and meso-statistics, but which does become...
apparent in micro-data is that even in countries where professional care is well advanced, informal helpers provide the bulk of the care. Formal care does not substitute or crowd out informal care. Our study further reveals that in Finland and Belgium this burden rests completely on the shoulders of the main carer living in the household, while in Spain, Greece and Ireland it is circles outside the household (family in Spain, others in Greece or Italy) who provide help. An example taken from Table 2 reveals that in Flanders the main carer living in the household, so probably also an older person, provides informal care for AD patients equivalent to an 11-hour-a-

<table>
<thead>
<tr>
<th></th>
<th>Flanders</th>
<th>Ireland</th>
<th>Finland</th>
<th>Spain</th>
<th>Greece</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal care (broad definition)</td>
<td>725</td>
<td>752</td>
<td>395</td>
<td>1054</td>
<td>804</td>
</tr>
<tr>
<td>Informal care (narrow definition)</td>
<td>493</td>
<td>386</td>
<td>344</td>
<td>884</td>
<td>456</td>
</tr>
<tr>
<td>Informal care from within household</td>
<td>665</td>
<td>N/A</td>
<td>N/A</td>
<td>731</td>
<td>771</td>
</tr>
<tr>
<td>Informal care from outside household</td>
<td>60</td>
<td>N/A</td>
<td>N/A</td>
<td>321</td>
<td>33</td>
</tr>
<tr>
<td>Formal care</td>
<td>94</td>
<td>19</td>
<td>32</td>
<td>60</td>
<td>N/A</td>
</tr>
<tr>
<td>Formal care/informal care (broad definition) (as %)</td>
<td>13</td>
<td>2.5</td>
<td>8</td>
<td>6</td>
<td>N/A</td>
</tr>
<tr>
<td>Narrow definition (as %)</td>
<td>19</td>
<td>5</td>
<td>9</td>
<td>7</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Notes:
Broad definition: care, practical help, company.
Narrow definition: care, practical help.
1 Based on 10 patients.
2 Based on macro-data.

Contribution of social services to increased employment of older workers

day job; 1.5 hours of professional care a day is also provided (indicating a well-developed care system). Further investigation into ‘circles of solidarity’ (as depicted in Figure 6) around the dependent elderly would be worthwhile.

3.6 Choice of care

The choice of informal and formal care can be broken down into three categories according to the people concerned: (i) care for young children, (ii) care for the elderly, both concentrated during a specific period, and (iii) care for people who are handicapped or who are chronically ill, which can occur throughout the whole life-span. Because of its long-term nature and the intensity of the care required, this last category is unarguably the most demanding.


Figure 6: Circles of informal care: circles of solidarity
Since 2002 it has also been possible to provide financial compensation for informal care, within the framework of long-term care insurance in Flanders. In about two-thirds of cases this care is intended for the elderly, and in one-third of cases, for people under 65 (statistics on the age of the main carers would be very instructive here). Our own studies into costs of informal care for Alzheimer’s patients, chronic psychiatric patients, MS patients and care at home illustrate in general that this type of care is time-intensive, long-term and often physically and psychologically demanding. Moreover, it can also include a real financial opportunity cost. This care time is unarguably provided from an altruistic motive and the amount of fulfilment is often unmeasurable. Still, it is not the same kind of care as time spent with children, so that the decision to provide it can be different in nature.

The decision might be completely different in those cases where the care required is not merely a matter of looking after children on a free school afternoon or during the holidays or providing a few hours of help each week for patients with limited needs. Ensuring long-term or permanent help may imply giving up work. Combining work and care can be very demanding. This would be the case particularly with chronically ill or handicapped people. A solidaristic solution would be to relieve the most prominent carer of as much of the care as possible. Well-supported care at home, transmural (outside) help and respite care are essential for this. This is why we remain convinced that as economies become richer they will also expand the provision of these services, not to substitute but to support informal care and in any case it will be there also when informal care is no longer available.

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1 As described in the study of Nocera and Zweifel (1996) who came to the conclusion that, all in all, a substantial (compared with the allowances in the Flemish long-term care scheme) financial allowance can initiate this kind of care in a situation where the demands of care are moderate.
3.7 Combined care – or the ‘sandwich generation’

Caring for the elderly does not necessarily exclude carrying out other family care tasks and more specifically looking after (grand-)children. This subject is covered in more depth in the Panel Study of Belgian Households. Table 3 illustrates that approximately 7% of women in the 55 and over age bracket are involved in caring for parents and/or an elderly partner. We see even higher percentages in the group of older workers (55–59). At the same time, we see that the combination of caring for grandchildren is not exceptional. This can probably be explained by the fact that neither form of care is carried out full-time. We also notice that less than one in five female older workers is completely exempt from providing some form of care.

3.8 Future developments

A number of different studies have shown that the demand for care resulting from the ageing of the population will increase. We can only estimate the precise impact of this ageing on the demand for infor-

Table 3: Overview of the care provided by women aged 55 and over by age group, Flanders, (%; N=657)

<table>
<thead>
<tr>
<th>No care</th>
<th>Care for parents, partner</th>
<th>Care for grandchild(ren)</th>
<th>Care for own child(ren) under 16</th>
<th>Care for grandchild(ren) + own child(ren)</th>
<th>Care for others + grandchild(ren)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>9</td>
<td>50</td>
<td>1</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>16</td>
<td>5</td>
<td>67</td>
<td>1</td>
<td>–</td>
<td>11</td>
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<tr>
<td>45</td>
<td>5</td>
<td>44</td>
<td>2</td>
<td>–</td>
<td>2</td>
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<tr>
<td>75</td>
<td>5</td>
<td>17</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>89</td>
<td>7</td>
<td>4</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>88</td>
<td>9</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>49</td>
<td>7</td>
<td>35</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

mal care provided by older workers. We have taken into account the changes in the number of dependent persons in the 80+ age bracket and use this as a comparison with the 55–59 age bracket. The risk of invalidity increases drastically in the 80+ age bracket and we can expect to see the numbers in this group increase significantly in the near future because of increasing life expectancy. We set out from the assumption that there will be no change in the use of residential care (as a result of possible changes in the number of places or accessibility and price, and so on), so that the ratio of formal/informal care will remain constant.

For Flanders we calculated that over the period 1997–2005 the number of dependent older persons (80+) would increase by 18% and that the share of women in the 55–59 age bracket providing informal care to their parents would increase from 9% in 1997 to 11% in 2005 or from an index of 100 to 114.

Evidence suggests that there is mutual support between formal and informal care, without substitution. This is confirmed by a study that concluded that there seems to be ‘no indication that these public subsidies have decreased relatives’ and friends’ willingness to provide informal care for the elderly. Family members are an important source of long-term care. This suggests that altruism motivates much of informal care’ (Sloan, Hoerger and Picone 1996, pp. 67–68). The question is whether financial compensation for informal care can result in an increase in informal care? Nocera and Zweifel (1996) come to the conclusion that a premium of USD1,500 to USD3,600 a year for family members in need of limited care could switch the decision on providing informal care.² This kind of ‘reservation wage’³ is depen-

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² Situations where about 100 hours per month suffice to take care of a slightly disabled elderly person (Nocera and Zweifel 1996, p. 93); note that in Austria dependency is defined as needing more than 50 hours of care per month (Pacolet, Bouten, Lanoye and Versieck 1999).

³ Income level that triggers the decision to do or not to do something (here: provide informal care).
dent on the profile (attitude) of the carer, something which the government providing the allowance has no information on. This is why the authors propose vouchers distributed to the dependent person so that he can take the best ‘value for money’ decision. Recent experience in Flanders with the newly established long-term care insurance tells us that the population welcomes such financial support for informal care in practice, although they don’t think that it is needed, so that the income is in general not passed on to the main carer, certainly not when it is provided by a member of the same household or a child. Only when third parties are involved (neighbour, friend) is the money used to compensate the informal carer (Jacobs 2002).

3.9 Providing support for family care in Europe

The provision of informal care has always been correlated with employment, and the higher labour market participation in northern European countries corresponds to the strong provision of formal services. Providing support for family care via formal services can have a strong influence on the decision whether or not to withdraw from the labour market. This is why it is important to look at the type of services provided in different European countries. The study ‘Social protection for dependency in old age in the 15 EU member states and Norway’ (Pacolet et al. 2000) gives an overview of the different provisions for community care and institutional care. Community care includes, among other things, home help and district nursing; residential care includes old people’s homes, nursing homes and other (semi-)residential provisions. In Figure 7 we illustrate the combined availability of provisions for the elderly. It is clear that countries with well-developed residential care also have well-developed home help services. Our survey shows that this mix, to a large extent of publicly financed services, is being complemented by payments for informal care in more and more countries. This again illustrates that the welfare state does not substitute informal care, but rather supports it.
In addition to availability, affordability must be considered a key issue: this is determined by the amount of public financing, which in turn determines the level of payments made by the users of the services. It is interesting to observe how these services are financed. Theoretically, we can expect that the more cure-intensive services will be publicly financed and the more care-intensive services will require more co-insurance. Cure-intensive services are similar or identical to health services, and as a ‘merit good’ are eligible for more public financing.

**Source:** Pacolet, Bouten, Lanoye, and Versieck (1999), p. 23.

**Figure 7: Development of residential and community services for the elderly in Europe**

In addition to availability, affordability must be considered a key issue: this is determined by the amount of public financing, which in turn determines the level of payments made by the users of the services. It is interesting to observe how these services are financed. Theoretically, we can expect that the more cure-intensive services will be publicly financed and the more care-intensive services will require more co-insurance. Cure-intensive services are similar or identical to health services, and as a ‘merit good’ are eligible for more public
financing. This is less or not so in many countries for more care-intensive personal social services. Information on this degree of public financing is given in Appendix 9. It should be noted that district nursing in most countries is strictly publicly financed (health insurance), while more personal or household help, which corresponds to activities of daily life (ADL), implies more co-insurance (private insurance). Nevertheless, the level of public financing is high and is close to the rates for health care (about 80% to 85%). In some countries moves are being made towards more public financing of home help. Some of those home help services were previously conditional on the availability of informal care. If informal care was available, people might be less eligible for professional care, which in a way sanctioned informal care. However, recently in many welfare states a payment or allowance for informal care has been introduced, stimulating and supporting informal care (Appendix 8). In a number of newly developed systems for long-term care these ‘in-cash’ allowances are foreseen, while in some older systems they existed already. It became apparent in our own comparison of the social protection of the elderly and the recent MISSOC overview, how the Bismarck- and Beveridge-oriented systems are growing closer together and are making substantial use of ‘care allowances’ (Pacolet, Bouten, Lanoy and Versieck 1999, pp. 66–69). In Beveridge-oriented systems we would have expected to see the services provided, something which was actually the case in the Scandinavian models, but we do see different forms of compensation for informal care in the UK and Ireland. These compensations also exist to a greater or lesser degree in the Scandinavian countries. We also see a significant possibility of ‘in-cash’ subsidies or support for informal care in the new Bismarck-oriented systems of long-term care (Austria, Germany, Luxembourg,

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4 A category of goods or services to which nobody can be denied access, which for that reason are publicly provided or at least financed to a greater or lesser extent. Education and health care are goods of this kind.
Flanders and France). The increasing amount of attention paid to these systems of care allowances also ties in with the objective of replacing the provision of formal care with informal care. The likelihood of this happening is uncertain and more often than not these systems end up providing complementary professional care or else budgets are made available that can be used for buying professional care. But they also constitute significant compensation for care work. The payments, for which there is apparently no ceiling in terms of the amount of time involved, sometimes constitute fixed allowances for childcare and sometimes a sum sufficient to cover the payment for formal care (‘Pflegegeld’ for severely dependent care situations in Austria). However, this is usually nowhere near the often generous subsidy of 100% of income for parental leave provided in some Scandinavian countries (even with a ceiling).

Furthermore, it appears that in a number of countries, in addition to parental leave, other less specific rules regarding ‘care leave’ apply, allowing people to care for a sick family member or to provide palliative care (for Belgium, see Pacolet and Marchal 2002; for a comparison with a number of European countries see European Foundation for Social Equality 2002).

4. Employment of older workers

4.1 Policy challenges

The conference report ‘Active strategies for an ageing workforce’ issued by the European Foundation for the Improvement of Living and Working Conditions (European Foundation 1999) mentions that:

The issue of reconciling employment and caring responsibilities for adult/elderly dependants will become a bigger issue for both employers and employees in the future. This reflects several key trends: the number of those needing care is likely to increase along with the growth in the number of older frail people, cost-containment policies are leading to reduced levels of formal care services, modifications in the family structure (reduction in family size) and socio-economic changes
An earlier publication of the European Foundation for the Improvement of Living and Working Conditions, ‘Working and caring. Developments in the workplace for family carers of disabled and older people’ (European Foundation 1995), based on a conference held in 1994, already recognised that care for dependent people other than children – notably, disabled and elderly people – had become a key issue in public policy over recent decades.

4.2 Just a secondary phenomenon?

Only two national reports in the first ETUI book on ‘active strategies for older workers’ address the importance of this issue for the non-employment of older women.

In the UK report (Walker, 2002) special mention is made of ‘the relevance of the family context to retirement behaviour’. More specifically, a study by Disney et al. was quoted on family care which revealed that 7% of retired people took retirement because of the ill health of family members (Disney et al. 1997). Other motives were: ill health (25%), voluntary redundancy (24%), involuntary redundancy (15%), other factors relating to the family context, such as the wish to spend more time with the family or co-ordinating giving up work with their partners, or other factors.

In the German report (Naegele 2002), the importance of reconciling family and work was highlighted, an aspect which also applies to older families in relation to care for the elderly. A ‘new reconciliation challenge’ was mentioned: one example of this is the growing number of women in employment and the care of the elderly at home, something which is gaining in topicality along with demographic trends and the increase in the number of women in employment.

However, the dominant picture to emerge from this first volume is of the ‘push’ factors that have forced older workers out of the labour
market. Industrial changes and continued unemployment, as well as impending youth unemployment, have forced older workers out of the labour market either by making them redundant or by making it possible for them to take early retirement. It is also increasingly common that the level of employment of young women is a determining factor in employment in later life (Vandenbroucke and van der Hallen 2002). Countries where employment is high among young women would appear to produce higher percentages of employment among older women; a picture by country is emerging which reveals that the rate of employment of young women is continuing as they become older (hypothesis included in the Belgian national report, among others). The provision of childcare to accommodate this, and which would also ensure higher employment rates among young women, would, over time, have an effect on older workers (in addition to not having to call on the help of grandparents to look after the children). In this way, we can expect older workers to remain in employment longer, which is also the European policy on this, the result being that more professional services will be needed in order to cope with the unavailability of informal care. Differences in employment because of childcare by education level further illustrate that people with lower levels of education (can) make less use of these provisions and as a result are less able to participate in the labour market, with ongoing consequences for their future employment. In this respect there is the danger that career breaks, whether they are sufficiently attractive or not, can create breaks in women’s labour market participation, further impeding the career path, and may therefore be regarded with suspicion from the point of view of gender equality.

5. Policy

The decision to work less rather than take advantage of formal childcare, or the decision to work less rather than take advantage of formal eldercare is an individual choice that can be modelled using clas-
sical labour supply models and ‘household production’ models (application of the model of Nocera and Zweifel [1996] to the care of the elderly). However, the decision to provide more or less formal care is a social one and will to a certain extent influence individual decisionmaking, and vice versa.

The above overview shows that provision of formal childcare and eldercare probably came into existence in the same way. Countries with well-developed childcare provisions would appear also to have well-developed provisions for eldercare. The division between northern and southern Europe is striking, corresponding as it does also to economic development. In countries with higher economic growth, formal care is much more significant. Figure 8 illustrates the importance of formal employment in health and social services, using a common denominator of employment (number of jobs) per 1,000 inhabitants.

We have seen that the provision of these services makes possible labour market participation (of women, young and then old), and at the same time creates jobs, particularly for women. This employment contributes to the added value of the economy or gross national income. Countries that have opted for this sort of job creation have thereby promoted their economic development. It remains surprising therefore that this route is not chosen in the southern European countries, where there are sometimes complaints about a ‘service deficit’ in job creation and people demand better services. In the Mediterranean countries, where services for childcare and also for eldercare are less developed, the burden on informal care must be double. While providing these services encourages employment, particularly among women, it should also, according to most classical growth models, that set great store by demographic and labour supply factors, give a significant impetus to economic development which in turn should enable further social progress such as parental leave and compensation for informal care.
The decision to opt for well-developed formal health and welfare services ensures a high employment rate in Scandinavian countries. This is clearly illustrated by the number of jobs per 1,000 persons. At the same time, it is conceivable that a greater variety of measures of informal care will be available in the future. It is not clear whether this will be the same for childcare as for eldercare. The predominant impression at the moment is that evolved welfare states are opting for a combination of support for informal and formal care for both childcare and eldercare. Well-developed childcare services in Scandinavian countries are provided together with generous systems of parental leave. This is reducing the need for care provided by grandparents. In eldercare, in general, the richer the economy the better the systems for home help and residential care. These systems are also increasingly being complemented by compensation for informal care. It is not yet clear if this actually leads to more informal care and a temporary or permanent (although not premature) withdrawal from the labour market. On the one hand, the com-

Source: Own calculations on Eurostat labour force survey and EC, Labour market.

Figure 8: Relationship between job creating in the care sector and labour market participation of women
pensation is perhaps insufficient to encourage a part-time or full-time withdrawal from the labour market. On the other hand, these care situations usually arise at that point in life when people have definitely withdrawn from the labour market, that is, because the need for care becomes prevalent only in the case of the very old. While women work longer and age differences become greater between generations, more and more situations will arise where people work while having parents in need of care. For this reason, further provisions will be required in the future. The sequence will probably be that higher labour market participation will require the development of more services.

6. Conclusion

We shall conclude by way of a series of points:

- Is the early exit of older female workers explained by push or pull factors? The debate on the higher employment of older people goes together with the debate on the employment of young women, where an attempt has also been made to better reconcile work with family: one condition of this was the provision of childcare.

- An important ‘pull factor’ (in addition to the attraction of the ‘regulations on early retirement’) that contributes to the disappearance of older people from the labour market is the need to take on family responsibilities. Parents are involved in a whole range of informal care activities within the family that in many cases form an additional circuit separate from the formal circuit. In addition to childcare and eldercare, there is also organised volunteer work, although its impact on employment is much less significant. We can assume that the better the services, the less pressure there is on older workers to withdraw from the labour market.

- Our reading of the national situations in Jepsen et al. (2002), however, shows that early exit in almost all countries is
explained by the push-factor or labour-demand side. It is clear that industrial change is pushing older workers out of the workplace.

- There is a positive relationship between labour market participation and services provided for childcare, and even between childcare and economic growth, but there is uncertainty about the causal direction. It is not evident that childcare provision will stimulate labour market participation, but increased participation will require more services. Childcare services will need to be increased because of increased labour market participation. The same goes for services for the elderly. There may be a ‘sandwich generation’, but we are still unsure. Dependency of older persons will occur later in life and will first be supported by the partner and only secondly by the daughter. But insofar as workers of 50–65 need to take care of the elderly, the fact that most of that generation are no longer in the labour market makes it easier. This will change, however, and the ‘sandwich generation’ might become a reality after all.

- Nevertheless, there is a remarkable convergence between trends in welfare state provisions for childcare, the handicapped and the elderly. The emergence of care leave for childcare, better and better compensated, is accompanied by a greater provision of care leave for elderly or handicapped persons. Sometimes it is embedded in a policy to replace formal care with informal care, but most of the time it tops up the formal care available. It started first in childcare, then in care for handicapped persons and for long-term care for the elderly. Finally, more and more systems (such as time credits, sabbatical leave facilities) are being set up with no clear reference to care needs.

- Childcare and elderly care cannot be compared. The feeling of reciprocity is not the same, and so also individual choices might be different. A policy that stimulates one does not stimulate the other in the same way.
The most demanding will probably be (almost) lifelong care for chronically ill or handicapped persons, that should have the highest priority (for instance, lifelong care for chronically ill psychiatric patients, MS patients, and so on). Current prioritising seems to work the other way (childcare first).

We do not have the impression that formal care will substitute much informal support and attention.

Gender discrimination aspects should be monitored closely.

Labour market participation of young and older women contributes to the general ambition of reaching real full employment, also reducing hidden unemployment and waste of human capital.

In contrast, the crowding out of older workers, female workers, and lower qualified workers is caused by the persistence of massive unemployment (among other things occurring in cycles of industrial change and transition).

All the forms of care leave, needed at the beginning, during and at the end of the family life-cycle, illustrate that reconciliation of work with family life, for care or other reasons, is a permanent need. Besides the clear need to support the most burdensome situations, we do not believe in individualised à la carte decision-making because it will not have a significant impact on the enormous task of reconciling work and family.

We believe that a generalised weekly or yearly labour time reduction is the only large-scale, universal, gender- and age-neutral strategy to solve mass unemployment, promote labour market participation and job creation, and act as a device to combine working time and family life. It is a life-cycle-robust solution, facilitating over the complete life-cycle a smooth transition between work and family duties, first in youth, then as a parent, then in mid-life, and finally as an older worker.
## APPENDIX 1

### Table 4: Maternity and parental leave policies in Europe, 2000

<table>
<thead>
<tr>
<th></th>
<th>Maternity leave</th>
<th>Parental leave</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Duration of maternity leave entitlement (in weeks)</td>
<td>% of wage replaced*</td>
</tr>
<tr>
<td>Belgium</td>
<td>15</td>
<td>82 in first month and then 75</td>
</tr>
<tr>
<td>Netherlands</td>
<td>16</td>
<td>100 (with upper limit)</td>
</tr>
<tr>
<td>Germany</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>France</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Country</td>
<td>Years</td>
<td>Weeks</td>
</tr>
<tr>
<td>------------------</td>
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<td>-------</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1998</td>
<td>6</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>28</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>1998</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>18</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 year's employment</td>
<td>6 weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>18</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>18</td>
<td>66</td>
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<tr>
<td></td>
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</tbody>
</table>
### Table 4: Maternity and parental leave policies in Europe, 2000 (cont.)

<table>
<thead>
<tr>
<th>Maternity leave</th>
<th>Parental leave</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration of maternity leave entitlement (wks)</strong></td>
<td><strong>Conditions</strong></td>
</tr>
<tr>
<td><strong>% of wage replaced</strong></td>
<td><strong>Until child is 8 full-time or part-time (50% or 25% leave); period can be spread; 30 days obligatory for father</strong></td>
</tr>
<tr>
<td><strong>1st regulation</strong></td>
<td><strong>Maternity leave</strong></td>
</tr>
<tr>
<td><strong>Kind of law (individ. or family law)</strong></td>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>included in parental leave</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>?</td>
</tr>
</tbody>
</table>
| Country | Age (years) | Duration (months) | Status | Eligibility | Unpaid
|---------|-------------|-------------------|--------|-------------|--------
| Portugal | 18 | 100 | 1984 | individual | until child is 3; full-time 6 mth; unpaid except in case of adoption
| | | | | | 2 or 3 years with 3 or more children
| | | | | | Italy
| | 21 | 80 | 1977 | family | until child is 8; full-time 10 mth after maternity leave or 11 mth if father takes 3 months; 30% of wage
| | | | | | Spain
| | | | | |
| | | | | | ? | ? | 1980 | family | until child is 3; full-time, not both parents at the same time (more if handicapped child) | unpaid

* With exception of Sweden and Finland the total costs do not exceed 1% of GDP.

### APPENDIX 2

**Table 5: Availability of formal childcare services (mainly gov. financed), 0–3, 3–6, 6–10 years (% of children)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Belgium</th>
<th>Germany</th>
<th>France</th>
<th>Luxembourg</th>
<th>Austria</th>
<th>Ireland</th>
<th>UK</th>
<th>Denmark</th>
<th>Finland</th>
<th>Sweden</th>
<th>Greece</th>
<th>Italy</th>
<th>Portugal</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day nursery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>children 0–3</td>
<td>27*</td>
<td>2*</td>
<td>23*</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>48</td>
<td>21</td>
<td>33</td>
<td>3</td>
<td>6*</td>
<td>12*</td>
<td>2</td>
</tr>
<tr>
<td>years</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Day nursery</td>
<td>95</td>
<td>78</td>
<td>99</td>
<td>91</td>
<td>3</td>
<td>55</td>
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<td>82</td>
<td>53</td>
<td>72</td>
<td>64</td>
<td>91</td>
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<td>children 3 years–school age</td>
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<tr>
<td>(inc. children going to school before school age)</td>
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<td>6</td>
<td>6</td>
<td>4 (pre-school)</td>
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<td>6</td>
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<td>7</td>
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<td>1997/1998</td>
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<td></td>
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<td>6 (primary school)</td>
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</tr>
<tr>
<td>(for children of 6–10 years)</td>
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* Available places, financed by government.

### Table 6: Labour participation of women, school hours and share of children in out-of-school care, 1993

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<thead>
<tr>
<th>Country</th>
<th>Labour participation of women</th>
<th>Women's share of full-time work</th>
<th>Lessons a year in hours</th>
<th>Weeks of holiday</th>
<th>Compuls. school age</th>
<th>School</th>
<th>AM</th>
<th>PM</th>
<th>Out-of-school care (% children)</th>
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<td>62</td>
<td>62</td>
<td>849</td>
<td>16</td>
<td>6</td>
<td>Mo–Fr</td>
<td>8.30–12.00</td>
<td>13.30–15.00</td>
<td>&gt;53</td>
</tr>
<tr>
<td>Netherlands</td>
<td>49</td>
<td>12</td>
<td>1,000</td>
<td>12</td>
<td>5</td>
<td>Mo–Fr</td>
<td>Wed pm free</td>
<td>low</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>55</td>
<td>53</td>
<td>705</td>
<td>14</td>
<td>6</td>
<td>5 or 6 days a week</td>
<td>8.00–12.30</td>
<td>5–88</td>
<td>high</td>
</tr>
<tr>
<td>France</td>
<td>62</td>
<td>69</td>
<td>822</td>
<td>17</td>
<td>6</td>
<td>Mo, Tu, Th, Fr, We and Sat half-day</td>
<td>8.30–11.30</td>
<td>13.30–16.30</td>
<td>high</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>44</td>
<td>72</td>
<td>936</td>
<td>16</td>
<td>4/6</td>
<td>Mo–Sat, 9 day-parts</td>
<td>8.00–11.45</td>
<td>14.00–15.45</td>
<td>3</td>
</tr>
<tr>
<td>Austria</td>
<td>64</td>
<td>62</td>
<td>936</td>
<td>16</td>
<td>6</td>
<td>Mo–Fr</td>
<td>8.00–12.30</td>
<td>low</td>
<td></td>
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<td>34</td>
<td>68</td>
<td>854</td>
<td>16</td>
<td>6</td>
<td>Mo–Fr</td>
<td>9.00–12.00</td>
<td>13.00–15.30</td>
<td>&lt;1</td>
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<tr>
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<td>58</td>
<td>33</td>
<td>893</td>
<td>13</td>
<td>5</td>
<td>Mo–Fr</td>
<td>9.00–12.00</td>
<td>13.00–15.30</td>
<td>&gt;71</td>
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<td>76</td>
<td>65</td>
<td>660</td>
<td>12</td>
<td>7</td>
<td>Mo–Fr</td>
<td>8.00–15.00</td>
<td>8.00–15.00</td>
<td>29–52</td>
</tr>
<tr>
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<td>81</td>
<td>90</td>
<td>761</td>
<td>17</td>
<td>5.5</td>
<td>Mo–Fr</td>
<td>8.30–13.00</td>
<td>?</td>
<td>high</td>
</tr>
<tr>
<td>Sweden</td>
<td>75</td>
<td>47</td>
<td>936</td>
<td>16</td>
<td>6</td>
<td>Mo–Fr</td>
<td>9.00–12.00</td>
<td>low</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>45</td>
<td>93</td>
<td>761</td>
<td>17</td>
<td>5.5</td>
<td>Mo–Fr</td>
<td>9.00–15.00</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>43</td>
<td>86</td>
<td>969</td>
<td>14</td>
<td>6</td>
<td>Mo–Fr</td>
<td>9.00–12.00</td>
<td>?</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>70</td>
<td>90</td>
<td>787</td>
<td>18</td>
<td>6</td>
<td>Mo–Fr</td>
<td>9.00–15.00</td>
<td>9.00–15.00</td>
<td>9</td>
</tr>
<tr>
<td>Spain</td>
<td>34</td>
<td>83</td>
<td>810</td>
<td>17</td>
<td>6</td>
<td>Mo–Fr</td>
<td>9.00–12.00</td>
<td>15.00–17.00</td>
<td>?</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td><strong>57</strong></td>
<td><strong>66</strong></td>
<td><strong>837</strong></td>
<td><strong>15.2</strong></td>
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APPENDIX 4

Table 7: Female labour market participation by age, EU, 2000

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<tr>
<th>Country</th>
<th>15–24</th>
<th>25–54</th>
<th>55–64</th>
<th>15–64 FTE</th>
<th>FTE/persons (average job as share of FT job)</th>
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<tbody>
<tr>
<td>Austria</td>
<td>47.6</td>
<td>73.6</td>
<td>17.2</td>
<td>59.4</td>
<td>–</td>
</tr>
<tr>
<td>Belgium</td>
<td>25.4</td>
<td>67.2</td>
<td>16.6</td>
<td>51.6</td>
<td>46.6</td>
</tr>
<tr>
<td>Germany</td>
<td>43.6</td>
<td>71.3</td>
<td>28.6</td>
<td>57.9</td>
<td>46.1</td>
</tr>
<tr>
<td>France</td>
<td>26.0</td>
<td>70.0</td>
<td>26.5</td>
<td>55.3</td>
<td>48.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>67.3</td>
<td>71.1</td>
<td>26.5</td>
<td>63.7</td>
<td>40.1</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>28.2</td>
<td>63.4</td>
<td>16.8</td>
<td>50.3</td>
<td>44.6</td>
</tr>
<tr>
<td>Spain</td>
<td>25.2</td>
<td>49.9</td>
<td>19.1</td>
<td>39.4</td>
<td>–</td>
</tr>
<tr>
<td>Greece</td>
<td>21.9</td>
<td>52.0</td>
<td>24.7</td>
<td>40.9</td>
<td>40.0</td>
</tr>
<tr>
<td>Italy</td>
<td>22.1</td>
<td>50.9</td>
<td>15.3</td>
<td>39.6</td>
<td>36.7</td>
</tr>
<tr>
<td>Portugal</td>
<td>37.5</td>
<td>73.3</td>
<td>41.6</td>
<td>60.1</td>
<td>–</td>
</tr>
<tr>
<td>Ireland</td>
<td>46.8</td>
<td>62.6</td>
<td>27.2</td>
<td>54.0</td>
<td>45.2</td>
</tr>
<tr>
<td>UK</td>
<td>54.0</td>
<td>73.2</td>
<td>41.7</td>
<td>64.6</td>
<td>49.7</td>
</tr>
<tr>
<td>Denmark</td>
<td>63.3</td>
<td>79.8</td>
<td>46.6</td>
<td>71.6</td>
<td>62.2</td>
</tr>
<tr>
<td>Finland</td>
<td>39.9</td>
<td>77.4</td>
<td>41.0</td>
<td>64.4</td>
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<td>Sweden</td>
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<td>81.7</td>
<td>62.5</td>
<td>71.0</td>
<td>60.2</td>
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</table>

### APPENDIX 5

**Table 8: Part-time labour market participation in the EU, 1999; weekly working time, employed men and women with a child under 3 years, EU, 1997; share of part-time work by women with child under 6 years, by highest educational qualification, 1997 (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Part-time labour market participation, 1999</th>
<th>Average hours worked a week, 1997</th>
<th>Women with high qualifications</th>
<th>Women with medium qualifications</th>
<th>Women with low qualifications</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
<td>Part-time</td>
</tr>
<tr>
<td>Belgium</td>
<td>4.2</td>
<td>31.5</td>
<td>40.9</td>
<td>32.6</td>
<td>29</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.7</td>
<td>54.2</td>
<td>?</td>
<td>?</td>
<td>68</td>
</tr>
<tr>
<td>Germany</td>
<td>5.6</td>
<td>30.3</td>
<td>41.9</td>
<td>30.6</td>
<td>29</td>
</tr>
<tr>
<td>France</td>
<td>5.4</td>
<td>27.7</td>
<td>41.5</td>
<td>34</td>
<td>24</td>
</tr>
<tr>
<td>Austria</td>
<td>4.1</td>
<td>30.2</td>
<td>41.2</td>
<td>33.4</td>
<td>30</td>
</tr>
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<td>Ireland</td>
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<td>18.8</td>
<td>45.6</td>
<td>32.9</td>
<td>15</td>
</tr>
<tr>
<td>UK</td>
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<td>35.8</td>
<td>46.6</td>
<td>26</td>
<td>12</td>
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<td>5.6</td>
<td>14.4</td>
<td>42.1</td>
<td>36.8</td>
<td>5</td>
</tr>
<tr>
<td>Greece</td>
<td>3.1</td>
<td>10.2</td>
<td>45.5</td>
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<td>17.1</td>
<td>41.6</td>
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</tr>
<tr>
<td>Portugal</td>
<td>2.5</td>
<td>7.8</td>
<td>44.1</td>
<td>38.2</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>3.2</td>
<td>15.9</td>
<td>42.5</td>
<td>36.2</td>
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</table>

*Source: OECD (2001).*
## APPENDIX 6

### Table 9: Expenditure on social benefits as percentage of GDP, 1999

<table>
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<tr>
<th></th>
<th>Old age + survivors</th>
<th>Sickness/ health care</th>
<th>Family/ children</th>
<th>Unemployment</th>
<th>Housing + social exclusion</th>
<th>Total social expend.</th>
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<tbody>
<tr>
<td>EU-15</td>
<td>12.70</td>
<td>9.63</td>
<td>2.35</td>
<td>1.88</td>
<td>1.05</td>
<td>27.6</td>
</tr>
<tr>
<td>EUR-12</td>
<td>12.79</td>
<td>9.60</td>
<td>2.26</td>
<td>2.04</td>
<td>0.80</td>
<td>27.5</td>
</tr>
<tr>
<td>A</td>
<td>13.56</td>
<td>10.12</td>
<td>2.95</td>
<td>1.54</td>
<td>0.46</td>
<td>28.6</td>
</tr>
<tr>
<td>B</td>
<td>12.13</td>
<td>9.48</td>
<td>2.57</td>
<td>3.41</td>
<td>0.62</td>
<td>28.2</td>
</tr>
<tr>
<td>D</td>
<td>12.46</td>
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<td>3.11</td>
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<tr>
<td>F</td>
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<td>2.97</td>
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<td>1.39</td>
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<tr>
<td>NL</td>
<td>11.66</td>
<td>11.44</td>
<td>1.21</td>
<td>1.74</td>
<td>2.08</td>
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</tr>
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<td>L</td>
<td>9.07</td>
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<td>3.39</td>
<td>0.55</td>
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<td>1.47</td>
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<td>1.05</td>
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</tr>
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Source: Eurostat, Social expenditure.
## APPENDIX 7

### Table 10: Living conditions of persons >65, by sex, EU, 1994

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<th>Men 65+</th>
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<tbody>
<tr>
<td></td>
<td>Only partner</td>
<td>Partner+ children</td>
<td>Only children</td>
<td>Living alone</td>
<td>Other</td>
<td>Only partner</td>
<td>Partner+ children</td>
<td>Only children</td>
</tr>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>North</strong></td>
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</tr>
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<td>55</td>
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<td>68</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
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<td>3</td>
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<td>8</td>
<td>44</td>
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<td>69</td>
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<td>2</td>
</tr>
<tr>
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<td>41</td>
<td>5</td>
<td>9</td>
<td>42</td>
<td>3</td>
<td>68</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>36</td>
<td>4</td>
<td>7</td>
<td>50</td>
<td>3</td>
<td>61</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>34</td>
<td>3</td>
<td>9</td>
<td>52</td>
<td>3</td>
<td>71</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td><strong>South</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>24</td>
<td>11</td>
<td>16</td>
<td>45</td>
<td>4</td>
<td>51</td>
<td>26</td>
<td>7</td>
</tr>
<tr>
<td>Ireland</td>
<td>24</td>
<td>10</td>
<td>20</td>
<td>36</td>
<td>10</td>
<td>37</td>
<td>23</td>
<td>6</td>
</tr>
<tr>
<td>Italy</td>
<td>31</td>
<td>9</td>
<td>19</td>
<td>37</td>
<td>3</td>
<td>56</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>Greece</td>
<td>34</td>
<td>10</td>
<td>21</td>
<td>32</td>
<td>4</td>
<td>59</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Spain</td>
<td>31</td>
<td>15</td>
<td>24</td>
<td>23</td>
<td>8</td>
<td>51</td>
<td>30</td>
<td>7</td>
</tr>
<tr>
<td>Portugal</td>
<td>35</td>
<td>12</td>
<td>23</td>
<td>25</td>
<td>7</td>
<td>58</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td><strong>Weighted average</strong></td>
<td>37</td>
<td>4</td>
<td>8</td>
<td>48</td>
<td>3</td>
<td>67</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

### Source

## APPENDIX 8

**Table 11: Overview of in-cash benefits (payments for care)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Recipients</th>
<th>Number of beneficiaries</th>
<th>Amount</th>
<th>Conditionalities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pfleggeld</td>
<td>– dependent person</td>
<td>± 250 000 60+</td>
<td>Paid at 7 levels:</td>
<td>– non-means-tested</td>
</tr>
<tr>
<td></td>
<td>– if staying in old age/nursing home:</td>
<td></td>
<td>160–1 600 euro/mth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– provider receives 80% of amount</td>
<td></td>
<td></td>
<td>– in need of care</td>
</tr>
<tr>
<td></td>
<td>– attendance allowance is frozen if</td>
<td></td>
<td></td>
<td>for more than 50 hours/mth</td>
</tr>
<tr>
<td></td>
<td>– staying in a general hospital more</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>than 4 weeks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hulp van derden</td>
<td>– dependent person</td>
<td>13 216 ECU per year (1994)</td>
<td>– active or has been</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Allowance for help</td>
<td></td>
<td>– needing help from</td>
<td></td>
</tr>
<tr>
<td></td>
<td>from a third person</td>
<td></td>
<td>a third person</td>
<td></td>
</tr>
<tr>
<td></td>
<td>in the context of an occupational disease</td>
<td></td>
<td>– occupational</td>
<td></td>
</tr>
<tr>
<td></td>
<td>or industrial accident)</td>
<td></td>
<td>disease/disabled</td>
<td></td>
</tr>
<tr>
<td></td>
<td>active as an employee</td>
<td></td>
<td>– non-means-tested</td>
<td></td>
</tr>
<tr>
<td>Tegemoetkoming voor</td>
<td>– dependent person</td>
<td>3% of the elderly in 1992</td>
<td>Max. 2 800 to 4 008 ECU</td>
<td>– above age of 65</td>
</tr>
<tr>
<td>hulp aan bejaarden</td>
<td></td>
<td></td>
<td>per year (1996)</td>
<td>– dependency-related</td>
</tr>
<tr>
<td></td>
<td>(Allowance for help for older persons)</td>
<td></td>
<td></td>
<td>– means-tested</td>
</tr>
<tr>
<td>Integratietegemoetkoming</td>
<td>– older persons who have become disabled before the age of retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Program Name</td>
<td>Eligibility</td>
<td>Amount</td>
<td>Notes</td>
</tr>
<tr>
<td>-------------</td>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Germany</td>
<td>Pflegeleistung in Geld (Aid for persons in need of assistance)</td>
<td>Leistung bei schwerer Pflegebedürftigkeit der Gesetzlichen Krankenversicherung</td>
<td>– income-related and means-tested</td>
<td>Between 200 and 600 ECU/month – dependency-related</td>
</tr>
<tr>
<td>Spain</td>
<td>Ayuda tercera persona (allowance for help for older or handicapped people)</td>
<td>– payable for carers caring at home</td>
<td>445 ECU/month</td>
<td>– dependency-related – dependent person lives at home</td>
</tr>
<tr>
<td>Finland</td>
<td>Omaishoidon tuki (home care allowance)</td>
<td>– payable for carers caring at home</td>
<td>445 ECU/month</td>
<td>– dependency-related – dependent person lives at home</td>
</tr>
</tbody>
</table>

Zorgverzekering (long-term care insurance since January 2002) (Flanders; optional in Brussels) severely dependent persons at home March 2002: 80 041 applications: 60 741 accepted of which 90% combined allowance and 6% single allowance

75 euro for informal care
125 euro for informal (75) and formal (50) care per month

– based on assessment of dependency
– not income- or means-tested
<table>
<thead>
<tr>
<th>Name</th>
<th>Recipients</th>
<th>Number of beneficiaries</th>
<th>Amount</th>
<th>Conditionalities</th>
</tr>
</thead>
</table>
| *Eläkkeensaajan hoitotuki*  
(pensioner’s care allowance) | payable to recipients of disability or old-age pension, whose functional capacity has diminished due to illness or injury | Paid in 3 categories | – dependency-related  
– not paid if staying in institution |
| **France** | **Allocation compensatrice** | 124 400 60+ (=60% of beneficiaries) (1992) | Between 311 and 622 ECU/mth | – income-related  
– dependency-related |
| **Ireland** | Carer’s allowance | – designated for carers who live in the same household as the dependent older person | 82.5 ECU/week | means-tested |
| **Italy** | Payment for care | In theory only for persons with an elderly dependent person at home, paid to the carer | 381 ECU/mth (1999: 508 ECU/mth) | – means-tested  
– dependency-related |
| **Luxembourg** | **Allocation de soins (AS)** | | 381 ECU/mth (1999: 508 ECU/mth) | – means-tested  
– dependency-related |
<table>
<thead>
<tr>
<th>Country</th>
<th>Payment for care</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td><strong>Payment for care</strong></td>
<td>Subsidises the help of a third person informal carer.</td>
<td>51 ECU (1995)</td>
</tr>
<tr>
<td></td>
<td><strong>Payment for care</strong></td>
<td>Pension supplement for a cohabiting informal carer.</td>
<td>23 ECU (1995)</td>
</tr>
<tr>
<td>Sweden</td>
<td><strong>Care salary</strong></td>
<td>Attendance allowance (not taxed) paid to dependent to be used as reimbursement for care given by spouse, daughter or whoever is actually responsible for the caring. Carer’s allowance is the term used for situations where a family member is employed by municipality to care for a next of kin. In these cases payment goes to carer and is regarded just like any other remuneration for paid work (tax, social protection, etc.)</td>
<td>Attendance allowance: 141–588 ECU/mth</td>
</tr>
<tr>
<td>Name</td>
<td>Recipients</td>
<td>Number of beneficiaries</td>
<td>Amount</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------</td>
<td>-------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance allowance</td>
<td>-dependent person</td>
<td></td>
<td>Payable at 2 rates: 39.7 or 59.4 ECU/week</td>
</tr>
<tr>
<td>Severe disability premium</td>
<td>- dependent person eligible for the attendance allowance</td>
<td></td>
<td>44.6 ECU per week</td>
</tr>
<tr>
<td>Invalid care allowance</td>
<td>- payable to people who care for someone who is in receipt of attendance allowance</td>
<td></td>
<td>15.9 ECU per week</td>
</tr>
<tr>
<td>Carer's premium</td>
<td>- for those on inv. care allowance, although person receiving care loses entitlement to severe disab. premium</td>
<td></td>
<td>15.9 ECU per week</td>
</tr>
<tr>
<td>Regulated Social Fund</td>
<td>- one-off payments for those in receipt of income support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Care Grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Omsorgslön</td>
<td>- care salary for relatives</td>
<td>Not spec. for elderly but many receive it</td>
<td></td>
</tr>
<tr>
<td>Assistance allowances</td>
<td></td>
<td></td>
<td>Few apply (±1%)</td>
</tr>
</tbody>
</table>

**APPENDIX 9**

*Table 12: Financing of selected services: % of costs paid by the elderly and their relatives (E), the public authorities (P) and others (O)*

<table>
<thead>
<tr>
<th>Community</th>
<th>Home help</th>
<th>Meals-on-wheels</th>
<th>District nursing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E</td>
<td>P</td>
<td>O</td>
</tr>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B 1989</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993, Fl.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993, Wal.</td>
<td>14</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994, Fl.</td>
<td>20</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>DK 1989</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>1993</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>1995</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>D</td>
<td>22</td>
<td>35</td>
<td>43</td>
</tr>
<tr>
<td>E (1995)</td>
<td>30</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>FIN (1992)</td>
<td>7</td>
<td>93</td>
<td>67 (6)</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L (1995)</td>
<td>33</td>
<td>66</td>
<td>+</td>
</tr>
<tr>
<td>NL 1989</td>
<td>50</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>1994</td>
<td>81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S 1995</td>
<td>6</td>
<td>94</td>
<td>0</td>
</tr>
<tr>
<td>UK</td>
<td>9</td>
<td>91</td>
<td>0</td>
</tr>
<tr>
<td>N 1994</td>
<td>5</td>
<td>95</td>
<td>0</td>
</tr>
</tbody>
</table>

**Notes:**
E = the elderly and their relatives, P = government and social insurance, O = others: private insurance, sponsors, charities.
(1) food cost; (2) social security and volunteer organisations;
(4) only concerns meals distributed by public centres for social welfare – ‘OCMW’.
(5) the elderly pay at least the food cost; (6) refers to auxiliary services.
(7) only for conventional nursing tasks; for corporal and hygienic care the elderly have to contribute.

**Source:** Country reports.
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Comments

Henri Lourdelle

It was with great interest that I read the article by Pacolet and Hedebouw on the links between social infrastructure and older workers.

Although I am a trade unionist, I have little knowledge and awareness of this subject, and it was a real intellectual pleasure to discover this paper. I especially appreciated the well-researched approach.

In particular, it brings to the fore the link between increased life expectancy and the four roles played by women.

It was also pertinent to underline the link between school organisation and the availability of women for employment, and to make it clear that care for the elderly has many forms: while some people need only a few hours of care a day, others need a constant presence.

To summarise these first positive comments, I would say it is the first time that I have read a document on the relationship between the supply and the affordability of childcare structures, as well as care of the elderly and dependent people and employment of women.

Some data exist – in the context of the national action plans for employment – on employment of women in relation to the supply of childcare facilities for small children but data are rare or non-existent on facilities for young children, together with care services for dependent people and their impact on the employment of women. In other words, the problematic of elderly workers raises an important aspect of the gender issue.

The other aspect relates to the working conditions pertaining to jobs occupied mainly by women.
Having made these positive remarks, I have some questions and further comments.

For example: the distinction concerning the data on family members taking care of dependent, sick and aged people is not always clear. Is the requirement for care attributable to the fact that the person is sick and/or old?

What kind of women’s jobs are we speaking about? Full-time or part-time?

In relation to the North–South difference (Nordic countries in comparison with Mediterranean countries), too much emphasis is placed on the lower level of economic development to explain the inadequate supply of services and jobs for women.

Inadequate supply is in some countries – for example, Germany – offset by recognition of non-formal care.

The male and female role images that a society wishes to approve, and the political choices bound to this overall picture – and thus the institutions and structures that a society creates and remodels for itself – require greater emphasis.

For example, East Germany had a supply of services and childcare leave that was more than adequate for the successful combination of occupational and domestic responsibilities. This was a political choice, resulting from the model of equal roles in working life promoted by Communist regimes (at the same time, they did nothing to alter the distribution of domestic responsibilities between men and women, but that is another story).

Germany (and also, to a certain extent, Austria) has

- an inadequate supply of services;
- inadequately remunerated opportunities for long periods of parental leave;
- recognition of non-formal care for family members;
• a system of social security based on derived rights.
The Nordic countries, by contrast,
• favour the sharing of domestic and professional responsibilities;
• offer some services for young children, and dependent and aged people;
• make provision for short periods of parental leave.
• make little use of derived rights.
The United Kingdom displays major shortcomings when it comes to the supply of services and paid parental leave.

There is one final problem. In countries where relatively few care services are on offer, a segment of the population with high and fairly high incomes turns to the immigrant population, and in some cases those who are illegally in the country. This is the case in Spain, the United Kingdom, Italy and Greece.

Some final comments: the employment of elderly women is also undoubtedly bound to the supply of services and various forms of leave. The European Union has set employment rate targets for women and elderly workers. At the last Barcelona Council it tried to fix some objectives concerning access to formal care facilities for young children. There is a need for similar targets concerning care for the elderly and dependent persons, but this is more complex because it relates to a different kind of care, including care at home. This paper offers a timely reminder that the provision of care represents a sector with a potential for job creation.

I believe that if we wish to make progress in the employment of young and older women, as presented in this study, there is a need
• to change the way people think (not only a matter for women);
• to increase the supply of care facilities;
• to increase incomes in order to facilitate access to these infrastructures.
Active ageing: a lifelong strategy

Maria Jepsen and Martin Hutsebaut

Introduction

The OECD, the IMF and the European Commission frequently put forward catastrophe scenarios of how the ageing population will give rise to a large structural public deficit by 2040–50. Borrowing, prefunding and an increase in the fiscal burden are all ruled out as solutions to this problem. Policy recommendations to alleviate the situation mainly focus on reducing or maintaining at current levels pension, health and long-term care spending. The need to increase the effective age of retirement to 65 years is also recurrently expressed, and this mainly by terminating early retirement schemes and by strengthening the incentives stemming from pension schemes to retain older workers in the labour market. Some focus is put on discrimination against older workers and the perverse effect of some companies’ human resource policies. However, this often figures at the bottom of the list of remedies. Nevertheless, active ageing has become a major policy concern in most EU member states during the past ten years. Retaining the over-55s – or even the over-45s in some countries – in the labour market is seen as increasingly important for the sustainability of the social security system and, to some extent, to compensate for tight labour markets.

However, few countries have succeeded in reversing the effect of increasingly earlier retirement, and most EU member states still have a long way to go. Policy-makers have realised that reversing the trend...
of early retirement is far from straightforward, but demands a complex and multidimensional approach. While an integrated public policy seems to be the way forward, only Finland stands out as applying this approach in a coherent manner.

The need to raise the employment rate of older workers is a priority for the very near future in order to guarantee the sustainability of the pension system. Undertaking reforms that will be effective by 2035 is inadequate because most pension systems will face financing problems as early as 2010–20. This is quite apart from the problem of labour force scarcity that has already been encountered or that will arise in the European Union. Other solutions that have been proposed to alleviate the burden on the pension system – such as funding, immigration and increasing the contributions/ decreasing the benefits of younger generations – are inappropriate or not politically feasible. People need to work for longer than the currently prevalent norm and the question is how this change is to be achieved.

The ETUI has conducted a two-year research project on ‘Active strategies for older workers’. The aim of this project was twofold: first, to identify the various situations of older workers in nine European Union member states and the policies adopted to encourage them to stay in the labour market; and second, to conduct an in-depth analysis of the main policies used to keep older workers in the labour market. The research results from the first stage of the project are published in Jepsen et al. (2002).

Several publications have identified the main policies used to retain older workers in the labour market as:

• removing incentives to early retirement and encouraging later retirement and flexible retirement;

• legislation to counter age discrimination and awareness-raising campaigns among employers with a view to effecting a change in attitudes;

• guidance and training programmes targeting older workers;
employment incentive schemes, including active employment policies and special job offers for older workers.

Two other policy issues identified as vital to an integrated approach to active strategies, albeit rarely implemented, are care infrastructures and working conditions.

An in-depth analysis of these policy areas has resulted in the five papers published in this volume.

This concluding chapter draws on the main conclusions from these five papers and aims to highlight the advantages and disadvantages of the strategies currently used to promote active ageing. The main finding is that all the above-mentioned issues are of equal importance and that all are multidimensional and complex. Furthermore, active ageing seems to be a lifelong commitment and not just something reserved for the over-50s. This makes the issue of active ageing even more challenging for policy-makers.

1. Preliminary evidence concerning what keeps older workers in employment

The aim is to create the right incentives for people to remain in the labour market, while preventing a situation whereby one section of the working population experiences conditions even more precarious than they are today. When it comes to identifying what will induce people to work longer, evidence shows that a dynamic labour market – with good jobs available – is a prerequisite for keeping seniors in work or persuading them to return to work. Economic growth and job creation are key notions. Other factors play a major role, however, such as the firm’s attitude towards older workers. Older workers are considered less productive and this image persists even though several studies have shown that differences in productivity are greater within age groups than between age groups. The difference in productivity that has been found between age groups should not be exaggerated and in some cases productivity even increases with
age (gains attributable to experience). It seems that firms that do employ older workers are those that have no choice or that deliberately choose them as part of their strategy of diversity in human resources. Research evidence shows us also that these tend to be firms that have improved the working conditions of their workforce in general: no special efforts have been undertaken to retain older workers as such, but rather the effort has been made to retain workers in general (see Section 3 for more details).

When it comes to workers’ attitudes, it is vital that, besides collective agreements, the social security and taxation systems should offer the right incentives. Several studies have shown that countries with high employment rates for the over-55s are those with social security systems that make it worthwhile to work. This complex issue is dealt with in Section 2.

Apart from these three basic elements, what is needed for firms to find older workers more attractive and for older workers to remain in the labour market? Firms often complain about the high cost of older workers, as well as their lack of up-to-date skills. Yves Chassard proposes a possible trade-off between abolishing the link between promotion and seniority and promoting workers’ employability. This implies changing the wage system, but most importantly it demands that lifelong learning becomes an integrated component of professional experience as a means either of becoming highly specialised or of expanding the professional horizon. Unfortunately, lifelong learning is much preached and little practised. The preventive approach is far surpassed by the curative one. However, it is difficult to imagine the abolition of seniority-based wages or promotion, making remuneration completely skill-based, unless employees are offered the possibility of acquiring the needed skills, which requires an increase in the preventive aspect of lifelong learning in order to promote employability.

This leads to the next main issue, namely the debate on preserving employment opportunities and promoting the mobility of older
workers. Most current policies seem to concentrate on keeping older workers in employment, but it is vital that intra-firm as well as extra-firm mobility be debated. This issue is difficult because, although mobility may leave the worker better off than if he/she had left the labour market, it can equally well make him or her worse off. What are the relevant ways and means? Where are the limits? Is Europe ready to accept a system like the Japanese one, where older workers can remain in the company but receive less wages for the same job? These issues need to be discussed.

Working conditions stand out as being a core element in the promotion of active strategies for older workers. Firms need to adapt working conditions to the needs of their entire workforce, not only those of older workers. It is possible to take a curative approach to working conditions whereby they are directly targeted at older workers in order for them to remain productive, but the best approach is to ensure that working conditions are adapted in such a way as to keep up the productivity of the workforce throughout their working lives.

However, all three aspects require caution as they imply a certain degree of re-regulation of the labour market. This cannot be envisaged without the necessary security for employees and calls for trade unions to reflect on new ways of combining increased positive flexibility with security for the workers. This aspect is even more important as the discourse on the three aspects often relates to core workers and disregards the situation of ‘outsiders’, that is, part-timers, tele-workers, home-workers, low skilled and temporary workers, a majority of whom are women. Will they be able to benefit from training, better working conditions, new evaluation methods, or will they become even worse off in the process of increasing the employment rate of the over-55s?

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1 In Japan older workers are workers that have already retired but remain in employment.
Common to these issues is the importance of effective public policies, as well as negotiations between the social partners in order to promote the above three aspects. A solid and comprehensive framework is needed, together with local negotiated implementation. The Netherlands and Finland stand out as providing good examples of successful policies that have turned around the downward employment trend: their policies and programmes have been carefully negotiated between the social partners from conception to application.

2. Incentives and disincentives deriving from the tax and social security systems

One of the most widely discussed instruments to keep older workers in the labour market is incentives related to the tax and social security systems. Lei Delsen reviews the very complex puzzle of incentives and disincentives and provides a good overview of the various systems and reforms that have taken place in the EU. The main focus is on changing the incentives for older workers (supply side: benefits and contributions) rather than on the employers (demand side: contributions). The main challenge for EU countries has been to reform their social security systems away from the excluding mechanisms introduced during the 1970s–1980s and to introduce attractive measures that will encourage older workers to re-enter or remain in the labour market. The EU member states seem to use similar instruments in order to achieve their goals of assuring the financial viability of pension systems and reversing the trend of ever-earlier retirement. Abolishing the mandatory retirement age, raising the age of pension entitlement, introducing flexible and progressive retirement, increasing the required number of years of contribution, increasing the contribution rate and cutting benefits are the most common policies. However, moves can also be observed towards efficient social security systems with incentive-compatible contribution schemes, including defined contributions, privatisation and funding.
In spite of these major reforms, little change has been observed with regard to retirement patterns. The effectiveness of these policies is questioned for two main reasons. First, increasing the age of pension entitlement or reducing benefits may not have the desired effect if other public or private pathways out of work are available (‘communicating vessels’). Second, when increasing contributions and/or decreasing the benefit entitlements that follow, the increase in the pension accrual rate might just not be large enough to induce the older worker to remain in the labour market. The reforms might even go so far as to decrease the pension wealth at the end of the career and hence induce early retirement. The privatisation and individualisation of pension accounts may also have a counter-productive outcome as it may lead to segregation and adverse selection. While the well-off and highly productive workers will have the possibility of retiring early, or may even be induced to do so, the less well-off and less productive workers will not have this choice, since they will be financially constrained to continue working in order to build up more pension rights. This effect is not only undesirable for social reasons, it also leads to a narrowing of the tax base.

Policy measures that focus on tightening access to benefits or reduction of pension levels impose a disproportionate burden on the low-income population, who are more reliant on social security provisions than those with higher incomes. Flat-rate pension benefits give incentives to the low-income population to retire early. Earnings rules and means-testing lead to pension, poverty and unemployment traps,² notably for those at the lower end of the earnings scale. However, doing away with these mechanisms and introducing pensions solely based on actuarial fairness may result in inadequate retirement income, which could lead to poverty, segmentation and polarisation.

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² By earnings rules we mean the right to accumulate pension and earnings from employment.
Introducing a flexible pension age and a favourable progressive retirement via part-time retirement regimes is a necessary but not sufficient step towards raising the effective retirement age. If other public and private early-exit schemes (for example, full-time early retirement) are not abolished or altered, such a step might result in no perceptible change. Furthermore, research shows that the change in incentives needs to be substantial in order to have an impact on the worker’s decision to retire or to combine work and pension. More importantly, all decisions taken in relation to employment will have an influence on the retirement decision, that is, changes in contributions as a result of change in employment characteristics result in changes in the later benefit level. This implies that all reforms should be seen in light of the working life perspective and not only in light of the last years of work. Working-time preferences of all individuals should be taken into account at all stages of life, as this will have an impact on the later retirement decision. Social security reforms have in general been ‘stick’-based – that is, punishing early exit – and the results have been quite meagre. Maybe policy-makers should start thinking of introducing ‘carrot’ reforms by better rewarding late exit from the labour market.

3. Training and employment policies

The importance accorded to the incentives from the social security system is justifiable; however, creating the right incentives alone will never solve the problem of early retirement. Tight labour markets, training and employment policies, as well as changing the attitudes of both employers and employees (individuals and trade unions), are also of vital importance. Céline Lafoucrière concentrates on training and employment policies that are aimed at older workers. While the European Employment Guidelines acknowledge the importance of lifelong learning and other active labour market policies in order to maintain older workers in the labour market, an in-depth analysis of the national action plans for employment shows a lack of coherent strategies, mainly due to a lack of overall understanding and truly
targeted approaches, although some member states do focus on measures taken with regard to anti-age discrimination legislation and initiatives (campaigns), age-neutral personnel and training policies and in-house training, as well as public employment programmes. Recent studies seem to confirm that targeted labour market policies and programmes are effective in reversing the trend of early exit from the labour market. In particular, training/retraining appears to be a central element in the retention of older workers on the labour market as well as in facilitating the reintegration of the long-term unemployed via an updating of their skills. However, it could also appear that training alone cannot change the face of the labour market as it now stands. Job-creation schemes, personal guidance initiatives, anti-age discrimination policies and campaigns are all vital factors if older workers are to be perceived as being an integral part of the labour force and not only a ‘reserve army’. Paradoxically, the opposite may also be true. When dealing with shortages and/or erosion of skills, the above-mentioned active labour market policies and programmes must nearly always be linked to vocational training programmes. These measures must complement each other in order to be successful.

Another crucial issue related to the policy measures mentioned above concerns where the responsibility lies and where the decisions come from. In this context state and industrial relations and traditions play a vital role. Examples from the different EU member states do not point towards a unique model for distributing responsibilities and decision-making powers. They do, however, tend to point to the fact that there is a need to establish formal government legislation providing an overall framework within which further actions can be taken. The combination between a high degree of regulation and industrial self-organisation eased by government structures capable of devolving much to regional government, coupled with a demand-led system which provides for a high level of specialisation and consultancy practices, involving different actors, appears to respond well to the issues concerned. Finland and Denmark, albeit via quite different systems, seem to point to an efficient mode of further development.
It must be stressed that, despite all discussion of the principles of lifelong learning, the issue remains inadequately understood. The tightening of the labour market seems to have induced better training processes, but a malfunctioning of the different systems is apparent. It is essential to understand the concept of lifelong learning as a preventive and lifelong process, whereas the national experiences are evidence of a general tendency to regard the issues as end-of-career problems, thereby introducing a curative aspect instead. The social partners, therefore, have an important role to play in altering mentalities and actively encouraging training practices to take place throughout an employee’s working life. Although patterns of lifelong learning differ tremendously according to different national contexts, the obligatory pattern witnessed in countries such as France has, more often than not, sent the ‘wrong’ message, sometimes serving to strengthen the negative perception of older workers’ skills. These obligatory patterns are certainly not to be condemned, for they can indeed be useful in providing a formal framework, but they should be accompanied by further financial contributions, as well as clearer quotas and targets. More incentives/rewards are needed for lifelong training in order to make sure that workers never become ‘older workers’ but remain ‘employable’ throughout their career. The general trend of curative measures for older workers, which often predominates, is evidence of an overall malfunctioning of lifelong-learning systems in general. It is crucial, therefore, that national social partners seize the opportunity given them by the European Employment Strategy and create a synergy within which concrete preventive responses can be found and coherent national strategies arise.

4. Working conditions

Another prerequisite for keeping workers on the labour market for longer relates to working conditions. This subject encompasses two issues, namely working time as a way of adapting working conditions, and the ergonomic aspect of working conditions.
With regard to working time two aspects arise, namely flexible working time and reduced working hours. It is assumed that more appropriate working-time patterns help to promote higher labour market participation among older workers. Reduced working time seems to entail many advantages. It limits the reduction in productivity that might come with age, while the reduction in duration can offset the need to adapt the nature of the working conditions themselves, and both workers and firms might be less reluctant to compromise, insofar as their preferences are better met.

Annie Jolivet identifies a wide range of already existing schemes to reduce working time in the EU member states. Some are aimed at older workers in particular, while others are aimed at workers in general. The effect and desirability of the scheme depends on its features. Is it actually helping to raise the age at which individuals retire and thereby increase the labour supply, or is it decreasing labour supply by encouraging part-time instead of full-time work? Notwithstanding the fact that from a social point of view it might be desirable to redistribute hours worked through part-time retirement, even if no more labour input in total is made. However, from an economic point of view the result is less helpful than an outcome where more hours are worked. It is also questionable whether the schemes should be targeted towards older workers alone, insofar as this might stigmatise them. Access conditions and wage compensation naturally play a major role in the success of the schemes; equally important, however, is the availability of good quality part-time jobs and how older workers are managed in general. Another criticism, or feature to note, is whether reduced working-time is available in the internal labour market (as in Belgium) only, or whether the schemes are also available for older workers changing jobs or re-entering the labour market. This last question is rarely touched upon.

Turning to the ergonomic aspect of working conditions, it should not be forgotten that ageing is partly a product of work. In order to
combat this aspect a multitude of complex factors need to be considered. Three crucial elements can be identified: working conditions, the option of acquiring/developing skills, and the characteristics of the career path.

The initiatives undertaken in EU member states can be divided into two possible approaches. In the first, older workers are perceived as a special group for whom special solutions need to be proposed: ‘soft’ jobs and end-of-career routes within or outside the firm. This policy approach implies two risks. The first is that the number of people involved will be out of step with the number of posts available, and the second is that ‘sidelining’ these workers will cut them off from the activity of the firm. The second approach is an overall approach covering both working conditions and career pathways, and it involves adapting work organisation and the management of mobility to suit the diversity of the workforce. The positive aspects are that it avoids stigmatisation, offers a wider range of opportunities for an older workforce with very different characteristics, and encourages advance management of the situation. It no longer implies, for example, that all older workers are shielded from certain working conditions but creates, instead, a less demanding combination of working conditions for everyone (by introducing greater autonomy and freedom of action). On the other hand, this type of approach is more difficult to implement because it involves rethinking working conditions, organisation, mobility and changes that might be regarded as being dictated by exogenous variables to the firm, such as the economic and competitive situation.

An analysis of the policies currently applied in EU member states clearly shows the need for a renewed look at the issue. Several recommendations can be made to policy-makers. The most important are: to put an end to the conventional way of thinking of end-of-career schemes as only for those in the internal labour market and to start including those in the external labour market; to identify what makes some decline participation in the schemes on offer; to
make the schemes reversible; to be clear about the aim of the working-time reduction (WTR); to give serious support to the introduction of WTR; to encourage discussions on working conditions in firms as well as at sectoral level; to introduce preventive as well as curative dimensions into age management.

The main message is that it is important not to introduce short-sighted, inflexible measures. What is definitely needed in the current landscape is a more flexible approach to WTR, as well as an appropriate adaptation of working conditions. A warning should be issued concerning the narrow focus on the internal labour market, which leads to neglect of the external one, which is equally if not even more important.

5. Care infrastructures

The last issue dealt with in this paper is often wrongly overlooked when discussing active ageing, namely provision of care for children, parents and spouses. Although this aspect might seem to be less of a priority when discussing active ageing for men, Pacolet and Hedeboew demonstrate its importance for women, and hence also indirectly for men, insofar as couples tend to retire together. The significance of social spending on family/childcare for female labour market participation in general has been demonstrated by several studies, but very little is known about the influence on older women’s labour market participation. Nevertheless, the scant evidence that does exist points to the fact that grandmothers play a major role in the care of grandchildren. This implies that future grandmothers will be placed in a dilemma as their parents will still be living and probably also needing care, hence the term ‘sandwich’ generation. Figures show that even in countries with a well-developed system – that is, formal care is provided – the bulk of the care is provided by the household, family or neighbours, even though it is not a full-time job. This implies that formal care cannot work completely as a substitute for informal care, though it can alleviate the situation. The
demand for care is bound to rise and this needs to be taken into consideration when discussing active ageing.

An important factor is that a high employment rate amongst younger women seems to produce higher employment rates among older women as well. There appears to be a continuity in the rate of employment. This means that childcare provision ensuring higher employment rates among younger women will, over time, have a positive effect on the employment rate of older workers and could encourage them to remain in employment for longer. In the worst case scenario, ensuring adequate formal care provision to replace informal care, for children as well as the elderly, will prevent the employment rate from decreasing as the demand for care increases with the ageing population. Once again, the less skilled are more likely to withdraw from the labour market to provide informal care, thereby contributing to their already fragile position as older workers. However, one should not lose sight of the fact that the decision to leave employment to provide care is an individual choice; however, it is also a social choice to provide care or not and this can influence the individual choice. The more formal care is provided, the less will be the pressure to leave the labour market; however, the demand for care provision should be evaluated on a life-cycle basis, as older women’s labour market participation will be strongly influenced by having participated at an earlier stage.

6. General conclusions

From the research undertaken at the ETUI it is obvious that an appropriate mix of measures targeted towards both employers and employees is essential for the successful promotion of active ageing; both demand-side and supply-side perspectives are needed. Partial approaches are bound to lead to failure to reach the goal of retaining older workers in the labour market. Furthermore, although special measures are needed for older workers, the main conclusion to be drawn is that, in order for older workers to stay in the labour market,
action should be taken on a lifelong basis. Many of the measures discussed in connection with active ageing (incentives from the social security and taxation systems, WTR, training, working conditions, social infrastructure, and so on) should actually apply to all workers. Applying the measures to older workers alone will stigmatise them and may not have the expected effect, as they are not sufficient to keep older workers in the labour market. Most of the policies proposed for older workers would be appropriate for the entire workforce. One could say that specific anti-ageism legislation and campaigns targeted towards employers, employees and trade unions are needed; however, it must be hoped that they are needed only on a temporary basis until older workers are seen as being fully a part of the labour force and not as a ‘reserve army’; however, if women are taken as an example of this, the temporary might not be so temporary. Another very important issue is the debate on the internal/external labour market. Many of the policies proposed focus on the intra-firm situation of older workers; however, it is very important to include or even promote the idea of external labour markets. It might not be the best idea to create special jobs/careers for older workers as it might lead to the development of precarious conditions. This leads to the next conclusion to be drawn from the discussion on active ageing. When closing the pathways for early exit from the labour market, very little focus is placed on the ‘weaker’ individuals in the labour market (temporary workers, part-timers, low skilled). When designing the strategy for active ageing, these groups need to be made the centre of attention as otherwise there will be a high probability of creating segregation, poverty and a new precarious group on the labour market. The flexibility of schemes is another issue. The schemes need to be flexible in order to fit the various sectors, jobs and individuals. They should also be reversible; a decision taken at one point should not necessarily be the final one. Finally, we insist on the fact that changing incentives in the social security system alone will not work; training alone will not work;
introducing WTR alone will not work; and so on. The complexity encountered when dealing with early-exit challenges and senior issues calls for an appropriate mix of measures. Whether or not supported by formal legislation, anti-age discrimination campaigns will undoubtedly be condemned to failure if not accompanied by deeper personnel policy reforms, involving all actors. The fiscal and financial aspects of early retirement trends are key issues; policy-makers and social partners therefore have a crucial role to play in establishing age-neutral pay systems and reducing employers’ costs, thereby truly helping to change employer attitudes. Employees should be given real ‘carrots’ for staying in the labour market, for example via specific tax reductions. The role of social partners should not be neglected as they have an important part to play, not only at the national level, but also at the local level in order to motivate change in the workplace. Although their intervention should motivate reform agreements in the long term, they should also be highly proactive in finding responses for the shorter term. Changes in government policy should entail a series of reforms, mainly in the field of social security, taxation, recruitment, training policies, working conditions and, last but not least, care provision. However, the attempt to influence behaviour via incentives/disincentives is fraught with difficulties: one must not only take account of the financial incentives stemming from the social security system, but also the situation and wishes of the spouse/partner, as the decision to retire is rarely a ‘solo’ one.

Although some efforts have been made in this direction, an integrated public policy approach considering the link between employment, pensions and training is still needed. Furthermore, it is vital that the policies directed towards older workers be compatible with other policies. Policy-makers need to reflect on the balance between policy goals. With the economic downturn and growing unemployment, it will be interesting to see whether governments remain as eager to undertake reforms to encourage older workers to stay or re-enter the labour market as has been the case for the past five years.
As such, the main conclusions of the research project undertaken at the ETUI do not conflict with those of the European Trade Union Confederation (ETUC). In fact, the ETUC has never accepted the ever-earlier retirement of men and women as irreversible, in particular since the original social response (early withdrawal) to an economic problem (high youth unemployment) was subsequently diverted from its original objective, namely to create more employment opportunities for young workers. Indeed, very soon the social measure of early retirement was turned into a convenient tool for companies to get rid of older employees at a low cost at an ever-earlier age. The ETUC disapproves of the systematic exclusion of older workers from the labour market, but at the same time it does not agree with the European Commission’s radical stance on generally discouraging early withdrawal from the labour market. For the ETUC, early retirement schemes should remain available as instruments of last resort to alleviate painful industrial restructuring if no other jobs are available and also as an exit route for particularly heavy or unhealthy jobs. As regards the activation of older workers, the ETUC believes that, before starting to discuss increasing the statutory retirement age – as some employers are doing – Europe should look for policies which allow and encourage men and women to remain active until they reach the normal statutory retirement age.

Bibliography
