

Employment & European Social Fund

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# European Employment Observatory Review: Spring 2003

**Employment & social affairs**

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A great deal of additional information on the European Union is available on the Internet.  
It can be accessed through the Europa server (<http://europa.eu.int>).

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# AUSTRIA

## The programme of the Austrian Federal Government

1 March 2003 saw the formation of a new Federal Government in Austria, a reincarnation of the coalition between the Austrian People's Party and the Freedom Party of Austria. The major plans in terms of employment and labour market policy of this "second Schüssel Government" are outlined below:

A successful economic policy which takes into account the objectives of the European Union (Lisbon Process) will enable Austria to meet the basic conditions required to secure existing and create new jobs.

The EU objectives of raising employment rates within the EU to 70% by 2010, and increasing women's employment rates to 60% and labour force participation amongst the 55-64 age group to 50% still represent the framework of Austrian employment policy. Within this context, full employment remains the most important goal.

### European Union

Austria will continue to work resolutely and constructively towards further integration and to represent its interests effectively.

- **Commitment to the enlargement of the European Union**, obligation of timely signing and speedy ratification of the EU accession treaty.
- **Implementation of the agreed EU transitional regulations** in terms of the freedom of movement of people, goods and services within the seven-year transition periods; rules on the step-by-step introduction of full freedom of movement.
- **Strategy for preparation for EU enlargement**: active measures designed to increase competitiveness; measures to preserve existing and provide new production sites; support for the regional business structure – particularly SMEs and investment in human capital and infrastructure. Border regions should be prepared for the coming single market by targeted measures co-ordinated at national level. Large-scale information campaigns dealing with a range of EU issues should be directed at the Austrian public.
- **Support for EU accession negotiations** with Bulgaria and Romania. Encouragement of moves towards accession by Croatia and other States in south-eastern Europe which are ready for accession. Support for the EU's pre-accession strategy.

### Integration

- The **integration** of foreign nationals already living legally in Austria continues to take priority over the admission of new foreign nationals. As in the past, the admission of new foreign nationals is subject to a quota system. Within the quota system, family members joining their families will be limited to core family members, i.e. spouses and unmarried minor children. Members of the core family entering the country legally should be given access to the labour market. This measure is designed to eliminate the basis for illegal working.

### Employment and social affairs

- **Labour market service**: reform of the AMS in order to increase

the efficiency of job placements (target: placement within 90 days).

- **Unemployment insurance**: individuals involved in the new forms of gainful employment (independent contractors, new self-employed), as well as employers, must contract voluntary insurance to ensure the receipt of unemployment benefit should their gainful employment cease.
- **Extension of the early warning system**: employees who have been laid off should register with the AMS as soon as they receive notice; improvement of individual support.
- **Greater flexibility of "reasonableness" provisions**: review of regional placement services and updating of the nature of employment protection to include an income protection.
- **Reform of partial retirement**: extension beyond 31 December 2003; limitation to five years; abolishment of "blocking". The appointment of replacement staff in case of partial retirement is being reintroduced: the AMS will pay the partial retirement allowance only where the employer appoints replacement staff.
- **Reform of the reward/penalty system**: placing of greater weight on length of service; ending of the unequal treatment of women and men in case of redundancies; later start of dismissal protection for older workers appointed against the payment of a reward; extension of the reward/penalty system.
- **Greater flexibility of working hours**: the Working Hours Law should be simplified and modernised in light of the EU Working Time Directive. Opportunities for creating more flexible working hours should be granted both to the social partners and at company-level.
- **Entitlement to part-time working for parents**: entitlement to part-time working and flexible working hours regulations for parents of children under the age of seven or not yet attending school with a simultaneous right to return to full-time employment. This applies to all employees with more than three years' service in companies with more than 20 employees.
- **Minimum wage**: each employee in full time work should receive a minimum wage of € 1,000 per month.
- **Employment of foreign nationals**: the harmonisation of residence and employment status should be continued on the basis of the seven-year transition periods and the receptiveness of the labour market. Directly implementable employment agreements with EU accession candidates should be negotiated and brought into force as the transitional mechanism for the freedom of movement of people, goods and services. In the field of seasonal workers, and within the framework of the relevant quota regulations, sufficient workers should be provided for agriculture and the tourism and entertainment industries.
- **Apprenticeships**: voluntary training partnerships; children of foreign nationals born in Austria receive access to apprenticeships and the labour market.

### Women

- **Gender mainstreaming** in all official sectors and a guarantee of the resources required.
- **Gender quotas** in commissions and committees in line with EU requirements.
- **Implementation of equal opportunities in the world of work**:
  - Reduction of the income gap between women and men;
  - Further development of measures designed to promote opportunities for women.

# BELGIUM

## Intersectoral Agreement 2003-2004

After long negotiations, the social partners have arrived at an Intersectoral Agreement for 2003-2004. The federal government supports the agreement and has already approved a bill and various royal decrees enabling some of its strands to be implemented. The Intersectoral Agreement, it will be remembered, sets out a framework for the sectoral and company-level negotiations determining working conditions throughout the private sector (involving some 2.4 million workers).

### 1. Wage norms

The main point in the agreement relates to the wage norm that determines the rise in wage costs over the next two years. This norm has been set at 5.4%, including inflation and pay-scale increases. It is accepted that the norm is indicative and the various sectors may consequently adapt it to their particular conditions. Nevertheless, the text of the agreement provides for a substantial moderation of wage rises in 2003 on account of the uncertain international and economic outlook. Several sectors have already announced their intention to be very reasonable in terms of wage rises and to give priority to safeguarding employment.

### 2. Temporary unemployment

The social partners have requested that the federal government raise benefit in the case of temporary unemployment (difficult periods and seasonal reductions in activity) to 65% of the upper wage limit (as opposed to the current figure of 60%).

### 3. Employment promotion

As part of the continuing effort to boost employment, the social partners have also decided on the way they will use the allocation of 71 million euro made to them by the federal government in the 2003 budget (incentives to employ a first, second or third worker). This measure should, then, stimulate the entrepreneurship of start-up companies and small sole traders. Moreover, it has been requested that the age from which the higher-rate structural reduction of employers' contributions for older workers is accorded should be reduced from 58 to 57. At the same time, the social partners have appealed to the federal government to reduce the threshold for employers' social contributions from 33% to 27.5%.

Young people will also not be forgotten. The social partners have asked the federal government to consider counting the recruitment of a non-native worker under 30 years of age as two units where quotas imposed within the framework of the First Job Agreement are concerned (See Employment Observatory – Review, Spring 2001) and also in respect of replacement of a person taking early retirement. Young people with alternating training (sandwich course) status will count double too and this “counting-double” rule will also be applied to disabled workers.

### 4. Time-credits

The partners are appealing to the sectors to examine all the options already incorporated into the Collective Labour Agreement

instituting a system of time-credits, career-reduction and reduction to half-time working (See Employment Observatory – Review, Spring 2002), in order to arrive at the best possible fit between private, family and working life without damaging the operation of companies. An evaluation of these provisions will be made by the social partners in late 2003.

### 5. Harmonisation of the status of white-collar and blue-collar workers

There will be no new initiatives taken to bring the status of blue-collar workers and white-collar employees closer together, as the economic environment is not favourable to such a move. Nevertheless, a call has gone out to the sectors to conduct negotiations with a view to eliminating the first two benefit “waiting days” and also the third waiting day in the case of workers of more than 15 years' seniority. The cost of this measure will be assessed by the sectors.

Appended to the Agreement is a letter from the present federal government stating that, for the duration of the current agreement, no parliamentary initiatives will be taken by the government parties concerning white-collar and blue-collar status. At the same time, the social partners undertake not to take initiatives in this connection that would impede harmonisation.

### 6. Renewal of existing commitments

The existing early retirement schemes are extended by two years. In this way, early retirement at 58 will still be able to be granted, depending on sectoral conventions. Included in this are the various special provisions (workers aged 55 after 38 years of working life; workers aged 56 after 33 years of working life and 20 years spent in a team working nights; workers aged 56 in the building sector for those with health problems, as well as early retirement on half-time working at age 55).

Moreover, the provisions that 0.1% of turnover be paid for training and the employment of at-risk groups and the 0.05% contribution for funding occupational integration schemes will remain in force.

The trade unions and employers' federations confirm their commitment, made as part of the Intersectoral Agreement of 1999-2000, to make additional efforts where lifelong learning is concerned, with the aim of setting Belgium on a course that will, in six years' time, bring it up to the average level in the three neighbouring countries – i.e. 1.9% of wage costs invested in such training.

# FINLAND

## Essential changes to legislation governing the Labour Administration's activities in 2003

### *The Labour Market Services Act collocates legislation and highlights the need for customer service*

The Labour Market Services Act, which took effect at the beginning of 2003, will clarify the current legislation in Finland. The purpose of the Act is to amend both the services organised and supplied by the Labour Administration, and the support, help and advantages provided under the legislation. Individual and separate laws were annulled.

The new Act emphasises the need for customer service and the priority on open labour markets in the services of employment centres. The regulations and their structure have been clarified. In addition, some Unemployment Benefit Act regulations and "labour market support" regulations have been transferred to the Act. These are regulations on organising the political framework behind labour market procedures, registering as jobseekers and the combined subsidies paid to employers.

The core aim of the public labour market service is to promote the operation of the labour market. The Act includes the rights and responsibilities of those using employment centres as well as such notions as capacity to work and unemployment. The Act emphasises the demands and objects of the national Constitution.

It makes it possible to deny services to an employer whose invitation to put forward candidates is discriminatory or if there are grounds to suspect that employees would not get paid. Under the Act there is also the option for individuals to follow higher-secondary or adult courses and gain diplomas, which are being specified more precisely by the Government's statutory regulation. The Labour Market Services Act establishes the special services for which the employer must pay (personnel solution and personnel recruitment) as a part of being selected for public labour market services.

The new Labour Market Services Act is firmly linked to the amendment of the social security legislation. The new Unemployment Security Act combines the regulations from various laws on income maintenance benefit during periods of unemployment. The amended Unemployment Security Act also took effect at the beginning of 2003.

### *Law on carrying out background checks on employees who work with children*

The law on procedures that can be used to check on the criminal background of people seeking to work with children took effect at the beginning of 2003. The aim of the law is to decrease the risk of children becoming the target of sexual exploitation, general abuse or being enticed to use drugs.

Background checks are aimed at individuals wishing to work as teachers or teaching assistants in pre-schools and as teachers in primary, secondary and higher secondary education as well as secondary vocational education. A person seeking this kind of work

can obtain an extract from the criminal register free of charge. The jobseeker applies to the Legal Register Centre for an extract from the criminal register. The employer is not eligible to apply for the extract.

### *Job rotation system extended by five years*

The Finnish Parliament has passed a bill extending the job rotation system by five years i.e. until the end of 2007.

According to the new law, the employee must have worked at least 10 years to qualify for the job rotation system as stipulated in the Pension Act. Compensation for an individual who has been working at least 25 years will rise to 80% of the unemployment benefit, whereas compensation will remain at the current level of 70% for other groups.

Employees are only able to benefit from the new job rotation system after working for five years. For substitute employees, priority is given to young people who are unemployed, students who recently have passed their higher education or polytechnic courses and the long-term unemployed.

### *Start of combined subsidy trial*

In 2003 a three-year trial of the "combined subsidy" starts in Finland. The legislation governing the trial is found in the Unemployment Security Act. Under the terms of the trial, the employer can obtain a combined subsidy for employing a person who has also received labour market support for 200-499 days due to his being unemployed. At present, the combined subsidy is granted only after 500 labour market support days. The combined subsidy is granted as a total labour market support without employment support. The combined subsidy is about €500 and the maximum payment period is two years.

### *Amendments to the Employment Act on family leave*

As from the start of 2003, both the Sickness Insurance Act and Employment Act contain a new family rotation mode: partial parental leave. This new form of leave is based on the principle that parents share responsibility of caring for a child. Both parents conclude an agreement with their respective employers to undertake a period of part-time work lasting at least two months.

Under this Finnish law, part-time work connected with parental leave has to be agreed upon at the workplace. By the same token, the partial discontinuation or modification of part-time work associated with parental leave must be agreed between the employer and employee. However, if there is no agreement, the employee has a right to discontinue part-time work if a justifiable reason is given.

Partial parental leave will increase families' options in terms of organising the care of the child to better suit the family's circumstances. It creates a new option for fathers to use parental leave and facilitate mothers' gradual reintegration into working life.

The provisions on "paternity-related daily allowance" found in the Sickness Insurance Act were amended as follows: the father now receives an additional 12 days on top of the current 18 days that include a paternity-related daily allowance. This enables the father to take one full month of continuous paternity leave. The stipulation for the additional 12 days of daily allowance is that the father must use his last two weeks of parental leave.



Provisions on maternity, paternity and parental payment periods and family leave in the Employment Act were also amended; these amendments will take effect at the beginning of 2003. This legislation was prepared at the Ministry of Social Affairs and Health.

### ***Working Time Act amended***

Starting in early 2003, the Working Time Act will oblige employers to organise part-time work for those employees who wish to take part-time retirement. This will be achieved in accordance with the employer and the employee, taking into account the needs of the employee and the production and service activity of the employer.

### ***Seamen's Act amended***

The "partial care leave" scheme set out in the Seamen's Act, and provisions under which seamen are entitled to take part-time retirement in order to work on a part-time basis, will take effect at the beginning of 2003. Provisions on partial care leave will amend those provisions in the Seamen's Act on family leave.

Partial care leave will be agreed between the employer and employee. However, the employer has to agree to grant partial care leave if the decrease in working time does not cause a serious threat to the activities of the employer which cannot be rectified by a reasonable rearrangement of work. In addition, the discontinuation of partial care leave is subject to agreement. In the event of failure to reach agreement, the employee is entitled to discontinue partial care leave provided a justifiable reason is given – as required by the law.

The proposal set out in the Seamen's Hours of Work Act and the Act on Hours of Work on Vessels Plying Finnish Domestic Routes is closely linked to the amendment of social security legislation. The regulation on income security during periods of unemployment will be collated from various laws to make up the new Unemployment Act. The proposed Unemployment Act was submitted to Parliament on 13 September 2002. According to the new regulations under the Act, the employer must try to organise part-time work if the employee wishes to take part-time retirement. The special conditions found in the maritime sector are such that part-time retirement schemes and the reduction of working time for partial care leave are often possible only if two part-time workers share the work of one full time worker. For example, they could work on alternate weeks and perform the work of one full-time employee.

More information on the amendment is available on the Ministry of Labour's website:

<http://www.mol.fi/>

## **FRANCE**

### **Better anticipation of redundancies**

In an economic context in which company restructuring, accompanied by redundancies, may be foreseen in 2003, the French

Government has decided to equip itself with the means to improve its social, economic and territorial intervention in economic change. Last October, the Minister of Labour, Social Affairs and Solidarity set up the Viet Mission, named after its titular head. It will be the role of this inter-departmental unit<sup>1</sup> to co-ordinate state action and to develop dispositions to improve the ability of ministries to anticipate economic change.

The inter-departmental unit will be charged with observing economic trends, both in the different territories and the various occupational sectors, and detecting potential dangers and threats, the vulnerability of a particular company, sector or territory. This role of oversight has several objectives: to attempt to avoid a crisis or prepare for it; to prepare mid- or long-term action; to create a network of persons with whom developments can be discussed; and to find solutions.

The Viet Mission reminds us of the legitimate role of the State in sounding the alert and providing a concerted economic stimulus. This is, however, a responsibility shared by all the parties concerned: the State must work with companies, the social partners and the regional and local actors.

### **Further specifications on the accreditation of prior experience**

With the appearance of accreditation of prior experience in the "vocational training" strand of the social modernisation law of 17 January 2002, a new arrangement came into being.<sup>2</sup> A number of decrees specified the details of its operation in 2002.

#### ***The modalities of implementation***

The accreditation of prior experience is a new way of obtaining a qualification which runs parallel to the traditional means of access that are initial vocational training and continuous training. All qualifications and titles of a vocational type are now wholly accessible by way of accreditation of prior experience (titles and qualifications delivered by the state, by parastatal or private bodies and sectoral certificates of vocational qualification).

The period of working time required to provide evidence of occupational experience is at least three years, whether that experience is acquired in a paid or unpaid post or as a volunteer. The occupational experience in question must be directly linked to the nature of the qualifications being sought.

Specific modalities are laid down for access, through accreditation of prior experience, to the qualifications granted by an establishment of higher learning.

#### ***The accreditation procedure***

An accreditation panel has the job of assessing and accrediting the candidate's experience, basing themselves on a diverse range of evidence: the dossier presented by the candidate, an interview and, if the rules of the particular qualification require it, an assessment in the (real or reconstituted) work situation.

The panel pronounces on the extent of the accreditation and, in the case of partial accreditation, specifies the nature of the additional tests to be passed by the candidate. This further accreditation is possible within a period of five years.

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<sup>1</sup> Which will bring together, alongside the Ministry of Labour, Social Affairs and Solidarity, all the ministries concerned, and, in particular, the Ministry of Economy, Finance and Industry.

<sup>2</sup> See the article in the European Employment Observatory Review, Spring 2001.

At least one quarter of the members of the panel must be qualified professionals from the sector in question, and the panel must, further, have a balanced representation of men and women.

### *Leave for accreditation of prior experience*

In order to allow the exercise of the individual's right to accreditation of prior experience, which is open to all citizens whatever their status (employee, jobseeker, professional etc.), a provision of leave for accreditation of prior experience is created. This leave can be taken on the same basis as skills assessment leave.

It comprises both authorisation of absence for the accreditation sessions and assistance with, and preparation for, that accreditation. Its implementation is, however, dependent on the qualification or diploma being sought through accreditation of prior experience appearing on the national list of vocational certifications.

### *The National Commission for Vocational Certifications and the National List*

The National Commission for Vocational Certifications creates and updates the National List, the purpose of which is to render clearly and coherently the range of existing qualifications (diplomas, titles and certificates of vocational qualification).

Apart from its central mission, which relates to maintaining the list, the Commission issues recommendations to the institutions responsible for delivering certification. It points out possible correspondences between types of certification, including European certification, with the aim of ensuring "transparency of qualifications" at the European level. Lastly, it provides information to individuals and companies.

### *The aims of the National List*

All existing forms of certification should be registered on the National List by field of activity and by level (following the recognised description of levels of training), but in distinct ways, depending on the type of certification.

- The types of certification registered "by right" are those delivered by the State (validating ministries) on condition that they have previously received the approval of joint consultative authorities (that is to say, authorities made up of professionals).
- The types of certification registered "after examination and approval by the Commission" relate to the forms of certification delivered by the State that are not subject to the approval of joint consultative authorities, the forms of certification delivered by other bodies, such as Chambers of Commerce or private organisations and sectoral vocational qualification certificates.

### *Multiple advantages for the different actors*

Accreditation of prior experience, an innovative path of access to qualification, is also a demanding procedure for those who undertake it. It enables them to formalise and exploit the skills acquired during their careers as a way of acceding to a qualification or diploma for vocational purposes. The recognition of skills acquired through experience also makes possible the reduction of training programmes and the individualisation of training.

Where trainers are concerned, it forces them to reason in terms of job and career systems, and to break these down into activities and

skills, so that these may be translated, subsequently, into training modules.

Lastly, for companies, accreditation of prior experience is a precious tool for managing the skills of their employees, which necessarily encourages occupational mobility between and within companies. It promotes the transferability of skills and, beyond this, the adaptation of employees to the development of forms of work organisation and technologies.

## **A plan for a return to equilibrium for employment insurance**

The substantial deficit within the employment-insurance system has made it necessary to change the provisions made in January 2001.<sup>1</sup> The social partners who manage the scheme within UNEDIC struck an agreement on 20 December 2002<sup>2</sup>: from 1 January 2003 onwards, contributions have been increased and benefit entitlement periods reduced.

- Payroll contributions are increased by 0.6%, an increase divided equally between employers and employees: the rise is from 2.8 to 6.4% (4% for employers and 2.4% for employees).
- The minimum qualifying period for benefit, which was four months (over an eighteen month reference period) has been raised to six.
- Periods of entitlement to benefit fall substantially in most cases. The system provides four types of cover, as against eight in the past (see table below).
- In order to combat companies resorting to "disguised" early retirement (by laying off older workers), the qualifying age for the maximum period of entitlement (42 months) has risen from 55 to 57.

The new arrangements come into force on 1 January 2003, and on 1 January 2004 for the unemployed who are already receiving benefit at that date.

Type of cover	1	2	3	4
Length of membership of unemployment insurance scheme	6 months membership over last 22 months	14 months membership over last 24 months	27 months membership over last 36 months (50 years and over)	27 months membership over last 36 months (57 years and over)
Period of entitlement to benefit	7 months	23 months	36 months	42 months

<sup>1</sup> Without these measures, the deficit, which has been assessed at 3.7 billion euro for 2002, would reach approximately 15 billion euro by the end of 2005.

<sup>2</sup> This agreement will shortly be approved by the Minister for Social Affairs, Labour and Solidarity.

## GERMANY

### Reform of the labour market to implement the report by the Commission for Modern Services in the Labour Market (“Hartz Commission”)

#### *The “Modern Services in the Labour Market” Commission*

The “Modern Services in the Labour Market” Commission was established in the spring of 2002 as part of the Federal German Government’s two-stage plan to make services in the labour market more competitive and more customer-oriented. Chaired by Dr. Peter Hartz, it was made up of people from trade and industry, business associations, trades unions, politics, academia, corporate consulting, the Federal States (Länder) and local authorities.

The task of the “Hartz Commission” lay in reshaping the Federal Employment Service and transforming it into a modern service provider. On this basis, a comprehensive report was submitted in the summer of 2002, outlining 13 areas for reform. The Federal Government has taken immediate measures to implement its proposals. In addition, two Acts have already been passed (December 2002). To enable the “Hartz proposals” to be executed speedily, both Acts – the contents of which are outlined below – were implemented on 1 January 2003.

#### *Immediate measures*

By removing the obstacles to funding and by boosting the capital structure of small and medium-sized enterprises, the Government hopes to prevent a situation where unemployed people are not recruited because of a lack of funds. With this objective in mind, the “Capital for Work” programme was started by the Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau) on 1 November 2002. The scheme is aimed at companies that recruit unemployed people, people threatened with unemployment or people in mini-jobs (short-time work), and place them in a permanent employment which is subject to social security contributions. The companies must be creditworthy as a whole, and must have positive prospects for the future. For every new person taken on, the company can receive a funding package worth a maximum of € 100,000 euro. In each case, half of the package is comprised of loan capital with the other half in the form of a subordinated loan.

#### *The First Act for Modern Services in the Labour Market*

On 1 January 2003, two “Acts for Modern Services in the Labour Market” entered into force. They consist of a diverse range of measures and form the basis of a comprehensive reform of German labour-market policy. In accordance with the basic principle of “Activate Self-Initiative – Ensure Security”, on the one hand, new support payments will be offered. On the other hand, there will be clear incentives to take up work in the event of being unemployed.

#### *Measures to control employee behaviour during periods of unemployment*

With the aim of immediately activating job seekers to find work and thereby avoiding or reducing the length of unemployment, employees and other individuals who, for whatever reason, are liable to pay social insurance contributions to the Federal Office for Employment, are required to report in person at their local employment office and give notice that they are looking for work. This obligation “to look for work at an early stage” comes into effect as soon as the employee receives notice that his employment is set to end, i.e. in the case of permanent employment, once he receives notice of termination or at the conclusion of a cancellation agreement. In the case of fixed-term employment, notice must, however, be given at the earliest three months before it is due to end. Employees who delay in reporting to the employment office will see their unemployment benefit or unemployment assistance cut in the event of subsequent unemployment.

The Acts on Modern Services in the Labour Market are aimed at developing the basic principle of “Activate Self-Initiative – Ensure Security “. In this context, the rulings governing the regional mobility of unemployed people have also been clarified and extended. To date, the following points have been regulated under the law on this matter:

- Basically, it is seen as reasonable for an unemployed person to take up employment outside the locality if the commuting time is up to 2 hours (there and back);
- In the case of part-time work totalling less than 6 hours, the reasonable commuting time is generally seen as 2 hours.

It is generally seen as reasonable for an employee to commute between two separate homes for up to six months. It has now been clarified in law that an unemployed person can essentially even be required to move house to end his period of unemployment and go to a place outside the reasonable commuting distance. Exemptions apply if there are important reasons that could be cited against such a move, which – in particular – means family ties or if the person is still in the first three months of unemployment and the employment office predicts that the unemployed person will be able to find work within the daily commuter zone.

Employees in breach of their undertakings and who are found to have contributed to their unemployment or who have prolonged their unemployment without having an important reason for so doing will receive no unemployment benefit for 12 weeks, during which time their benefit will be frozen. The same shall apply to supplementary benefit. In deciding whether or not to freeze payments, it is currently up to the employment office to prove that there is no important reason within the meaning of the law. In future, it will be the unemployed individual who will have to bear the burden of proof relating to the facts and circumstances from his sphere or area of responsibility. This is true, for instance, if the unemployed person pleads an important reason relating to circumstances in his personal life or if he subsequently cites reasons that the employment office initially had no reason to clarify because the unemployed person had not provided the right details on time.

The rules governing the duration of a benefits freeze on account of a refusal to take up employment, a refusal to undertake vocational integration measures or due to the discontinuation of vocational integration measures, have been rejigged to be more flexible and more differentiated in accordance with the new concept of creating a more customised job-placement service. In the event of an initial violation of obligations, a benefits freeze of three weeks will come into effect, rising to six weeks in the event of a repeat offence. Only

in the event of a third and subsequent violation – as is the case under existing legislation – does a 12-week suspension come into effect.

### ***Introduction of Personnel Service Agencies (PSAs)***

To make greater use of temporary work as an instrument of job placement, personal service agencies (PSAs) are to be set up throughout Germany. The Federal Employment Service is now committed to setting up at least one PSA in every employment office region. As a priority, the PSAs are to be awarded in accordance with competition law. The aim of the PSAs is to take on unemployed people on the basis of contracts entered into with the employment office in order to hire them temporarily. The PSA is forbidden from hiring out the unemployed to their previous employer.

When it comes to deciding which unemployed people are to be taken on by the PSA, this has to be done in accordance with regional structures and special regional features, and is to be hammered out and agreed between the employment office and the PSA. Since the Federal Employment Service is bound by the basic principles of commercial efficiency, other job-placement instruments will be used in preference if it is predicted that these will quickly lead to employment outside the remit of the personal service agency.

The level of pay within the PSA is geared to the new provisions of the German Act on Temporary Employment (see section immediately below). Until this comes into force on 1 January 2004, it must be ensured that pay and employment conditions are in line with the collective agreements for the temporary employment sector. Within the PSA, the unemployed are accordingly given a contract of employment, a guarantee of fair pay and statutory national insurance cover.

### ***Modernisation of the Regulations on Temporary Employment***

In order to promote the incidence of temporary employment in Germany, the regulations of the German Act on Temporary Employment have been revised. From 1 January 2004, these will apply both to commercial temporary employment and the newly-founded PSAs.

This, therefore, meets all basic demands of the casual employment sector in terms of bringing about greater flexibility – some of which have been around for a long time – whilst guaranteeing fair conditions of work for employees. The Federal Government is convinced that temporary labour must also be made more attractive for employees if it is to trigger palpable employment effects. In harmony with the intentions of the European Directive on Temporary Employment, currently being discussed at the Council of Ministers, temporary workers will, in future, be entitled to receive equal treatment on a par with the employees of the hiring firm during the period of their hire. It is possible to deviate from the principle of equal treatment in two cases: when unemployed people have been taken on during the first six weeks of their employment with the hirer, and if there is a collective agreement generally that provides for different rulings.

The management and the unions are required to conclude collective agreements in the year ahead for the PSAs that take account of the

different requirements of PSA employees and thus, in particular, give those unemployed people for whom it is difficult to find work a chance of getting a new job in the first labour market. The Federal Government is convinced that management and unions are aware of the implications of their decisions on employment policy, and that they will take on the responsibility this brings as a result.

### ***Realignment of training support***

On account of the overwhelming demand for skilled personnel in the labour market, the chances of unemployed people finding new work essentially depend on their qualifications. For this reason, measures have been taken to optimise the way training support is given. Overall, the right to training support is being simplified. Rulings that unnecessarily restrict the employment offices' room for manoeuvre or are detrimental to the initiative of individuals seeking training and, above all, prevent competition between the training bodies, will be scrapped.

At the heart of these new regulations lies the introduction of new training credits for employees for whom the employment office has established a training requirement. As a rule, employees will be free to use their training credits among the licensed training measures or training bodies.

In addition, the review of the criteria for training bodies and measures has been re-assessed. Under the previous legislation, it was exclusively the employment office that decided on both the individual support for those involved and the recognition of the bodies and, therefore, in effect, on support of just one specific training body. Sometimes, this severely impaired competition between the training providers. With the future external expert (i.e. certification agencies) review of the quality criteria imposed on bodies, whose expertise must be determined by accreditation by an office at Federal level, the employment offices will have their workloads cut. In addition, this – coupled with the introduction of training credits – will ensure greater objectivity and more competition.

### ***Measures designed to integrate older employees***

Within the meaning of the aims of the European Employment Strategy, older employees constitute an explicit target group for the Acts on Modern Services in the Labour Market. Various measures specific to this target group are being taken.

On the “supply side”, a combined wage model – the “pay guarantee for older employees” – is to be introduced for employees who have reached the age of 50. This wage-supplementing payment, to which they are legally entitled, comprises two components. Firstly, it involves a grant of 50% of the “net difference in the pay” between the job they had before and after they were unemployed, if they accept a job on lower pay. The pay subsidy is not subject to tax or social security contributions. Secondly, the old age pension of older employees, reduced on account of the new pay, is partly restored through increased insurance in the statutory retirement pension scheme. The pension contributions are increased to 90% of contributions that were paid in the previous position. The wage-guarantee payments are only given to older unemployed individuals, who have a (remaining) claim of at least 180 days or – in the event of an employee threatened with unemployment – would have had such a claim. The pay guarantee is given, at most, for the duration of the entitlement to unemployment benefit. To avoid

deadweight effects, this is ruled out in various different circumstances. The last possible date for the request of support is 31.12.2005; the latest date on which payments can be obtained is 31.8.2008.

On the “demand side”, incentives are being given to employers to recruit older employees. Employers who take on older employees aged 55 and over will be exempt from having to pay their share in contributions to employment development (3.25 %).

In the field of labour law, too, measures aimed at increasing flexibility are to be extended when older employees are taken on. The age limit imposed for part-time work and fixed-term employment, beyond which fixed-term contracts of employment can be concluded with employees without any deadline being fixed or without a maximum time limit, is being reduced from 58 to 52, limited to 4 years. This ruling should mark a clear improvement in the opportunities of older employees to integrate back into the labour market.

## ***The Second Act for Modern Services in the Labour Market***

### ***Setting up of Job Centres***

The job centres proposed by the Commission for Modern Services in the Labour Market, to be run by the employment service are, in the medium term, also to encompass joint points of contact for both the employment service and social welfare offices. As a first step, the second Act provides for employment offices to collect, process and use social data on welfare recipients in so far as this is necessary to operate the joint office or to implement tasks that the social welfare body has assigned to the employment office. In the medium term, the job centres are to provide access to all the advisory, job-placement and integration services necessary, as well as financial maintenance payments.

### ***Introduction of the “Ich-AG” (“Me plc”) and “Familien-AG” (“Family plc”), in particular support through business start-up grants***

The Hartz Commission has proposed the promotion of “Me plcs” (one-man companies) and “Family plcs” (by incorporation of fellow employed family members) during the transition period from unemployment to full self-employment.

This form of employment support introduces the entitlement to a business start-up grant when setting up “Me companies” or “Family companies”. This payment is an alternative form of support that still exists – in the form of bridging aid – for those wanting to start up on their own. This ruling, set to be in force until 2005, means that a grant will be given if former recipients of unemployment benefit or unemployment assistance or those in employment creation schemes and structural-adjustment measures take up self-employment. Further stipulations connected with this support include: in the case of the *Ich-AG* and *Familien-AG*, that annual income does not exceed 25,000 euro in the first year of starting up the business. The founder of the business must not employ workers, i.e. not be an employer himself. On the other hand, it is possible to take on family members.

Support will be continued for one year in each case, and for a maximum of three, provided income does not exceed 25,000 euro. To make things simpler, any grants paid will not be requested back. The grant which is not subject to tax or other charges is degressive

and in the first year is 600 euro, amounting to 360 euro in year two and 240 in year three. The grant is not to be used for living expenses, but should be used to support the business founder to maintain their social security. The founders of a “Me plc” are covered by statutory retirement pension insurance. They can also become a voluntary member of the statutory health-insurance fund, into which they pay contributions at a lower rate than other self-employed people.

In addition, further rulings in 2003 should lead to flat-rate income tax, higher VAT tax allowances, simplified accounting procedures and easier access to artisan occupations. On this point, a “small business act” is being prepared by the Federal Government that is supposed to favour all forms of business start-ups.

### ***New ruling in the area of “mini-jobs”***

To further boost employment at lower income levels, various measures are being implemented. These are aimed at giving incentives to take up employment in this income segment, and to combat moonlighting.

The limit for mini-jobs is generally being raised from 325 euro to 400 euro. The ruling of 15 hours which used to apply is no longer in force. With a level of pay of 400 euro, the employer pays flat-rate levies of 25% (12% pension insurance, 11% health insurance fund, 2% lump-sum tax), whilst the pay is not liable for employee social insurance contributions.

For mini-jobs in private households, a lower tax rate of 12% is in force (5% each to pension and health insurance and, again, 2 % taxes).

For the employee, the pay from one mini-job continues to be free of taxes if, at the same time, he/she is doing a job that is subject to national insurance contributions.

Tax incentives are also being given to employers. In the case of employment in home-related services, the employer can deduct 10% of his expenses, or a maximum of 510 euro, per annum from his tax liability. If the job in a private household is subject to social insurance contributions, the thresholds mentioned above rise to 12% or 2400 euro. There are even incentives available when an agency places personnel in work, it being possible to deduct 20% of expenses, or a maximum of 600 euro, from the tax burden.

Beyond a level of pay of 400.01 to 800 euro, the national insurance contributions of the employee are graded. In this way, the “low-wage threshold” is overcome because rates no longer rise abruptly but progressively once the low-pay limit is exceeded. The employee contribution to national insurance rises from 4% in the case of 400.01 euro to the full employee contribution of approx. 21% for 800 euro. Otherwise, the rate of contribution remains constant.

Because of the adjustments in the social security system and the implementation of these reforms, all rulings relating to mini jobs will enter into force on 1 April 2003.

## ***Outlook***

The Acts for Modern Services in the Labour Market are the first legislative step towards implementing the proposals of the “Modern Services in the Labour Market” Commission. As a second step, the structures of the Federal Employment Service are to be revamped and optimised in order to meet the needs of a modern service provider in the labour market. This includes, in particular, simplification of wage compensation payments and the instruments

of active labour-market policy, as well as an effective control of the agreements on targets by the Federal Employment Service.

Finally, as a third step, once the report of the “Commission for the Reform of Local Finances” has been submitted, the preconditions are to be created for the merger of unemployment and social benefit into a new single uniform payment for all people in work. It is planned that the ruling will enter into force on 1 January 2004.

## GREECE

### Developments in the drive to modernise the OAED

#### *The new Employment Protection Centres*

The Greek Manpower Employment Organisation (OAED)’s current efforts are focused on completing a network of new Employment Promotion Centres (EPCs). The 117 local Employment Services involved in applying active and passive policies throughout Greece are being transformed.

The new model comprises:

1. The existing 117 services distributed throughout the country, which will offer a range of actions under the social security system (allowance policy) and some employment actions up to the full development of the EPCs;
2. The operations of 63 self-contained EPCs throughout Greece, established in premises adjacent to the local services, which will provide timely services to citizens with a variety of needs (e.g. allowances, integration into the labour market). The network is growing and will be completed in 2004. The 63 Employment Promotion Centres already in operation provide high quality services to the unemployed and businesses in terms of infrastructure, human resources, techniques and advanced tools. The basic services on offer include counselling, information on the demand for specialised employees, individual support, completion of personal action plans, inclusion of the unemployed in an active employment policy with priority given to hiring policies, and their position in the production process. During 2003, the system and tools will be defined to develop an information and contacts structure for companies, professional players and other associations under the remit of each EPC, so as to provide fuller information and boost job creation potential.

The establishment of the new Employment Promotion Centres is the basic factor in reorganising the OAED. Since the EPCs are public bodies, an attempt has been made to disentangle them from certain unwieldy public sector functions. Law 2956/2001 on the reorganisation of the OAED has been supplemented with new legislative modifications which will be completed in April 2003 and which are geared to the flexible administration of the EPCs. The EPCs combine public and private-sector criteria as regards methodology, staffing and operations.

To make the EPCs operationally effective, they have been staffed with 489 expert labour consultants who have undertaken the exclusive task of advising the unemployed and companies.

One of the main problems faced by the OAED is the statistical monitoring of unemployment, which is – to a large extent – the

result of the fact that there is no total information system (TIS). The OAED’s efforts in the next six months will focus on developing a basic TIS department that will include registering unemployed persons, monitoring their development through individual approach processes, integrating them in active employment policies and, finally, integrating them into the labour market. The system will be completed in September 2003 thanks to co-operation between the OAED, the administrative sector of the EPCs and the OAED’s subsidiary *Erevnitiki-Plirophoriki* [Research and Information Company].

It is worth pointing out that in the last decade, concurrently with the effort to modernise the OAED, there has been particular emphasis on designing and applying more efficient employment policies in both qualitative and quantitative terms. The high unemployment rate of 11.5% seen in 2000 has currently dropped to around 9.5%; this is not unrelated to the active measures applied by the OAED. Nevertheless, pushing the unemployment rate down further and stabilising it will require additional joint efforts on the part of the OAED and its subsidiaries, albeit always within the framework of development and employment policies. It is thought that implementing a statistical monitoring information system for market data by the end of 2003 will considerably facilitate the task of *Erevnitiki-Plirophoriki* in terms of supply and demand, and will make the OAED more effective in charting active employment policies.

## IRELAND

### Lifelong learning in Ireland

Lifelong learning is a necessary response to the current economic and social changes taking place in society. It is crucial to have a knowledge-based society with an ability to continuously acquire knowledge, skills and competencies in this modern ever-changing business and working environment. The importance of lifelong learning has become all the more apparent given current demographic trends where, throughout Europe, there is a decline in new entrants to the labour force and a consequent need to rely more on an existing population of workers. Ireland is now beginning to experience this trend in substance, with a decline in the numbers leaving second level education underway and set to increase over the coming decade.

In addition to the economic imperative, there are a number of social concerns, which are driving the lifelong learning agenda. Foremost amongst these is the relationship between employability and social inclusion, and the view that access to more and better jobs is a fundamental underpinning of an inclusive society. This view is supplemented by the belief in the potential of lifelong learning to promote and develop active citizenship, whereby people are empowered to contribute proactively to the development of society, whether through politics, community development, business, or the arts and sciences. Lifelong learning also brings the issue of individual personal development to the forefront and supports the individual’s right to grow and develop intellectually and holistically.

The definition of lifelong learning by the European Commission is “all learning activity undertaken through-out life, with the aim of improving knowledge, skills and competences within a personal, civic, social and/or employment-related perspective”

The European Council and Commission made the recommendation

for Ireland that Ireland should “pursue efforts to sustain productivity growth and upgrade skills and qualification in the workforce, through increased emphasis on in-company training and the further development of lifelong learning, including the setting of overall targets, and in this respect promote active involvement of the social partners in implementing the Programme for Prosperity and Fairness.”

A Taskforce was established under the Programme for Prosperity and Fairness, and the Minister for Labour Affairs, Mr. Frank Fahey, released the Report of the Taskforce for Lifelong Learning in November 2002. The Taskforce stressed the need for co-ordination between the Departments of Education, Science and Enterprise, and Trade and Employment and called for the establishment of an overarching structure to co-ordinate and review the implementation of the framework set out in the report and the recommendations underpinning it.

The initiatives and recommendations set out in the lifelong learning report focus on promoting and enhancing access to training, the development of new skills, the attainment of recognised qualifications and progression to higher level qualifications.

After considering the report by the Taskforce, the Government decided to establish a Steering Committee to oversee and direct the work of the National Adult Learning Council, who are tasked to co-ordinate, review and report on the implementation of the aforementioned framework.

While the Government can create the framework conditions for lifelong learning, it requires a response from individuals and enterprises to make learning, and the potential benefits it can deliver, a reality. Lifelong learning requires a significant cultural and attitudinal change on the part of providers, learners, employers, the public service and the Government. A core element of that cultural shift will involve viewing learning not as a cost but as an essential investment, which has tangible economic, personal and societal returns.

### ***The strategic framework***

The aim of the Taskforce was to highlight the fundamental issues that need to be addressed in the move from the traditional view of training and education to that of lifelong learning. A long-term strategic approach must be adopted if genuine success is to be achieved.

Essentially, the Taskforce has concluded that:

- Lifelong learning requires a significant, systemic shift within the education, training and certification systems and the enterprise sector along with a change of culture on the part of society and individual citizens.
- Lifelong learning is not achievable with incremental or short-term approaches;
- It requires a long-term commitment on the part of government and citizens;
- Some of the building blocks to achieve it are already in place, but not all;
- There may be additional costs involved; there is a corresponding downside in terms of Ireland’s long-term economic and social well being if the necessary commitment is not made.

The Framework established by the Taskforce on Lifelong Learning has the following important elements:

- Developing and implementing the National Framework of

Qualifications;

- Ensuring Basic Skills for All;
- Providing Comprehensive & Coherent Guidance and Information;
- Addressing delivery, access and funding issues;
- Better learning opportunities in the workplace and for workers.

These elements and their sub-components interconnect with one another to build the overall framework. The National Framework of Qualifications is of overarching significance. It has the potential to act as a powerful tool, which maps the learning landscape in terms of awards and, through the work of the Authority (NQAI) and the two new Awarding and Certifying Councils, brings coherence and transparency to learning provision and outcomes.

Basic skills are a prerequisite for all further learning. The shortcomings in this area have been well documented in the White Paper on Adult Education – Learning for Life. Many positive developments have occurred as a result of the White Paper.

Guidance and information are essential to providing better access and choice to learners.

The key issue which the Taskforce has identified here is lack of coherence, with no single portal or point of contact through which learners can easily access information on the opportunities open to them.

Finally, in line with its mandate under the Programme for Prosperity and Fairness, the Taskforce has focused on the specific issue of learning in the workplace and makes recommendations to enhance learning and upskilling opportunities for workers, particularly in regard to time for learning.

The development of lifelong learning in Ireland has been held back due to the absence of a coherent framework of qualifications. However, this is being addressed as Ireland’s new qualifications infrastructure is now coming into full operation. That infrastructure involves the National Qualifications Authority of Ireland (NQAI) and two awarding Councils; the Further Education and Training Awards Council (FETAC), and the Higher Education and Training Awards Council (HETAC), operating under the statutory remit defined in the National Qualifications (Education and Training) Act, 1999. Key objectives of the new structures are to provide for access, transfer and progression within a coherent overall framework.

### ***Implementing the LLL report***

The Department of Enterprise, Trade and Employment supports the broad thrust of the report’s recommendations and will endeavour to take account of them in the existing training commitments and programmes. The Department is already implementing, within existing resources, a range of the actions set out in the Report including the following:

#### ***I.T. Fund***

The Department of Enterprise, Trade and Employment and the Department of Education & Science earlier this year announced the setting up of an I.T. Fund with an initial allocation of €10m, which is being administered by the Higher Education Authority. The I.T. Fund is to support education and training in the area of ICT and gives effect to one of the key recommendations in the 3rd Report of the Expert Group on Future Skills Needs.

### ***Training Networks Programme***

The Training Networks Programme has been extended with funding of €15m approved over three years. The new mandate has a special focus on the lower skills and gives a greater focus to the dissemination of best practice.

The Programme has made a significant contribution to in-company training over the last few years. Since 1999, the Training Networks Programme has funded 40 Training Networks and 20 Research Networks. Over 2,300 companies have been involved in the Programme and in excess of 12,800 people have benefited from training. The Programme has had significant impact in encouraging SMEs to invest in training and the evaluators found that attitudes to training in participating companies were changed as a result of the programme and many companies intend investing in more training in the future.

### ***Open and Distance Learning***

FÁS have already extended the range of courses available outside of standard working hours and are examining proposals to extend this further. Open and distance learning can ameliorate some of the geographical and time barriers faced by many potential learners by mobilising information and communication technologies, including Internet access and video/telephone conferencing. Improvements in communications infrastructure, increases in the capabilities of personal computers and the widespread accessibility to computers at modest hourly rates, or free of charge in the case of public libraries, make it an increasingly viable mechanism for learning.

### ***FÁS Net College Initiative***

FÁS Net College offers distance learning and development opportunities over the Internet. It provides a range of course options, mainly in computer subjects, which are available for a fee, or free of charge to certain groups such as the unemployed. In its Statement of Strategy 2002-2005 FAS has indicated an intention to invest in the development of its Net College as a vehicle to promote the increasing use of e-learning. FÁS is in the process of compiling a web-enabled register of accredited trainers.

- Access for non-traditional learners

Statistical evidence suggests that the main groups who suffer from poor access to education and training are those who are:

- Poorly educated;
- Older;
- Unemployed, or not in the labour force;
- Working in small, rather than large, companies, or
- Working in lower occupational groups.

The Department of Education and Science introduced a Student Assistance/Access Fund in 1994, the objective of which is to assist students who might for financial reasons suffer severe hardship or be unable to continue their third-level studies. Provision for this fund increased from €2.49m in respect of the 2000/01 academic year to €7.49m in respect of the 2001/02 academic year.

With regard to students with disabilities, the Department of Education and Science introduced a Special Fund for Students with Disabilities in 1994, which provides funding to students with disabilities attending courses in third level institutions. This scheme was extended to students pursuing Post Leaving Certificate courses in 1998. The purpose of the Fund is to provide students with serious physical and/or sensory disabilities with grant assistance towards the cost of special equipment, special materials and technological

aids, targeted transport services, personal assistants and sign language interpreters.

In September 2000, a Millennium Partnership Fund for Disadvantage was established by the Department of Education and Science. The Fund is intended to build on the experience of the Support Scheme for Students from disadvantaged families, operated by the Northside Partnership, which assists students to participate in higher education.

The Higher Education Authority (HEA) has provided approximately 20 million over the last 6 years to provide for an Access targeted initiative fund in Universities. The purpose of the initiative is to increase participation of groups in higher education that is currently under-represented.

Among the groups provided for are those from areas of socio-economic deprivation, travellers, mature students, and students with disabilities. The funding provided in these initiatives has addressed a range of strategies and methodologies to increase participation. These have included design of new access routes for learners, engagement with second level schools, provision of targeted financial, learning and peer supports for students in need.

### ***Work-based learning and occupational qualifications***

The changing demographic picture outlined earlier demonstrates that upgrading the skills of the population will increasingly have to happen in the workplace or in collaborative approaches between enterprises and learning providers. For many people, possession of a degree, diploma or certificate provides a qualification closely linked to a particular profession or sector and a level of status, which translates into employment, remuneration and promotion opportunities.

Currently, many occupations have no formal qualifications attaching to them or any formal statement of the knowledge, skills and competencies, which are required to perform the tasks associated with the occupation. Limited provision is already being made by FAS for the accreditation of prior and experiential learning. The objective over time is to mainstream this in co-operation with HETAC and FETAC.

However, there are examples of good practice in this area, which can be built upon. The Traineeship programme run by FÁS is a training initiative based on specified skills required for particular jobs. The curricula for Traineeship courses are drawn up in close collaboration with employers. FAS's work with the Security industry is a case in point. The industry approached the Traineeship Unit in FAS, largely because of the intention of the Department of Justice, Equality & Law Reform to introduce legislation regulating the security trade, seeking the development of occupational standards for all security occupations in the uniformed security guard, alarm products, and alarm installation sectors of the security industry.

### ***Supports for early school leavers***

Ireland continues to experience the phenomenon of early school leaving. Indeed, the economic buoyancy of the past decade could be said to have contributed to this. Provision has been made in the Education (Welfare) Act, 2000 to address the situation where young people leave school early with inadequate qualifications in order to enter the workforce. The Education Welfare Board provides a



structure to ensure that, in relation to early school leavers there is a balance between the desire to enter the work force early, and the need to continue appropriate education and training. This is done by requiring that a young person (under 18), who has left school without adequate qualifications, and is not engaged in education or training, must engage in such a programme of education and training if he/she wishes to engage in employment. The Act provides a framework that will ensure that all such young people under 18 years who have left school early are identified.

Once identified, the National Education Welfare Board has a responsibility to assist the people in question with access to continuing education and training. Employers will have a role to play in the identification of the young people concerned by employing only such young people who have a certificate to show that they are registered with the Board and by informing the Board when they employ a young person.

## FÁS

FÁS has recently issued a new statement of strategy. In section 7 (priority goals) FÁS identifies three main client groups on which it will focus its programmes and resources. The third of these is: targeted sectors/companies and employees that will require upskilling and employees in companies in difficulty.

The strategy statement goes on to say that: “FÁS will make a significant increase in the level of activity it provides in this area, and in particular, for targeted sectors of the labour market. This will be done in co-operation with other relevant organisations and groups.”

## Taking the agenda forward

The third level institutions, the HEA, FÁS, further education and training, community, workplace and further education providers have a central role to play in taking the Lifelong Learning agenda forward. Bodies such as the Expert Group on Future Skills Needs, the National Training Advisory Committee, the National Qualifications Authority and the National Adult Learning Council will also continue to shape the agenda.

# ITALY

## Labour market reform in Italy

A major effort has been undertaken in Italy to reform the labour market in co-ordination with the far-reaching process of constitutional review (Constitutional Law No. 3 of 2001) concerning the provisions of Title V. Title V enshrines in the Constitution the principle of the equal status and autonomy of the central government, the regions and local governments by affirming the ordinary nature of the regions' exclusive legislative powers while according only a qualifying role to the general principle of the state's exclusive legislative powers or principle of concurrent legislation. This will no doubt have major repercussions on the country's institutional framework.

It is in this institutional context that we should view the reform of the labour market which, in accordance with the conclusions of the Lisbon and Barcelona summits, aims to:

- modernise the employment service, both public<sup>1</sup> and private,

while at the same time respecting the powers of the regions and local governments;

- introduce more flexible forms and methods of work organisation;
- strengthen the synergy between work and lifelong training;
- counter the informal economy, which results in precarious employment relations and prevents the growth of companies operating within the informal sector.

Financial Law No. 289 of 31/12/2002, which sets out a plan for 2003, provides for the direct allocation of funds to boost overall demand and revitalise public and private investment as well as private consumption. It is hoped that this will improve the economic and institutional context which is seen as an essential precondition for the growth and competitiveness of the Italian labour market. Particularly significant are the provisions concerning:

- the launch of the fiscal reform;
- the resource allocation programme to stimulate output and the building of infrastructure (especially in the south) in order to create a more attractive market for investors, including foreign ones;
- the networking of companies;
- the need to improve the cost-effectiveness of public expenditure in terms of the development of production and employment.

As regards the labour market, the plan aims to support the growth of productivity, particularly in the southern regions, as well as the development of vocational and further training policies, with special emphasis on the needs of young people, women and older workers. The extension until 31 December 2006 of the scheme under which contributions are attributed to the employer in the form of a tax credit linked to job creation deserves special mention, as does the introduction of a new procedure for authorising this incentive: for each new worker employed, the employer will be entitled to claim a contribution of €100, or €150 if the employed worker is over 45. In the southern regions and other areas with high unemployment rates, a further contribution of €300 will be awarded. Other significant measures are:

- the financing of actions to promote vocational training;
- the provisions increasing ordinary unemployment benefit and lengthening its duration in order not to discourage employers from making job offers;
- the provisions regarding the abolition of the incompatibility between retirement pensions and income from work, started on 1 January 2003, in order to encourage people to continue to work;
- the creation of a revolving fund to finance employers who provide childcare facilities in the workplace in order to provide support for employees with young children.

The guidelines for structural reforms to promote employment were set out in the White Paper on the Labour Market in Italy (October 2001) and in the Pact for Italy signed between the Government and the social partners (July 2002).

On 5 February 2003, a legislative decree was passed entrusting the government with policymaking in the area of employment and the labour market (14 February 2003, No. 30). Under this law, Parliament authorised the Government to enact a number of legislative decrees containing the basic principles that were to govern the public employment services and the job placement systems (both public and private) as well as the supply of manpower and the review of training contracts, apprenticeships, part-time contracts and new types of flexible employment.

Subsequently, the provisions concerning the public employment services were removed from that legislative decree and included in Legislative Decree 297/2002. Legislative Decree No. 297 of 19 December 2002 comprises provisions to modify and improve the procedures to match employment supply and demand and, more generally, to reform the existing regulations governing the employment services system, with a view to simplifying the procedures and definitively transforming the placement system from a public department into a service.

The legal definition of “unemployed status” has been reviewed so as to include, in addition to the existing requirements of “joblessness” and “immediate availability for work”, the requirement for the unemployed person to engage in “the search for gainful employment in ways agreed with the relevant services”. The aim of this is to ensure the “involuntary nature” of unemployment and to enable a quicker response from the “relevant services”. The latter will include not only the “provincial employment centres” but also “other bodies authorised or accredited to carry out the required job information and placement tasks”.

The law has sanctioned the two general principles (already established in the regulations) of the “abolition of the ordinary and special placement lists”, excepting certain specific categories of workers (e.g. handicapped workers), and “direct employment”, with a number of exceptions concerning non-EU workers, Italian workers employed or seconded abroad, and handicapped workers.

The provisions governing the certification of unemployment and its duration have remained virtually unchanged in practice and include a registration system based on the statements made by applicants within 180 days of the date when the law came into force. The regulations concerning the verification and regular checking of workers’ status as unemployed have been modified, while the regions have been expressly entrusted with the task of defining appropriate operational guidelines. These tasks will be implemented by the “relevant services” on the basis of the mandatory supply of information by employers and with a view to ensuring “respect for the measures agreed with the unemployed person”. The immediate loss of unemployed status can now result both from the unemployed person’s failure to comply with the commitments made with the employment service and by his or her refusal to accept an appropriate offer of employment without a justifiable reason. Any such offer of employment made on the basis of a fixed-term or temporary employment contract cannot be refused when the term of the contract is at least four months in the case of younger workers or eight months in all other cases. The regulations provide for workers to retain their unemployed status when the annual income they generate is lower than the legally established minimum personal income or when they are engaged in socially useful work. On the other hand, unemployed status is suspended when a worker accepts an offer of fixed-term or temporary employment for a period of less than eight months (or four months in the case of younger workers).

The activities to be implemented by the relevant services to prevent long-term unemployment have also been reviewed. The role of the regions has been strengthened: they are to define “the objectives and operational guidelines for the actions implemented by the relevant services” while at the same time the new “state regulations” will guarantee compliance with the essential minimum standards set for these activities. The various policies to combat long-term unemployment will target a larger population and will be implemented on a shorter timescale. “Career guidance interviews” will be provided for all unemployed workers – not only younger

ones and teenagers – “within three months of their registration as unemployed”. “The proposal to join vocational integration or training schemes” or initiatives “to obtain new vocational qualifications as well as other vocational integration measures” must be put forward within four months in the case of unemployed teenagers, young people and women, or six months in the case of “other long-term unemployed persons”. The new legislation establishes more stringent rules than those previously in force, with earlier deadlines for implementation than those established in the EU guidelines.

Furthermore, the information which employers must provide to the relevant services will form an integral part of the employment relationship and will be comprehensive (i.e. cover many forms of “atypical” work), effective “in a multiplicity of ways”, and appropriate “for the purpose of fulfilling the established obligations with regard to monitoring and ensuring the welfare of workers”. However, the provisions described above do not apply to civil servants.

Legislative Decree No. 30/2003 has broadened the range of entities eligible to act as employment agencies or intermediaries for the contracting of labour (including local governments, non-registered associations, bilateral bodies, universities, educational institutions and employment consultants) and has abolished the prohibition – previously established by Law 360/1960 – to supply labour on behalf of third parties.

The legislature will be responsible for redefining the appropriate criteria for distinguishing between various types of contracts for the procurement and supply of labour, also for the purpose of identifying unlawful practices and establishing new and specific penalties under the civil and/or criminal codes. Reforms have also been introduced in the welfare regulations concerning the authorisation and accreditation of operators supplying manpower. A single set of regulations will now apply to private operators (provision has been made, in their case, for lifting the restrictions concerning the exclusive object of the undertaking) and public intermediaries. The rules for authorisation will vary depending on the legal status of the intermediary and the activity carried out. The supply of manpower for open-ended employment will be authorised (where justified) on technical, organisational or operational grounds as set out in legislation or in collective agreements, and the provisions concerning temporary work will be extended to the agricultural sector.

The law provides for measures to encourage co-ordination and co-operation between private and public operators, who will be networked electronically (Sistema Informativo Lavoro – Labour Information System).

As regards employment contracts with an educational content (vocational training contracts, apprenticeships, practice periods), it should be noted that – in the case of apprenticeship and vocational training contracts – the training activities may be programmed and organised on a flexible basis in co-operation, where appropriate, with trade union and employers’ representatives. Apprenticeship contracts (contratti di apprendistato) are confirmed in their role as the principal training instrument (also in the context of higher-education sandwich courses) and linchpin between the education and training systems, whereas vocational training contracts (contratti di formazione) will be used mainly as a means of integrating or re-integrating the worker into the company. Simplified procedures – including “automatic criteria” – are also planned for the assignation and recognition of the incentives associated with these contracts.

All work experiences that do not constitute an employment relationship are subsumed under the concept of “practice period” (tirocinio).

The law also seeks to encourage the use of part-time contracts, which are extensively promoted in Community legislation, particularly for women, young people and workers over 55. The ways in which workers are to be protected will be defined in collective agreements or, in their absence, will be established by mutual consent with the individual worker.

The legislative decree introduces and regulates new forms of flexible work in order to promote access to – or continuation in – the labour market; provide for people who need to balance their working life with their family commitments, training needs or other activities; and regularise informal or precarious employment relationships.

An adequate “availability benefit” (indennità di disponibilità) has been provided for workers who make a commitment to their employer to the effect that they will be available to perform “tasks of a discontinuous or intermittent nature” (on call) as defined in collective agreements or – provisionally – by a decree of the Labour Ministry. An experimental scheme of this kind is planned for unemployed young people under 25 and unemployed workers over 45. A review has also been carried out of the legally established concept of “parasubordination” (parasubordinazione), with existing forms of continued or ongoing collaboration (collaborazioni continue e continuative) being assimilated either to “subordinate work” (lavoro subordinato) or to “project work”, which is regarded as a form of self-employment. A regulatory distinction has been introduced between co-ordinated or ongoing collaboration (collaborazioni coordinate e continuative), on the one hand, and “casual work”, on the other, the latter being defined as any work whose overall duration does not exceed thirty days with the same employer in any calendar year.

Lastly, the reform sanctions the provisions concerning the regulation of job sharing as well as the review of the regulations concerning “working partners” (socio lavoratore), enhancing the value of work on a co-operative basis and defining some peculiarities which distinguish it from a normal employment relationship.

## NETHERLANDS

### The Social Memorandum 2003 and Labour Market Policy Priorities

In August 2002, a centre-right coalition government was elected. The government was supported by the Christian Democrats (CDA), Liberals (VVD) and Lijst Pim Fortuijn (LPF). The Cabinet lasted no more than 87 days. A serious conflict between LPF – ministers and mounting tensions within the LPF led to the fall of the Cabinet. A general election was scheduled for 22 January 2003. Until the new Cabinet is formed the present Balkenende-Government will be handling day -to -day business.

In late September 2002, the Cabinet set out its plans regarding employment and labour market policies in its Social Memorandum. Despite the Cabinet crisis the Ministry of Social Affairs and Employment has been given the “green light” to develop quite a number of the proposals put forward.

### *Down to work with fewer rules*

The central message of the Social Memorandum 2003 is “Down to work, with fewer rules”.

Growth in the economy and employment in the Netherlands in the second half of the 1990s was exceptionally strong. Nevertheless, the country is faced with a number of significant social issues – some new, some more entrenched. The number of people receiving invalidity benefits is approaching the one million mark and rising. Many people have been on social assistance for years and unemployment is increasing by about 7,000 per month.

The Cabinet wishes to work on restoring confidence by keeping its eyes and ears open for what is happening in society, and by encouraging more clarity and vigour, particularly in the labour market and social security area. One of the basic tenets of this policy is that working and working longer must be more financially rewarding. Work is the engine that drives integration and personal development and is the basis for raising income levels. Fewer rules and less bureaucracy leave room for individual responsibility and for customisation where the government needs to be involved.

The proposed policy agenda requires a joint approach by government, employer and employee representatives, and society at large. The primary focus should not be on central government and the rules, but on responsibility exercised by individual citizens, companies, local authorities and employer and employee representatives. By concentrating more effectively on employment and having fewer rules and less bureaucracy, the Cabinet wishes to create the conditions for a stronger social and economic structure and greater vitality in the Dutch economy and in Dutch society in general.

### *The social and economic picture*

In the second half of the 1990s, the Dutch economy grew vigorously. Helped by a strong, cyclical economic growth, unemployment fell and the budgetary deficit was pushed back. Since 1995, 1.2 million jobs have been created and unemployment has fallen from 7 to 3 per cent. Since the end of 2000, however, the economic tide has turned and growth has slowed down considerably. A specific problem for the Netherlands was that tension in the labour market was driving up labour costs. Shortages of labour manifested themselves, while the number of unemployment and social assistance beneficiaries remained relatively high and the number of invalidity benefit recipients rose even further.

The combined effect of a disappointing international economic situation and the specific Dutch problems associated with the labour market and the social security system puts the Netherlands in a precarious position. It could well become a vicious circle: lower economic growth puts government finances under pressure and causes social security claims to rise again. The latest figures confirm this trend. Unemployment in 2002 grew by between 50,000 to 300,000 and will continue to climb in 2003 to 395,000. Meanwhile, the number of invalidity benefit recipients is nearing the one million mark. In this climate, economic recovery can easily move out of reach.

### *Strengthening the social and economic structure*

The country’s weakened competitive position and the large number of people outside the labour market and receiving a benefit calls for

a strengthening and revitalisation of the social and economic structure. This is to be achieved by allowing individuals to take responsibility for themselves. To facilitate this, work and income-related legislation and administrative costs will be substantially reduced. Work is to become more financially rewarding and dependence on a benefit is to be discouraged and restricted. The aim is to encourage more people to look for and accept work. This new approach will be based on a modern, activated labour market policy and a clear, practicable and strongly enforced social security system. More measures will be put in place to combat abuse and fraud. The less-than-favourable economic outlook calls for a restrained financial and economic policy and moderate growth in wages costs. The guiding principle here is balanced income growth, with the strongest shoulders bearing the heaviest loads.

### ***Work must be financially rewarding***

The 1.2 million jobs created since 1995 have radically changed the situation in the labour market. As it currently stands, the labour market is characterised by two facets: on the one hand vacancies that are difficult to fill and, on the other, a persistent number of people are depending on benefits. Labour market policy is not yet responding adequately to the changed situation in the labour market. Another factor to be taken into account in the years ahead is the reduction in autonomous growth in the supply of labour that results from having fewer young employees and an ageing population. It is against this background that the Cabinet wishes to orientate labour market policy much more firmly towards stimulating the labour supply rather than encouraging and creating demand for labour. The key to this is reducing benefit dependency by preventing long-term unemployment and by effective reintegration. To achieve this, the Cabinet's approach will include measures to curtail the poverty trap.

To make work more financially rewarding 1 billion euro has been set aside to increase the "employed persons tax discount". The increase will be introduced in stages. The capacity for this will be created essentially by gradually phasing out the current employers' tax deductions relating to low wage employment and hiring long-term unemployed persons (i.e. SPAK and VLW). The Cabinet also intends to limit the number of (mainly local) income-dependent schemes.

### ***The priorities of the policy agenda***

The Social Memorandum 2003 distinguishes three major priorities:

- Tackling the invalidity benefit;
- More room and responsibility to local authorities in the area of reintegration;
- Life cycle policies.

### ***Tackling invalidity benefits***

Halting the constant growth in the number of invalidity benefit claimants is one of this Cabinet's main priorities. The current total of almost one million claimants is alarming and, from an international perspective, also unacceptably high. The number of new invalidity benefit claimants and the growth in absolute numbers is not explicable on the basis of the health and life expectancy of the Dutch, which are among the best in the world. It is clear from an analysis of individual cases that in many of those cases the person's current dependency on a benefit could

have been prevented by timely and appropriate intervention. The resulting human consequences and waste of economic capital both call for a clear, vigorous approach.

The Cabinet's aim is to achieve a 40 per cent reduction in the number of new invalidity benefit claimants with a permanent total incapacity for work, to a maximum of 25,000 a year. Those with a partial incapacity for work will no longer have access to the invalidity benefit. They will be entitled to a wage supplement if they are working, or, if they are no longer working, an unemployment benefit followed by a benefit under the Act on income for older and partially incapacitated unemployed persons (IOAW), (i.e. social assistance without a means test). A minimum of 35 per cent disability applies to the wage supplement entitlement. A sharp drop in the number of new invalidity benefit claimants is therefore expected to be accompanied by a rise in admissions to other schemes.

One component of the amendments to the Invalidity Insurance Act is designed to enable differentiation in the contribution rates to incapacity for work regulations (the "PEMBA" premium) to be abolished and the benefit for total incapacity for work to be increased; this assumes that the proposed reduction in new invalidity benefit claimants is actually achieved within three years of the new measures coming into effect. Partly in view of the background, the Cabinet believes that caution is advised and therefore wishes firstly to see confirmation of the results of the measures. The "PEMBA" differentiation in contribution rates for companies with fewer than 25 employees was abolished as of 1 January 2003.

The key element in this approach is limiting the invalidity benefit to those who have a total incapacity for work and no prospect of resuming work in the longer term. To achieve this, assessment practice will have to change and new assessment criteria be established – no longer based on what a person cannot do, but on what he or she *can* still do.

The most important drive, however, must be to improve prevention of sickness absenteeism and incapacity for work. This is primarily the responsibility of employers and employees. There is supposed to be ample room for improvement of sickness absenteeism policy by taking appropriate action early on in the illness. Sick employees are still too often left to their fate. In many sectors and companies this results in an unnecessarily high level of sickness absenteeism and risk of incapacity for work. A further increase in financial incentives will be used to urge employers and employees to take this responsibility much more seriously. From 1 January 2003 the employer's obligation to continue wage payments was extended to two years. The Cabinet believes it is vital for employees too to also make more of an effort and take more responsibility than they do at present when it comes to ensuring as quick a return to work as possible. In this context it is considered appropriate that continued wage payments in the second year of illness be reduced to 70 per cent of the wage. The Cabinet has asked employer and employee representatives to accept their responsibility and to work towards its practical implementation.

To reinforce the prevention of sickness absenteeism and incapacity for work and to support the investment needed to improve health and safety at work and sickness absenteeism policy, in the years ahead the Cabinet will continue its approach through the health and safety covenants. In dialogue with employers and employees this approach will focus largely on supplementary agreements on absenteeism and reintegration. The Cabinet will also invest in the decompartmentalisation of health and safety care and curative care. Close co-operation between the safety, health and welfare services

and the curative sector will ensure an optimal approach to employees with work-related complaints and is vitally important to early, permanent reintegration. Movement of people off invalidity benefits will be promoted by using available assessment capacity more effectively and through more effective reintegration.

### ***More room and responsibility to local authorities in the area of reintegration***

Local authorities will be given more responsibility and maximum room to manoeuvre in the use of resources and instruments aimed at the permanent placement of those seeking work. The Cabinet believes that decisions on the use of labour market instruments are best made at a decentralised level. The current fragmentation of reintegration instruments will be ended in favour of a single, undifferentiated, flexible and freely disposable reintegration budget for local authorities. A bill to facilitate this will be tabled in the Lower House in the first half of 2003. This will be accompanied by a radical simplification of legislation and a reduction in administrative costs. The resources for subsidised jobs under the Jobseekers Employment Act (WIW) and “ID” scheme (inflow jobs/move-on jobs) will be included in the local authorities’ Work and Income Funds. Local authorities will be able to use this freely disposable reintegration budget to make their own decisions. In the future local authorities will decide on the number of subsidised employment positions and the sectors to which they are allocated, with outflow into regular employment as the key aim. In 2003 the number of “ID” jobs will be reduced from 60,000 to 45,500. The number of jobs under the Jobseekers Employment Act (WIW) will be reduced from 32,000 to an average of 27,000 in 2003.

Local authorities will be given a greater interest in the reintegration of social assistance claimants through maximum financial interest and the maximum number of incentives. This is intended to encourage them to work towards more targeted investment in reintegration and to impose tighter controls on benefit abuse, because a successful reintegration and enforcement policy will mean fewer benefits for a local authority to pay. It will also encourage local authorities to keep exemptions from work obligations to a minimum. This approach will help to ensure the most efficient and effective use of the resources. A bill to this effect will be tabled in the Lower House in 2003.

Efficient operation of the reintegration market and the regional Centres for Work and Income (CWI) is an important prerequisite for efficient and effective expenditure of public reintegration funds in the work placement and reintegration process. The focus must be on work, not on the benefit. The main requirements for a successful, efficient reintegration market are adequate supply (low entry thresholds), fair competition between reintegration companies (strict separation of contract-awarding and contractor roles), and a good understanding of the relevant characteristics of job-seekers. The Cabinet will encourage the growth of a business-like contract-awarding role in the reintegration market by passing simplified, unambiguous legislation.

By giving local authorities and the Employee Insurance Institute (UWV) more room for customisation, by offering greater incentives to encourage flow-through and out-flow, by combating fraud and creating the conditions required for the reintegration market to operate effectively, a saving of up to 850 million euro on reintegration processes is expected to be realised over the next few years. Some 80 per cent of this 850 million saving on reintegration budgets will be at the local level. Hereafter the total value of reintegration budgets at the local level and the Employee Insurance

Institute will be slightly more than 2 billion euros. These may be used in a flexible way. The Cabinet expects this to make reintegration policy much more effective. It will also lead to a possible saving on social assistance costs of 250 million euro, out of a total of 4.5 billion euro.

### ***Life cycle policies***

People increasingly want to be able to decide for themselves how they divide up their time between work, learning, caring and other activities. The way people arrange their days – and their lives – is changing. But social structures have not adequately kept pace. The Cabinet wishes to give people more freedom of choice throughout their life course. This freedom of choice is essential – not only to enable people to work longer if they wish, but to allow more time and energy in the prime of life for family and care duties, for social activities, and for personal development, relaxation and voluntary work. This can help to prevent premature burn-out through insufficient time for rest and relaxation during life’s busy times – as when, for example, work has to be combined with caring for children. Combining career and care duties is more problematical for families with young children. In short, a policy formulated with more awareness of life cycle needs can result in both men and women participating for longer and more productively throughout their lives. To this end, the Cabinet wishes to pursue policy objectives on a number of fronts. These include a life cycle scheme and good childcare provision.

## **SPAIN**

### **The Active Vocational Integration Benefit programme (“Programa de Renta Activa de Inserción”)**

In accordance with the European Union’s guidelines on employment, an active policy combating unemployment should combine measures aimed at guaranteeing a minimum level of income with appropriate measures to integrate unemployed people into the labour market. Following these guidelines, the Active Vocational Integration Benefit programme was set up in Spain in 2000. This is a specific action programme for long-term unemployed workers who have special financial needs and difficulties in finding employment, and who are prepared to make a commitment to taking action to facilitate their integration into the labour market.

The beneficiaries of the programme in its original form were long-term unemployed workers over 45 years of age. Recently Law 45/2002 (12 December 2002) extended the programme to new groups of workers: handicapped unemployed people, with a disability level of at least 33%; victims of domestic violence; migrant workers returning to Spain; and casual agricultural workers in the Autonomous Communities of Andalusia and Extremadura (when such workers are ineligible for the agricultural subsidies established for these Autonomous Communities).

The Active Vocational Integration Benefit programme was set up as part of the Government’s action plan to protect unemployed people and is governed by the same financial and administrative management rules as unemployment benefit. It combines active and passive employment-promotion measures, i.e. measures to integrate

workers into the labour market as well as financial aid for the programme's beneficiaries. Two types of action have therefore been established to assist the unemployed:

- Vocational integration actions which are mutually complementary, such as individual counselling, the development of a pathway back into employment (including an interview with the counsellor to discuss employment prospects and the development of a personalised job-finding plan), enrolment in employment or training programmes, the management of job offers, and enrolment in volunteer work schemes.
- A cash benefit to complement the above-mentioned actions. This consists of a monthly allowance equal to 75% of the minimum interprofessional wage in force during the year in question and is payable for a maximum period of 10 months.

In order to be able to join the programme and continue in it, eligible workers must sign a so-called commitment to take action ("compromiso de actividad"). Under this commitment, beneficiaries must carry out – throughout the programme – the various actions agreed with the public employment services to facilitate the beneficiaries' integration into the labour market. The "commitment to take action" thus involves a number of obligations. In particular, beneficiaries must:

- take part in employment programmes or actions for vocational integration in the labour market as well as career guidance, employment promotion, vocational training or retraining actions and other actions aimed at improving the beneficiaries' employability;
- accept any appropriate job that is offered to them, an appropriate job being defined as the kind of job originally requested by the applicant, a job that corresponds to his or her habitual occupation or any other job that corresponds to his/her physical abilities and qualifications;
- inform the authorities of any circumstances resulting in an inability to work, loss of eligibility or incompatibility with other requirements or obligations, as soon as any such circumstances arise;
- be available to take up any offers of employment;
- reimburse any amounts of Active Vocational Integration Benefit unduly paid to them;
- actively seek employment.

Lastly, the 2003 Employment Promotion programme (Programa de Fomento del Empleo para el año 2003), regulated by Law 53/2002 (30 December) concerning Fiscal, Administrative and Social Measures, establishes that the open-ended employment – whether on a part-time or full-time basis – of recipients of the Active Vocational Integration Benefit entitles employers to a rebate on their statutory social security contributions. The rebate is as follows:

- 65% during the first 24 months from the beginning of the term of the employment contract;
- 45% or 50% during the rest of the term of the employment contract for workers aged 45-55 and 55-65 respectively.

Since it was first implemented in 2000, the programme has achieved positive results. The number of beneficiaries rose from an average of 4,000 in the period July-December 2000, to an annual average of 7,800 in 2001, to 56,400 in the period January-October 2002.

## SWEDEN

### Changes in the Swedish labour market

The Swedish labour market is facing major changes. One of the biggest future challenges concerns how Sweden will manage to cope with the strain on the state welfare system caused by the ever-increasing number of people stopping work for age-related reasons and by the growing need for care and nursing. Whilst the ageing population is growing rapidly, the population of working age is hardly growing at all. According to a survey conducted by the Swedish Government in 1999, the supply of available manpower is actually shrinking.

How will this state of affairs impact on economic growth and the use of labour in work-intensive sectors such as care and nursing? These issues are discussed in the report entitled "The supply of manpower and welfare – present policy and future challenges" that was recently published by the Ministry of Economic Affairs.

A great deal in the report revolves around rising levels of employment, but it transpires that it is becoming ever more important to sustain the number of hours worked in the Swedish economy. If the Government is to cope with future demographic challenges, many people without jobs today must be prepared to work. The report examines Sweden's substantial current reserves of manpower, discussing and outlining the political efforts that have been made in recent years to boost the supply of labour.

The interest in issues to do with the labour supply, not least with a view to demographic changes, has intensified over the last few years. In the years to come, Sweden, like many other countries in Europe, will have to cope with the strains caused by its ageing population and the growing number of people requiring support. Consequently, ensuring a generous supply of manpower is one of Sweden's most important future challenges.

In recent years employment has risen very sharply in Sweden. Between 1997 and 2001, the number of people in work increased by a total of roughly 317,000. In spite of this, 246,000 fewer people were employed in 2001 than had been in work in 1990. At the same time, 100,000 more people were unemployed and a higher proportion of those were long-term unemployed. In 2001, there were 381,000 more jobless people than in 1990. This is equivalent to an increase of just over 6%, to 22% of the population. The proportion of latent job-seekers amongst the unemployed, i.e. jobless people who are both willing and able to work, but do not actively seek work, has gone up. Indeed, in 2001 the proportion of such individuals totalled just over 10%, compared with just over 4% in 1990.

In 2001, compared with 1990, the level of employment was down in all age groups. One reason for the low rate of employment in 2001 is that many of those who lost their jobs during the economic recession of the 1990s, dropped out of the labour market altogether. The reason for the decrease in the number of young people in work also has to do with the introduction of a three-year senior high school (gymnasium). At the same time, many youngsters aged between 20 and 24 opted to continue their studies at post-senior-high-school level. In 2001, the proportion of 16- to 19-year-olds not in work because they were studying was 56%, compared with 46% back in 1990. The reasons why the level of employment has dropped among older people are that early retirement has become more widespread and the number of people on long-term sick leave has gone up. In the year 2000, an average of 39% of all people aged

between 60 and 64 were off work on long-term sick leave, as against 33% in 1990.

The emerging demographic trend points towards a rise in the proportion of younger (16- to 19-year-olds and 20- to 24-year-olds) and older (60 to 64-year-olds) people who are fit to work. Since the number of people in work and the level of employment in these groups are considerably lower than the average, this will have a negative impact on the supply of labour and the employment figures.

A precondition for a positive employment trend is that more young people undergo satisfactory basic training. The trend towards a higher degree of inactivity among young people, meaning more youngsters neither in work, nor undergoing organised training, needs to be given greater attention. It is above all amongst young people, older people and immigrants that the level of employment has to be improved if Sweden is to maintain its overall present level of hours worked.

The report also highlights the fact that today there is a potential supply of labour amongst those who are both in and out of work. Today's jobless constitute an important future resource, but it ought to be possible to get more people who are underemployed or out of work altogether and are not undergoing any training actively to go back to work. One central conclusion in the Government report is that Sweden needs to increase its labour supply in future if it is to boost growth and safeguard the country's future welfare. Issues to do with the labour supply are under discussion not only in Sweden, but also in an international context. The aim of increasing the labour supply has also left its mark on a fair number of political decisions. Interest in aspects of the labour supply used to be conditioned entirely by the state of the economy, with interest primarily aroused in times of growing manpower shortages. But, in the meantime there is plenty of evidence to suggest that supply-related issues will come to be remembered in quite a different manner than before. The great need for new jobs that is anticipated will follow in the wake of the higher number of pensioners after 2010, not least within the public sector, will demand ever greater political attention.

Irrespective of the economic situation and future growth in productivity, Sweden will find itself grappling with a structural problem that has to do with a demographically-conditioned trend towards a greater number of people requiring support once there are more people of care-dependent age compared with the number of individuals who are fit to work. Sweden needs to increase its knowledge about the various prerequisites associated with the labour supply for different groups of the population and people of different ages. It is clear that today far too little is known about the processes that induce so many youngsters to drop out of school or education and working life. It is also important to point out that demographic imbalances and a growing shortage of labour will probably not automatically solve our problems associated with the low numbers of immigrants. On the contrary, greater efforts will be required to foster the integration process.

Higher productivity opens up the way for growth and rising consumption, but does not automatically facilitate the financing of public welfare. If such welfare is to be funded, people need to work more taxable hours, especially bearing in mind that Sweden is a country with one of the oldest populations. The report stresses the importance of making use of the unexploited manpower potential already in Sweden, meaning amongst youngsters, older people and immigrants. There is also a potential labour supply among the disabled and women, groups whose level of employment is below

the average, despite the fact that Sweden has a high proportion of women in work. Another challenge will consist in achieving an extensive supply of labour whilst ensuring that those in work continually upgrade their skills.

The report suggests that the future policy in Sweden should focus more on measures and changes that can help to improve the labour supply.

## **A project for developing targeting and results-oriented management**

Sweden's network of employment offices is making great efforts to develop and improve its working methods and services. One of the aims is to achieve a closer correspondence between the planning of activities and their successful outcome.

Targeting and results-oriented management entails setting up a chain whereby the Government and Parliament (*Riksdag*) set targets for the employment offices via the central AMS (Employment Service), which breaks down the objectives and distributes the respective resources to regional county labour boards. These labour boards then break down the objectives and dispense the resources to local employment offices. The chain then goes all the way back again through the county labour boards, AMS, and then the Government and Parliament.

Within this chain, it is the actual job mediation work done by local employment offices that is decisive in determining outcomes and whether the assignment handed down by the Government and Parliament can be fulfilled. Consequently, the development work is geared towards improving the everyday work done by local employment offices and the operational planning of activities (including follow-up). At the same time, the focus is on the mediation organisation's three core tasks: matching, training and activating.

In a major trial, a model for operational planning is now being tested in which the manager and staff at the local employment office engage in dialogue to decide on the operational goals and the levels at which the targets are to be set. The operational targets ("objectives to meet") must describe specific activities which have to be implemented by the individual employment offices if the objectives are to be reached.

The follow-up must take the form of a dialogue between the manager and the team, to take place every fortnight. The follow-up should emphasise any positive results, but also examine anything that did not go as well and ascertain where improvements need to be made. The issues tackled may include skills development or methods.

The county labour boards will also be obliged to enter into a dialogue at least once a month with the heads of the employment offices in their respective county to discuss specific efforts and the direction in which the plans for continuing efforts should point. Furthermore, every quarter the director-general must have a follow-up meeting with each county labour board manager.

In the long run, job mediation is developed further through dialogue between management and staff regarding operational activities. That dialogue becomes a focus of the ensuing activities and a natural forum for discussing priorities, skills development, organisational issues and so on. The staff gain greater influence over the centre's activities and greater demands are made on management to steer the dialogue in a direction that will focus it on specific topical issues.

This reinforced targeting and results-oriented management can be summed up in six points:

- More frequent follow-up will take place;
- The aims of activities will be adapted to regional and/or local situations;
- Separate assignments can be given to different regions;
- Operational objectives will facilitate day-to-day management;
- Discussions about targets and results will put every member of staff in the spotlight;
- The focus on core tasks will facilitate prioritisation.

### ***IT support for management and planning***

A system of IT support is currently being devised to assist with operational planning at office level. The new system will gather and compile information from several existing systems and present them at office level. The first step has been taken with the production of an application entitled "The Manager's Window". The development of corresponding IT support for administrative staff is planned.

On the basis of the local data in "The Manager's Window", the head of the office can decide, in conjunction with staff members and/or the team, to proceed with suitable measures at the job centre.

For instance, a target may be set stating that work must be found for 70% of jobseekers within 90 days of the end of their vocational training. On the basis of the category of jobseeker and such data, the new IT system can be used to project the outcome 90 days later. Should it turn out that the target will not be attained, the employment office's resources can then focus on this objective at an early stage. The IT system also indicates the causes as to why a measure is not entirely effective and how this can be changed. In the aforementioned example, the office in question may pay for another type of training, or special efforts may be required before certain jobseekers conclude their training. The IT system will indicate which jobseekers qualify for special efforts and the responsible member of staff. On the other hand, should the IT system indicate that the target will be attained, this will indicate that the office's structure for vocational training works, thereby enabling other activities to be given a higher priority.

"The Manager's Window" provides every head of an employment office with knowledge of what is going on at the office in specific terms, such as the number of people involved in activities to do with jobseekers, the number of people engaged in respective labour market policy programmes, and the number of people whose individual action plans need upgrading. In a subsequent stage, the staff will also be able to match their efforts to their targets.

## **Quality assessment of the Activity Guarantee programme**

The Activity Guarantee, for unemployed persons in Sweden, was inaugurated on 1 August 2000. Since then it has undergone a rapid expansion and the follow-up and quality assurance is a permanently ongoing task. A new quality assurance of a number of identified qualitative factors has recently taken place.

The principal aims of the Activity Guarantee are to:

- substantially improve prospects for the unemployed in the regular labour market;
- reduce long-term unemployment;

- abolish long enrolment times;
- reduce the percentage of re-enrolments.

A secondary objective is to join with various employers in creating suitable jobs qualifying for subsidies.

The Activity Guarantee is for people aged 20 or over who are searching for employment through the public Employment Service and are long-term enrolled or in danger of becoming so.

The Activity Guarantee utilises jobseeker activities and other pre-existing labour market policy programmes. The difference compared with participation in single labour market policy programmes is that all available programmes will be gathered under one roof, with the individual jobseeker plan running through all activities.

Every participant will receive support and intensive guidance from the Employment Service handling officer (counsellor) in a small group of 10 or 15 jobseekers. They will, at the same time, have access to the full range of regular labour market policy programmes. At the commencement of the Activity Guarantee, counsellor and jobseeker together will draw up an individual action plan, which will then form the backbone of the activity. The individual action plan will be reassessed regularly and at least once a year.

The jobseeker continues to take part in Activity Guarantee activities until he or she has had a regular job for at least six months, starts a form of training or education other than employment training, or drops out of the labour market policy systems.

Activity Guarantee participants receive payment in the form of activity support. It corresponds to the compensation paid to an unemployed person out of unemployment insurance.

Work under the Activity Guarantee is to proceed in close co-operation with national and local government, the enterprise sector and the social partners. An important task here is to join with other agencies in defining and "selling" local targets for the activity and, not least, in following up and developing the activities.

All handling officers/counsellors and Employment Service managers/senior executives were asked to assess the quality of the Activity Guarantee recently by filling in a specially designed Internet-based evaluation matrix covering eight main areas. The areas are: information for prospective participants, the counsellor, the action plan, full-time activities, core amenities of the Employment Service, facilities and equipment, the role of the senior executive, and follow-up of activities. Each main area is broken down into between one and four sub-areas, and each sub-area is described as having five levels of development where the top level is an objective.

The result is drawn up in the form of a bar chart for each region and each Employment Service. The quality assessment gives each Employment Service an excellent opportunity to try and make timely improvements.

A general overview points to good results and a need for further development. Particular attention should be paid to the area of full-time activities, which covers the content and form of activities. This is an important factor with respect to the number of people getting jobs. Well-targeted company contacts are deemed to be the single most important factor driving success.

The next evaluation is due to take place in April 2003, and a third gauging of the situation is planned by the autumn of 2003. The quality-related measures implemented by a number of Employment Offices will be monitored by the Swedish Labour Market Board



(AMS). Promising working methods will then be taken up and disseminated.

The results of the Activity Guarantee will be followed up each month. The appraisal in December 2002 indicated positive results for 43% of the participants who had been enrolled in the Activity Guarantee for more than six months.

## UNITED KINGDOM

### Overall Developments

The UK economy has recovered well in 2002, with GDP growth of 0.6% in the second quarter and 0.8% in the third, driven mainly by the strong performance of services. The UK economy is currently

growing at about its trend rate. Inflation continues to be low and stable, and has remained within the target range throughout 2002. This helps explain why there has been no sharp weakening in the labour market, with employment growing and unemployment broadly flat.

Latest figures show a record 27.78 million people in employment, up by 107,000 in the last three months, and by 223,000 over the last year. This represents 74.6% of working age people in work. ILO unemployment is also up slightly over the year to stand at 1.52 million, or 5.2%, while claimant unemployment is down slightly at 0.93 million, or 3.1%. Although recent vacancy figures are difficult to interpret, we judge that they remain at historically high levels.

## BELGIUM

### The Occupational Immersion Convention

It is the aim of the Occupational Immersion Convention [Convention d'immersion professionnelle], by laying down a minimal set of working conditions, to provide a legal framework for those forms of placement within companies which do not conform to any existing legal arrangements, and also to create a broader legal framework for existing placements.

The term "occupational immersion" covers all placement practices which have arisen spontaneously, and not corresponding to any existing legal framework. Defined negatively, it relates to everything that does not correspond to adequately regulated training at the federal, regional, community or even sectoral level. Targeted by this provision is every situation in which a person, as part of their functions, acquires certain knowledge or skills with an employer, while performing work for that employer. Some forms of training are exempted from this arrangement, such as work done by a school or university student for an employer as part of the training he/she is undertaking within an educational establishment or training organisation, provided that the total duration of that work does not exceed 60 days; placements where the duration is explicitly fixed by the competent authority within the framework of a course of study leading to the awarding of a diploma; or placements preparing the student to enter one of the professions or to provide an intellectual service.

The agreement is formulated in a written statement for each trainee individually, to be made, at the latest, at the point when the trainee begins to implement the agreement.

The provisions of the Occupational Immersion Convention also include the payment of an allowance. The amount of this shall not be less than the allowance paid in the case of industrial apprenticeships (from 372.20 euro per month for an apprentice aged 15 to 581.60 euro for an apprentice aged 21 or over).

While primarily undertaking to provide a minimum legal framework for forms of placement that have arisen spontaneously, it is also the aim of the convention to establish minimum legal protection for all currently existing forms of in-company training, without infringing the competences of the federal authorities. The provisions of this second strand will not be applicable until 1 September 2004, in order to allow time for the Communities and Regions to adopt the requisite measures.

The schemes established by, or as a result of, decrees, ordinances or (sub-) sectoral collective labour agreements will have to meet minimum requirements in terms of documentation and payment. In terms of documentation, the schemes will have at least to state the principle behind the placement, its duration, the procedures for terminating the contract and the arrangements by which the allowance will be paid. For apprentices of at least 18 years of age who have completed their third year of training, the allowance may not be less than one-third of the average monthly minimum wage. This amount may be made up in part from social benefit payments.

## UNITED KINGDOM

### Work-focused Interviews

Jobcentre Plus introduced a new single gateway to the benefit system for all people of working age with a clear focus on work as well as ensuring greater help for those who are unable to work.

The Work-focused Entry to the Benefit System is a service which addresses the possibility of work as a means of support regardless of the client group or benefit claimed. It embodies the principle of "work for those who can and security for those who cannot". It promotes the benefits of work to all customers and does not confine discussions about work to people claiming Jobseeker's Allowance (JSA). It is an inclusive, rather than exclusive, service and does not pre-judge customers on the basis of benefits claimed.

Jobcentre Plus implements the JSA regime for unemployed customers, and delivers work-focused interviews at the start of a benefit claim and periodically thereafter for other customers. It provides ongoing help towards work for customers such as lone parents, carers and people with disabilities. It recognises that paid work, for both individuals and families, is the most secure means of averting poverty and dependence.

In delivering this work-focused service, Jobcentre Plus is helping to forge an entirely new culture designed to help people to help themselves.

#### *Who gets a Work-focused Interview?*

In Jobcentre Plus offices, everyone making a claim for one of the benefits listed below should receive a Work-focused Interview (WFI), carried out by a Personal Adviser, unless the requirement is waived.

- Income Support
- Incapacity Benefit
- Severe Disablement Allowance
- Bereavement Benefit
- Invalid Care Allowance

#### *Purpose of the Work-focused Interview*

The WFI was introduced so that all customers of working age benefits would have a responsibility to consider work as an option before proceeding with their claims. The WFI is designed to encourage non-Jobseekers into work if they are ready, or into a voluntary New Deal or other provision to help them prepare for work. Personal Advisers are trained to help the customer identify their skills and capabilities and to tackle any barriers there may be to moving towards work. The customer is encouraged to produce an action plan to help them move towards work, even if that is a long-term goal. Only the WFI itself is mandatory; any other action is undertaken by the customer on a voluntary basis.

The WFI is not intended to be a punitive measure or a discouragement to claiming benefit. It is a mechanism to help people who might otherwise not have done so think about work options, and receive information about help available.

For those who cannot consider work immediately, perhaps because they are too ill or have heavy caring responsibilities, the WFI is intended to be a link with the labour market and to help them plan for a return to work in the future.

# NETHERLANDS

## Jobs for more than 60,000 immigrants

Since April 2000, some 62,000 immigrants have found jobs thanks to an agreement between the Ministry of Employment, the Ministry of Justice, MKB-Nederland and the Centrum voor Werk en Inkomen (CWI). This agreement, which aimed to put ethnic minorities to work in small and medium-sized enterprises, came to an end on 1 January 2003. By the end of 2002 SMEs had reported a total of 78,000 vacancies to the CWI under the agreement, a higher figure than expected. The agreement was originally concluded for a period of one year, but has been renewed twice.

This outcome was the result of personal service. Employers could ring a special telephone number to report a vacancy and a CWI staff member would then look for appropriate candidates. Within 72 hours the employer would be sent one or more suitable immigrant candidates for the job. The CWI staff member would then accompany the candidates during the application process. If the process led to an employment contract, the CWI staff member would regularly drop in to see how things were going. Employers and immigrant workers were both enthusiastic about this one-on-one approach.

In the future, the CWI will continue making extra efforts to help immigrant job seekers find work. The approach developed during the agreement has, in the meantime, become part of the normal procedure. The aim is for employers at small and medium-sized companies to continue giving immigrant employees the same chances as they did when the agreement was still in force. An agreement was also concluded with large companies to pursue a multicultural personnel policy; it runs until June 2004.

## Improving the re-employment market

Minister De Geus and State Secretary Rutte, both responsible for Social Affairs and Employment, want to further improve the market for re-employing unemployed and partially work-incapacitated individuals. The basic idea is to give the market maximum room for growth, to keep Government interference to a minimum and, in the long run, to compensate re-employment firms on a performance basis as much as possible. The jobs found must be long-term jobs. This is considered achieved if the “customer”, after going through the re-employment process, holds a regular job for at least half a year. There is sufficient room for the contracting parties to ensure that certain groups for whom mediation is more difficult do not end up left on the sidelines. They can factor this into their price.

This is the result of the memo entitled “Towards a re-employment market that works” which outgoing Minister De Geus and State Secretary Rutte sent to the Second Chamber in late 2002, along with the “Re-employment market trend report”. In connection with the new Structure for the Execution of Work and Income (SUWI), the re-employment market was fully privatised, starting in 2002. This means that municipalities, the Uitvoeringsinstituut Werknemersverzekeringen (UWV) and employers commission private re-employment firms to help unemployed, ill and partially work-incapacitated individuals get back to work.

The Government is working hard to achieve an open market without barriers to access. In the Government's view, it is possible to gradually create just such a market. The decision was taken to

privatise the re-employment market because it is expected that market forces will encourage efforts to get individuals on benefit back to work. More specifically, people at the lower end of the labour market who are still not qualified enough for work can benefit from this.

The “Re-employment market trend report” goes into exhaustive detail on the current state of affairs on the re-employment market, comparing it with the situation at the end of 2000. The market – thanks in part to an increase in the number of companies that offer re-employment services – has doubled in the space of three years, and 10% of the firms have merged. According to estimates, the municipalities, UWV and private customers purchased 160,000 “schemes” for the unemployed and partially work-incapacitated from re-employment companies in 2001.

The report sketches a picture of a market that is developing in the right direction. The approach taken is pragmatic and there is growth. However, a totally free market and full transparency have still not been achieved. Not enough information is available on the results of re-employment efforts, the price/quality ratio and the relevant characteristics of customers. Costs are mainly defrayed in accordance with the effort required. Performance-based payment is slow to get off the ground.

Companies that help people get a job or get back to work must compete with each other on a freely accessible, honest and correctly operating market. In addition, the availability of good, independent market-related information must not only make the “re-employment market” clear to “re-employment companies”, but also to customers: i.e., municipalities, Uitvoeringsinstituut Werknemersverzekeringen (UWV) and private employers.

Companies that win public contracts via well-structured contracting procedures must ultimately be compensated on the basis of their performance. There should also be latitude for higher levels of compensation if more permanent placement results are achieved. It must also be possible to pay re-employment firms more for placing those groups for which mediation is more difficult, so that they do not end up marginalised.

In this connection, outgoing Minister De Geus of Social Affairs and Employment informed the Second Chamber in late December 2002 that UWV will reimburse – on a “no cure, no pay” basis – around 40% of the schemes to help those receiving unemployment benefit and (partially) work-incapacitated individuals get back to work, and will do so by 1 July 2003. The contracted re-employment firms will then only be paid if they are able to place the customers in long-term jobs, i.e. jobs lasting at least six months. The proportion of these “performance-related contracts” will continue to rise gradually in 2003.

Performance-based financing is possible for most new UWV customers. Around 70% of them are not that far removed from the labour market and are therefore attractive to re-employment companies. With regard to those who are further removed from the labour market (30% of new UWV customers), re-employment companies will be reimbursed a large proportion of the costs of their efforts. As Minister De Geus emphasises, this prevents re-employment companies from working solely on behalf of those customers who are not very far removed from the labour market, leaving those with fewer opportunities stuck on the sidelines.

## Agreement on converting 10,000 subsidised jobs into regular jobs

In late December 2002, the social partners, the Vereniging van Nederlandse Gemeenten (VNG) and Minister De Geus and State Secretary Rutte of Social Affairs and Employment signed an agreement on converting 10,000 so-called “inflow”/“through-flow” jobs (also known as “ID” jobs or “Melkert jobs”) into regular jobs. The agreement includes a subsidy scheme that provides the employer with a subsidy of €10,500 in the first year and €6,500 in the second year for each job that is converted. The “ID” job must be converted into an ordinary job by 31 December 2003 at the latest. The Government has also set aside €40 million to clear up the bottlenecks found in the Job Seekers’ Re-employment Act (WIW). In addition to the extra amounts pledged earlier by other ministries, the Ministry of the Interior and Kingdom Relations promised €10 million to promote the conversion of “ID” jobs such as “town guards” (stadswachten) into ordinary jobs.

The agreement is a result of the agreements made in the “Autumn Agreement” (between the Government and the social partners) and with the VNG. In 2003, the municipalities must cut €520 million from their re-employment budgets. The Government’s basic assumption is that this cut should not lead to any forced dismissals.

In order to facilitate the correct cross-sectoral distribution of the subsidy provided under the promotion measure, the money has been set aside on a proportional basis for those sectors involved. For healthcare and youth assistance, this involves more than 2,500 jobs, for which some €44 million has been earmarked. Another €1 million is available for creating close to 2,000 jobs in education. The childcare and public security sectors will receive more than €12 million and nearly €31 million respectively. Some €18 million is available for the management of public spaces, such as green spaces – enough for around 1,000 jobs. On 1 July 2003, a check will be carried out to see to what extent the various sectors have used

this money. At that time, there may be some redistribution among sectors, depending on where shortfalls and surpluses are found.

In a letter to the municipalities, State Secretary Rutte mentioned that if sufficient use is made of the promotional scheme (and other options) then it would not be necessary to enforce a general halt on advertising vacancies for filling subsidised jobs – as the municipalities were previously advised to do. Under the agreement, it would appear that the VNG is also of the opinion that forced redundancies resulting directly from budget cuts will not be necessary under the new subsidy scheme, in view of the supplementary WIW package.

A “booster team” has been put together on which all participating parties have a seat. The “booster team” can help municipalities and sectors implement the scheme and clear up any bottlenecks.

## PORTUGAL

### The Executive Programme

The Executive Programme follows on from Council of Ministers Resolution No. 103/2002 of 17 June which approved the PPCE (Programme for Economic Productivity and Growth). The purpose of the PPCE is to consolidate businesses already established in Portugal. The Executive Programme aims to encourage small and medium-sized enterprises to hire executive technical staff with expertise in economics, management and technology. The incentive is a non-reimbursable grant which corresponds to 40% or 45% of eligible expenditure, but may not exceed €100,000 per promoting party. Eligible expenditure covers strategic diagnostics, monthly remuneration and costs, and enrolment in vocational training schemes. Beneficiary enterprises may apply for just one job per specialisation.

## AUSTRIA

### Employment of foreign nationals in Austria since 1 January 2003

Although Austria officially continues to operate its restrictive policy on foreign nationals, signs of opening up to its neighbouring states are visible. The amendments to the Employment of Foreign Nationals Law which came into force on 1 January 2003, together with corresponding new provisions in the Foreign Nationals Law, are intended to pursue the following objectives:

- The continued **integration** of foreign nationals and their family members who have been resident in Austria for a number of years. After a period of residence of five years with regular earned income, they become entitled to a permanent residence permit (Niederlassungsnachweis). Young foreign nationals who have completed their final year of compulsory education in Austria are issued with a certificate of exemption which entitles them to take up gainful employment anywhere in Austria for a period of five years.
- The **admission** of new foreign workers is limited to what are termed “key workers” (Schlüsselkräfte). These are foreign nationals with academic qualifications or qualifications which are under-represented in the German labour market. Accordingly, the law specifies a minimum monthly rate of pay of €2,014.00 plus special payments which the employer must guarantee by contract. Residence and work permits (“Zulassung als Schlüsselkraft”) are initially limited to one year, but can be extended an unlimited number of times. After five years, the foreign national becomes entitled to a permanent residence permit (see above). The number of residence permits for key workers is set each year by Federal Government decree.
- In the event of a **labour shortage** in a specific region or a specific sector of the economy, the relevant minister may set quotas for the admission of foreign labour. Measures of this type are no longer restricted to seasonal jobs in tourism or agriculture, for example, but can be extended to other, non-seasonal sectors. In principle, foreign nationals holding temporary work permits are not entitled to permanent residence in Austria. After a year’s employment, their contracts must be interrupted for a period of at least two months.
- The new provisions include a number of measures designed to simplify admission for workers coming from Austria’s **neighbouring States**. This is intended to take advantage of the transition period between the accession of applicant countries to the European Union and full recognition of the freedom of movement of people, goods and services by ensuring greater reciprocal access to labour markets. So, for example, specialist nursing staff and care staff for the elderly can be recruited from Slovakia, Slovenia, the Czech Republic and Hungary only. Nationals of other third countries must fulfil the criteria for key workers (see above) in order to be admitted to work in this sector. Another example is the bilateral agreement between Austria and Hungary on the admission of cross-border workers and students on placements which provides for the employment of 1,700 cross-border workers and 1,600 placement students in the current year. The possible signing of further bilateral agreements, initiated by the individual länder, relating to cross-border workers and key workers, is also enshrined in law.

### Special programme for young people

The labour market situation in Austria is experiencing a significant downturn. From a figure of 2.5% in 2001, by the third quarter of 2002 the number of unemployed young people moving into long-term unemployment (>6 months) had risen to over 3%. In autumn 2002, the Austrian Federal Government introduced a Special Programme for Young People addressing the difficult labour market situation for this age group and charged the Austrian Labour Market Service (AMS) with its implementation. The Federal Government allocated the AMS with an additional budget of €112.5 million for the implementation of this programme.

Its **goals** are:

- to relieve the pressure on the labour market for young people by reducing the average annual number of young people in unemployment by 5,000;
- to guarantee proper vocational training (leading to formal qualifications) in future-oriented sectors.

In order to achieve these goals, the AMS will be providing the following measures and incentives for an additional 9,000 young people:

- courses leading to the achievement of qualifications;
- the possibility of attending “private sector” training courses;
- company apprenticeships for over-19-year-olds.

Young people in or threatened by long-term unemployment who do not appear suitable candidates for training will be helped to find work in firms and on employment projects.

#### *Participation in the programme*

Young people will be admitted to the programme following detailed advice and support interviews. If it proves impossible to find a job or apprenticeship for a young person within the first month, a decision will be taken as to whether he/she will be best served by further training or supported employment. If the decision is to pursue the training route, the AMS must first seek a suitable course from its own programme after which, if no suitable course is available, it will be able to fund an appropriate “private sector” course.

By the end of 2002, 27% of young women and 22% of young men who had been unemployed for between 3 and 6 months were already involved in the programme.

The Special Programme for Young People will run for a limited period with admissions open from 1 October 2002 to 31 July 2003.

## BELGIUM

### Outplacement for workers aged 45 and over

The law of 5 September 2001, aimed at improving rates of employment, contains a series of measures intended to maintain the employment rate of the oldest workers. Among these measures is the right to outplacement (reclassement professionnel) for workers made redundant after the age of 45. The law lays down only the legal principle and leaves it to the social partners to work out the

outplacement procedure, its duration and also the status of the worker during the procedure. The social partners meeting in the National Labour Council have, therefore, just concluded Collective Labour Convention no. 82 relating to the right to outplacement for workers aged 45 and over who have been made redundant. This Collective Labour Convention came into force on 15 September 2002.

The right to an outplacement procedure applies to workers who meet all the following conditions:

- having been bound by an employment contract and having been made redundant;
- being aged 45 or over at the point when notice of redundancy was given;
- having at least one year of continuous employment.

The right is not granted where the worker has been dismissed for serious misconduct, where they are taking early retirement or beyond the point where the worker may request a retirement pension.

The outplacement procedure refers to a set of services and guidance provided individually or to a group by a third party, the service provider, on behalf of the employer, in order to enable the worker himself to find employment as quickly as possible with a new employer or to develop a self-employed activity.

The right to an outplacement procedure is granted for a maximum period of 12 months. For the first two months, the worker is entitled to 20 hours of assistance. If, on the expiry of this period, there is no result, the procedure is extended for 20 additional hours of assistance for a further period of four months. If, after this period, the worker has still had no success on the employment market, he may still enjoy twenty additional hours during the last six-month period. When the worker who has found a job with a new employer loses that job in the three months following the commencement of work, the outplacement procedure may begin again at his request. It now begins at the phase at which the programme was interrupted and ends on the expiry of the twelve-month period after it began.

The worker who wishes to exercise his right to outplacement (or to the extension of a period of outplacement) must make an express written request to this effect to his employer at the latest two months after his/her employment contract has ended. He must attach proof to his request that he is registered as a job seeker. The employer then has a period of two months in which to communicate an offer of outplacement to him. The worker then has a period of one month to either give his consent in writing or not. The worker who rejects a valid offer of an outplacement procedure loses the entitlement.

The costs of the outplacement procedure are borne by the employer, who may not compensate for this in any other way, for example by making a compensatory higher redundancy payment. Joint Industrial Committees (Commissions paritaires) may, however, claim exemption from the principle that the employer bears the costs of outplacement; they may, in effect, decide that the costs of the procedure are to be borne collectively.

The employer who does not meet his obligations in respect of outplacement must pay a contribution of 1,500 euro (plus management costs) to the ONEM. This contribution is allocated for the outplacement of workers whose employers have not met their obligations.

## FRANCE

### The new “Youth Employment Contract” scheme

The new French Government has created a new scheme, in force since 1 July 2002, to promote youth employment in the private sector.<sup>1</sup>

During the economic downturn, unemployment among the under-25s increased (by 11.5% in one year) at a greater rate than the average rise in unemployment. The unemployment rate of unqualified young people now stands at 33%. It is at this category of poorly qualified young people that the “youth employment contract”<sup>2</sup> is targeted, as the group which has the greatest difficulty succeeding in the labour market.

The scheme is aimed, then, at young people aged between 16 and 22, without the baccalauréat, employed on an open-ended contract for a period at least equal to half-time working. It relates to jobs created by companies in the private sector. The employer does not have to provide training during this contract.

The scheme takes the form of a fixed level of assistance to cover employers’ social security contributions. A sum of 225 euro per month is paid to the employer for two years, which is then reduced by half during the third year. It may be combined with other existing exemptions from employers’ social security contributions on low wages.

The Government forecasts that 310,000 young people will be employed as a result of this scheme by 2005.

## GERMANY

### Successfully reducing unemployment among severely disabled people\*

For years, unemployment among severely disabled people had been rising considerably faster than the general rate of unemployment and, by the end of 1998, had reached an intolerably high level. For this reason, the Federal German Government, together with all those with responsibility for the employment of severely disabled people, drew up objectives and concepts on how to reduce unemployment among severely disabled people, and these were ultimately enshrined in law. The bodies involved include not just the Federal Government, but also the Federal States (Länder), employers’ associations – including those representing tradesmen – the trade unions, and also representatives of disability organisations, the employment service, the integration offices and the rehabilitation bodies. By accepting joint social responsibility, they all joined forces to implement the “Act to Fight Unemployment among Persons with Severe Disabilities” dated 1 October 2000, and its continued development in the Ninth Journal of the German Code of Social Law (SGB IX) of 1 July 2001.

The Act provides for a package of measures to help bring this about. However, at present it is still not possible to say in all cases how the

<sup>1</sup> Law of 29 August 2002.

<sup>2</sup> According to the Ministry of Social Affairs, Labour and Solidarity, François Fillon, the “New Services/Youth Employment” scheme created in 1998 was mainly of benefit to qualified young people (with the baccalauréat or baccalauréat plus 2) and was a heavy burden on the public finances. No further agreements under the 1998 scheme will now be signed, and the existing State aid for youth employment will be progressively discontinued.

\* This article was published in its original version in the “Bundesarbeitsblatt” (December 2002).

new rules have contributed to a reduction in unemployment. Currently, the Federal Ministry of Health and Social Security is collating data, on the basis of which it is to prepare its report on the employment situation of severely disabled people, which the Federal Government is required to submit to the legislative bodies of the Federal Republic by 30 June 2003 (§ 160 SGB IX).

### ***Redefining the duty of employers to provide employment and the equalisation levy***

To increase motivation and to boost the incentive behind the equalisation levy, the new Act introduced a more differentiated approach that took greater account of the merit of each individual case:

- The equalisation levy was graduated in line with the degree to which employers, on average, observed the duty to provide work over the year. Special rulings are in force to ease the burden for small businesses.
- The threshold beyond which employers have a duty to provide employment was raised from 16 to 20 employees.
- The proportion of severely disabled people that an employer is required to take on was reduced from 6% to 5%. However, this was tied to the proviso that the number of severely disabled people who were unemployed had fallen by 25% between October 1999 and October 2002. Otherwise, the figure would automatically revert back to 6% on 1 January 2003.

### ***Enhancing the rights of severely disabled people and organisations representing people with severe disabilities***

The rights of severely disabled people and the organisations representing their interests have been expanded and enhanced. The employment offices are required at an early stage to give severely disabled people the skills and qualifications they need to occupy relevant positions in business. To make sure this happens, employers are required to notify the employment agencies in plenty of time of any vacant and soon-to-be-vacant positions which may be suitable for severely disabled people. This is an expressed undertaking for State employers.

### ***Developing the services of the Federal Institute for Employment (Bundesanstalt für Arbeit)***

The employment service has set up special offices that cater for severely disabled people who are unemployed in order to be able to offer speedy and comprehensive advice to employers who are willing to recruit disabled workers. This advice covers all possible forms of support.

The fact that job seekers are to be given the professional skills appropriate to the job in question was both a helpful and necessary part of this equation. Whilst the number of severely disabled people receiving training measures still stood at around 1.7% in October 2000, by the end of October 2002 this figure had more than doubled to 4%.

Development of the services of the Integration Offices (formerly the Main Welfare Offices)

The services offered by the integration offices have been expanded. The integration offices provide financial assistance, both to

employers and to severely disabled people, and advise and support them in all issues relating to working life. Factors of particular importance here include selecting the right job for individuals, the adaptation of existing jobs to suit severely disabled people and the creation of new jobs that meet their needs.

### ***Legal entitlement to have costs assumed for any necessary assistance in work***

As a form of additional help, severely disabled people have, since 1 October 2000, been legally entitled to have the costs necessary to assist them in their work assumed by the integration offices. Thanks to SGB IX, they now also have a similar legal right in relation to rehabilitation bodies. For disabled people who are particularly severely affected this help offers important and effective assistance to enable individuals to do a job in the first place. One example of this is the appointment of someone to read things out for blind people. It is still not possible to say ultimately whether this will be successful. A summary of the effects of this work assistance is to be presented soon.

### ***Simplified right to support***

In order to reduce the threshold for the employment of severely disabled people, the right to support has been simplified and substantively enhanced. As well as grants to cover direct labour costs, help can now also be given to cover the corresponding shares of social security contributions payable by employers.

Labour-cost subsidies can be used to support fixed-term employment and, in particular, probationary employment. In the case of probationary employment of up to three months, the employment office may even assume all costs in full. It is precisely this kind of probationary employment that has turned out to be successful. Probationary employment, but also fixed-term employment, often turns into a permanent position.

Subsidies to cover the costs of training can also be provided at up to 80% of the total cost for the most recent training year and – in certain cases – in full. Again, the employer's corresponding share of social security contributions is also assumed.

These payments are often accompanied by additional or special benefits as a result of programmes implemented by the Länder.

### ***Development of measures to prevent health problems at work***

The bodies responsible for rehabilitation have agreed common recommendations to prevent exclusion from work. These include:

- rules for the involvement of doctors, including company and on-site doctors, in the case of benefits for participation in working life;
- rules on the exchange of information with disabled employees as well as employers and bodies representing company interests.

By taking these measures, it should be possible to identify the rehabilitation needs at an early stage. As a result, the social security system neatly interacts with the decision-making structures within the companies.

## Integration agreements

Another important instrument used to support the employment of severely disabled people involves integration agreements in companies and offices. The intention is for these agreements to be concluded by the employers and the disability representative, and by the staff or works councils. Employers are required to conclude such an agreement. One exception applies to State employers only, for whom similar rulings are already in place and enforced. These agreements must contain specific targets and measures relating to the integration of severely disabled people. These include rules on staff planning, workstation design, work organisation, working hours and the implementation of the measures agreed. The agreement will be passed on to the integration office and the employment office.

Unfortunately, the level of interest among employers in entering into such agreements has been rather modest to date.

## Specialist Integration Service

More than 180 specialist integration services have been set up in little under two years. Their task is to offer advice to severely disabled job seekers who are particularly affected, and to place them in the right sort of job. In so doing, these services mainly provide advice and support to employers who are willing to recruit severely disabled people. This makes them a valuable partner for the employment office and for employers, because there is essentially more time available for each individual case. As a result, they can adopt a more customised, more individual approach in attempts to find people work.

## Results of the campaign in figures

According to the labour market data provided by the Federal Institute for Employment, **144,292\*\*** severely disabled people were unemployed for the month of October 2002. This is equal to a "specific unemployment rate" among severely disabled people of 13.9%. The basis for the calculation of this rate was the October 1999 figure. At the time, there were 1,036,233 severely disabled people in work.

In the Federal States of former West Germany, **114,629** severely disabled people were out of work (rate: 13.0%) whilst the general unemployment rate stood at 7.7%. In the new Federal States of the former GDR, **29,663** severely disabled people were unemployed (a rate of 18.9%), whilst the general unemployment rate stood at 16.9%.

Since October 1999, therefore, the level of unemployment among severely disabled people has fallen by around 24%. This figure is only just short of the stipulated target of 25%. Compared with the trend in the rate of unemployment in general, the 2% fall is, however, extraordinarily large: the general rate of unemployment fell between October 1999 and October 2002 from 9.9% to 9.4%, representing a decline of 0.5%. The specific unemployment rate for severely disabled people fell during the same period from 17.7% to 14.2%, a fall of around 20%. At the same time, the proportion of severely disabled people as a percentage of the total number of unemployed also fell from 4.9% to 3.7%; in other words, around 25%.

Even with financial support alone, some 50,000 particularly severely affected disabled people found work. Yet that is only around a third of all those who received job placements. Of the

other 100,000 severely disabled people, some found work without any support.

## Provisional summary

The efforts to date have paid off. The labour market for severely disabled people has been set in motion. The key to success lies in the joint efforts of all concerned. Without the assistance and social responsibility of many social groups, it would not have been possible to tackle this issue.

It has been revealed that, above all, information about the ability of severely disabled people as well as the legal options can reduce the employment deficits. The award-winning campaign entitled "*50,000 Jobs for Severely Disabled People*", with its self-confident and lifelike motifs, reduced the information gap and has done a lot to change the perception among employers of severely disabled people working in their own company; as a result, when severely disabled people are recruited, it is increasingly being asked, "Are they suitable or not suitable for the job?" rather than "Are they disabled or not disabled?"

It would be counterproductive in this situation, in the face of the success, to burden employers with higher costs, even though the specified target was only missed by a tiny margin. For this reason, the ratio of severely disabled people as a percentage of the overall workforce that employers are required to recruit will not rise from 5% to 6% from 1 January 2003 but, instead, this deadline will be put back to 1 January 2004.

In order to prevent the ratio being raised for good, the development of the concept to fight unemployment among severely disabled people is to be discussed by all those involved as early as the start of 2004. The proposals resulting from this discussion will be included in the aforementioned government report on the employment situation of severely disabled people, to be produced by 30 June 2003. It is, however, due to be brought out by as early as February 2003 so that the proposals can be implemented in law in the summer.

## SWEDEN

### Project to co-ordinate vocational rehabilitation

At the request of the Swedish Government, the Swedish National Labour Market Board (AMS) and the Swedish National Social Insurance Board (Riksförsäkringsverket) are conducting a joint pilot project in order to identify ways of co-ordinating the organisation of vocational rehabilitation.

These two authorities have different aims but share responsibility for issues concerning rehabilitation. Swedish Social Insurance Offices (Försäkringskassan) co-ordinate and supervise those measures concerning the rehabilitation of individuals. Swedish Employment Offices (i.e. arbetsförmedlingskontoren, or job centres) are responsible for making sure that those people on sick leave but seeking work are supported by rehabilitation measures to obtain a job.

The fact that the various authorities have had different objectives

\*\* This figure, according to § 71 section 2 (2) SGB IX, is to be added to the number of severely disabled people, for whom employment creation and structural adaptation measures are implemented. This figure is 169 more than the same figure for October 1999. This means that when comparing the employment situation of unemployed severely disabled people, a figure of **144,461** is to be assumed.



has meant that the division of responsibility is unclear. As a result, many people on long-term sick leave (i.e. for more than 60 days at a time), who have registered as jobseekers with their employment office, fall between the remits of the two offices for lengthy periods. As a result, they become passive and lose their motivation to seek work. Today there are roughly 35,000 to 40,000 people in need of more coherent vocational rehabilitation, who either fall through the net completely or are made to wait unnecessarily long for the right kind of service.

A survey conducted in 2000 showed that 80,000 people were unemployed jobseekers who were at the same time on long-term sick leave. Just over half of these were under 45 years of age and a high proportion of them were between 25 and 34 years old. Around 60% of them were women. There were major regional differences, with substantially more people on long-term sick leave in the northern part of the country. Virtually all of them were registered with their employment office during their sick leave and benefited from the office's service. Some 34,000 had left their employment office and were no longer there by the end of 2000 and beginning of 2001.

To get to grips with these problems, the pilot project will first and foremost build up a co-ordinated organisation for vocational rehabilitation. This means identifying structures, methods and services that support unemployed people on sick leave throughout the entire rehabilitation process. It also means that any decisions to be made that affect people can be taken without disrupting rehabilitation plans or plans of action.

The pilot project must also develop effective working methods and approaches that will successively spread until, by 2004, they are being applied nationwide. Moreover, the project must come up with proposals for an appropriate body of rules and regulations.

In addition, the pilot project will look into the possibility of providing services for employed people on sick leave via their employment office, e.g. via rehabilitation measures, counselling and labour market policy programmes. This applies to people who cannot go back to their regular employers.

Smoothly functioning rehabilitation activities are important for individuals, but are also of economic benefit to society. The latter is particularly true when viewed against the backdrop of the imbalance between the access to and the demand for manpower that will characterise the labour market in the future. Safeguarding unexploited resources on the labour market is one way of seeking to come to terms with the future shortage of labour.

## UNITED KINGDOM

### Older workers

The UK Government is committed to increasing the numbers of older workers in employment, and we have set a Public Service Agreement target to increase the employment rate of people aged from 50 to State Pension age, and to reduce further by 2006 the gap which currently exists between the over-50s and overall employment rates. We have introduced a comprehensive range of measures to help older people remain in, or return to, work covering:

- Effective back-to-work help for the over 50s
- Tackling age discrimination in employment
- Extending working life and flexible retirement

### *Effective back-to-work help for the over 50s*

#### *New Deal 50 plus employment programme*

New Deal 50 plus has helped many jobless people aged 50 and over return to work. It offers personal guidance and help in searching for jobs, a weekly cash Employment Credit on taking up work, and an in-work training grant.

In the period between its national launch in April 2000 and November 2002, over 90,000 people aged 50 and over returned to work and claimed the New Deal 50 plus Employment Credit. Of these, a third were people with disabilities, and almost a third were women. Evaluation shows that the cash payment to the individual has been successful as a back-to-work incentive. Even though the Employment Credit payments last for only 12 months, the majority of participants were still in work a year further on. The programme has also benefited employers, as it has helped to expand the stock of people with valuable skills and experience in a tightening labour market.

From July 2002, the in-work training grant was doubled and made available for two years rather than the original one year. This will help to further increase the skills and future employment prospects of those New Deal 50 plus clients who have gone back into work.

#### *The Working Tax Credit*

As part of the next steps in tax and benefit reform, from April 2003 the Government will introduce the Working Tax Credit. One of the main groups of beneficiaries is likely to be adults aged 50 and over who are on low pay. The Working Tax Credit will replace the New Deal 50 plus Employment Credit, and will include a return-to-work element for people aged 50 and over who have been receiving certain out-of-work benefits for at least six months. This is designed to provide further help to those people aged 50 and over who have been away from the labour market and may therefore face greater barriers to returning to work.

#### *Helping older people to remain in or return to work*

From 2003 the UK Government proposes to introduce a new package of more intensive back-to-work help for people aged 50 and over, and to offer guidance to employers on the benefits of recruiting and training older workers.

We will extend the support available through New Deal 50 plus so that individually tailored help for each customer can be drawn from a range of possible options. These options will include personal advice, training, work trials, volunteering opportunities and an in-work training grant. This will be available to all people aged 50 and over who have been on specified benefits for six months or more, and their dependent partners aged 50 and over.

The Government proposes running a pilot study examining the effects of making participation in the New Deal 25 plus Intensive Activity Period mandatory from 2004 for those people aged 50 to 59 who have been claiming Job Seekers Allowance for 18 months. Long-term unemployed jobseekers aged 25 to 49 are already required to participate in this programme because it offers extensive help back into work. At present, jobseekers aged 50 and over who have claimed Job Seekers Allowance for 18 months can volunteer to take up this extra help. However, they often fail to do so because many have grown demoralised about the chance of returning to work.

Additionally, we will pilot work with voluntary sector organisations to improve the provision of information about back-to-work help,

and local job and volunteering opportunities, to help improve the employment prospects of jobless people aged 50 and over.

We will also pilot the use of local agents based in the business community to raise employer awareness of the business benefits of recruiting and training older workers. These agents will focus on those sectors experiencing skills and labour shortages in their area.

## ***Tackling age discrimination***

### ***Code of Practice***

The Government is tackling age discrimination by encouraging employers to adopt the standards set out in the non-statutory Code of Practice on Age Diversity in Employment, which was published in June 1999. The Code sets the standard for non-ageist approaches to recruitment, training, promotion, redundancy and retirement. Guidance accompanying the Code helps employers to realise the benefits of adopting non-ageist employment practices.

Our evaluation of the Code's impact indicates that a third of employers are now aware of the Code and the use of age criteria in recruitment has halved from 27 per cent to 13 per cent. Research evidence shows that employers with an age-diverse workforce enjoy lower staff-turnover rates, lower absenteeism and have workers with higher levels of motivation and efficiency.

An updated Code of Practice, taking into account lessons from the evaluation, was launched as part of Age Positive week on 3 December 2002.

### ***Project Workshops for smaller employers***

We are also developing and delivering workshops for small and medium-sized employers on the business case for age diversity. The workshops enable employers to compare their current practices in the context of changes in demography and the business environment, analyse the business implications of ageism and explore the benefits of workforces with mixed ages. This encourages employers to adopt non-ageist employment practices, according to the standard set by the Code. Workshops were delivered throughout England in 2001 and 2002, and are being delivered in Scotland and Wales in 2003.

### ***European Employment Directive on Equal Treatment***

The Government wishes to set out clearly what the European legislation on Equal Treatment will require so that employers will have sufficient time to familiarise themselves with new requirements, and adapt their practices accordingly before it is implemented. We seek to introduce legislation that works in practice to remove unfair discrimination. That means taking action where there is clear justification – but without stifling business with unnecessary burdens.

There are many complex and sensitive issues that need to be addressed and resolved so that the eventual legislation is practical and helpful to employers and employees alike. One of these issues is retirement ages. Under the Directive, compulsory retirement ages are likely to be unlawful, unless employers can show that they are objectively justified.

In advance of legislation, we will work with national and local partners to provide employers with the further advice and support they need to benefit from non-ageist employment practices now, and also to help prepare them for the legislation ahead.

## ***Extending Working Life and Flexible Retirement***

As people are living longer nowadays and want a good standard of living in retirement, they either have to save more or work longer, or combine a mixture of both. It is in the interest of businesses as well as pensions savers to do away with inflexible and outdated approaches to retirement.

The Government is tackling the barriers to flexible retirement to allow people the opportunity to move gradually from full-time work to retirement – too many people feel they have no choice but to retire, because they cannot reduce their hours or level of responsibility.

Our strategy must also help people to work beyond State Pension age if they want to. People should not stop work simply because they reach 60 or 65. Far from it – at this point in their lives most people could still have many productive years ahead of them. This is the point at which people can start to draw their State Pension, not the point at which they necessarily should.

### ***State Pension Age***

State Pension age is being equalised at 65 for men and women between 2010 and 2020, and both men and women aged between 60 and State Pension age will be entitled to the full range of job-search support and benefits available.

### ***More generous increases for deferring state pensions***

The Government intends to ensure that people who choose to work beyond State Pension age and defer taking their pension are properly rewarded by the State system. Currently, a person who does not draw their pension at State Pension age has their pension increased by around 7.5 percentage points for each year it is deferred, up to a maximum of five years. Under existing legislation this will increase to around 10.4 percentage points for each year in 2010. We now expect to be able to make the change by 2006.

As well as improving arrangements for deferral, the Government proposes to offer a choice of either an increased regular State Pension or a taxable lump-sum payment, to compensate people adequately for deferring their pension. Some people may find the prospect of a lump sum more attractive than a comparable regular pension increase. These proposals would help to give people a choice over when they take their State Pension. The changes would encourage people to work beyond State Pension age and ensure that they are rewarded properly for having done so.

### ***Flexible retirement and occupational pension rules***

A flexible approach to retirement ages would remove the cliff edge that many people face when moving from full-time demanding work to complete retirement. The Government believes that more people would like to make use of such flexibility. However, in the past the tax treatment of pensions has dissuaded some people from doing this.

Currently, tax rules allow people to work and draw an occupational pension, but only where they no longer work for the company that is paying the pension. Often people who would like to carry on working do not want, or are unable, to change employers at this stage in their career. So they end up retiring when they would have preferred to stay in work in a reduced capacity, supported by a combination of earnings and pension. The Government proposes to remove this constraint. As part of the Government's consultation on the simplification of the pensions tax regimes, we are proposing to allow schemes which offer people the opportunity to continue working for the sponsoring employer while drawing their

occupational pension. In the future, the concept of normal retirement age will no longer feature in the tax rules, although some pension schemes may choose to continue with it if they find it makes sense to do so.

In addition, we propose that the earliest age from which a pension may be taken should increase from age 50 to age 55 by 2010. This would offer an effective signal that work up to age 55 at the very earliest is the norm.

Employers should help wherever possible. In particular, they should ensure that occupational pension rules do not discourage flexible retirement. Employers should:

- ensure that people are offered a fair return for deferring their pension if they work beyond normal retirement age. That is, people should see an increase in the annual amount of pension they receive to make up for the fact that it will be paid for fewer years;
- allow people who are working past normal retirement age to continue to build up their pension entitlement. The separate Inland Revenue consultation includes a proposal to allow people to work longer while supplementing their salary with occupational pension income; and
- ensure that final salary schemes treat fairly those who go part-time or step down in responsibility near the end of their careers.

For part-time workers this means basing the pension on the full-time equivalent salary, and adjusting the accrual rate to take account of the part-time hours. For those who choose to step down in responsibility, one approach is to take the best year's salary out of one of the last few years of employment.

The Government would like all employers to follow best practice in occupational pension rules. We will be consulting with leading employer, employee and pensions representative organisations on how to promote best practice.

### ***Public service pension schemes***

The Government has already begun to address the social and economic consequences of demographic change in its own role as employer. Already 75 per cent of civil servants now have the option to retire at age 65 and the numbers able to serve beyond age 60 are expected to increase. But most public service pension schemes still allow a normal pension to be taken at age 60 or under, or allow an earlier pension for those with longer service. We will be consulting on the proposal that the rules of public service pension schemes should be changed and applied to all new members during the next few years to make an unreduced pension payable from age 65 rather than 60. Such a change would reflect improved longevity, modern working patterns and the practice in the majority of private sector pension schemes.

## FINLAND

### Preliminary information on the 2002 Working Conditions Barometer

#### *The difference between work and leisure time is more flexible and less defined*

Job growth in Finland has slowed down or even stopped. The number of jobs being cut is nearly the same as the number of jobs being created. In the public sector, the increase in the number of jobs outpaced the decrease in 2001 but now that difference is no longer so marked. Overtime – which had been compensated either through money or through time off in lieu – has clearly fallen. However, the surprising thing is that only paid overtime has decreased; unpaid overtime is actually on the rise.

One-third of Finns take work home voluntarily, without additional pay. A large proportion of the workforce can also be contacted at any time. In August-September 2002 around 900,000 people were in contact either with their workplace or their customers outside working hours. Many were in constant contact, several times a week, by mobile phone or over IT networks. Working time is becoming more flexible. At the same time the difference between working time and leisure time is becoming less and less clear. These figures are based on the 2002 Working Conditions Barometer.

The Working Conditions Barometer is used to monitor changes in the quality of working life at many levels. There had been a long-standing trend in Finnish working life showing an increase in work-related stress and pressure. This increase has tailed off in recent years. So far, however, one in two employed persons thinks that the mental pressure has increased; few take the opposite view. The increase in mental pressure has been much clearer amongst workers at municipality level and, indeed, the majority of people who feel that they are under pressure work for the municipality services.

An increase in sick leave has been noted and this has been accompanied by an increase in the length of sick leave taken. The reason for this rise is work pressure and the ageing workforce. This increase has been especially rapid in the municipality services.

#### *Slow increase in permanent new jobs*

Uncertainty at the workplace has risen, but dismissals and threats of redundancy have not really increased in comparison to previous years. The most common method for reducing the number of personnel is to not replace those who leave. However, one third of new employees are being hired into permanent positions. All in all, the number of permanent new jobs is slowly increasing. The same applies to temporary jobs. The abundant use of fixed-term jobs is very common in municipality services and federal Government employment. Fixed-term jobs are clearly used less in industry and the private sector than in the public sector.

Most discrimination clearly targets temporary and part-time workers, confirming the observations made in 2001 on how common this kind of discrimination is. In municipality services, this has even increased slightly in comparison with the previous year. In fact, there are many times more cases of this than there are cases of, for example, sexual discrimination.

#### *Major changes in the workplace continue*

There continued to be major changes in the workplace in 2002. Some 46% of workers attended training at the workplace, with training accounting for an average of six days per year. Nearly one workplace in two had different development programmes and projects, but their numbers are in decline. On the other hand, there has been a strong increase in activities that support working capacity.

Workers' assessments of the leadership and organisation of the workplace are slightly more positive compared with previous studies. Salary systems are changing and it is less common to have a fixed salary. Salaries tied to the quality of work or performance are common in industry and the private sector. In the public sector, and especially in the municipality services, the number of people drawing a fixed salary is still high, but there have been a lot of changes to salary practices.

Union memberships decreased in 1990s, with the fastest rate of decrease seen amongst 25-34 year-olds. The number of employees paying into the unemployment fund only has increased. In the last couple of years there has been a slight increase in the number of employees belonging to unions and the unemployment fund. In 2002 the percentage of the workforce belonging only to the unemployment fund was 8.3%.

Workers' prospects nose-dived a year ago. In particular, people complained that their work was not enjoyable although the trend was slightly more positive in 2002. However, uncertainty has remained a constant issue and expectations are clearly more tentative than they were in the late 1990s. Today, a large proportion of employees doubt that there will be any improvement in their job's economic status or their general employability. Public sector employees in particular are worried about the future financial prospects afforded by their job.

The information contained in the Working Conditions Barometer was collated by Tilastokeskus (Statistics Finland) via telephone interviews carried out in September/October 2002. A total of 1,296 interviews were conducted, with a failure rate of 12%. The findings can be generalised to cover the entire nation's workforce. Most of the information is comparable with the Working Condition Barometers for 1992–2001.

## FRANCE

### The “35-hour week” in France made more flexible

French law on working hours was profoundly transformed by a law of January 2000 when legal weekly working hours were reduced from 39 to 35. Companies with more than 20 employees were legally bound to keep to these hours from 1 January 2000, while those with 20 employees or fewer had until 1 January 2002 (with a transitional period running until 2004) to organise the move to a 35-hour week.

The Government formed in 2002 took the view that this regulation was an obstacle to productivity, represented too onerous a burden for companies and, moreover, did not create sufficient new jobs. A bill, which is soon to come into force, makes the regulations more flexible on three counts: the 35-hour week, the reduction of employers' social security contributions and “the convergence of minimum wages”.

### ***The 35-hour week***

The extent of legal working hours is not in question and remains set at 35 hours per week.<sup>1</sup> As in the past, several schemes for the adjustment of working hours make it possible to resort, through agreements, to the annualisation of working hours. The annual period of work which corresponds to the 35 hours is set, as before, at 1600 hours. Agreements already struck continue in effect; it is up to the social partners to renegotiate them if they so wish. The idea is that the State sets the rules and the social partners negotiate the conditions for their application sector by sector and company by company.

Without going into complex details,<sup>2</sup> the main changes made by this draft law are as follows:

Companies can now have access to a much larger reserve of overtime hours than under previous laws. The amount the employer has at his disposal will be set at 180 hours a year per employee. This can be increased or decreased by a convention or an “extended” sectoral agreement.<sup>3</sup>

Before the new law, the hours worked beyond the legal period of 35 hours gave rise, depending on the hours concerned, to a time bonus or a wage-rate increase of 25% for the first eight hours, and a 50% increase for further hours. This draft legislation proposes that the rate of increased pay for overtime should be set by a sectoral agreement, though it should not fall below an additional 10%.

Where no agreement is reached, each of the first eight overtime hours will be paid at a rate that is higher by 25%, and the following hours at a rate higher by 50%. As a transitional measure, in small enterprises of 20 employees or fewer, the rate of increase for the first four overtime hours will continue to stand at 10% until 31 December 2005.

The right to compensatory leave is determined as follows:

- in companies with 10 employees or less, obligatory compensatory leave of 50% is due beyond the legal reserve amount of overtime hours;
- in companies with more than 10 employees, compensatory leave of 50% is due for the overtime hours beyond 41 hours in a week which are carried out within the allotted overtime reserve hours;

obligatory compensatory leave of 100% is due for every overtime hour carried out beyond that reserve amount.

Lastly, the draft law modifies the “Time Savings Account” (*Compte Épargne-Temps*) scheme. This system allows employees to save up periods of leave or elements of remuneration (agreed bonuses, part of a wage rise, for example) in order to finance a long-term period of leave. In the future, it will be possible to convert the Time Savings Account into cash: employees will be able to take part of their entitlement as time off or as money.

### ***The lowering of employers’ contributions***

In January 2000, a system of exemption from employers’ contributions was established, in order to facilitate transition to the 35-hour week. This (variable) exemption was dependent upon the existence of a collective agreement and commitments on employment.

Where the reform project is concerned, the measures will be accompanied by a scheme for the reduction of employers’ social security contributions, disconnected from the number of hours worked and targeted towards low and mid-level wages, the maximum rate of exemption being set at the level of the guaranteed minimum wage (between 1 and 1.7 x guaranteed minimum wage [*SMIC*]). This will be progressively put in place between July 2003 and July 2005.

### ***“Minimum Wage Convergence”***

The law of January 2000 had provided for a scheme of monthly payment guarantees for employees paid at the minimum wage level, which had led to multiple different situations arising among employees, depending on the date of their transition to the 35-hour week.

The draft legislation provides for a return by 2005 to a single level of minimum wage and minimum guarantees of monthly remuneration, in order to return progressively, by successive “small adjustments”, to a scheme that allows for a normal and more open progression of the lowest wages.

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<sup>1</sup> As before, the daily length of work cannot exceed 10 hours, except for exemptions made in conditions set by decree. Maximum weekly working hours are set at 44 over a period of 12 consecutive weeks and 48 over one week. Exemptions may be granted, but may not be such as to increase weekly working hours beyond 60.

<sup>2</sup> See, on the Internet, [www.travail.gouv.fr](http://www.travail.gouv.fr)

<sup>3</sup> That is to say, one approved by the Government.

## BELGIUM

### Harmonisation and simplification of Social Security Contribution Reduction Schemes

Since the 1980s a vast arsenal of measures has been developed, designed to support employment policy, using the technique of reducing employers' social security contributions. These measures can be divided into three main groups:

- General measures which reduce wage costs for the workers already employed;
- Measures aimed at promoting employment of jobseekers belonging to well-defined target groups;
- Measures aimed at supporting a redistribution of work and/or a reduction of working hours.

The accumulation of measures (there are currently 27 of them) has led to such complexity that it damages their effectiveness. This is why the Enabling Act of 24 December 2002 aims to simplify these measures radically. From 1 January 2004, only two types of reduction will be applied: the structural reduction and the target-group reduction.

Structural reduction takes the form of a fixed sum which varies according to the category of the worker's occupation (up to 471 euro per quarter per worker). The above-mentioned Enabling Act distinguishes between three categories:

- The occupations of workers subject to the full range of social security regimes of waged workers who do not fall into any other category;
- The occupations of workers with an employer in the non-profit sector;
- The occupations of workers with an employer belonging to the Joint Committee for adapted (formerly "sheltered") work and social workshops.

In cases of remuneration below a wage level determined by royal decree, a "low wage" supplement is added to the fixed sum.

Every year, before 30 September, the social partners, meeting in the Central Economic Council and the National Labour Council, assess the overall development of wages, as well as the efforts made in terms of training and employment. If this assessment is not positive, the fixed-sum structural reduction that is applicable from the next quarter of the calendar year may be reduced for the sectors or enterprises whose efforts in terms of training and employment are regarded as inadequate.

In addition to the structural reduction, the employer may benefit from a target-group reduction paid for an individual worker. This reduction corresponds to a fixed amount of 400 or 1,000 euro per complete quarter of activity. The Enabling Act provides for five target groups:

- Workers of at least 58 years of age; it is possible to lower the age condition by royal decree, but it may not fall below 50 years;
- The long-term unemployed;
- First workers recruited by new employers (up to a maximum of three workers);
- Young workers covered by a First Job Agreement;
- Collective reduction of working time and/or the introduction of the four-day week (the amount of reduction being granted for each particular worker concerned).

For workers on less than full-time working, the structural reduction and the target-group reduction are granted pro rata. It is possible, however, using a fixed "multiplier", to obtain exemption from a strictly proportional reduction in terms of work performed, without it exceeding the amount of the reduction that applies in the case of full-time working.

## SPAIN

### The reform of the unemployment protection system in Spain

Following its approval by the Spanish Parliament, Law 45/2002 of 12 December took effect on 14 December 2002. It involves a major reform of the unemployment protection system: while maintaining and, in some cases, increasing the level of protection afforded, it creates closer links between active and passive policies, strengthening the former without cutting back on the latter.

The key objective of this law is to contribute to the attainment of full employment in the context of the overall development of the Spanish labour market. To this end, the following basic guidelines have been established:

- Improve the functioning of the labour market, linking protection to employment needs, encouraging the search for employment, and strengthening the unemployed person's commitment to actively seek employment. In short, the aim is to turn protection into an instrument capable of revitalising the labour market.
- Improve the employment opportunities of all unemployed people through various employment-promotion measures, including measures to strengthen the Public Employment Services by providing them with adequate human and material resources to act as effective intermediaries in the market and developing appropriate actions to enhance workers' employability and hence shorten their periods of unemployment.
- Extend and improve protection, catering for groups of workers who were previously unprotected, including all casual agricultural workers (until now benefits for this category of workers were only available in the Autonomous Communities of Andalusia and Extremadura, rather than throughout Spain's national territory), and extending protection to handicapped workers, abused women, returning migrants, etc., through the Active Vocational Integration Benefit programme.

At the same time, the new law remedies certain shortcomings of the protection system. This includes, for example, improving the means testing procedures so as to accurately establish workers' needs and the level of protection required; bringing the protection of returning migrants in line with Community Regulations; protecting intermittent permanent employees (*trabajadores fijos discontinuos*), etc.

The specific measures provided for by the new law can be broadly summarised as follows:

#### *Active job-seeking*

- *Commitment to action*

A commitment to action on the part of claimants of unemployment benefit or unemployment assistance is established as an eligibility requirement for the protection scheme. This means that the

unemployed person must make a commitment to actively seek employment and to carry out appropriate actions to improve his or her employability so as to shorten the period of unemployment.

- ***Suitable employment***

Beneficiaries of the unemployment protection scheme may not reject suitable offers of employment, i.e. offers that correspond to their professional or vocational skills, their habitual occupation and their physical abilities and qualifications. However, provisions are included to ensure that, should the worker in question be required to travel to work, this will not entail a change of locality or place of residence; that his/her professional, personal and family circumstances will be taken into account in all cases; and that he/she will receive adequate remuneration.

The new regulations specify these measures concretely so as to avoid any application of discretion in their implementation.

- ***Infringements and penalties***

The penalties applicable to workers who refuse to join a training scheme or refuse to improve their employability or to take up suitable employment have been mitigated, with the introduction of a sliding scale of penalties which become increasingly stringent in the event of repeated refusal.

## ***Eligibility for protection from unemployment***

- ***Immediate recognition of unemployment status***

Unemployment benefit is now payable as from the first day of involuntary redundancy, with no need to lodge a claim against dismissal or to await the court's decision. However, this does not prevent the employee from receiving any payments due by the employer in the event that the employee decides to lodge such a claim and obtains a favourable court decision.

The regulations thus ensure financial protection for unemployed people as well as the immediate implementation of the measures aimed at improving their employability so as to reintegrate them into the labour market.

- ***Unused paid leave***

In the event of any unused paid leave at the time of dismissal, unemployment benefit will not be paid until the period of paid leave to which the employee is entitled has expired, it being understood that the employer has an obligation to pay the wages and contributions due for the period in question.

- ***Repression of fraudulent employment***

The National Institute for Employment (Instituto Nacional de Empleo – INEM) will be able to institute proceedings against employers who repeatedly engage workers under employment contracts that are deemed fraudulent. The INEM shall be entitled to demand reimbursement of any unemployment benefit unduly paid to such workers, though this will not prevent the workers concerned from being eligible for further protection against unemployment.

## ***Employment promotion***

- ***Lump-sum payment of benefit***

New provisions are set out for the lump-sum payment of the contributory unemployment benefit as an employment-promotion measure, especially in the co-operative, mutual and non-profit

sector; it is possible for the payment of the outstanding benefit to be paid in full or in part.

The amount paid to the worker is equivalent to the mandatory contribution he or she must normally pay to join a co-operative (cooperativa de trabajo asociado) or worker-owned company (sociedad laboral) as an associate or working partner. In the event that the amount paid in respect of this contribution is less than the outstanding amount of benefit, the balance can be claimed by the worker in the form of a rebate on his or her quarterly social security contributions.

It should be added that the law includes an important new item, namely the fact that the above-mentioned employment-promotion measure is extended to include workers who wish to become self-employed and who are now entitled to receive up to 20% of the benefit as a lump-sum payment and the rest in the form of a rebate on their social security contributions.

- ***Compatibility between benefit and employment***

A system has been established whereby claimants over 52 years of age continue to receive 50% of unemployment benefit after starting a full-time job, while their employer is allowed to reduce the worker's wage by an equal amount. In this way, since labour costs are reduced, the chances of finding employment are increased for this group of workers who face special difficulties.

- ***Programme for the replacement of workers undergoing training***

The new law stipulates that claimants of unemployment benefit or unemployment assistance can continue to receive 50% of the relevant amount when they are employed to replace workers taking part in continuing vocational training activities.

- ***Promotion of geographical mobility***

Grants and financial incentives are provided for workers moving to a different locality to take up employment.

- ***Subsidies for recruitment***

The law provides for subsidies in the form of rebates on social security contributions for employers hiring certain categories of workers, particularly women who wish to return to work following a period of maternity leave, handicapped workers, etc.

## ***Unemployment assistance***

- ***Means testing***

The concept of means testing in order to assess the person's level of need and hence his or her entitlement to unemployment assistance is expressly regulated along similar lines as for taxation purposes.

Changes have been introduced in the unemployment assistance timeline so that people who are not entitled to assistance because their income level exceeds the established limit, or because they do not have family responsibilities, can still obtain assistance, provided that within one year<sup>1</sup> they fulfil the requirements as a result of a drop in income or the onset of family responsibilities.

Furthermore, if the recipient of assistance exceeds the established income limit at any point in time or ceases to have family responsibilities, assistance is suspended, but is again made available as soon as his/her income drops below the limit or he/she assumes family responsibilities, provided that less than one year has elapsed since the entitlement to assistance was suspended.

- **Returning migrants**

Eligibility for this kind of assistance is in line with EU regulations. Unemployment assistance is available for workers returning from countries outside the European Union or countries with which an agreement covering protection against unemployment has been concluded.

### **Active Vocational Integration Benefit**

- **Extension of benefit to include new groups of workers**

This programme, which combines financial assistance and active job-seeking measures, now covers new groups of workers, including handicapped people, returning migrants who have worked for at least six months anywhere outside Spain, women who have suffered domestic violence, and casual workers who come under the Social Security Special Agricultural Scheme (Régimen Especial Agrario de la Seguridad Social – REASS) in Andalusia and Extremadura but who are not entitled to the specific assistance provided for this group of workers.

### **Protection of casual agricultural workers**

- **Nationwide contributory benefit**

Agricultural workers are now covered by the contributory protection scheme against unemployment throughout Spanish territory, though certain specific provisions apply with regard to the duration of the benefit and ineligibility for unemployment assistance. The benefit will gradually be brought in line with the protection provided generally for all wage earners.

- **Subsidy for Andalusia and Extremadura**

This specific subsidy is maintained for all previously existing recipients, provided they have received the subsidy in the past three years. Therefore no new claims for this subsidy are accepted, given that adequate protection should be provided and guaranteed for this group of workers through the contributory benefit scheme mentioned in the previous paragraph.

## **UNITED KINGDOM**

### **Incapacity Benefit reform**

The UK Government issued a Green Paper on reform to incapacity benefits on the 18 November 2002 called “Pathways to Work – Helping People into Employment”. This covers the main changes we want to make to the delivery of incapacity benefit.

#### **The Background to Change**

The Government believes that everyone who wants to work has the right to do so. Since 1997 the Government has helped deliver a strong and stable economy and created the Department for Work and Pensions, Jobcentre Plus, the New Deals (for the unemployed, lone parents and people with disabilities) and given better in-work support through tax credits. The significant reductions in the numbers of unemployed and lone parents on benefit, and the fact

that well over 1 million more people are now in work, are a testimony to the success of this strategy.

However, there are currently 2.7 million people of working age receiving incapacity benefits because of a health condition or disability. This is 7.5% of the working age population (rising to 15% in the most affected local authority areas in the North West and South Wales). This number has more than trebled since the 1970s, despite improvements in most objective measures of health since that time.

People do not have to be incapable of all forms of work in order to get an incapacity benefit. Instead entitlement is based on whether a person has a level of incapacity at which it is felt unreasonable to require them to seek work. It is not set at a level of incapacity at which doing any form of work is impossible. The clear evidence is that the vast majority of people who start a claim to an incapacity benefit expect to get back to work and that, for most, a return should be a real possibility if the right help is offered at the right time. For example:

- Around three quarters of new claimants have more manageable medical conditions such as back pain, depression and mild circulatory disorders rather than a severe disability such as Parkinson’s disease, schizophrenia or severe learning difficulties;
- Best medical evidence suggests that for the main conditions reported by claimants, a return to normal activity including work is likely to enhance wellbeing and improve long term recovery<sup>1</sup>. The outlook for a return to work should also be positive;
- Surprisingly high numbers (up to 40%) of claimants in the early stage of their claim do not see their health as a key obstacle to them finding work at all;
- People coming on to incapacity benefits do report a wide range of obstacles to work that are unrelated to health. These include low confidence about finding a job, poor skills, little or no financial incentive to get a job, employer discrimination and a belief that they cannot work with their health condition.

Yet the longer claimants remain on incapacity benefits, the more their mental and physical health is likely to decline. So later work-focused interventions risk being less effective because of declining health, compounded by worsening skills, isolation and social exclusion. Out of every hundred people claiming an incapacity benefit, over forty will still be there one year later. By this point their prospects for getting back to work are very poor, whatever condition they report. **Once people have been on incapacity benefits for a year, the average duration of their claim will be eight years.**

#### **What Will This Mean in Practice?**

The Green Paper recommends offering people coming on to incapacity benefits much more help and a more coherent package of choices and options than they have had previously. The changes will be piloted before rolling them out nationally:

##### **1. Providing a better framework of support**

The Government intends to engage individuals and provide effective support through:

- Ensuring new incapacity benefit claimants maintain contact with skilled personal advisers throughout the crucial early stages of a claim through a series of work-focused interviews. Those with the most serious disabilities such as schizophrenia or paraplegia will be exempted from this mandatory requirement.

<sup>1</sup> Waddell G and Burton AK – Occupational Health Guidelines for the management of low back pain – Evidence Review – Faculty of Occupational Medicine, London; Jones D and West R – Cardiac Rehabilitation – BMJ Publishing Group; Acheson D (Chairman). Report. Independent Inquiry into Inequalities in Health. London. TSO 1998



- Ensuring new claimants draw up an action plan with their personal advisers to help them focus on their long-term goals and set out the steps they are willing to take to prepare for a return to work
- Developing a new team of specialist personal advisers equipped with a much broader set of skills. The aim is to enable them to directly support claimants back to work or on to a relevant employment programme, and to give them a better understanding of the obstacles to work reported by many on these benefits
- Close linking of the incapacity benefit medical assessment process and the new work-focused interviews. This will allow much quicker decisions to be taken on whether a person should be on an incapacity benefit or back at work, and allow a clearer focus on long-term goals for those left on incapacity benefits.

## 2. Direct access to a wider range of help

People claiming incapacity benefits can already access a range of disability and mainstream employment programmes such as the New Deal for Disabled People, Work-Based Learning for Adults and basic skills provision. In addition, the Paper recommends filling a critical gap in the provision of services at present through the establishment of new joint programmes combining support to find jobs (delivered by Jobcentre Plus personal advisers) with health-focused rehabilitation (delivered in collaboration with the NHS). The key focus of these short programmes will be to help those with conditions such as depression, back pain, coronary or respiratory problems to understand the impact that their condition has and increase their confidence to work or train and lead as normal a life as possible. Examples of these sorts of programmes already exist in the UK and overseas – often appearing to show impressive results in terms of job outcomes and improved health<sup>2</sup>. Attendance will be voluntary in pilot areas but we aim to ensure that as many claimants as possible can access these programmes in the early stages of their claim when the prospects for a return to work and greater wellbeing are highest

## 3. Offering improved visible financial incentives

The Working Tax Credit will, from April 2003, improve incentives for many claimants – however there is still room to improve incentives further. To encourage people to look for jobs and improve the certainty that they will be better off moving into work, the Paper recommends:

- a simple Return to Work credit, paid through Jobcentre Plus, to help all those moving off an incapacity benefit back to employment. It will be paid at £40 a week for 52 weeks where personal income in work will be less than £15,000 a year. This will radically improve financial incentives for those returning to work;

- the provision of increased financial support to enable claimants to compete effectively in the job markets by enabling advisers to make discretionary awards of up to £300 to spend on anything that will help their client obtain a job (for example new clothes for an interview or work equipment). This will be achieved through widening access to the Advisers' Discretion Fund.

By offering this support we will have created a "Choices Package" for incapacity benefit claimants – balancing improved opportunities with greater responsibilities to actively consider a return to work.

## 4. Better support for people with health problems on Jobseekers Allowance

The Paper recognises that large numbers of people have to transfer from incapacity benefits to Jobseekers Allowance (JSA) each year because their incapacity is not sufficient to entitle them to those benefits. Most still have residual health problems, poor work histories and other obstacles to work. Significant proportions become long term unemployed or look to move back on to incapacity benefits in due course. Few take up or are offered any specialist help to move back to work. The Paper therefore recommends:

- ensuring those transferring from incapacity benefit to JSA automatically see a specialist adviser when they first claim JSA and draw up a Jobseekers Agreement that reflects any residual health issues;
- automatically referring such customers to the tailored support available through the relevant JSA New Deal, without the normal waiting period of eighteen months.

## 5. Other stakeholders

The changes being introduced through Jobcentre Plus cannot be the only part of the solution. Extending basic rights and opportunities through the Disability Discrimination Act to people who suffer discrimination as a result of their disabilities is also crucial. It is essential that employers, trade unions and health professionals all work together to ensure a joined up and effective approach that ensures everyone who wants to work can. All have a role to play.

## When will this happen?

The Spending Review 2002 announced additional funds to establish this new approach in six pilot areas across the country starting from late 2003. This approach will be evaluated thoroughly and evidence will be gathered from the pilot before we make any decisions on national extension.

The full and summary versions of the Green paper are on the DWP website at: [www.dwp.gov.uk/consultations/consult/2002/pathways](http://www.dwp.gov.uk/consultations/consult/2002/pathways)

<sup>2</sup> Jones D and West R – Cardiac Rehabilitation – BMJ Publishing Group; Watson P – From Back Pain to Work – A Collaborative Initiative between NDDI and the Department of Behavioural Medicine, Salford Royal Hospitals Trust, Final Report to DWP – House of Commons Library; Proudfoot et al. – Effect of cognitive behavioural training on job-finding among long-term unemployed – Lancet 1997; 350:96-100; British Society of Rehabilitation Medicine – Vocational Rehabilitation: the way forward – London: British Society of Rehabilitation Medicine, 2000

## Playing the generation game: an overview of EU demographic trends, the labour market situation of older workers and policies to promote active ageing

### Introduction

Declining fertility rates coupled with increasing longevity and the resulting increase in dependency ratios (see Figure 1 below) are among the key challenges facing European policy-makers today. Between 1995 and 2015 the 15-29 age group will decline in size by 16%, or 13 million people. Over the same period, the number of those in the 50-64 age group will increase by 26% or 16 million people. Demographic trends impact not only on requirements for the labour market policy framework, and also crucially affect social security and pensions policy, the health and social care system, but the entire context of the intergenerational social contract.

In order to address these challenges, the European Community has entered into a detailed debate on the sustainability of the pensions framework, policies dealing with health and social care and the promotion of policies aimed at achieving active ageing.

The European Councils at Lisbon and Stockholm set ambitious targets for raising employment rates in the European Union by 2010, to close to 70% for the working age population as a whole, to over 60% for women and to 50% for older workers. Under the heading “increasing labour supply and promoting active ageing” the recently published new draft Employment Guidelines call upon Member States “to promote active ageing, notably by fostering working conditions conducive to job retention – such as access to continuing training and flexible forms of work organisation – and eliminating incentives for early exit from the labour market, notably by reforming early retirement schemes and ensuring that it pays to remain active in the labour market. In particular, policies will aim to achieve by 2010 an increase by five years, at EU level, of the effective average exit age from the labour market (estimated at 59.9 in 2001). In this respect, Member States shall set national targets which are consistent with the outcomes expected at EU level”.

## Trends in the labour market participation of older workers

### Historical trends

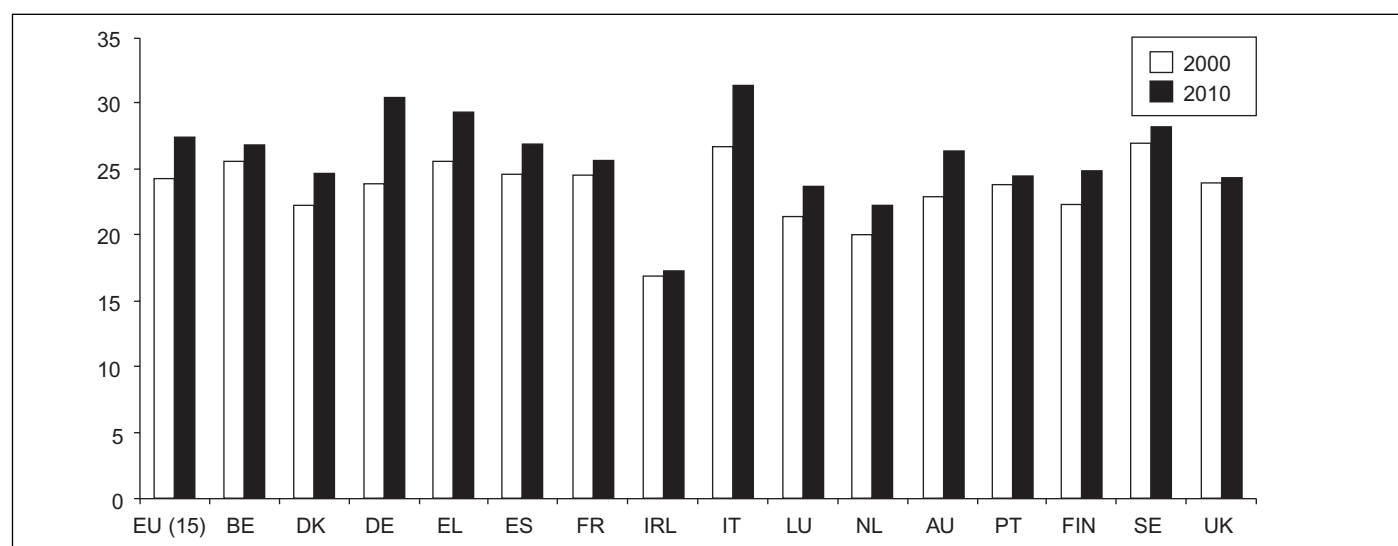
In considering the importance of demographic trends for the European labour market, it is important to note the significant loss in human capital experienced in most EU Member States over the past 30 years as a result of permanent early exit from the labour market (see Figure 2). There are, however, some significant differences between countries. While the male employment rate in the Netherlands declined from 65.3% in 1979 to 50.8% in 2000, the equivalent percentage rates in Sweden were 79.2% and 72.8% respectively.

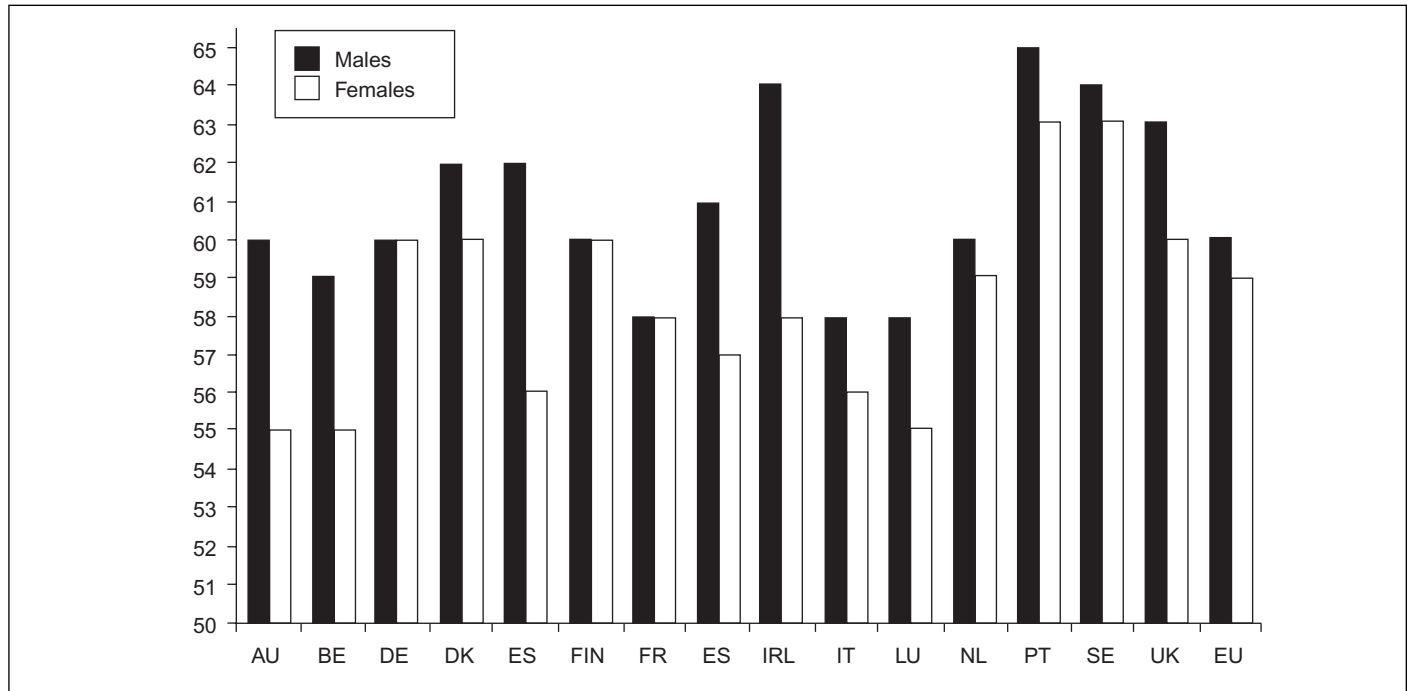
The trend towards early exit from the labour market has its roots in economic trends as well as in related policy responses on the part of national governments as well as companies. Over the last 30 years, economic and structural changes have had a major impact on public and private sector employers and on traditional industries such as manufacture, mining and construction. The change in the structure of the economy has led to increasing demands for new skills (mostly linked to new technologies) and a decline in demand for traditional skills. Restructuring resulted in job losses and periods of high unemployment during which most governments actively promoted early retirement as the “socially responsible” option in the fight against youth unemployment. These trends were both aided and contributed to the perception that older employees are less likely to be able to adapt to the demands of new technology and other changes in job demands. They similarly fostered a culture in which early retirement came to be regarded as an aspirational goal with an increasing number of older workers reluctant to work to their statutory retirement age. As a result, the average age of exit from the labour market slipped to 59.9 in 2001, posing significant problems for state and company pension schemes, as well as employers suffering from skills shortages and a loss of corporate “memory” during periods of low unemployment. As Figure 2 shows, there are significant differences between countries and gender in terms of the average retirement age.

### Employment rates

As mentioned above, heads of government have set themselves an ambitious target of reaching an average employment rate among older workers of 50% by 2010. As Table 1a below indicates, the EU-

Figure 1: Old age dependency ratios (%) in the EU, 2000 and 2010



**Figure 2: Average retirement age by gender in the EU**

Source: Raw data originating from the Labour Force Survey, Eurostat.

15 are currently some way removed from reaching this target, with an average employment rate among the 55-64 age group of 38.8% in 2001. More worryingly, a significant number of countries currently fall substantially below even the average employment rate (Austria, Belgium, Luxembourg and Italy show participation rates among older workers of below 30%). On the other hand, a number of countries already exceed the average of 50% aspired to for 2010 (Denmark, Sweden, Portugal and the UK).

**Table 1a: Total employment rate of older workers**  
(Employed persons aged 55-64 as a share of the total population of the same age group)

	1990	1995	2000	2001
AU	:	30.1	28.8	28.6
BE	21.5	22.9	26.3	25.1
DE	:	37.7	37.5	37.7
DK	54	49.8	55.7	58
EL	41	41	38.6	38
ES	36.9	32.4	37	39.2
<b>EU-15</b>	<b>37*</b>	<b>36</b>	<b>37.8</b>	<b>38.8</b>
FI	42.6	34.8	42.2	45.8
FR	30.7	29.3	29.9	31.9
IRL	38.5	39.8	45.3	46.8
IT	:	28.6	27.8	28.1
LU	27.1	23.7	26.7	24.4
NL	29.6	29.3	38.2	39.6
PT	48.7	46.3	51	50.1
SE	69.2	61.7	64.9	66.8
UK	49.1	47.6	50.8	52.3

Source: Eurostat, Labour Force Survey

**Table 1b: Employment rate of older workers**  
(Employed women aged 55-64 as a share of the total female population of the same age group)

	1990	1995	2000	2001
AU	:	18.5	17.2	17.9
BE	9.9	12.9	16.6	15.5
DE	:	27.1	28.8	29.5
DK	41.5	35.9	46.6	49.7
EL	23.8	24.1	23.9	22.5
ES	18	17.5	20.1	21.8
<b>EU-15</b>	<b>23.9*</b>	<b>25.3</b>	<b>28</b>	<b>29.1</b>
FI	39.3	34.1	41	44.9
FR	25.1	25.4	26.3	27.8
IRL	17	19.6	27.2	28.8
IT	:	13.5	15.3	16.2
LU	13.5	12.6	16.4	14
NL	15.6	18.4	26.1	28
PT	30.5	32.1	41.1	40.3
SE	64.6	59.3	62.3	64.1
UK	36.7	39.1	41.7	43.1

Source: Eurostat, Labour Force Survey

\*Note: Since the figure of 1990 is not available for the EU, we have used the 1991 figure

### Unemployment rates

While unemployment rates among older workers have declined between 1995-2001 (see Table 2 below) and remain below the average unemployment rates on the EU labour market (6.5% as compared to 7.3% for all workers aged 15 and over and 6.5% compared to 8.5% among women aged 15 and over), these figures may well mask a significant number of “discouraged” older

workers, who have either exited the labour market through the early retirement or the social benefit system.

**Table 2a:** Total unemployment rate of older workers  
(Persons aged 55-64)

	1990	1995	2000	2001
AU*:	3.9	6.7	5.6	
BE	3.6	4	3.2	3
DE	7.5	11.6	12.7	12
DK	6.1	8	4	4
EL	1.6	3.4	3.8	4.1
ES	8.2	12.3	9.8	6.3
<b>EU-15</b>	<b>:</b>	<b>8.3</b>	<b>7.6</b>	<b>6.5</b>
FI	:	13.1	9.4	9
FR*6.5	6.5	7.3	5.8	
IRL	9.5	7.7	2.5	2.6
IT	1.8	4.3	4.7	4.6
LU	:	:	:	:
NL	3.8	3.5	1.9	1.5
PT	1.7	4	3.3	2.6
SE	:	7.7	5.9	4.4
UK	7.3	7.6	4.5	3.3

Source: Eurostat, Labour Force Survey

**Table 2b:** Unemployment rate  
(Women aged 55-64)

	1990	1995	2000	2001
AT*	:	2.9	5.9	5.2
BE	5	4.4	2.8	
DE	8.9	13.7	14.2	12.8
DK	7.5	9.8	4.2	4
EL	1.6	3.4	3.8	4.1
ES	7.3	11.1	11.3	7.8
<b>EU-15</b>	<b>:</b>	<b>8</b>	<b>7.8</b>	<b>6.5</b>
FI	:	9.9	8.8	8.6
FR*	7.2	6	7.4	6.3
IRL	9.6	8.7		2.7
IT	2	4.9	4.9	4.5
LU	:	:	:	:
NL	6.3	3.2	2.1	1.1
PT	:	2.6	2.6	2.7
SE	:	7.9	4.6	3.9
UK	5.1	3.9	2.9	1.8

Source: Eurostat, Labour Force Survey

\*Note: In order to have figures for all years represented, we have chosen to use second quarter figures except for AT and FR which use first quarter figures

### ***Educational attainment and participation in lifelong learning***

When considering policies aimed at retaining or reintegrating older workers into the labour market, the skills and qualifications of each

individual worker play a crucial role. Table 3 below indicates that workers in the 55-64 age group are significantly less likely to have achieved at least upper secondary education, although this varies dramatically from country to country. In Spain and Portugal, for example, only 17.3% and 8.8% respectively of the population aged 55-64 had achieved at least upper secondary education in 2001, compared to 75.7% in Germany. Although the level of educational attainment reached has been improving over time, significant differences remain.

**Table 3:** Educational attainment

(Percentage of the population aged 25-64, 55-64 having achieved at least upper secondary education)

	1992		1995		2000		2001	
	age 25-64	age 55-64	age 25-64	age 55-64	age 25-64	age 55-64	age 25-64	age 55-64
AU	:	:	68.9	51.5	76.2	62.9	77.3	63.9
BE	49.8	28.7	54.5	32.5	58.3	37.2	59.2	39.7
DE	79.9	67.0	81.2	70.0	81.3	73.9	82.5	75.7
DK	74.1	53.8	79.5	65.0	79.8	69.2	80.2	71.9
EL	36.6	17.9	42.6	20.8	51.2	26.6	51.6	27.7
ES	23.2	8.5	28.4	9.6	38.3	15.3	40.0	17.3
<b>EU-15</b>	<b>:</b>	<b>:</b>	<b>55.4</b>	<b>38.6</b>	<b>63.5</b>	<b>48.4</b>	<b>63.8</b>	<b>48.4</b>
FI	:	:	66.8	38.8	73.2	50.3	73.5	50.7
FR	:	:	58.8	35.1	62.2	43.7	63.2	45.1
IRL	42.3	24.7	47.3	26.7	57.5	35.6	59.0	36.1
IT	33.0	14.6	35.4	14.9	45.2	23.6	43.2	21.8
LU	34.7	22.9	42.9	30.7	60.9	48.6	59.2	47.9
NL	:	:	:	:	66.1	53.5	66.9	52.2
PT	19.9	8.3	21.9	9.9	21.6	11.3	19.8	8.8
SE	:	:	74.1	50.9	77.2	62.9	80.5	64.9
UK	49.3	39.8	52.7	43.1	80.7	64.9	81.0	65.5

Source: Eurostat, Labour Force Survey

In the light of this, access to lifelong learning at the workplace becomes a highly significant factor bearing on the continued employability of older workers. However, figures from Eurostat show that older workers are significantly less likely to participate in lifelong learning activities in the workplace, be it as a result of direct or indirect discrimination or reluctance on the part of the older worker to participate in learning activities (see Table 4). In relation to this, a Communication from the Commission on European benchmarks in education and training (COM (2002) 629 final) sets out the following targets in line with the aims of the Lisbon summit of making Europe by 2010 “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”. Heads of state committed themselves by 2010 to ensure that average percentage of 25-64 year olds in the EU with at least upper secondary education reaches 80% or more and to work towards a target that by 2010, the EU-average level of participation in lifelong learning should be at least 15% of the adult working age population (25-64 age group) and in no country should it be lower than 10%.

**Table 4: Lifelong learning**

(Percentage of the population aged 25-64, 55-64 participating in education and training over the four weeks prior to the survey)

	1992		1995		2000		2001	
	age	age	age	age	age	age	age	age
	25-64	55-64	25-64	55-64	25-64	55-64	25-64	55-64
AU	:	:	7.7	1.7	8.3	2.8	8.2	2.4
BE	2.3	0.3	2.8	0.4	6.8	2.2	7.3	1.8
DE	:	:	:	:	5.2	1	5.2	1.1
DK	16.2	4.4	16.8	5.5	20.8	11	17.8	8.4
EL	1.2	0.1	0.9	:	1.1	:	1.4	0.1
ES	3.4	0.2	4.3	0.4	5.1	0.8	4.9	0.9
<b>EU-15</b>	:	:	:	:	<b>8.5</b>	<b>3</b>	<b>8.4</b>	<b>3</b>
FI	:	:	:	:	19.6	8.3	19.3	8.4
FR	2.9	0.1	2.9	0.2	2.8	0.4	2.7	0.3
IRL	3.4	0.8	4.3	0.9	5.2	1.2	5.2	1.2
IT	2.9	0.3	4	0.6	5.5	0.9	5.1	0.8
LU	2.9	0.4	2.9	0.4	4.8	0.8	5.3	1.1
NL	15.1	4.9	13.1	4.2	15.6	6.4	16.3	6.5
PT	3.6	0.3	3.3	0.1	3.3	0.3	3.3	0.3
SE	:	:	:	:	21.6	13.9	17.5	10.2
UK	12.5	4.6	:	:	21.1	12.5	21.7	12.9

Source: Eurostat, Labour Force Survey

### Policy responses

Until recently social security policies and pension systems in many EU countries encouraged or facilitated early exit of older workers from the labour market, while employment policies were almost exclusively aimed at tackling youth unemployment. While public pension systems have been the main route towards early exit in some countries, in others disability and unemployment insurance systems have been extensively used, in many cases placing significant burdens on the public purse. In addition, pre-retirement schemes have been used to facilitate early exit from the labour market, often as a means to create jobs for younger workers. This has meant that for many workers the transition from work to retirement is not clear-cut but many go through several transitional phases, significantly increasing insecurity and reducing final pension outcomes.

In recent years, as a result of demographic trends, high levels of pension costs, skills and labour shortages, many Member States have sought to reverse the trend towards early retirement and place more emphasis on extending working life. Many governments have sought to remove incentives for early retirement and introduce incentives for older workers to remain in the labour force. Responding to research indicating that many older workers would prefer to move away from the “cliff edge” approach to retirement, some governments have experimented with measures aimed at the flexibilisation of retirement through gradual exit. In line with the greater emphasis on labour market policy activation fostered by the European Employment Strategy, many Member States have implemented active labour market policies targeting older workers. These include wage subsidy schemes, schemes offering training and vocational guidance and awareness-raising campaigns.

Taylor (2002) summarises the main policies currently affecting older workers in Member States as follows:

Strategic policy approach to the employment and retirement of older workers	Austria, Finland, UK
Programmes of research and development on the issue of age and employment	Finland, Germany, UK
Pension and social security reforms aimed at removing incentives to early retirement and encouraging later retirement	Austria, Denmark, Finland, France, Germany, Italy, the Netherlands, Portugal, Sweden, UK
Gradual retirement schemes	Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Spain
Age discrimination legislation, protection against dismissal, proscription of age bars in recruitment and advertisements, and/or abolition of mandatory retirement	Austria, Belgium, Finland, France, Ireland, Italy, Spain, UK
Awareness raising campaigns among business and the general public	Denmark, Finland, Germany, the Netherlands, UK
Employment and training programmes targeting older workers	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, the Netherlands, UK
Support to employers, e.g. advice and guidance, training, employment placements	Denmark, Finland, UK
Wage subsidy and other employment incentive schemes	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Spain, UK

Many of the policies considered in Taylor’s research and described in the national contributions are fairly new and have not yet been fully evaluated. However, it is worth noting the following points.

The fact that many older workers continue to prefer to exit the labour market early could be seen to result from the following factors:

- governments have not gone far enough in reducing incentives to early retirement and establishing incentives for continuing to work;
- while the notion of gradual exit from the labour market has been shown to be appealing to workers in surveys, the take-up of gradual retirement schemes has been low, with workers continuing to opt for full retirement. One of the problems of gradual early retirement is the reluctance of many employers to adapt existing positions to accommodate part-time and the lack of suitable part-time jobs available on the open market. In the case of many of the earlier gradual retirement schemes, age brackets for eligibility were pegged too high;
- wage subsidies for employers recruiting older workers have largely failed to achieve the desired results. One exception could be the UK New Deal 50 plus which grants the subsidy to the workers rather than the employer;
- there is little evidence that awareness raising campaigns among employers are having a significant effect;

- e) Finland's comprehensive approach – the Programme on Ageing Workers – appears to have had some successes in increasing employment rates among older workers.

If the Stockholm objectives and the targets set in the employment guidelines regarding the employment of older workers are to be met, further efforts are required to design comprehensive programmes aimed at activating older workers which can stand the test of a turning economic tide.

## Conclusions

In designing such a comprehensive approach, it is important to involve and understand the requirements of all actors including the social partners and the older workers' themselves. Among the shortcomings of existing policies is the tendency to generalise the requirements of "the older worker", thus failing to understand the different factors driving individual decision making regarding work or retirement. These include the individual's economic and financial situation, skill level, health status, gender and family situation.

# Austria

## 1. Current position and prospects

Two long-term demographic trends can be observed in Austria. The birth rate is falling and the life expectancy of the population continues to increase as a result of medical progress and improved working and living conditions.

Above all, policies aimed at restricting access to early retirement need to be careful not to penalise those lower paid workers with poorer pension entitlements most likely to suffer from negative health effects resulting from occupational risks and therefore least likely to be able to continue working.

The greater emphasis on implementation and evaluation introduced in the new Employment Strategy can serve to improve understanding of the effectiveness of existing policies aimed at promoting active ageing and therefore greater policy learning between Member States.

## Sources

European Commission; Communication on increasing workforce participation and promoting active ageing

Eurostat

Philip Taylor: Improving employment opportunities for older workers: developing a policy framework (2002)

While the average life expectancy for men born in 1990 was 72.3, for men born in the year 2000 it had increased to 75.6. The comparable figures for women were 78.9 for those born in 1990 and 81.2 for those born in 2000.

Men turning 65 in 1990 could expect to live for another 14.4 years

**Table 1:** Demographic development of the residential population of Austria

Average annual figures, principal variations (average migration and fertility)

	Up to 14 years	15-54 years	55-64 years	65 years and over	Total
<b>1990</b>	<b>1,347,000</b>	<b>4,439,500</b>	<b>787,900</b>	<b>1,154,900</b>	<b>7,729,200</b>
male	691,900	2,249,300	370,800	398,900	3,710,800
female	655,100	2,190,200	417,100	756,000	4,018,400
<b>2000</b>	<b>1,358,300</b>	<b>4,583,700</b>	<b>912,300</b>	<b>1,256,000</b>	<b>8,098,100</b>
male	696,100	2,323,200	444,300	477,400	3,887,600
female	662,300	2,260,500	467,900	778,600	4,169,300
<b>2010</b>	<b>1,193,000</b>	<b>4,592,100</b>	<b>967,700</b>	<b>1,474,100</b>	<b>8,226,800</b>
male	611,700	2,314,600	476,000	614,200	4,016,600
female	581,300	2,277,400	491,600	859,800	4,210,200
<b>2020</b>	<b>1,178,200</b>	<b>4,249,600</b>	<b>1,215,000</b>	<b>1,680,200</b>	<b>8,323,000</b>
male	604,800	2,131,300	598,400	730,100	4,064,700
female	573,400	2,118,200	616,600	950,100	4,258,300
<b>2030</b>	<b>1,168,600</b>	<b>3,949,000</b>	<b>1,201,700</b>	<b>2,066,600</b>	<b>8,385,900</b>
male	600,000	1,982,900	583,200	913,700	4,079,800
female	568,600	1,966,100	618,500	1,152,900	4,306,100
<b>2040</b>	<b>1,102,900</b>	<b>3,868,500</b>	<b>1,034,200</b>	<b>2,338,700</b>	<b>8,344,200</b>
male	566,300	1,942,500	506,600	1,031,000	4,046,400
female	536,600	1,925,900	527,600	1,307,700	4,297,800
<b>2050</b>	<b>1,087,200</b>	<b>3,738,300</b>	<b>1,049,800</b>	<b>2,339,000</b>	<b>8,214,400</b>
male	558,300	1,878,400	514,800	1,024,500	3,976,000
female	529,000	1,859,900	535,100	1,314,500	4,238,400

Source: Statistik Austria

(women 18 years). By the year 2000 this figure had increased to 16.2 years for men and 19.6 years for women.

Long-term population forecasts for Austria indicate sustained population growth until 2030, followed by a downturn in the growth rate.

In 2050, the percentage of the working population aged 65 or over will be in the region of 49%. In the year 2000 this figure was approximately 22%.

As a result of the falling birth rate and increasing life expectancy, the age profile of the population of working age (15-64 years) is shifting towards older people.

Against this backdrop, there are several reasons for promoting increased labour force participation amongst older people:

- Shortly the ability of younger workers to meet labour demands will reach its limit. It will then only be possible to satisfy the demand for labour if older workers continue to work for longer and more intensively;
- The long-term financing of the old-age pension system can only be guaranteed if measures are taken to raise the actual retirement age. This should make it harder for older workers to leave the labour market.

Measures to increase the labour force participation of older people must be implemented within specific framework conditions:

- The capacity for work of those in the last third of their working lives is frequently reduced by illness and disability, not least as a result of the occupations they had in the past;
- On average, schooling and vocational training was completed twice as long ago in the case of older workers as for all other groups of working age. Each significant technological change in a given field of employment affects the employment opportunities of these people, particularly if they have not been able to develop their skills and knowledge.

Measures designed to increase the integration of older people into the labour market currently stand at the centre of national labour policy.

## 2 The Pact for Older People

In October 2000, the federal government proposed a package of reforms in the form of the "Pact for Older People" which aims:

- firstly, to bring about a reduction in the number of early retirements and,
- secondly, to increase the percentage of older people in work.

### 2.1 Pension legislation in Austria

The statutory retirement age in Austria is 60 for women and 65 for men. In 2001, however, the actual average retirement age for the old-age pension was approximately 58.7 years for men and 57.3 years for women.

**Table 2: Average age of access across the retirement insurance system**

Age of access	Men	Women
1995	58.1	56.7
1996	58.2	56.7
1997	58.4	56.8
1998	58.2	56.7
1999	58.4	56.7
2000	58.5	56.8
2001	58.7	57.3

Source: Hauptverband der österreichischen Sozialversicherungsträger

In the late 1980s and early 1990s, the sharper rise in unemployment in Austria was countered by measures making it easier for older workers to retire from working life. One such measure consisted of allowing workers to take early retirement. Businesses used this statutory provision to shed older workers more cheaply. The number of "early retirements" rose dramatically.

At the same time, this measure created a mechanism designed to secure the basic material requirements of life for older people whose jobs were under threat and whose chances of finding new positions were poor.

Possible routes to early retirement before the statutory retirement age include:

- early retirement on the basis of long-term insurance contributions payment;
- early retirement due to unemployment;
- early retirement due to reduced capacity or incapacity for work;
- partial pension.

**Table 3: Number of retirements**

	1997	1998	1999	2000	2001
Old-age pension	15,334	14,566	16,864	17,865	18,114
Early retirement pension	46,516	43,550	52,703	53,637	27,556
— on the basis of long-term insurance contributions payment	28,362	27,094	34,174	33,273	21,630
— due to long-term unemployment	4,132	3,555	4,203	4,106	2,987
— partial pension	468	326	156	238	160
— due to reduced capacity for work	13,554	12,575	14,170	16,020	2,779
Invalidity pension	15,155	14,997	15,289	17,797	21,764
Widows and orphans pension	35,487	32,243	31,851	30,901	29,716
Total	<b>112,492</b>	<b>105,356</b>	<b>116,707</b>	<b>120,200</b>	<b>97,150</b>

Source: Hauptverband der österreichischen Sozialversicherungsträger

Compared with the figures for 1997, in the year 2000 the number of “early” retirements taken as a percentage of all pensioned retirements rose by some 3.2%. As a result, early retirements represented around 45% of all pensioned retirements. The number of people entering the pension system on reaching the statutory retirement age, on the other hand, was only some 15%.

The pension reform which came into force in October 2000 brought about a clear reduction in early retirements in 2001 of almost 50% compared to 2000. This reduced the number of early retirements as a proportion of total entries into the old-age pension system to some 28%.

However, the sharp drop in early retirements in 2001 can also be explained in part by the abolition of “early retirement due to reduced capacity or incapacity for work”. While retirements in this category decreased by some 13,200 in 2001, the number of retirements on the grounds of invalidity increased by some 4,000.

## 2.2 2000 pension reforms

The year 2000 saw pension reforms introduced within the framework of the “Pact for Older People”. The reforms comprised the following package of measures:

With effect from 1 October 2000, at the start of each quarter the pensionable age for early retirement due to unemployment and on the basis of long-term insurance contributions payment and for partial retirement was increased by two months in nine equal increments until, on 1 October 2002, it had been increased by a total of 18 months. At the same time, pension reductions were increased from 2% to 3% per year for women retiring before the age of 60 and men before the age of 65.

This provision increased the minimum early retirement age to 56.5 for women and 61.5 for men. Men and women who have reached these ages and have worked and paid insurance contributions for 37.5 years are able to claim early retirement on the basis of long-term insurance contributions payment.

Women over 56.5 and men over 61.5 who have been unemployed for over a year can take advantage of the early retirement due to long-term unemployment option.

In addition, women and men who have reached the ages of 56.5 and 61.5 respectively and fulfil the criteria for early retirement on the basis of long-term insurance contributions payment can switch to a partial pension.

A partial pension is a pension received in addition to paid employment. Paid employment in addition to the partial pension is limited to 28 hours per week or 70% of the number of hours last worked.

A further measure included in the 2000 pension reforms was the abolition of early retirement on the grounds of reduced capacity for work.

In financial terms, the aim of the reform measures was to halve the 2.2 million growth in federal government pensions expenditure forecast for 2003.

## 2.3 Labour market measures accompanying the pension reforms

In addition to restricting early entry into the pension system, the “Pact for Older People” includes a range of measures designed to cushion cases of hardship caused by the pension reforms and to prevent older people from being pushed out of the labour market.

### *Partial retirement*

The partial retirement regulation is designed to give older workers the opportunity to reduce their working hours without missing out on pension income and entitlement to unemployment benefits and health insurance payments. Under the partial retirement regulation businesses are allowed to reach the following agreements with older employees: women over 50 and men over 55 may reduce their working hours to 40%-60% of their original working hours and continue to receive, including a top-up from the Labour Market Service, between 70% and 80% of their former income. Employees’ contributions for health, pension and unemployment insurance continue to be paid by the Labour Market Service at the same level. The number of hours worked prior to the reduction and all pay increases must also be taken into account in calculating the level of payment. In addition, the employer also receives subsidies from the Labour Market Service. This partial retirement payment can be claimed for up to 6.5 years. The application period is limited until 31 December 2003.

Originally, for each “new case” of partial retirement, businesses had to take on an unemployed person as a replacement (for at least the number of hours per week of the reduction). These restrictive conditions were dropped in the amended legislation of October 2000. Since then the number of Austrians on partial retirement has risen continuously. At the end of 2002, for example, some 22,750 people were registered as partially retired, compared to a figure of approximately 10,000 in December 2001.

This scheme will continue to run until the end of 2003 and its extension will depend upon the prospects for its continued funding.

### *Training allowance*

The training allowance payable during training and unpaid leave has been made more attractive for workers over 45 who can now receive the training allowance at the same rate as unemployment benefit. Training leave is permitted for a maximum of one year, with the minimum period being reduced from six to three months.

This rule will remain in force until the end of December 2003.

### *Reward/penalty system*

The incentive for businesses to recruit people over the age of 50 is to be strengthened by the complete abolition of the employer’s contribution to unemployment insurance. Previously, an employer received a 50% discount for employing people over the age of 50. At the same time, the basis for calculating the penalty (one-off payment payable on severance of an employee) for a person over 50 who had been employed for at least ten years was doubled.

### *Employment promotion measures*

Under the “Pact for Older People”, central government spending on employment promotion measures targeting women over 45 and men over 50 has been significantly increased.

These measures comprise:

- grants for specific job-related integration assistance to businesses and institutions;
- project-based grants for non-profit-making employment projects;
- not-for-profit temporary employment agencies.

These grants take the form of wage subsidies, for limited periods only, of up to two thirds of wage and non-wage labour costs incurred.



In 2001, some 87,000 unemployed people over 45 found new jobs, that is 9,700 or around 13% more than in 2000.

In 2001, some 7,900 older unemployed people (over 45) were helped into work. This represents an increase of around 800 in comparison with the previous year. Thus, the employment support measures detailed above became the primary mechanism of reintegration, representing 40% of all (employment) promotion measures.

## 2.4 Reforms under discussion

Since December 2002 a range of further proposals designed to ensure the future financial security of pensions has been under discussion.

A commission of experts appointed by the federal government to carry out the master planning of the Austrian pension system has tabled the following proposals for discussion:

- Pensions should be reduced to represent only 80% rather than the current 88% of net employment income and be paid only to those people who have worked up to the statutory retirement age. In addition, the period taken into account when setting pension levels should be increased from the current 15 years to 45 years;
- Uptake of the invalidity pension should be reduced by increasing investment in preventive measures (promotion of occupational health, information and advice to young people on health problems and occupational risks, etc.). Furthermore, a partial disability pension should be introduced in addition to the full pension;
- As regards independent old-age insurance for women, it is suggested that periods spent bringing up children, caring for dependants, and carrying pension entitlement, should be increased, the number of contribution-equivalent periods should be raised, and the basis of assessment should be broadened.

In addition, the following reforms are also being discussed within the framework of exploratory talks for a future government:

- Alignment of the retirement ages for men and women starting in 2004 to be completed in 2033;
- Harmonisation of the pension system for Zivildienst (civilian service alternative to military conscription) and people insured under the Austrian General Social Insurance Law (ASVG);
- Abolition of early retirement on the basis of long-term insurance contributions payment.

The measures finally implemented will depend on the make-up of the next federal government.

## 3 The labour market for older workers

With the labour market of the future being characterised by labour shortages, it will be necessary to utilise the employment potential of older workers to a greater extent. An active labour market policy must therefore ask how well older people will deal with the desire and the need for a more intensive and longer working life.

The answers to this question should provide decision-making aids for future areas and courses of action within labour market policy.

The following issues are of particular interest in this context:

- What percentage of older people are integrated into working life?
- Are older workers leaving a job faced with a disproportionate risk of unemployment?
- What is the likelihood of older workers being given a fair chance when there are vacancies to be filled?

### 3.1 Labour market participation

Levels of labour market participation can be observed in a number of ways. One method consists of checking how many people in the residential population of working age (men between 15 and 64, women between 15 and 59) in Austria participate in the labour market in the course of a year (whether in employment, or unemployed and looking for work).

The results of this method of observation show how low the labour market participation of the older residential population in Austria is. In 2001, the activity quota for the 55-59 year age group was only 52%, i.e. on average one in two people in this age group no longer played an active role in working life.

While the labour market activity rate of women increased in comparison with 1996 (1996: 32.8%, 2001: 37.1%), that of men fell (1996: 69.1%, 2001: 67.3%).

### 3.2 Unemployment

Every break in the employment career of older workers brings with it considerable risks in terms of the basic material requirements of life of those affected. As a general rule, during these breaks people are obliged to claim transfer payments and thus lose their economic autonomy.

From the central government point of view, breaks in employment almost always mean a drop in income and an increase in expenditure. Central government therefore has more than one reason to look at the employment of those affected by such breaks.

In the last economic cycle (1997 to 2001) unemployment was stabilised at a steady level. In the current cycle, however, we are likely to see a growing trend towards unemployment.

In 2001, for example, unemployment rose by some 9,600, and in 2002 by a further 29,000. The increasing burden of unemployment impacts more heavily on older people.

Interestingly in this context, the rise in unemployment is disproportionately high amongst the age group affected by the increase in the early retirement age. For example, unemployment amongst women aged between 55-59 rose by some 45%, and amongst men over 60 by some 42%.

For older people, the transition into unemployment is the change most frequently associated with the loss of a job. As a result, significantly more older people go on to the unemployment register when they lose a job than the overall average.

For some of these people, the move on to the unemployment register is accompanied by a sustained period of unemployment. This illustrates the deteriorating chances of these people of finding new employment. In 2001, for example, for one in ten people aged between 55 and 59 affected by a break due to unemployment, the period of unemployment was over one year.

### 3.3 Employment

When it comes to filling vacancies in a business, older workers represent an important resource. While employment fell by some 14,600 (-0.5%) in 2002, employment rates amongst those in the 55-59 age group increased by some 13%, and even employment rates amongst those over 60 increased by 18%.

In the Austrian labour market, older workers represent an important sub-group. Their chances of employment are no different to those of younger people. More than 13% of all recruitment in 2001 related to people in the 45-59 age group.

**Table 4: Activity quotas by age and social profile**

	1996	1997	1998	1999	2000	2001
<b>Total</b>	<b>77.8%</b>	<b>78.2%</b>	<b>79.6%</b>	<b>80.5%</b>	<b>81.3%</b>	<b>81.7%</b>
up to 19 years	65.0%	65.1%	66.4%	67.4%	68.3%	67.9%
20–24 years	83.1%	84.3%	87.6%	89.5%	91.3%	92.4%
25–29 years	82.0%	82.2%	83.9%	85.2%	86.5%	87.7%
30–34 years	84.6%	85.1%	86.2%	86.5%	86.4%	86.5%
35–39 years	87.2%	87.5%	88.7%	88.8%	89.0%	89.2%
40–44 years	88.2%	88.7%	89.7%	90.6%	91.0%	90.9%
45–49 years	84.0%	83.4%	84.7%	86.0%	87.4%	89.3%
50–54 years	74.5%	78.0%	79.2%	79.8%	82.2%	80.9%
55–59 years	50.7%	49.5%	51.2%	51.5%	50.1%	52.0%
60–64 years	13.7%	14.3%	15.8%	18.8%	19.2%	18.4%
65 years and over	2.7%	2.7%	2.8%	2.8%	2.8%	2.8%
<b>Women</b>	<b>71.6%</b>	<b>72.2%</b>	<b>74.3%</b>	<b>75.7%</b>	<b>77.1%</b>	<b>78.4%</b>
up to 19 years	59.5%	59.5%	61.0%	62.5%	63.9%	63.7%
20–24 years	79.1%	80.4%	84.2%	86.1%	88.1%	89.6%
25–29 years	74.8%	75.5%	78.2%	79.8%	81.2%	82.3%
30–34 years	75.4%	76.4%	78.6%	79.4%	79.8%	80.2%
35–39 years	79.0%	79.6%	81.4%	81.9%	82.6%	83.2%
40–44 years	81.1%	81.8%	83.6%	84.8%	85.5%	85.8%
45–49 years	76.0%	76.0%	77.8%	79.5%	81.6%	84.0%
50–54 years	65.1%	68.9%	70.8%	71.8%	74.4%	74.1%
55–59 years	32.8%	32.4%	34.1%	35.2%	34.2%	37.1%
60–64 years	10.3%	10.6%	11.3%	12.7%	12.9%	12.5%
65 years and over	2.0%	2.0%	2.0%	2.1%	2.0%	2.0%
<b>Men</b>	<b>83.4%</b>	<b>83.6%</b>	<b>84.5%</b>	<b>85.0%</b>	<b>85.0%</b>	<b>84.6%</b>
up to 19 years	70.3%	70.4%	71.5%	72.1%	72.5%	71.9%
20–24 years	87.0%	88.2%	91.0%	92.8%	94.4%	95.0%
25–29 years	88.9%	88.7%	89.5%	90.6%	91.8%	93.1%
30–34 years	93.4%	93.4%	93.5%	93.3%	92.8%	92.5%
35–39 years	95.0%	94.9%	95.6%	95.3%	95.0%	94.9%
40–44 years	95.1%	95.3%	95.7%	96.1%	96.2%	95.8%
45–49 years	91.9%	90.7%	91.4%	92.3%	93.1%	94.6%
50–54 years	84.0%	87.3%	87.6%	87.8%	89.9%	87.6%
55–59 years	69.1%	67.2%	68.8%	68.4%	66.6%	67.3%
60–64 years	17.4%	18.4%	20.7%	25.4%	26.1%	24.7%
65 years and over	3.9%	3.9%	4.2%	4.2%	4.1%	4.0%

The activity quotas indicate the percentage of people in the population of working age continuously or temporarily engaged in standard (including Zivildienst and measures under the Labour Market Policy

Financing Law [AMSG]), marginal or other employment, self-employed or unemployed in the course of a year.

Raw data: Hauptverband der österreichischen Sozialversicherungsträger, Statistik Austria, Austrian Labour Market Service

Source of data: *Synthesis-Erwerb*

In many cases, the people in question are so attractive to businesses that they are “poached” directly from existing jobs. In fact, the skills and abilities of older workers are so highly regarded that the percentage of direct changes from one job to another for people in the 45-59 age group lies above the average of all age groups.

However, employment opportunities for the unemployed are also higher than the average.

In 2001, older workers were able to take up full-time positions following a break in their working careers caused by unemployment in just under 90,000 cases. Almost half of the older men taking up employment were recruited from a position of unemployment, and the percentage of women recruited from a position of unemployment was also well over the overall average.

**Table 5:** Unemployment by social profile (annual average figures)

	1996	1997	1998	1999	2000	2001
<b>Total</b>	<b>233,300</b>	<b>237,800</b>	<b>221,700</b>	<b>194,300</b>	<b>203,900</b>	<b>232,400</b>
up to 18 years	5,000	4,600	4,200	3,900	4,200	4,600
19-24 years	33,000	31,900	27,700	24,000	26,700	32,000
25-29 years	34,600	33,100	28,600	23,900	24,600	27,000
30-39 years	67,600	68,900	64,300	56,800	59,800	66,800
40-44 years	26,500	27,300	25,400	22,700	25,100	29,600
45-49 years	22,600	22,300	20,800	19,400	20,500	24,100
50-54 years	26,900	28,800	27,600	23,800	23,500	25,100
55-59 years	16,300	19,800	21,600	18,100	16,400	19,300
60 yrs and over	900	1,200	1,500	1,700	2,900	4,000
<b>Women</b>	<b>104,800</b>	<b>108,400</b>	<b>100,200</b>	<b>86,800</b>	<b>88,600</b>	<b>98,000</b>
up to 18 years	2,800	2,600	2,200	2,000	2,100	2,300
19-24 years	15,000	15,000	12,700	10,800	11,600	13,200
25-29 years	16,900	16,700	14,500	11,800	11,500	11,900
30-39 years	32,200	33,700	31,700	27,500	27,900	30,000
40-44 years	11,800	12,200	11,400	10,200	10,900	12,600
45-49 years	9,700	9,800	9,200	8,400	8,700	10,000
50-54 years	13,200	14,400	14,000	11,800	10,800	10,900
55-59 years	3,000	3,800	4,300	3,900	4,600	6,700
60 yrs and over	300	300	300	400	400	400
<b>Men</b>	<b>128,600</b>	<b>129,400</b>	<b>121,500</b>	<b>107,500</b>	<b>115,300</b>	<b>134,400</b>
up to 18 years	2,100	2,000	1,900	1,900	2,100	2,300
19-24 years	18,000	16,900	15,000	13,200	15,100	18,800
25-29 years	17,700	16,400	14,200	12,100	13,100	15,100
30-39 years	35,400	35,200	32,700	29,300	31,900	36,700
40-44 years	14,800	15,100	14,000	12,600	14,300	17,000
45-49 years	12,900	12,500	11,700	11,000	11,800	14,100
50-54 years	13,700	14,400	13,600	12,000	12,700	14,200
55-59 years	13,300	16,000	17,300	14,200	11,800	12,600
60 yrs and over	600	900	1,200	1,400	2,500	3,600

The labour market definition of "unemployed" refers to those marked down for unemployment with the Labour Market Service.

Raw data: Austrian Labour Market Service

Source of data: *Synthesis-Erwerb*

**Table 6:** Length of unemployment by social profile. Number of severances by length of unemployment in 2001

	Number of severances	Length of period of unemployment			
		longer than 12 months	6 to 12 months	3 to 6 months	less than 3 months
<b>Total</b>	<b>749,200</b>	<b>2.4%</b>	<b>8.8%</b>	<b>22.6%</b>	<b>66.2%</b>
45-49 years	88,300	2.2%	10.4%	24.6%	62.8%
50-54 years	69,900	2.4%	11.1%	25.6%	60.8%
55-59 years	95,200	7.4%	16.9%	24.7%	51.0%
<b>Women</b>	<b>321,700</b>	<b>2.5%</b>	<b>10.5%</b>	<b>22.4%</b>	<b>64.6%</b>
45-49 years	38,100	2.4%	12.1%	24.0%	61.4%
50-54 years	30,100	2.3%	12.3%	24.9%	60.4%
55-59 years	37,800	8.7%	18.7%	23.8%	48.8%
<b>Men</b>	<b>427,500</b>	<b>2.4%</b>	<b>7.5%</b>	<b>22.7%</b>	<b>67.4%</b>
45-49 years	50,200	2.1%	9.1%	25.1%	63.7%
50-54 years	39,900	2.5%	10.2%	26.2%	61.0%
55-59 years	57,400	6.6%	15.6%	25.4%	52.4%

Raw data: Austrian Labour Market Service

Source of data: Synthesis-Erwerb

**Table 7:** Employment by social profile (annual average figures)

	1997	1998	1999	2000	2001	2002
<b>Total</b>	<b>2,968,500</b>	<b>2,998,300</b>	<b>3,035,500</b>	<b>3,064,500</b>	<b>3,078,100</b>	<b>3,063,500</b>
up to 18 years	119,900	124,100	123,600	121,400	118,000	113,700
19-24 years	347,300	339,800	343,800	331,000	327,200	320,100
25-29 years	419,100	393,500	394,400	381,600	363,700	339,200
30-39 years	918,200	935,300	956,000	972,500	964,400	931,300
40-44 years	384,600	403,100	413,900	435,900	451,600	465,000
45-49 years	336,000	339,100	337,900	347,500	364,100	380,700
50-54 years	264,900	275,200	275,800	295,500	304,500	305,000
55-59 years	155,800	163,800	160,700	150,600	152,700	170,600
60 yrs and over	22,800	24,300	29,500	28,500	32,000	37,800
<b>Women</b>	<b>1,241,500</b>	<b>1,266,000</b>	<b>1,292,900</b>	<b>1,319,700</b>	<b>1,342,900</b>	<b>1,345,100</b>
up to 18 years	46,300	48,900	48,000	47,000	45,800	44,400
19-24 years	168,900	164,500	166,600	155,300	153,500	150,100
25-29 years	179,800	166,700	177,900	175,100	168,200	154,200
30-39 years	371,600	382,800	399,900	415,400	418,500	405,200
40-44 years	168,200	180,000	181,800	194,200	203,300	211,500
45-49 years	145,500	150,600	148,200	156,000	166,400	177,100
50-54 years	111,700	119,100	117,300	126,700	132,900	137,100
55-59 years	42,100	45,900	44,900	41,800	45,600	55,800
60 yrs and over	7,300	7,500	8,300	8,300	8,800	9,700
<b>Men</b>	<b>1,727,000</b>	<b>1,732,300</b>	<b>1,742,600</b>	<b>1,744,700</b>	<b>1,735,200</b>	<b>1,718,400</b>
up to 18 years	73,600	75,200	75,600	74,400	72,300	69,300
19-24 years	178,400	175,300	177,200	175,700	173,700	170,000
25-29 years	239,200	226,800	216,500	206,500	195,500	185,000
30-39 years	546,600	552,500	556,100	557,100	545,900	526,100
40-44 years	216,400	223,100	232,100	241,700	248,300	253,600
45-49 years	190,500	188,500	189,700	191,600	197,700	203,600
50-54 years	153,100	156,100	158,400	168,800	171,600	167,900
55-59 years	113,600	117,900	115,800	108,700	107,100	114,800
60 yrs and over	15,500	16,800	21,200	20,200	23,200	28,100

Employment with full insurance contributions (incl. Zivildienst and measures under the Labour Market Policy Financing Law [AMSG]).

Raw data: Hauptverband der Österreichischen Sozialversicherungsträger

Source of data: Synthesis-Erwerb

**Table 8:** Jobs taken up by age in 2001

	All jobs taken up	From employment				
		Standard employment	Marginal and other employment	Self-employment	Unemployment	Non-employed position
<b>Total</b>	<b>1,573,500</b>	<b>32.1%</b>	<b>5.2%</b>	<b>2.3%</b>	<b>29.8%</b>	<b>30.6%</b>
40-44 years	147,400	36.5%	3.8%	4.0%	38.9%	16.8%
45-49 years	105,600	35.6%	3.3%	3.9%	41.8%	15.5%
50-59 years	106,200	34.7%	3.3%	4.2%	43.7%	14.2%
<b>All women</b>	<b>700,900</b>	<b>30.1%</b>	<b>7.7%</b>	<b>1.4%</b>	<b>26.7%</b>	<b>34.0%</b>
40-44 years	66,600	35.4%	6.7%	2.8%	34.9%	20.2%
45-49 years	46,800	35.9%	5.9%	2.7%	38.0%	17.5%
50-59 years	41,600	35.8%	6.2%	2.9%	38.8%	16.4%
<b>All men</b>	<b>872,600</b>	<b>33.7%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>32.3%</b>	<b>27.8%</b>
40-44 years	80,800	37.5%	1.4%	4.9%	42.3%	14.0%
45-49 years	58,800	35.3%	1.2%	4.8%	44.7%	13.9%
50-59 years	64,500	33.9%	1.2%	5.1%	47.2%	12.6%

Standard employment refers to a job with full liability for insurance contributions (including Zivildienst and measures under the Labour Market Policy Financing Law [AMSG]).

Other employment includes contracts for work and contracts for services.

The labour market definition of “unemployed” refers to those marked down for unemployment with the Labour Market Service.

The labour market definition of “non-employed” positions includes: pension, leave, training, homemakers, weekly allowances and sick pay not paid by the employer, employment outside Austria.

Raw data: Austrian Labour Market Service, Hauptverband der Österreichischen Sozialversicherungsträger

Source of data: Synthesis-Erwerb

**Table 9:** Employment termination by age and gender in 2001 — Overall

	All terminated employment	Into employment				
		Standard employment	Marginal and other employment	Self-employment	Unemployment	Non-employed position
<b>Total</b>	<b>1,585,200</b>	<b>31.8%</b>	<b>3.7%</b>	<b>2.5%</b>	<b>33.1%</b>	<b>28.8%</b>
40-44 years	151,100	35.6%	2.6%	4.2%	42.6%	15.0%
45-49 years	112,000	33.5%	2.4%	4.0%	44.6%	15.5%
50-59 years	136,800	30.0%	2.5%	3.8%	45.2%	18.6%
<b>All women</b>	<b>687,700</b>	<b>30.7%</b>	<b>5.2%</b>	<b>1.5%</b>	<b>30.2%</b>	<b>32.3%</b>
40-44 years	64,900	36.3%	4.5%	2.8%	39.9%	16.4%
45-49 years	48,000	35.0%	4.3%	2.8%	41.8%	16.0%
50-59 years	54,800	31.9%	4.6%	2.7%	43.1%	17.8%
<b>All men</b>	<b>897,500</b>	<b>32.7%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>35.4%</b>	<b>26.1%</b>
40-44 years	86,200	35.1%	1.1%	5.1%	44.7%	13.9%
45-49 years	64,100	32.4%	1.0%	5.0%	46.6%	15.1%
50-59 years	82,000	28.8%	1.1%	4.5%	46.6%	19.1%

Standard employment refers to a job with full liability for insurance contributions (including Zivildienst and measures under the Labour Market Policy Financing Law [AMSG]).

Other employment includes contracts for work and contracts for services.

The labour market definition of “unemployed” covers those registered as unemployed with the Labour Market Service.

The labour market definition of “non-employed” positions includes: pension, leave, training, homemakers, weekly allowances and sick pay not paid by the employer, employment outside Austria.

Raw data: Austrian Labour Market Service, Hauptverband der Österreichischen Sozialversicherungsträger

Source of data: Synthesis-Erwerb

## 4 Prospects

In view of the demographic developments expected in Austria, greater utilisation of the employment potential of the 55+ age group is desirable. This is entirely possible since the labour market behaviour of workers over 55 does not differ essentially from that of younger groups.

However, it is necessary to ensure against the risk of older workers falling into a disheartening cycle of unemployment and unsuccessful applications when they lose a job. This requires targeted measures under an active labour market policy.

From the point of view of the funding of the pension insurance system, extending the length of active working life also appears desirable. It will only be realistically possible to achieve a drop in the high contribution-equivalent periods in the Austrian pension system if length of employment is increased and length of pension receipt ceases to rise as fast as in the past.

*Michael Wagner-Pinter*

# Belgium

## 1. Introduction

In the past few years, policies and interventions in Belgium have been aimed at supporting the “right” of older workers to participate in the labour market instead of their right to withdraw from it. Despite some improvements, the situation of people aged between 55 and 64 remains particularly worrying.

While workers aged between 25 and 44 represent the core of the Belgian workforce (with, on average in 2001, employment rates of 90% for men and 74% for women) those aged between 55 and 64 represent a very small part of the active population: 25% of them were employed in 2001 (see the Federal Belgian Minister for Employment and Labour – MET, 2002a). Employment rates further decrease if the individuals have a poor qualification level. Regional disparities should be mentioned too: Brussels has the highest employment rates of people aged 50-64, while the Walloon region and Flanders have very similar “low” profiles in this respect.

Inactivity rates are particularly high in Belgium among people aged over 60 as well as older women. According to MET (2002a), three persons out of five in the 50-64 age group were out of the labour market at the beginning of 2002. In the age group 55-59, three women out of four were inactive in 2001, while one man out of two was still active. Early retirement schemes and measures for the “older unemployed”, which have been extensively used for almost twenty years, have to be considered highly responsible for this situation.

Finally, few jobless people in this age group were actively looking for

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a job and long-term unemployment has hit this category severely. The continuous evolution of firms’ needs in terms of qualifications and knowledge exposes older people to a higher risk of unemployment<sup>1</sup>. Being old and unemployed seems to be an important handicap in Belgium, as the difficulty of re-integration into the labour market increases with age.

Improving older workers’ employment patterns in Belgium could contribute to boost the economic growth through an optimal use of the workforce. Furthermore, since a smaller active population will imply, on one hand, fewer people paying taxes and more receiving public benefits and, on the other hand, a higher demand for health and care services, increasing the participation of older workers in the labour market, may relieve the burden of an ageing population and eventually contribute to increasing the overall wellbeing.

## 2. Trends and developments on the Belgian labour market

### *The Belgian population: the present and the future*

According to the latest Eurostat (2002a) baseline projections, which assume continuation of the existing demographic trends, in the next few years people aged 65 or over will represent an increasing share of the total population in Belgium as well as in the EU (see Table 1). The old-age dependency ratio is expected to increase from 26 in 2000 to 27 in 2010, owing to changes in the current age and gender

<sup>1</sup> Admittedly, the exemption of “older unemployed” (50+) from the obligation to look for work has, to a large extent, affected the Belgian unemployment statistics for this age group

structure of the population. The actual dependency ratio on transfer incomes is also bound to increase. The joint pension report of the European Commission (2002a) notes that in 2000 it was very high in Belgium because of the low employment rates: for every 100 active workers, 86 others were entitled to a replacement income and 43% of those were aged under 65. Considering the old-age dependency ratio without accounting for changes (potential and actual) in the labour force is rather pointless. By the year 2025, the Belgian labour force will decrease (4.28%) and the ratio of people aged under 40 to those aged 40 and over will shift from 1.35 to 1.07.

### ***The labour force: activity rates and employment rates***

While all industrialised countries are characterised by almost stable employment rates of people aged 25-54, those in the age group 55-64 are generally very low. In Belgium, more particularly, activity rates of people aged 55-64 were less than 26% in 2000 (Tables 2 and 3). As a consequence, their employment rates are very low, especially for older women. In the mid-seventies and mid-nineties, policies were mainly aimed at reducing unemployment through interventions on labour supply with the consequence that young entrants and women have been rarely pushed to enter the labour market. Raising the employability of re-entering women and reconciling work and family life is certainly an important objective, because of the higher share of women in the future labour force<sup>2</sup>.

### ***The culture of early retirement***

The Belgian pension system consists of three pillars. The first pillar is a pay-as-you-go system for wage earners composed of a general compulsory scheme covering all salaried workers in the private sector, a scheme for civil servants and, finally, a scheme for self-employed workers. Each of those schemes has a different method of financing and of computing benefits. However, a common thread is the computation of pensions accounting for a full contributory career (45 years of contributions). Second pillar pension arrangements are organised in the form of voluntary pension funds. Third pillar pension provisions mainly take the form of pension savings or life insurance<sup>3</sup>.

Broadly speaking, a compulsory retirement age does not exist in Belgium. Individuals can opt for early or late exit from the labour market. Sometimes pension income is adjusted to account for the longer (shorter) duration of the working life. Income losses or gains can be more or less neutral and therefore affect the decision to pursue work<sup>4</sup>. In Belgium, the loss in the pension income essentially depends on the length of the previous working life. Besides adjustments accounting for incomplete careers, no other measures exist to prevent early exit.

Very low activity and employment rates of older workers are due, to a large extent, to a well-established early retirement culture. Early retirement schemes can be broadly subdivided in two groups: mandatory collective retirement and individual early retirement schemes. While the former are generally set out within collective arrangements, the latter are the outcome of an individual decision and often operate with the “complicity” of the Belgian unemployment insurance system.

These measures have been, “more or less” officially<sup>5</sup>, developed in Belgium to create jobs for young people, to fight against their

unemployment, as well as to allow firms to overcome the structural changes intervened in the economy. The extensive use of these systems is also due to the financial incentives that they offer. For many years, they have been assimilated to a sort of intergenerational solidarity. Furthermore, low-skilled or insufficiently qualified workers were in this way replaced by more qualified or more flexible young workers.

These measures are a financial burden for the federal budget through both missing contributions during the period spanning from early retirement to the normal retirement age and additional costs. Indeed, individuals’ pension rights are essentially unaffected by the decision to retire early or not since, for the Belgian social security system, days spent on replacement income count as working periods in the computation of average earnings and activity periods opening the right to the pension (see Jousten 2002).

Early retirement schemes become attractive where no alternative employment is available. The choice to participate in the labour market at the end of the career (as well as in its early stage) depends on various factors, financial and non-financial. Their final impact, and the way in which they affect labour supply, will be a function of the particular response of economic agents to changes in incentives. As a result, individuals will choose one of the alternative pathways out of the labour market: firstly, a one-time transition from a full-time career job to complete labour force withdrawal. Secondly, partial retirement, i.e. combining retirement from the full-time career job with further employment or various forms of unemployment and disability benefits without withdrawing completely from the labour market. Thirdly, retirement – most often redundancy due to restructuring – combining periods of inactivity with periods of work.

### ***Slight decline in the use of early retirement schemes***

The conventional early retirement schemes have undergone a slight decline in recent years and recent discussions and decisions at government level move into the direction of discouraging them. From Figures 2 and 3 it appears that, while the number of early retired on a full-time basis keeps decreasing, the number of early retired on a part-time basis remains almost constant over time. We also notice that men use early retirement schemes more extensively than women. This is certainly due to regulations about women’s retirement age as well as to the very low employment rates of the latter from earlier stages of their career. In order to benefit from these schemes, the worker should have reached the age of 58 (60 from this year on) as well as a certain length of working life. Measures aimed at discouraging the take-up of early retirement will have little impact on women, at least for the time being.

### ***Substitutes for early retirement: “Canada Dry” and “older unemployed” schemes***

Other pre-existing schemes tend to offset the measures aimed at reducing early retirement. As illustrated in Figure 4, the number of older unemployed steadily grows over time. Obviously workers may lose their jobs when aged over 50; however, many observers suspect that (part of) the rising trend is due to individual agreements between employers and workers. In some particular conditions a dismissed worker benefits from the status of “older unemployed”

<sup>2</sup> The gender gap in participation rates is displayed in Table 8 and reaches its maximum level in the age group 50-54.

<sup>3</sup> The democratisation of the second pillar which is rather underdeveloped in comparison with some other countries, has been put on the institutional agenda.

<sup>4</sup> See de Callatay (2002)

<sup>5</sup> Disability and sickness allowances are not extensively used owing to tight controls and strict medical screenings.

and is exempted from the obligation of looking for work – as he/she is no longer available in the labour market<sup>6</sup> (see Table 4). The “Canada Dry” schemes<sup>7</sup> exploit this status and they are to be considered highly responsible for the present situation on the Belgian labour market.

“Canada Dry” practices are very similar to conventional early retirement schemes but offer multiple advantages by allowing the employer not to fulfil the specific obligations that are attached to the latter (such as the conclusion of a collective agreement, social contributions on the part of the allowance to be paid directly by the employer, and the obligation of hiring an unemployed person to replace the dismissed worker). A worker who wants to benefit from the “Canada Dry” system has to be laid off. He/she thus becomes dependent on the unemployment insurance and after one year, from age 50, he/she has access to status of “older unemployed”. In most cases, employers lay off older workers wishing to retire and pay them a supplement that is more or less equivalent to the one paid under formal early retirement schemes. Unfortunately, due to the “informal” nature of the “Canada Dry” system, no statistics are available as yet concerning the extent of its use.

### ***Expenditure on social protection and the cost of ageing***

In 1999 (Eurostat, 2002b; 2002c), the overall social expenditures on social protection amounted to 11.6% of GDP in Belgium. The highest share was represented by old age and survivors’ benefits (41.8% of total social benefits) and sickness, healthcare and disability (33.6%). In the same year, old-age pensions were the main component of pension expenditures (64%) while survivors’ and disability pensions accounted for 10.9% and 20.5% of them, respectively (Eurostat, 2002c, 2002d). They are expected to strongly increase by the year 2050 (see Tables 5-6) along with healthcare expenditures.

On the revenue side, employers’ contributions have increased from 41.5% to 49.4% of total receipts between 1990 and 1999, while the contributions paid by the protected persons have decreased from 25.5% to 22.4% of total receipts over the same time period (Eurostat, 2002b, 2002c, 2002d).

The issue of the financial sustainability of the pension system is therefore critical and should be managed in a way to preserve and to improve its social sustainability. Pensions should thus be “adequate and sustainable” (see European Commission 2002a).

For older workers, replacement rates (i.e. the ratio of pension over the average gross wage) of social security pensions relative to earnings and effective tax rates on work are relevant to the retirement decision. Their interaction can result in high “effective tax rates” on continuing work. Nevertheless, for half of people aged 55-64, social benefits are the main income source. For this reason, besides financial sustainability of pension systems, their social sustainability as well as the legitimacy of the provision governing pension systems, play important roles. A decreasing replacement rate carries a rising risk of poverty and a legitimacy problem: workers with the highest wages would not be willing to keep on paying social contributions while knowing that their own pension will decrease when compared to the contributions they have paid.

In Table 5 we report the long-term projections of the cost of ageing as computed by the Economic Policy Committee (EPC)<sup>8</sup>. The

scenarios A2 and B2, which assume higher levels of unemployment and of wellbeing, show that while pensions will remain the main component, the major increase will occur in the expenditures for healthcare.

### ***Income inequality and the risk of poverty***

The European Commission (2002b) remarks that income inequality among Belgian pensioners is high compared to other Member States. Poverty risks – although close to the EU average – are also higher for Belgians aged over 65 (see Table 6). The general system (first pillar) only guarantees low replacement rates since past earnings are linked to price rather than wages. The indicators for relative poverty show that the risk of poverty is twice as high for people aged 65 and over. Among older people, people aged 75 and over (this includes women) are the worst affected. Since the wage gap between men and women is still high, this will imply a lower level of pensions for female workers and thereby a higher risk of poverty.

According to data extracted from the 1997 wave of the European Community Household Panel (ECHP), 20% of people aged 65 and over, and 22% of people aged 75 and over, are below 60% of the median income (see Eurostat, 2002e) compared to 16% of the total population. Older people (over 62 years – or over 65 from 2009 onwards) with insufficient income, are protected by a social assistance scheme for the elderly, the GRAPA. In 2001, 91,715 older people, i.e. 5.3% of the pensioners, have received it. Almost three-quarters of them were women and more than half was aged over 75. The distribution of the number of beneficiaries by household type shows that single women represent the majority (44.7%).

### ***Retirement age***

Statutory retirement age is 65 (and 62 for women). However, in Belgium, for the year 2000/2001, the average age of withdrawal from the labour market was 58.5 for men and 57.3 for women. The length of inactivity steadily increases, generating increasing expenditures linked to older age (Figure 5).

### ***Training and education of older workers***

A recent OECD report shows that if the employment rate of men returned to its 1960 level, the ageing process would have no impact on labour supply (see OECD, 2002a). Raising the productivity of older workers through adequate skill-enhancing policies would reinforce this positive effect.

As skills and productivity of older workers decline, training, adaptability to new skills and technology, mobility and wage flexibility gain importance. In their absence, employers might want to avoid the relatively high costs associated with hiring older workers. New technologies modify job and skill requirements and may affect older workers’ employment and retirement plans through a potential skill-bias. Moreover, impending retirement reduces their time horizon as they consider whether to upgrade their skills. Some figures regarding training, broken down by level of education and by age group, are reported in Table 7.

## ***3. Policies aimed at older workers***

In recent years Belgium has moved from a situation where the issues

<sup>6</sup> See Burnay (2002) for a sociological portrait of older unemployed.

<sup>7</sup> The name “Canada Dry” in this context refers to conventional early retirement.

<sup>8</sup> Other projections about the cost of ageing can be found in the first report drawn by the Belgian Committee for Ageing (2002). Those are slightly different from those proposed by the EPC owing to the hypothesis retained about life expectancy at birth and the concentration of the migration rate around ages 20-24.



raised by older workers were well understood although a coherent action plan was missing to a situation characterised by a high number of interventions in this field. Although many measures are focused on the reduction of hiring costs of older workers, a rather comprehensive approach was presented in the NAP 2002. Measures are mainly aimed at encouraging workers aged 50 or over to stay on in the labour market, at discouraging early retirement, at stimulating “older unemployed” to re-enter the labour market and, finally, at providing incentives to stay in the labour market to individuals aged 45 or over.

Some interventions act on prevention, while others are geared towards raising the participation rates of older workers. Besides measures affecting the retirement age (set at age 65 and equal for men and women in 2009), great importance has been given to the improvement of working conditions and job quality. Policies oriented to stimulating lifelong learning seem also to receive increasing attention from policy-makers. In addition, the flexibility of work is being considered since it can contribute to lengthen the active life of older workers<sup>9</sup>. Moreover, some measures aimed at reducing the financial traps likely to operate at the end of the working life, including incentives to move back into employment and to discourage early retirement – have been introduced. The latter include a progressive reduction of the age of “conventional” early retirement (passing from 58 to 60).

In order to increase the employment rates the inter-sectoral agreement covering the two-year period 2001-2002 (concluded in December 2000) introduced specific measures that apply to workers aged over 45 and to groups “at risk”. Some of these measures were the right to a “time credit” (allowing employees to take a period off work or reduce their hours by half, without breaking off the contract of employment and without loss of social security rights); the right to a one-fifth working time reduction; and the right of those aged over 50 to a reduction in working time granting them a specific monthly allowance. The National Labour Council adopted opinion No. 1339 on this issue at the same time. Subsequently, the law of 10 August 2001 (which came into force on 1 January 2002) on the reconciliation of work and quality of life enshrined this new system of time credits and reduced working time.

The national collective agreement No. 77 (December 2001) also introduced, in the health sector as well as in the non-profit sector, arrangements allowing people aged 45 or over to progressively reduce their working time by granting them a full-time wage, or a premium if they decide to keep on working on a full-time basis.

An important feature of Belgium's institutional structure is its fragmentation at different levels of power (federal, community and regional). These levels share the powers concerning employment and training. Decentralisation is also reflected in the consultation of the social partners<sup>10</sup>, when drafting the NAP. This process involves a variety of political, technical and administrative participants, co-ordinated by the Federal Minister of Employment. Building on the 2002 Employment Guidelines that promote collective bargaining in the area of “active ageing” (guideline 3), the social partners have drafted a major part of Section D of the 2002 NAP – thus demonstrating the commitment of all actors to counter the ageing process.

Nevertheless, greater efforts are needed to achieve the targets set for older workers. In the most recent inter-sectoral agreement (signed on 14 January 2003) early retirement schemes have been maintained and no new arrangements aimed at making jobs more flexible have been adopted.

In addition to the measures already mentioned, an important tax reform will be gradually introduced from 2002 to 2005 and should, together with cuts in social security contributions, reduce the overall tax burden on labour. The Government has also decided to further improve the net (disposable) income of low-wages workers. Since 1 January 2003, the disposable income has been raised thanks to additional reductions in employees' social contributions.

Concerning training, the social partners have confirmed their commitment to increase the share of the wage bill devoted to continuous training and to elaborate training plans specific to older workers: the 0.10% share affecting groups that are most at risk in the labour market is therefore targeted now at training older workers (the aim is to bring Belgium up to the level of its three neighbouring countries in 2004, i.e. 1.9%). In 2001, among the 3,911 trainees aged 45 or over, 40.8% were women. In Flanders, work experience programmes for the older unemployed have been extended.

A strong emphasis is now put on measures to modernise working time and work organisation. The reduction of working time negotiated individually or collectively (e.g. generalisation of the 38-hour work week as from 1 January 2003) aims at both increasing the number of jobs and improving the quality of jobs by promoting the reconciliation of working and family life.<sup>11</sup>

Workers aged 50 or over who opt for a reduction in their working time will have the opportunity of devoting this “free-time” to training activities or to coaching or mentoring of new workers in the same firms or in the same sector<sup>12</sup>. Federal and regional governments support “mentoring” or “coaching” measures through which senior workers act as mentors of new workers. These measures contribute to proportional participation on the labour market for groups that are currently under-represented: such plans have been drafted for foreign nationals, people with disabilities, women, older workers and former prisoners (of relevance to Guideline 7).

A great interest is also granted to outplacement measures. An employer firing a worker aged 45 or over is obliged to provide him/her with outplacement services during a period of time proportional to his seniority within the firm. A framework to make this measure operational has been conceived with the national collective agreement No. 82 dated 10 July 2002. Various other counselling and guiding measures are also being studied in order to individually meet the needs of those workers that are excluded from the labour market when aged.

A *reduction of employers' social security contributions* for workers aged 58 or over was introduced in the year 2002. Its extension to workers aged 55 or over is currently being discussed with the social partners.

A number of important initiatives have been taken in order to harmonise the high number of federal activation measures in the employment sector.

<sup>9</sup> In the same sense see Eurofound (1998)

<sup>10</sup> In January 2001, the Flemish social partners concluded a two-year (2001-2) agreement relating to employment, which included commitments to increase participation in lifelong training and measures to improve the quality of employment.

<sup>11</sup> An example is given by the “Zilverplannen” in Flanders, aimed at stimulating firms to adopt human resources management strategies consistent with the age of the workers. Firms that promote the integration of older workers will obtain specific financial support (in 2002: 0.185 million euro).

<sup>12</sup> As an example, at the regional level, the Flemish Government and social partners have elaborated within the Flemish Economic and Social Consultation Committee (Vlaams Economisch Sociaal Overlegcomité, VESOC) action plans that aim for a human resource policy based on age: financial support may be granted to the firms that elaborate actions oriented to discourage early exit from working life.

The Government is also addressing the issue of poverty risk among older people. Some measures aimed at increasing the pension levels have been targeted at older pensioners and individuals drawing minimum pension incomes. Since January 2003 the minimum allowance granted to older people has been raised in order to reach the level of the minimum pension income granted to wage-earner workers. Moreover, thanks to the tax reform, pensioners will pay a smaller amount of taxes.

In addition to these measures, from 1 April 2003, the pensions of all salaried workers and of self-employed workers will increase. On the same date, workers attaining the retirement age will be automatically granted the pension income. In the same sense, as from 1 January 2003, a pension will be automatically granted to people depending on a replacement income when they reach retirement age.

Finally, in order to discourage the use of “Canada Dry” practices, employers will be obliged in the future to pay a social security contribution similar to the one imposed in the early retirement schemes. Moreover, from 1 July 2002, workers becoming unemployed when aged 50 or over had to keep on being registered as job seekers until the age of 55. The reduced social security contributions for employers hiring a worker aged 58 (or over) should also raise employment rates of people belonging to this age group.

The measures contained in the “Activa” plan as well as those promoting jobs for people living in specific marginalised regions, share the same objective for individuals aged at least 45.

#### ***4. Survey of the studies about the ageing process in Belgium***

The situation characterising the labour market of the elderly and the consequences of the ageing process have triggered a high number of scientific contributions aimed at investigating the determinants of the retirement decision, taking as a starting point either the demand or the supply of labour of older workers. A number of studies have also investigated the role that existing (financial) incentives may have in terms of early exit from the labour market. Finally, owing to the lack of appropriate data, only very few of them have aimed at evaluating the impact of direct measures targeted at raising the employment rates of older workers.

To assess the importance of withdrawal incentives and their impact on replacement rates at the end of the career, some authors have focused on specific measures (e.g. Matheus et al, 2000) while others have tried to investigate more generally the occurrence and eventually the impact of financial traps (e.g. De Lathouwer, 2002; De Greef, 2000; D’Addio and De Greef, 2002).

Among the former, Matheus et al (2000) have shown that policies aimed at reducing labour market participation through social benefits have different effects according to the target group. If the focus is on the working population as a whole (or only on young people), an increase in social benefits for temporary withdrawal will have the highest effect in quantitative terms. Conversely, if the policy only aims at older workers a variation in the benefits associated to permanent withdrawal will have the best outcomes. Among the studies that have tried to assess whether financial traps affect the participation choice either of low qualified people, or of people having very low disposable incomes, De Lathouwer (2002), De

Greef (2000), Nicaise (2001) and D’Addio and De Greef (2002) offer some interesting insights. All these studies agree on the need of sustaining policies targeted at raising the employability of workers and, more generally, the quality of work, (including policies aimed at reconciling family and working life) in order to reduce the incentives that can give rise to these traps. Finally, in spite of the difficulty linked to their evaluation, the authors acknowledge that non-financial factors may play a crucial role in the participation decision, especially among older workers.

The retirement age plays a crucial role in studies about retirement decisions. An individual who wants to leave the labour market before reaching the age which allows the right to a full pension income, compares the discounted value of the different options existing in the country. He/she computes the probability associated with each of them and compares the associated marginal gain or loss. The expected gain computed in this way may be seen as an “implicit tax” on continuing work (see Nicaise, 2002). A high number of studies have computed this tax at a more/less aggregate level taking as the benchmark a system not requiring any actuarial adjustment<sup>13</sup> (see Desmet and Pestieau, 2002). Their objective is usually the investigation of its potential impact on the retirement decision – including retirement age. In a very simple model, Desmet and Pestieau (2002) show that this tax decreases with individuals’ productivity.

The contributions of Jousten (2002) and Lozachmeur (2002), show that the implicit tax may strongly affect the retirement decisions. Along the same line, Dellis et al (2001; 2002) note that early retirement schemes – and more generally any Belgian pension scheme – are not neutral with respect to the retirement age. The authors show that a neutral adjustment would be ensured only if the present value of the pension accrual approached zero. To attain this target, pension schemes should contain a mechanism leading to an adjustment of pension benefits depending on the retirement age; such a mechanism existed in Belgium until the early nineties. Interesting conclusions were reached about the present value of pension benefits associated with the different behaviours of men and women. Dellis et al (2002; 2001) also devote an important part of their studies to the analysis of individuals’ retirement decisions accounting for the financial incentives computed using their structural model. Again, they find that the Belgian protection system is non-neutral with respect to the age of retirement.

Desmet and Lozachmeur (2002) investigated the retirement choices of married couples. They show that, in Belgium, women account for the retirement decisions of their partners, while men do not. The results of their simulation exercise (in which they assume a reform raising the eligibility age granting access to all early retirement and retirement schemes) show that not accounting for the spill-over effects generated by joint decisions, leads to the underestimation of the probability of retirement in the post-reform period.

While the previous studies focus on the supply of labour, Paolini (2002) explores the role of labour demand in (early) retirement policies. The author takes as a starting point the work of Lazear (1979) in order to study the optimal wage path and the optimal retirement age set in the (implicit) contract between employer and employee at the beginning of the career. His theoretical model leads to the following conclusion: trade unions and employers may have important incentives in introducing and thereafter maintaining specific retirement and early retirement schemes when wages are increasing with age and firms pay young people less than older workers.

<sup>13</sup> Implying that the present discounted value of all future benefits would be equal at all retirement ages.

In many countries, workers are indeed paid according to their seniority. In this way, employers try to stimulate young people to stay in the firm and to be more efficient. Indeed, if they leave the firm before having gathered access to higher wages they would not receive the “dividends of this compulsory loan” (see Desmet and Pestieau, 2002). On the assumption of credibility towards future generations, the firm will therefore honour the implicit contract. De Callatay (2002) shows that when alternative schemes to break this contract exist, employers do not hesitate to use them. The author focuses more particularly on the second pillar of the Belgian pension system and shows that it offers further incentives to early retirement both on the employers’ and the workers’ side.

A macro-economic approach is followed by Sneeseens et al (2002). Their study aims at assessing the effect of early retirement schemes in terms of employment creation and destruction. Their conclusion underlines the high cost of measures aimed at reducing the size of the active population even when they are targeted at some specific group of it (e.g. low-skilled workers). Indeed, the authors show that the long-term effect of this kind of measure is to increase labour costs through either direct or indirect mechanisms and that this effect is quantitatively important. Moreover, despite the fact that they often achieve the target of higher hiring probabilities for young people, these measures carry along a considerable decrease in the overall number of people hired.

Other authors (see Lypszyc, 2002, Burnay, 2002a; Bonsang, et al, 2002) have analysed the wellbeing, living and health conditions of people having experienced either early retirement schemes or the status of older unemployed. In addition, Burnay (2002b) devotes her study to a sociological portrait of older unemployed. While it is certainly true that early retirement schemes still remain an important pathway out of the labour market – especially for some categories of workers (see Vandermeeren and Thyre, 2002) – the extensive use of these measures has not generally led either to the improvement of living conditions of their beneficiaries, nor to a rise in the employment rates of other groups involved.

As a general remark, we can say that only coherent and holistic approaches will be able to deal successfully with the ageing process and its consequences. Raising the employability of workers, counselling them, and improving working conditions in addition to the rational use of early retirement schemes can give the best outcomes.

### 5. Conclusions: some key issues for the future?

The draft Joint Employment Report (European Commission, 2002a) underlines the need for further integration of inclusion policies and co-ordination between the three Belgian regions and the actors at different levels of government. Although much progress has been made, an integrated ageing policy is still lacking in Belgium. A coherent approach to the ageing process should begin with a higher degree of co-ordination in the statement of objectives. While Flanders has set targets for total employment rates to be reached by 2004 (67%) and by 2010 (70%), the Walloon region has set a target for the employment rates of women. However, no target has been quantified for older workers. Raising the participation rates of women and older workers remains an important task in Belgium and initiatives that address regional disparities remain limited in scope.

### Better evaluation of policies

Evaluation reports of national programmes for ageing workers (e.g. the Finnish one<sup>14</sup>) are useful tools to understand the programmes’ conception, organisation and the results achieved. The number of studies devoted to the evaluation of measures introduced in Belgium is still too low and a major effort should be made in this direction.

### A comprehensive vision on ageing

A broader approach to the age issue is needed, as suggested by the High Council for Employment in Belgium (2002). The decision to participate in the labour market is the outcome of different factors. At the end of a career, this choice may also be affected by generous early retirement schemes. The Belgian “Canada Dry” practices should therefore be considered as a serious obstacle to achieving the target of higher participation rates of older people in the labour market. Their (complete) removal would represent a crucial step in the Belgian approach aimed at reversing the consequences of the ageing process.

Finally, only by responding in a coherent way to the different needs of individuals in different life phases, policies can contribute to raise the employment rates, making workers more willing to work, more available on the labour market and more mobile: by favouring a better quality of job, and by reconciling family life, working life, leisure and voluntary activities. The theme of a “generation change” should therefore become the key issue for the future<sup>15</sup>.

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<sup>14</sup> See the report of the Finnish Ministry of Social Affairs and Health (2002).

<sup>15</sup> Relating to this see the report of the Finnish Ministry of Social Affairs and Health (2002).

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**ANNEXE:****Table 1:** Breakdown by age of the Belgian population (Units x 1000)

Age-group	2000% change between the years 2000 and 2015	
0-14	1,795	-11
15-24	1,240	-1
25-54	4,434	-6
55-64	1,042	+36
65 and over	1,712	+17
80 and over	353	+61

**Table 2:** Labour force variation in Belgium

Labour Force		Variation in the labour force		Demographic effect	Behavioural effect
2000	2025	Absolute figures	%		
4,345,953	4,159,787	-186,166	-4.28	-9.63	5.34
Breakdown by sex					
Male and female labour force (in %)			Ratio—40/+40		
	2000	2025	2000	2025	
Men	57.0	55.2	1.35	1.07	
Women	43.0	44.9			

Source: Feld, 2001

**Table 3:** Employment and unemployment rates of Belgian men and women

	1990	1995	2000	1990	1995	2000
	Men			Women		
<b>Employment Rates EU (2001)</b>						
15-64	68.7	67.0	69.5	42.9	45.1	51.4
15-24	35.1	30.7	32.8	29.9	24.3	25.4
25-54	88.6	86.2	87.3	56.4	60.0	67.2
55-64	33.5	33.5	36.4	10.6	12.9	16.6
<b>Unemployment Rates EU (2001)</b>						
15-24	10.1		12.9	19.2		18.2
25-54	4.0		4.6	10.3		7.4
55-64	3.1		3.4	5.0		2.8

**Table 4: Breakdown by age of older unemployed in Belgium, 1992-1998**

## Men

Age group	1992	1993	1994	1995	1996	1997	1998	( 98- 92) %
50-55	32,304	32,310	32,530	32,493	34,833	39,452	42,490	31.5
55-60	73,275	73,329	74,386	78,259	79,832	75,435	70,754	-3.4
60+	92,271	93,959	95,082	92,382	90,929	89,429	88,868	-3.7
Total	197,850	199,598	201,998	203,134	205,594	204,316	202,112	2.2

## Women

Age group	1992	1993	1994	1995	1996	1997	1998	( 98- 92) %
50-55	31,382	31,254	32,495	34,671	37,928	43,114	48,298	53.9
55-60	37,677	38,342	39,851	40,872	41,427	41,735	42,161	11.9
60+	1,066	1,585	1,228	1,081	903	2,564	5,844	448.2
Total	70,125	71,181	73,574	76,624	80,258	87,413	96,303	37.3

Source: MET, 2002b

**Table 5: The cost of ageing as computed by the EPC**

Budgetary cost of ageing	2000	2050	Change 2000-50	Public fiance	200	2050	Change 2000-50
Pensions	8.7	11.8	3.1	Primamry surplus (no change in policy)	7	1.6	-5.5
Health care	6.2	9.3	3.1	- Budgetry cost of ageing			-3.4
Uther social security expenditures	7.3	5.0	-2.2	- Other factoes (tax reform...)			-2.1
Education (salary)	4.3	3.7	-0.5	Interest charges of public debt	7	1.2	-5.8
Total	26.4	29.8	3.4	Budget balance	0	-1.2	-1.2
				Public debt	112.9	21.7	-91.2

Source: European Commission, 2002a

**Table 6:** The cost of ageing and other statistics

Long-term projections of public pensions spending (EPC 2001)

	Level			% increase 2000-50	Level			% increase 2000-50
	2000	2020	2050		2000	2020	250	
Old-age dependency ratio <sup>2</sup>	25,5	32,7	45,0	76,0	24,2	32,2	49,0	100,0
Public pensions expenditure % of GDP <sup>3</sup>	10,0	11,4	13,3	33,0	10,4	11,5	13,3	27,9
Factors determining the evolution of public pensions expenditure (2000-2050) <sup>3</sup>	Contribution to change in percentage points of GDP			Contribution to change in percentage points of GDP				
<i>Democratic dependency</i>	5,2			6,4				
<i>+ Employment</i>	-0,9			-1,1				
<i>+ Eligibility</i>	0,9			0,6				
<i>+ Level of benefits</i>	-2,0			-2,8				
<i>= Total (including residual)</i>	3,3			3,1				
ESSPROS Pensions expenditure <sup>4</sup> (1999)	11,6			12,7				

Recent income situation (1999 ECHP data)

	Total		Men		Women		Total		Men		Women	
	0-64	65+	0-64	65+	0-64	65+	0-64	65+	0-64	65+	0-64	65+
At-risk-of-poverty rate <sup>1</sup> (at 50% of median)	6	12	5	11	7	12	11	12	10	9	12	13
At-risk-of-poverty rate <sup>1</sup> (at 60% of median)	11	22	10	20	13	22	17	20	17	17	18	22
Inequality of income distribution <sup>1</sup>	4,1	4,3					5,1	4,5				
Income of people aged 65+ as a ratio of income of people aged 0-64 <sup>1</sup>		0,76		0,77		0,76		0,88		0,92		0,86

Notes:

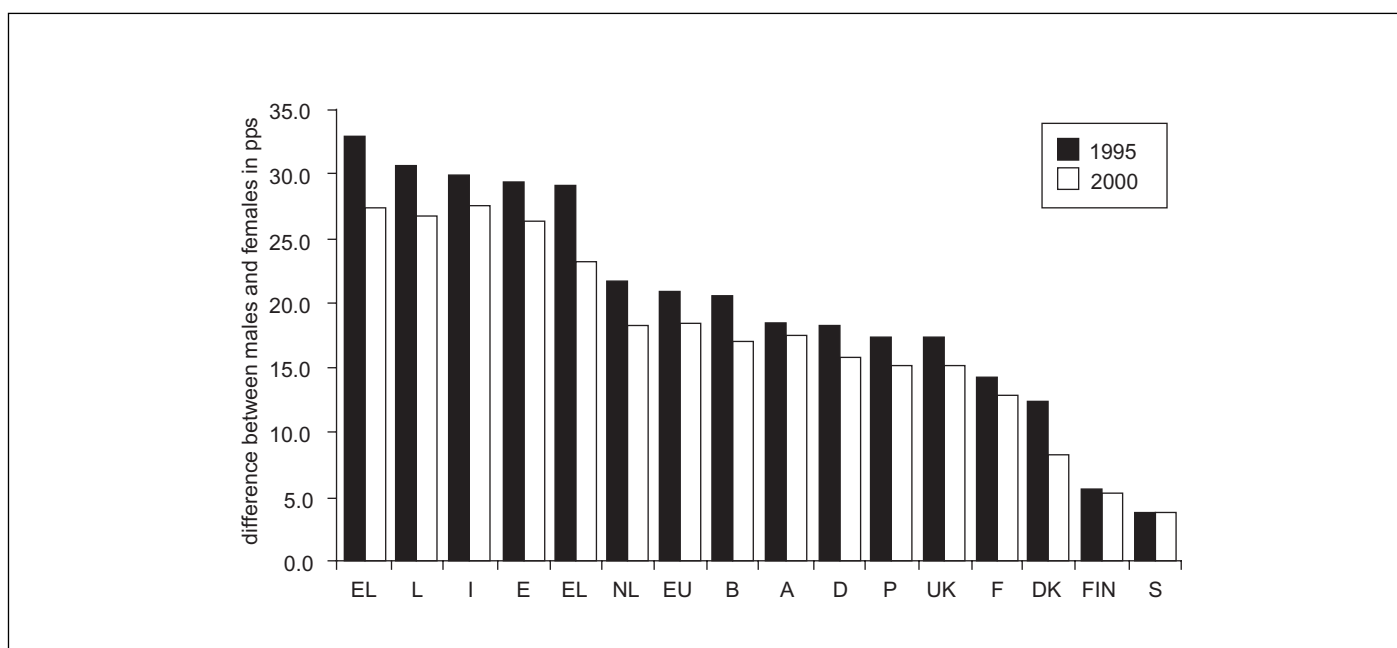
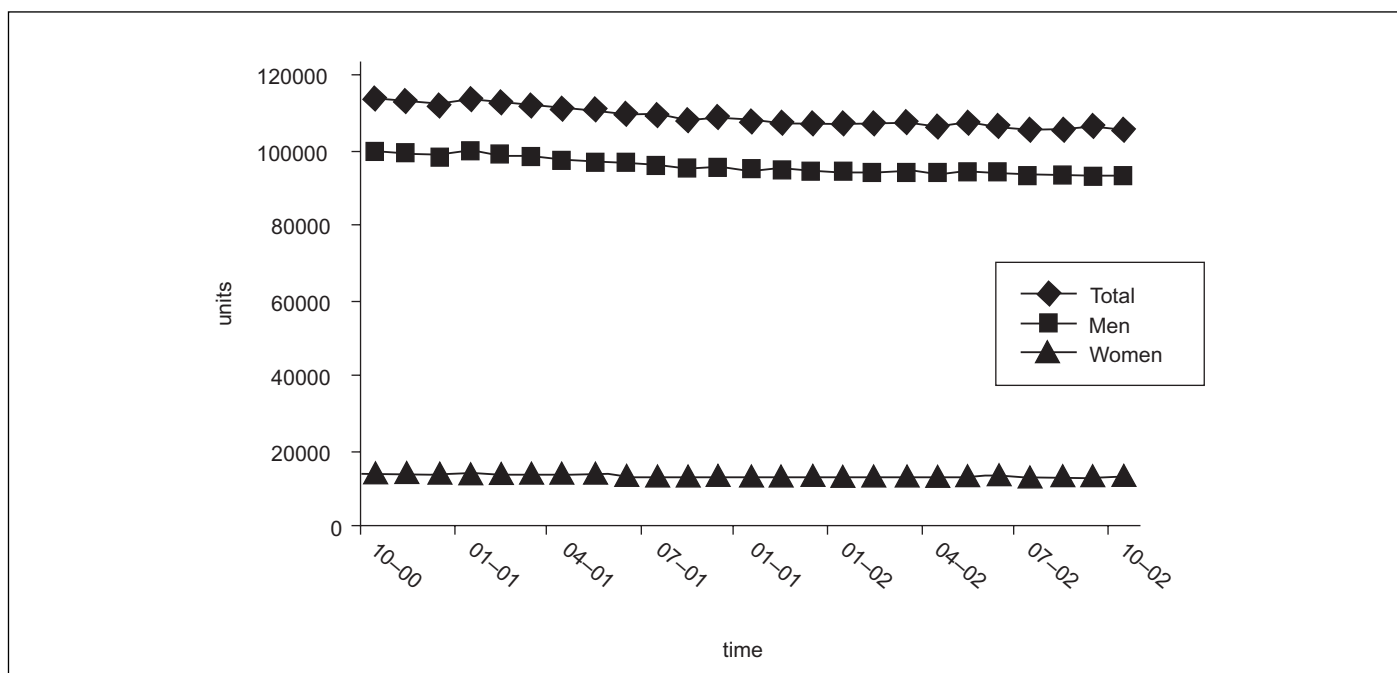
1. Source: ECHP-UDB, Eurostat, version December 2002. Data for the UK is provisional. The weights for the Spanish data will be revised. Data for Sweden only cover persons aged less than 85; see methodological note.
2. Source: EUROSTAT, demographic projections. Number of people aged 65 years and over as a percentage of people aged 15-64.
3. Source: Economic Policy Committee, Report on Budgetary challenges posed by ageing populations, 24 October 2001; see methodological note.

Source: European Commission, 2002a

**Table 7:** Educational attainments of the population aged 50-64 in Belgium, 2000

	Men & Women	Men	Women
<b>25-29</b>			
Less than upper secondary	19.8	22.4	17.2
Upper secondary	42.5	43.6	41.3
Tertiary education	37.7	34.1	41.5
<b>30-49</b>			
Less than upper secondary	37.2	39.7	34.7
Upper secondary	33.2	31.9	34.5
Tertiary education	29.6	28.4	30.8
<b>50-64</b>			
Less than upper secondary	58.6	55.3	61.8
Upper secondary	23.0	24.5	21.5
Tertiary education	18.4	20.2	16.7

Source: Eurostat, 2002d

**Figure 1:** Gender gap in the activity rates in Belgium**Figure 2:** Conventional early retired (full-time) in Belgium



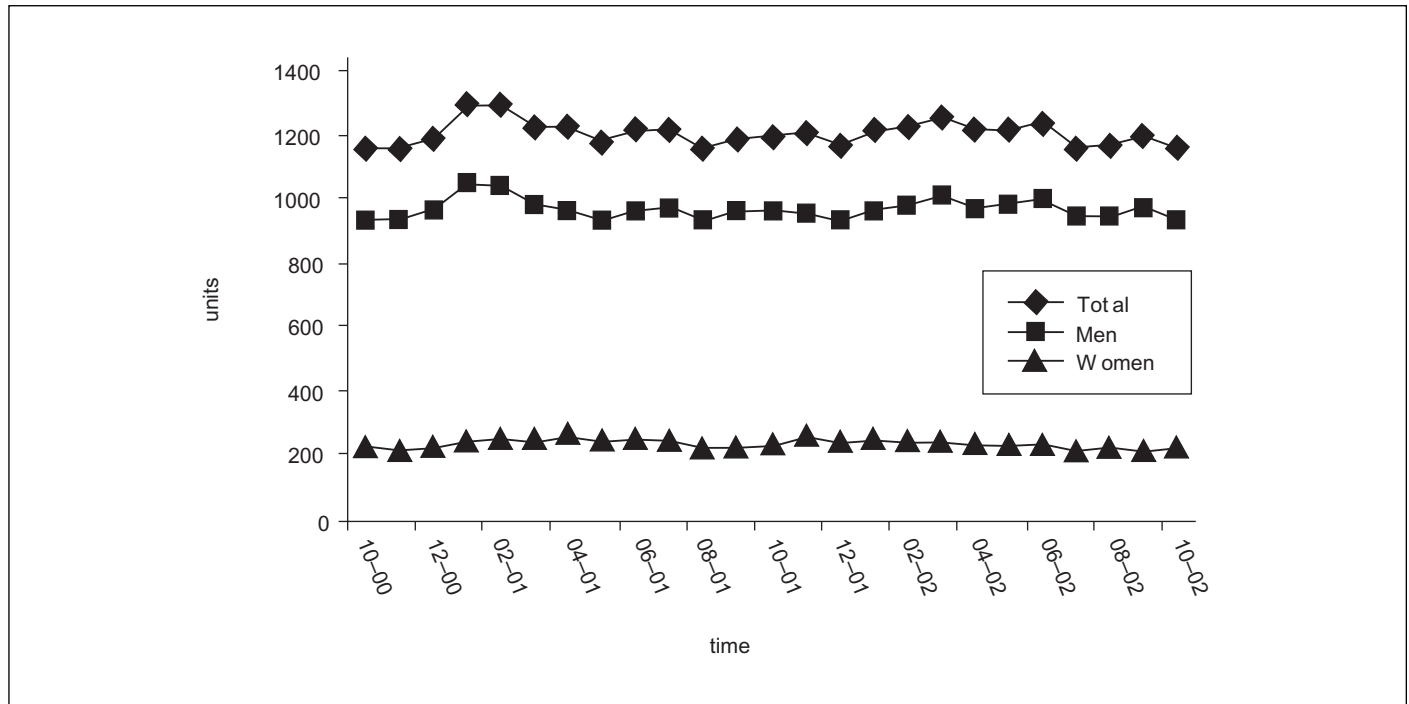
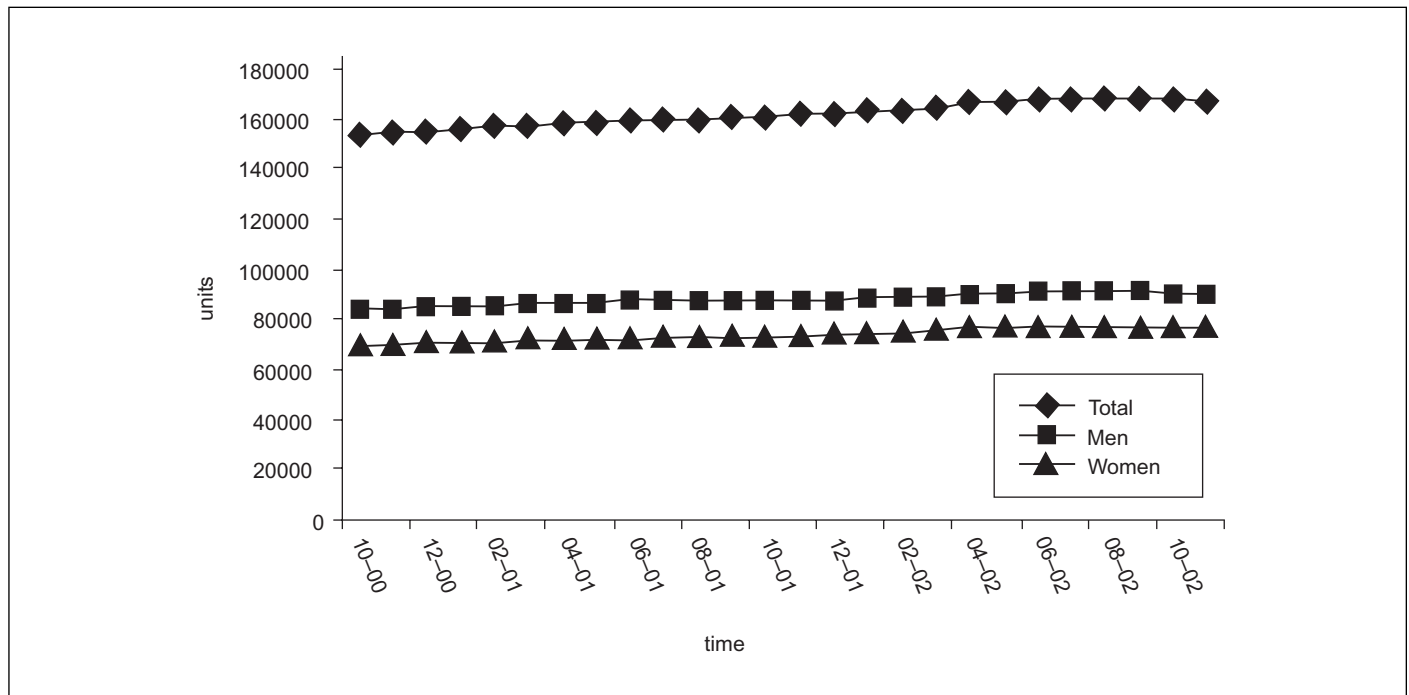
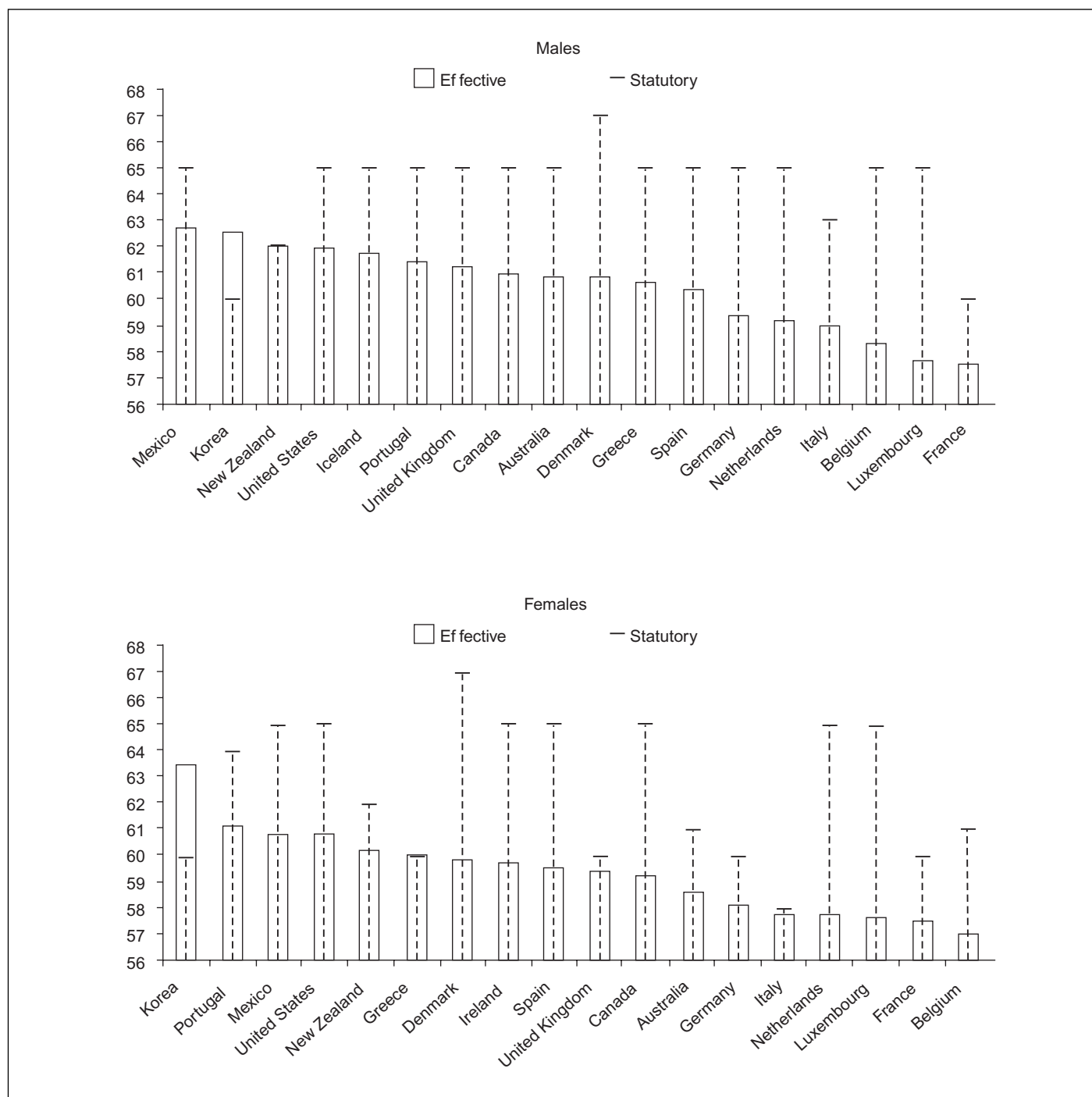
**Figure 3: Conventional early retired (part-time) in Belgium****Figure 4: Older unemployed in Belgium**

Figure 5: Effective and statutory retirement ages



# Denmark

## 1. Introduction

The challenges from an ageing workforce are high on the Danish political agenda. Reforms of tax, labour market, integration and immigration policy are all discussed with reference to long-term demographic projections showing that the age structure of both the population and the workforce is changing.

One important consequence is a reduction in the share of persons of working age relative to the entire population. Thus the share of persons aged 18-59 years in the total population is expected to fall from approximately 59% in 2002 to 52% in 2030 (Finansministeriet 2002, p. 20). The number of persons above the official retirement age of 65 years will increase from approximately 800,000 persons in 2002 to 1,100,000 persons in 2030 thus putting a heavy strain of the provisions of the welfare state with respect to pensions, healthcare etc. (Regeringen, 2002, p. 4).

Both the previous and the present government have set a target of an increase in total employment of approximately 85,000 persons over the years 2000-2010 as a cornerstone of their economic strategies. This target is put into perspective by the observation that the demographic development in itself will cause a reduction in the workforce of about 66,000 persons by 2010. However, reaching the employment target is a precondition for an acceptable growth in public consumption and a lower tax on earned income (Finansministeriet 2002, p. 22-24).

Thus the discussion about the labour market situation of older workers must be seen in this broader context of a strong focus on the need to face up to the challenges from demographic trends.

Furthermore, the development in the workforce has not been of a purely demographic nature. While the participation rate of older workers is rather high in Denmark compared to other EU countries, the Voluntary Early Retirement Pay for persons aged 60-67 years (introduced in 1979) has contributed to a fall in the average retirement age. Thus the average actual age of retirement had declined from 63 years in 1980 to 62 years in 2000 (Finansministeriet, 2002, p. 87). There are several possible explanations for this fall in the actual retirement age apart from the special programmes to support early retirement. One should also mention the high level of unemployment prevalent until the mid-1990s, the expansion of tax-subsidised private pensions schemes and the increased economic freedom of elderly house owners, who have repaid their mortgages.

## 2. The labour market situation of older workers

In general, employment rates are high in Denmark. As shown in Table 1, this also goes for older workers, where the employment rate in 2001 is 58% compared to an EU average of 39%. The employment rate is lower for women. This is the case for all age groups but, for the older age group, the relative difference is somewhat larger. This observation mainly reflects a generation effect in the sense that the convergence in employment rates between men and women is larger for younger than for older cohorts.

**Table 1:** Employment rates (percentage), 1990-2001

	1990	1995	2000	2001
Age 15-64, all	74.8	73.4	76.3	76.2
Age 15-64, women	70.2	66.7	71.6	72
Age 55-64, all	54.0	49.8	55.7	58
Age 55-64, women	41.5	35.9	46.6	49.7

Source: Data provided by the Commission

However, the averages calculated for the whole age group of 55-64 years hide an important difference within the group, which has been highlighted in a recent study. If one only looks at the participation rate for persons aged 55-59%, the rate is 77%, which can be compared to an average for the OECD of 60%. In Denmark the participation rate, however, drops steeply after the age of 60. For the age group 60-64 years, the Danish participation rate falls to 34%, lower than the OECD average of 38%. (Dansk Arbejdsgiverforening, 2002). The effect of the Voluntary Early Retirement Pay, which provides an attractive economic alternative to work after the age of 60, is significant.

**Table 2:** Unemployment rates (percentage), 1990-2001

	1990	1995	2000	2001
Age 15 and above, all	8.3	7	4.5	4.2
Age 15 and above, women	8.9	8.6	5	4.8
Age 55-64, all	6.1	8	4	4
Age 55-64, women	7.5	9.8	4.2	4

Source: Data provided by the Commission

Table 2 shows the unemployment rates for all workers and for older workers. The main observation is that unemployment tends to be lower for older workers than for all age groups. On the other hand, this general picture again hides an important difference within the group of older workers. Thus, in 2002 the registered average unemployment was 8.6% for older workers aged 55-59 years, but only 5.7% for workers aged 60-64 years. One should note that these data from the unemployment register are not fully comparable to the data in Table 2 taken from the labour force surveys. However, the possibility to retire from the age of 60 years is clearly reflected in the data.

Concerning flows into unemployment for different age groups, available information indicates that the risk of becoming unemployed is not significantly higher for older workers than for others. But once older workers have become unemployed, their chances of returning to work are much lower than for the younger age groups (DA, 1997, p. 44). Thus, for the unemployed of less than 25 years of age, more than two out of three return to employment within two years. For the unemployed over 50 years of age, only one in four become re-employed (Ingerslev & Pedersen, 1997, p. 18).

### 3. Recent trends in policies

As already mentioned, the trends in labour market attachment of older workers have spurred political debate and proposed changes in strategy (Arbejdsministeriet, 1996; The Government, 2002; Ministry of Social Affairs, 2002). There are three main elements in this discussion:

- The increased demands on the Danish welfare state stemming from the expected growth in the older age-groups whose need for caring and health services is higher than average;
- The changes in the distribution of income and consumption between the productive and non-productive parts of the population leading to discussions about reforms in the public and private pension systems and the role of the taxation system in providing incentives to early retirement;
- Concerns about the consequences of the stagnating or falling supply of labour, both in the short and the longer run. The short-run concerns for the supply of labour have, of course, been fuelled by the strong economic upswing and fall of unemployment on the Danish labour market since 1994.

The remainder of this article will focus on the last of the above-mentioned points concerning the more direct relation between the ageing of the population and changes on the labour market and in labour market policies.

*Given the wide range of potential or perceived consequences of the ageing population, ideas about “active ageing” have been developed in a number of different policy areas.*

In relation to consequences for the welfare state, “active ageing” of course implies strategies to keep older persons healthy, self-supporting and living in their own homes for as long as possible. With respect to the labour market, “active ageing” has led to considerations concerning:

- the economic incentives to early or flexible retirement;
- increased emphasis to upgrade the qualifications of the older parts of the workforce (including the elderly unemployed);
- concerns about how to change the attitudes of employers towards the older persons in the workforce.

In the following section a more detailed survey is given of the recent trends in policies to influence the situation of older workers on the labour market.

#### 3.1 Policies concerning the retirement age and early exit

Since 1970, all persons above 67 years of age have been eligible for the public old-age pension, though the amount paid depends on whether the recipient has supplementary work-income. From 1999 the retirement age has gradually been reduced to 65 years. The change will be fully effective by 2004.

Retirement at 65 is not compulsory, but marks the age from which one qualifies for the old-age pension. In the public sector the maximum retirement age is 70 years. In the private sector there is no general formal retirement age; in many private firms the compulsory retirement age is 67 years. Most private or collective pension schemes permit retirement from the age of 60 years.

For a number of reasons the actual average retirement age in Denmark is significantly below 65 years of age (cf. section 1). This is caused by a number of factors including the existence of several schemes allowing for early retirement from work.

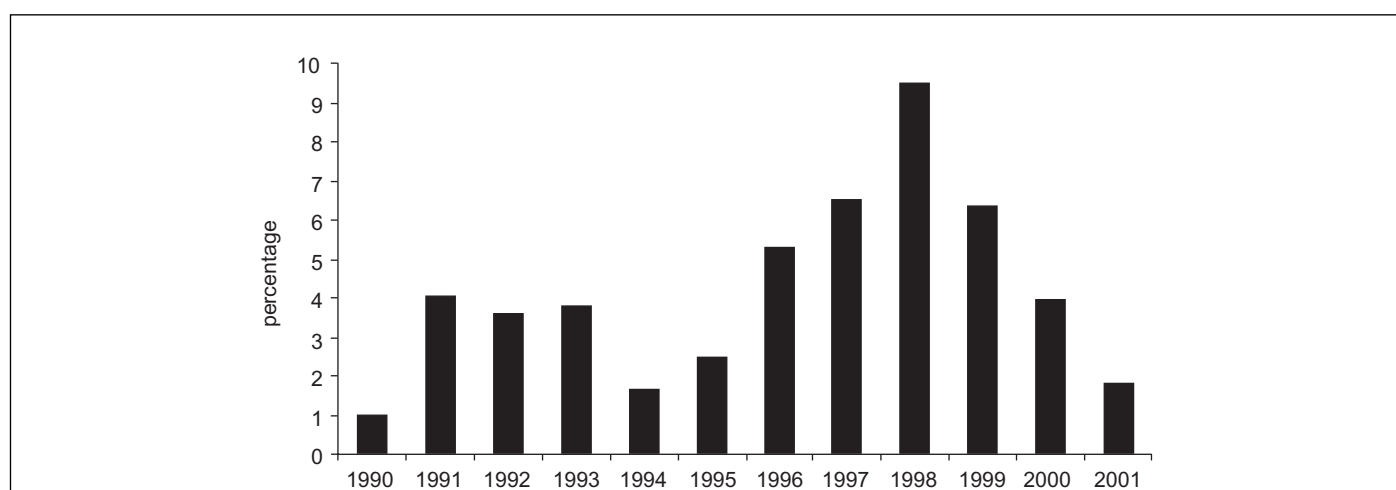
The most important of these schemes is the so-called Voluntary Early Retirement Pay (in Danish: “Efterløn”), which was introduced in 1979 as a response to the high and rising level of unemployment in the 1970s. This scheme meant that members of an unemployment insurance fund aged 60 to 66 years could choose to retire and receive a public pension defined as a share of the unemployment benefits. The share was 100% of benefits for the first 2½ years and then gradually reduced.

It was *not* a condition that the person was actually unemployed at the time of retirement, but membership of the unemployment insurance fund should have lasted for 10 years within the last 15 years. The scheme proved very popular – and costly to the state budget – and it was tightened on a number of occasions in the 80s and 90s.

The rationale behind the Voluntary Early Retirement Pay was both to allow older unemployed workers to retire in a period of labour surplus, but also to create job openings for younger persons, when employed older workers decided to take the opportunity of the early retirement benefit instead of staying in the job until official pension age.

In 1987 a *part-time pension* was introduced which was intended to allow both wage earners and self-employed persons aged 60-66

**Figure 1:** Annual growth rate in the number of persons receiving Voluntary Early Retirement Pay, 1990-2001



Source: Statistics Denmark

years to retire on a part-time basis, while receiving an allowance calculated on the basis of the level of unemployment benefits. The total number of recipients of a part-time pension in 2001 was 2,800 persons.

In addition to the Voluntary Early Retirement Pay and inspired by the steep increase in Danish unemployment in the early 90s, a special scheme for long-term unemployed members of unemployment insurance schemes was introduced in 1992. This so-called *Transitional Allowance* (in Danish: "Overgangsydelse") implied that long-term unemployed persons aged 55 to 59 could retire and receive a pension equal to unemployment benefits. In 1994 the age group was extended to 50-59 years of age, and the benefit paid was set at 82% of unemployment benefits. The scheme was extremely popular and in 1996 attracted a maximum of 46,000 participants. Entrance to the scheme was abolished in the same year and the scheme is now being phased out. In 2001 the total number of recipients was 20,400 persons.

A major reform of the Voluntary Early Retirement Pay was introduced in 1999 (Arbejdsministeriet, 1998). The main aim was to reduce the inflow to the scheme. The eligibility criteria were tightened, making it necessary to have been a member of an unemployment insurance fund for at least 25 years within the last 30 years. A separate voluntary contribution to the scheme was introduced in addition to the normal contribution to cover basic unemployment insurance. A tax-free premium would be paid to those who postponed entering the scheme until two years after becoming eligible to do so. The deduction for other pension incomes was also changed. Increased flexibility was introduced with regard to working time, making it possible for the individual to retire on a part-time basis, where wage-income would be deducted from the allowance based on the actual number of hours worked. The intention was that the number of persons receiving the Retirement Allowance for members of unemployment insurance funds should be reduced.

In 2001, a total of 158,700 persons received the allowance, of which 53% were women. As shown in Figure 1, the number of recipients has been growing over the years, but with a rather sharp rise in the growth rate during the mid-1990s. Since the reform in 1999, the number of participants has levelled out somewhat.

Persons aged less than 65 years who are permanently unable to support themselves due to physical or mental handicaps, are eligible for an anticipatory pension. There are three pension levels. The two highest levels are for persons with obvious and serious health problems, while persons with lesser problems who have, nonetheless, been unable to support themselves for a longer period of time normally will receive the lowest level. In January of 2002, 172,800 persons received one of the two highest levels, while 86,800 persons received the lowest level of anticipatory pensions. The highest level amounted to an average of 10,300 DKK (1,380 euro) per month. (equal to about 83% of maximum unemployment benefits).

Effective from 1 January, 2003, the anticipatory pension scheme has been reformed. The reform involved a much stronger focus on the capacity to work and employability of the applicants for pensions. Also the system for calculating the pension allowance has been simplified. A main target of the reform is to reduce the number of participants, again with an eye to demographic trends.

For persons who are eligible for an anticipatory pension, but do not receive it, a special wage subsidy ("flexijobs") is available. The subsidy is paid to the employer and amounts to between one third and two thirds of normal wages. For persons who actually receive anticipatory pension, a subsidy (for "protected" jobs) can be paid to

the employer (Arbejdsministeriet og Socialministeriet, 1997). The subsidy is, at maximum, half of the wage cost. Employment in protected jobs is normally part-time. The number of these two types of jobs in 2002 was about 24,000, whereof 18,000 persons were employed in "protected jobs".

**Table 3:** The number of full-time persons receiving various forms of pensions, 1990 to 2000

	1990	1995	2000
	1,000 full-time persons		
Old-age pension	700	713	704
Unemployment retirement benefit etc.(1)	101	140	180
Anticipatory pension	250	273	263
Total employment	2606	2539	2705

Note: (1) Includes transitional allowance and part-time pensions.

Source: Statistics Denmark

Table 3 shows the development in the total number of full-time persons receiving various forms of pensions from 1990 to 2000. Most impressive is the sharp increase in the number of recipients of the unemployment retirement benefit and the transitional allowance.

### 3.2 Training and lifelong learning for older workers

The share of older workers with at least some form of upper secondary education was 72% in 2001, which was significantly higher than the EU-average of 48%. On the other hand, the majority of older workers are less educated than the younger generations, although the gap is closing.

One barrier to hiring middle-aged or older workers is the assumption that they are less motivated to engage in further training or lifelong learning. To some extent this assumption can be based on the actual participation patterns of the older workers.

Denmark has a longstanding tradition of adult education. Thus more than 80% of firms offer training and education to their employees – against an EU average of about 60%. Furthermore, there are no formal barriers to older workers participating in further education and training, and firms maintain that the older workers receive the same offers as the rest of the staff (DA, 1997, p. 134). On the other hand, the labour force surveys report that the share of workers taking part in education and training during the four weeks prior to the survey is significantly lower for older workers. In 2001, 17.8% of all workers took part in some form of further education. But only 8.4% of older workers aged 55-64 years did so. There is also a clear relationship with the previous educational attainments of the older workers: more workers with previous vocational education will continue to participate in adult education when they get older. In addition, the propensity to participate is higher among the employed than the unemployed.

A major barrier for adult education for older workers therefore seems to be their weak educational background. Also, one could suspect that firms – in spite of the expressed attitudes – give a lower priority to further education for older workers, simply because the economic benefit will be smaller due to the shorter expected duration of their active working life.

### 3.3 Labour market programmes for elderly unemployed

In principle, older unemployed persons under 60 years of age have the same rights and obligations as other unemployed. Thus they have the right to unemployment benefits and to receive job training and other offers according to the active labour market policy. Insured unemployed persons above 60 years have the right to unemployment benefits for 30 months.

However, as indicated by the introduction of the Voluntary Early Retirement Pay in 1979 and the transitional allowance in 1992, the main strategy towards these groups during the 1990s was to ease their way into early retirement, accepting that in reality the chances for older unemployed persons to regain employment are significantly smaller than for younger age groups.

As a reaction to the lowering of general unemployment on the Danish labour market in recent years, the strategy towards the older unemployed is now undergoing a considerable change. The reform labelled "More People in Employment" introduced by the present government in 2002 and being implemented during 2004, is strongly focused at a more active approach to older unemployed and aims at abolishing all the exceptions to activation of this group, which have more or less formally been accepted previously.

*However, there are no special activation instruments developed for the older unemployed.* The view is that the instruments applicable to other age groups can also be combined and tailored to fulfil the needs of the older unemployed (2005-udvalget, 1998, pp. 55-58). One should note that this is a general feature of Danish labour market policy and similar to the situation for ethnic minorities, who will also normally receive the same offers as other groups. This does not exclude the possibility that a certain project can be set up by the Regional Labour -Market Councils combining the available instruments (training, wage subsidies, etc.) to fit the needs of a particular target group. But this will be done on an ad hoc basis, not as a permanent programme. As described in the next section, a number of special financial instruments can support such initiatives.

### 3.4 Special initiatives with respect to "senior policy"

As joint ventures between the Ministry of Employment and the Ministry of Social Affairs, a number of activities and campaigns have been launched in recent years in order to stimulate the employment of persons with various forms of handicaps as far as their employability is concerned (Arbejdsministeriet og Socialministeriet, 1997). This development has been supported by the social partners. In the collective agreements made since 1995, so-called "social chapters" have been included in most agreements, implying that almost 90% of wage earners are covered. These chapters recommend employment on special conditions (working time, wages, etc.) for persons with handicaps, including older workers.

Under the heading of "senior policy", a number of special initiatives by the Ministry of Employment are aimed at achieving a better integration of older workers on the labour market. These initiatives include:

- a special fund of 23 mio. DKK (2.8 mio. euro) has been allocated to initiatives that support the integration of unemployed older workers. It may be in the form of influencing the hiring practices of firms, highlighting the qualifications of senior employees or general information campaigns disseminating examples of best practices;
- the offer of five hours of free consultancy services to all

employers. The consultants may come from public or private institutions and give firms advice with respect to developing a "senior policy", human resource development for older employees and the creation of networks with other employers;

- financial assistance is given for the self-activation of unemployed workers above 50 years of age in their creation of networks and activities to develop new areas of employment. Such networks, based on self-activation, are now in operation all over Denmark.

Examples of concrete activities supported through the initiatives are:

- a project by a large retail chain to open a supermarket staffed solely with persons aged 45 and above;
- a project by a private manufacturing company aimed at setting up individual programmes for training and education for all employees aged 50 and over;
- activities at a public hospital setting up special seminars for senior employees to create discussions and awareness of possibilities for remaining in the labour market;
- a manufacturer of kitchen utensils screening all work processes to adapt them to senior workers wherever possible.

## 4. Evaluation

One of the most important changes with respect to the situation of older workers on the labour market has been the reform of 1999 of the Voluntary Early Retirement Pay. There has been no comprehensive evaluation made of the reform, but the available evidence based on the inflow to the scheme indicates that the new economic incentives have had some impact in diminishing the number of persons leaving the labour market at the age of 60. However, the fact that the number of recipients of retirement pay is still increasing, gives rise to some political concern and a continuous debate about the need for further reforms.

At company level, initiatives to integrate older workers have been functioning for several years now. A wide range of evaluations have been made. In 1997 The Danish National Institute of Social Research conducted a special survey concerning the social responsibility of firms (Holt, 1998). One outcome is that 61% of the firms having employees aged over 60 have given these employees some form of special offer including the possibility of part-time work (50%), a change of job within the company (29%) and benefits in relation to retirement (20%).

A number of the initiatives supported by the Ministry of Employment have also been evaluated. Information about the result can be found at the homepage of the Ministry of Employment ([www.bm.dk/seniorpolitik](http://www.bm.dk/seniorpolitik), in Danish only). Some of the most important observations involve identifying a wide range of senior policies at company level. In some firms a very detailed and specific senior policy can be observed, while others tend to use senior policy as a broader framework, which mainly mirrors the global values of the firm and allows for a high level of flexibility in implementation. Other firms consider senior policy to be just one element in a broader set of policies, each directed at different phases in the lifecycle of their employees. Finally, the evaluations demonstrate the important links between senior policy and other policies at the firm level, such as HRD, and policies for the hiring and promotion of employees.

## 5. Summary of policy perspectives

From the exposition given in this article, it is evident that the challenges raised by the ageing of the workforce have been high on the Danish political agenda since the mid-1990s. This is caused by long-term considerations concerning the changing demographic composition of the Danish population in the first half of this century. Furthermore, the present low level of unemployment has stimulated a fear of labour shortages also in the short-term.

The political strategy being implemented has two main elements. One is to make retirement less economically attractive to the older part of the workforce and thereby remove some of the economic incentives influencing the current downward trend in the average retirement age. The most significant example is the reform of the Voluntary Retirement Pay, which to some degree has dampened the inflow to the scheme. However, a number of observers are still calling for further reforms that will more effectively reduce the number of recipients, which by now is significantly larger than the total number of unemployed.

The other element in the strategy is to increase the awareness of both firms and older workers of the qualifications and potentials of senior employees, and the possibilities to relocate older workers and to use various forms of flexible retirement strategies. The recent reform of the anticipatory pension system is also aimed at keeping persons with reduced employability at work instead of offering early retirement as the main option.

Of course, it still remains an open question, whether the strategy in its current form, combined with other policies including a tax reform, will be sufficient to reach the target of an overall increase in total employment by 85,000 persons over the decade from 2001-2010. Given the fact that recent employment figures indicate a fall, not a rise, in total employment from 2,814,000 persons in the third quarter of 2000 to 2,779,000 persons in the third quarter of 2002, there is still a long way to go.

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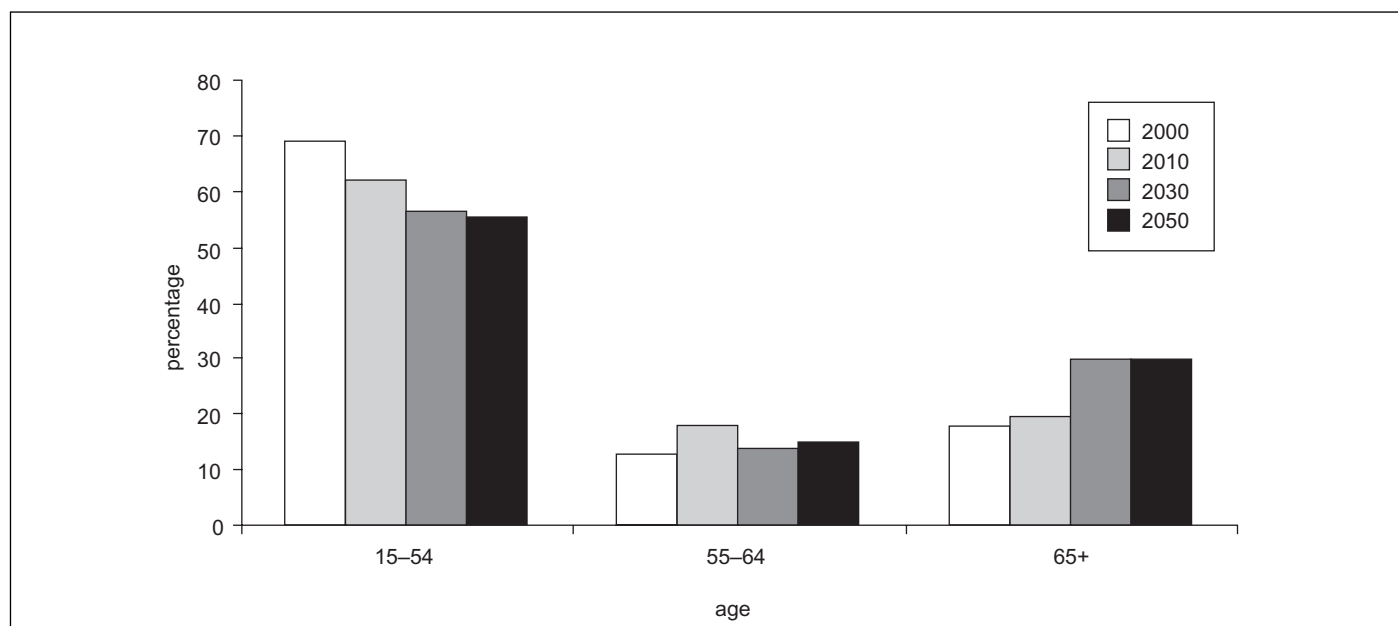
# Finland

## Introduction

The ageing Finnish working population is growing at a rapid rate. In 2000 about 69% of the population were 15-54 years of age, and 18% had reached the age of 65. It is expected that by 2030 almost 30% of the population will be 65 years or over (Figure 1). The baby boom generation born in 1945-1955 will reach retirement age in 2010-2020. When this happens about 80,000 to 90,000 people will exit annually from the labour market while at the same time only 60,000 people will be entering it. If the early exit behaviour of the Finnish workforce remains at previous levels, workforce will begin to fall after 2006. The increase in working-age population concentrates on those 55 and over in 2000-2010. Without immigration the working-age population is estimated to start to decline in 2010.

A declining working-age population puts heavy pressures on the social protection system. The dependency ratio, which describes the share of children (0-14 years of age) and those over 65 years of age to the working-age population (15-64 years of age), will start to rise after 2010. In 2030 the dependency ratio will rise to 70% and will remain at high levels for years to come. In 2001 the dependency ratio was 49%. (Sosiaalijaerveysministeriö, 2002a)

In 2000 social expenditure corresponded to 25% of GDP. It is estimated that this share will rise significantly during the next twenty years. Increased spending on earnings-related pensions, healthcare, and old-age care are the main factors behind the increase in the social expenditure ratio. Depending on the assumptions made on demographic changes and care needs, social expenditure is

**Figure 1: Population aged 15 and over, 2000-2050**

Source: Eurostat, Population Statistics

expected to rise to 30-40% of GDP by 2050. (Lassila & Valkonen, 2002)

It is widely recognised among policy-makers that one of the biggest challenges for the Finnish welfare society is that people leave working life too early, on average before the age of 60. The official retirement age is 65. Early retirement magnifies the unfavourable impact that demographic change has on employment. It has markedly lowered the labour force participation rates of older workers.

The Government launched the National Programme on Ageing Workers (1998-2002) to encourage older workers to remain in work and to improve their chances of finding work. Many of the measures aimed at keeping ageing employees at work have involved pension policy decisions. Legislation on pensions and other forms of social protection has been changed so as to discourage early exit and encourage staying on at work. (Ministry of Social Affairs and Health, 2002a)

### ***Trends and developments on the labour market***

Labour markets are still recovering from the deep recession that the Finnish economy experienced at the beginning of the 1990s. Labour force participation and employment rates have not yet reached the late 1980s' levels. The 55-59 age group is the only group whose labour force participation and employment rates are higher today than before the recession. In the age group 60-64 labour force participation and employment rates are still at very low levels. Only 30% of men and 24% of women in this age group participated in the labour force in 2001. However, the employment rate for older workers has gone up relatively fast and is catching up with the employment rate for other age groups (Table 1).

The improvement of the employment rate for older workers stems mainly from the fact that employed people are now able to stay on in work longer, rather than that older unemployed people find it easier

to obtain employment. It also partly reflects the rapid increase in part-time pensions since 1998, which was a response to lowering the eligible age. In 2001, as many as 11% of employed people aged 55-64 were receiving a part-time pension. If the number of pensioners working part-time was corrected to full-time equivalent numbers, the employment rate would be two percentage points lower (Sosiaali- ja terveystieteiden ministeriö, 2002b).

Since 1998 employment rates in the 55-59 age group in Finland have been higher than EU average. This is mainly due to higher than average employment rates among Finnish women. The employment rates among older Finnish men are markedly lower than in other EU Member States on average, in particular in the age group 60-64.

It has been estimated that if employment rates remain at 2001 levels in the different age groups, the number of employed people would shrink by 100,000 by 2010. On the other hand, if those over 50 years of age remain one year longer in employment, the number of employed people would remain at present levels up to 2010. To maintain employment it is therefore of the utmost importance to increase the average retirement age in Finland in years to come.

The stability of employment among older workers has improved over the last few years. About 77% of people aged 55 or over, who were employed in the previous year, were still employed in 1995 (Table 2). The corresponding figure for 2000 was over 84%. In particular, early exit rate has gone down. In 1990, about 17% of those aged 55 and over, who were employed in the previous year, exited from the labour market in order to take pension. In 2000 only 8% did so. In the prime-age group (those aged 25-44) about 93% remained employed and only 0.1% took pension in 2000. The improved employment situation among older workers has led to an increase in the average pension age. In 1990 the average pension age was 58.2; it had risen to 59.3 in 2000.<sup>1</sup>

<sup>1</sup> The average pension age reported here is based on simple population share-calculations and do not take into account changes in life expectancy. See, Sosiaali- ja terveystieteiden ministeriö (2002b), pp. 66-67.



**Table 1:** Labour force participation, employment and unemployment by age and gender, selected years in 1990-2001

Labour force participation rate	1990 %	1995 %	2000 %	2001 %
<b>Men</b>				
15-64	79.6	75.0	76.4	76.6
55-64	47.1	44.8	47.8	51.2
— 55-59	63.2	63.2	65.8	69.4
— 60-64	30.3	23.1	28.1	30.0
<b>Women</b>				
15-64	73.4	69.6	72.0	72.4
55-64	40.4	41.7	45.2	49.5
— 55-59	61.1	63.6	66.6	70.6
— 60-64	21.0	17.9	21.5	23.6
<b>Employment rate</b>				
<b>Men</b>				
15-64	76.7	63.1	69.4	70.0
55-64	46.3	35.3	43.7	46.7
— 55-59	61.2	47.0	58.7	62.0
— 60-64	30.0	21.3	26.7	28.4
<b>Women</b>				
15-64	71.4	59.1	64.3	65.4
55-64	39.7	34.3	40.9	45.1
— 55-59	59.0	50.7	59.9	63.7
— 60-64	20.8	15.9	20.2	22.2
<b>Unemployment rate</b>				
<b>Men</b>				
15-64	3.6	15.7	9.1	8.6
55-64	2.4	21.2	9.2	9.2
— 55-59	3.1	25.6	10.8	10.6
— 60-64	0.8	7.7	5.0	5.5
<b>Women</b>				
15-64	2.7	15.1	10.6	9.7
55-64	2.8	18.5	9.1	9.0
— 55-59	3.4	20.3	10.1	9.8
— 60-64	1.0	11.5	5.8	6.0

Source: Statistics Finland, Labour Force Survey

**Table 2:** Labour market transition rates among those who were employed in the previous year, age group 55 or over, selected years 1990-2000

Year	Employed	Current status Unemployed	Pension	Other
1990	78.4	2.4	17.2	2.0
1995	76.7	5.9	15.8	1.7
2000	84.4	3.9	8.0	3.8

Older workers were markedly affected by the recession of the early 1990s. In 1995, in the age group 55-59 as many as 25% of men and 20% of women were unemployed, when five years earlier only about 3% of them were in this position. This partly reflects a particular feature of the Finnish unemployment insurance system that allows workers, who lose their jobs after the age of 55 (53 before 1997), an extended period of unemployment benefits. For these age groups unemployment benefits are not depleted after the normal 500 days, but last until the age of 60. This is called a “fast track” to unemployment pension. At the age of 60 the unemployed person becomes eligible for an unemployment pension. It has been estimated that in the first years of recession, 1991-1992, eligibility to this “fast track” increased the displacement probability of the employees by approximately 10 percentage points. This effect is larger when the firm faces a negative demand shock. (Hakola, 2002)

According to Rantala (2002) inflow rates into unemployment double when people reach the minimum eligibility age for the “fast track” to unemployment pension (Figure 2). When the eligibility age was raised by two years in 1997, the inflow rates by age shifted correspondingly.<sup>2</sup> This is in line with the above result, which showed that employees’ eligibility for the “fast track” has influenced employers’ displacement decisions.<sup>3</sup> Furthermore, it has been shown that being eligible for the unemployment pension in future reduces significantly an individual’s job-search intensity (Virjo & Aho, 2001).

Due to the fact that most of the unemployed who reach the age of 60 are eligible for an unemployment pension, in the age group 60-64 most of those remaining in the labour force are employed and relatively few are unemployed. In 2001, about 20% of people aged 60-64 received an unemployment pension.

The risk of disability increases markedly with age. About 1% of 50-year-old employees receive a disability pension in Finland. At the age of 60 this share rises to 4-5%. In recent years, the share of employees in the age group 55 or over who receive a disability pension has shrunk. This is partly due to the fact that since 1994 the eligibility age for the individual early retirement scheme, which is a special disability pension scheme targeted at older workers, has been lifted gradually from 55 to 58. (Rantala, 2002)

Today, very few unemployed job seekers aged 55-64 find a job (Table 3). In 1990, every fourth unemployed job seeker in the age group 55-64 was able to do so (some of these jobs were subsidised). In 2000, 68% remained unemployed, and only 4% found employment in open labour markets. Two per cent got a subsidised job, and as many as 19% took a pension (17% took an unemployment pension).<sup>4</sup> The duration of unemployment increases with age. About two thirds of long-term unemployed belong to the age group 55+. In 2000-2001 long-term unemployment decreased most rapidly in the age group 55-59. The reduction in long-term unemployment has been particularly marked among women.

One specific problem which emerges for the ageing and older workforce is lack of appropriate training. Educational deficiencies are already fairly common among people over 45, but the problem comes to a head in the 55-64 age group. More than half of ageing workers have only a basic education. Problems involving functional reading skills and computer literacy, which modern working life require, are widespread in this group. (Arnkil et al, 2002)

<sup>2</sup> The unemployment entry rate is defined as the fraction of workers employed at the end of year t-1 who are unemployed at the end of year t.

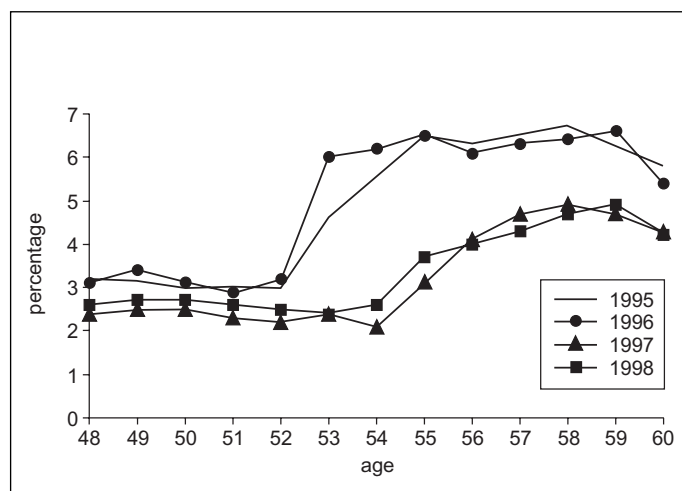
<sup>3</sup> See also Hytti (2002).

<sup>4</sup> Different pension channels partly substitute one another and the propensity to use a certain channel is dependent on changes in the regulations made on other channels. Therefore, caution should be exercised if relative shares of using different exit channels are compared over time.

**Table 3:** Labour market transition rates among those who were unemployed in the previous year, age group 55-64, selected years 1990-2000

Year	Employed	In subsidised employment	Unemployed	Pension	Other
1990	21.7	—	41.2	28.8	8.4
1995	3.7	—	74.0	18.7	3.5
2000	4.3	2.4	68.0	19.4	6.0

Source: Sosiaali- ja terveystieteiden ministeriö (2000b)

**Figure 2:** Transition rates to unemployment by age, selected year 1995-1998

Source: Rantala (2002)

Finns are active participants in adult education. More than half of the working-age population take part in some form of adult education annually. This is a significantly higher figure than in most of the EU countries. However, the participation rate in adult education falls sharply with age. Among those aged 55-64, only about one third participates in adult training. The training gap between different age groups is narrowing and less sharp in employer-sponsored in-service training (Table 4).<sup>5</sup> About 38% of men and 48% of women aged 55-64 received in-service training in 2001.

**Table 4:** Share of employees in in-service training by age and gender, 1990-2001

	1991	1995	2000	2001
<b>Men</b>				
25-64	41.4	47.5	43.4	44.1
55-64	32.9	48.2	39.1	37.9
<b>Women</b>				
25-64	47.0	45.8	48.6	50.9
55-64	38.9	33.6	37.9	48.3

Source: Statistics Finland, In-Service Training Statistics

Closer scrutiny of the in-service-training statistics show, however, that older employees with poor educational levels have a markedly

lower propensity to participate in training than their younger counterparts. In 2000, the probability that an employee aged 55-59 with only a basic education would obtain in-service training was 60% of that of a similar colleague aged 40-44.

Participation rates in adult education have also been increasing over the past few years among older unemployed job seekers. In 2000, about 19% of unemployed job seekers in the age group 55-64 participated in this kind of education.

### The policy framework

There has been serious concern about the disincentives to active ageing inherent in the social security system. The average pension age of 59 is regarded to be far too low. The Government has announced its long-term intention to raise this age to 61-62, to a level closer to the formal retirement age of 65. Different measures have been taken to achieve this goal.

### Legal provisions on pensions

Regulations covering statutory pension schemes provide guidelines for early exit behaviour in Finland; 98% of total expenditure on pension benefits is statutory by nature. Pensions amount to 44% of social welfare expenditure. In 2001, employers financed 41% of social protection expenditure. Central government and municipalities were responsible for nearly 38% of funding, the insured themselves paid 12%, and the rest came from different funds.

In addition to the ordinary disability pension there are four main early retirement schemes available for older workers, each targeted towards specific groups.<sup>6</sup> In 2001, nearly 16% of those aged 55 were already receiving a pension, mainly due to disability. At the age of 64 almost 86% have retired.

Disability pension is payable to insured people between 16 and 65 who, on account of disease, defect or injury, are unable to maintain their regular work or any other kind of work which, considering their age, occupation, education and place of residence, would be suitable for them. In 2001, 98% of young pensioners (16-54) received a disability pension. About 40% of pensioners aged 55-64 were on a disability pension.

A special type of disability pension, the individual early retirement pension, is payable to people aged 60-64 whose capacity for work has been permanently reduced. The individual early retirement pension is awarded on less strict award criteria than the ordinary disability pension. As part of an agreement of social partners on pension reform, this pension option will be gradually removed, and the last age cohorts who will be eligible to individual early

<sup>5</sup> In-service training refers to such employer-sponsored training programmes which employees attend at full or reduced pay, or against full or partial compensation (in money or in time off) for lost free time.

<sup>6</sup> In addition there are special farmer's pensions and ordinary old-age pensions that qualify for a pension before the age of 65.

retirement pension are those born in 1943 and before. In 2001, nearly 8% of pensioners aged 55-64 were on an individual early retirement pension.

The unemployment pension may be paid to insured men and women between 60 and 65 who have been unemployed a long time and have been employed for at least five years during the previous 15 calendar years. They must have received unemployment allowance for the maximum period allowed and be registered with the employment office as unemployed and seeking employment. The requirements concerning previous employment were relaxed for certain groups from 1 August 2002. In 2001, 26% of pensioners aged 60-64 received an unemployment pension.

Through the early old-age pension, employees can take an early old-age pension at the age of 60 in the private sector and at the age of 58 in the public sector. The old-age pension is determined by multiplying 1.5% of the wage or salary by the number of years of service.<sup>7</sup> The maximum old-age pension is 60% of the average pay in the private sector. If an individual takes an early old-age pension, his or her level of pension will be permanently reduced by 6% for each year short of age 65. Despite this negative incentive, the early old-age pension has been one of the main channels of early exit in Finland. In 2001, over 10% of those aged 60-64 were on an early old-age pension.

Having had a modest start, a part-time pension has in recent years become an attractive option for older workers. In 1994, to boost part-time pension, the accumulation criteria for the pension was improved, and the qualifying age for the pension was lowered to 58. From the beginning of July 1998 until the end of December 2000, and then again until the end of 2002, the eligibility age was temporarily lowered to 56 years of age. In 2001, about 9% of pensioners aged 55-64 were on a part-time pension. Somewhat unexpectedly, the part-time pension has been an attractive option for highly skilled employees with good working ability (Takala, 2001). Doubts have risen about the part-time pension's efficiency in deterring full-time exits from the labour force. As part of a social partners' agreement on pension reform, the eligibility age for the part-time pension has been raised back to 58 and, from 2003 onwards less pension will accrue from the period of part-time pension.

In recent years there have been several changes to pension benefits in an attempt to postpone retirement. A package of measures that was introduced at the beginning of 2000 encourages older workers to stay on longer in working life. In November 2001, the social partners reached agreement on the development of private sector employment pensions. The Government accepted the pension reform in October 2002. The primary objective of the reform is to alter the work pension system so that the average retirement age would be two to three years later than at present. Most of the reforms are planned to come into force at the beginning of 2005. Under the terms of the agreement, the various forms of early retirement are to be scrapped, pension insurance contributions are to be more closely linked to benefits, and the level of benefit accrued through a long working career is to be raised. It will be possible to retire any time between the ages of 62 and 68.

According to the proposals, early retirement pension options will be reduced mainly by abolishing individual early retirement pension and unemployment pension after a transition period. For those born after 1949, the security currently incorporated into the unemployment pension will be transferred to unemployment security. It is also proposed that the age limit for extended

unemployment allowance (previously "fast track" age limit) would be raised from 57 to 59, while at the same time protecting the unemployment pension of those born in or before 1949.

The initial age for accrual entitlement for the pension is to be lowered from 23 to 18 years, and the upper limit for accrual is raised from 65 to 68 years. In order to provide an incentive to stay on in working life the accrual percentage will be 4.5% per annum for ages 63-68. For younger people the accrual rate remains at the present rate of 1.5% per annum. The working group has also proposed a reform of the system of pension accrual for periods without earned income (such as during sick leave, study and childcare).

As a result of the pension reforms that came into effect at the beginning of 2000 and the reduction in disability pensions, it has been estimated that there will be a long-term increase of about 1.4 years in the average retirement age in sectors covered by the statutory pension system. Implementation of the new agreement on employment pensions would raise retirement age still further by almost a year. (Ministry of Social Affairs and Health, 2002b; See also Takala & Uusitalo, 2002)

### *Challenges for active ageing*

It has been argued that employers' indirect labour costs are one of the biggest obstacles to employment as they raise the threshold for hiring new employees. Employment pension contributions are progressive with respect to the employee's age for firms which have 50 employees or more. These firms also have experience ratings for disability and unemployment pensions. The experience rating increases gradually with the firm size. For firms with 800 or more employees there is 80% experience rating.

The present system of experience rating means that it pays off for large employers to maintain their workforce's ability to work as, at the same time, it is costly to dismiss people on loose grounds. In fact, an empirical study has shown that experience rating has had a moderating effect on displacements at a firm level (Hakola, 2002). On the other hand, experience rating means that recruiting ageing workers is risky, which creates obstacles to the labour market entry of older workers. A considerable number of ageing people have indeed been reported to have experienced ageism in recruitment situations (Kouvonen, 1999). As such, age discrimination in working life is prohibited by law in Finland.

Connected with the National Programme for Ageing Workers, there has been extensive effort at company level to develop the means to keep up employees' ability to work and professional competence. One of the tools in this process has been work health promotion (WHP). WHP is a form of co-operation between the employer, co-determination organisation and employees, designed to support working capacity. Actions focus on the health, fitness, motivation and vocational skills of employees as well as on development of work, the working environment and the workplace community. About 80% of employed people work in working places in which WHP activities were included to some extent. The overall evaluation made on the National Programme on Ageing Workers is favourable. The programme has been regarded to be appropriate and useful in Finland's situation and good results have been achieved. (Arnkil et al, 2002)

### *Management of age distribution – towards good practice*

The National Programme for Ageing Workers involved a number of tailor-made projects to improve working capacity in individual

<sup>7</sup> This is the case in the private sector. In the public sector figures are higher between 1.5 and 2.2% depending on the person's age and years of service.

companies. One of these projects was implemented in UPM-Kymmene Corporation, which is one of the leading paper companies in the world. The company's businesses focus on magazine papers, newsprint, fine and speciality papers, converting materials and wood products. In 1996, the Corporation examined the age distribution of its staff and did forecasts on the number of new employees required in the future. The average age of employees at the company's Finnish sites was 43 years, with those aged 46-50 forming the largest age group. The average retirement age was less than 57.

A working group was established to formulate an action programme for raising the average retirement age in the company. At first the programme focused on ageing workers but later it shifted to promote the overall wellbeing of the entire staff. The main points of the programme included improving job satisfaction and the atmosphere at work, employees' personal responsibility and actions for maintaining their own health and work capacity, creating a balanced age distribution among the staff, and keeping absenteeism in control.

Because of company acquisitions and rationalisation processes, the number of UPM-Kymmene employees in Finland has dropped from about 24,000 to less than 21,000 since 1996. The company has tried, though not fully successfully, not to introduce layoffs. Part-time pension as an alternative to retiring from work altogether is now gaining popularity at UPM-Kymmene. The company has employed new systems of applying part-time work to shift work. The age of retirement has risen by two years from 56.6 to 58.5 in 1997-2001, and there has been a clear change in the attitude of employees towards staying on longer at work. (Ministry of Social Affairs and Health, 2002b)

## Conclusions

Problems related to the ageing population are widely recognised in Finnish society. An extensive package of policy measures has been introduced to face the future challenges related to the ageing population. In future, people at work will be older than before. To diminish the pressure to leave work and take up a pension requires that working life be adapted to meet the needs of ageing workers and their functional capacity.

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# France

## Introduction

Since the end of the 1970s, we have seen a massive fall in the participation of the oldest workers in the labour market. This can be explained by a combination of factors. Apart from a profound change in the structure of the working population, with the decline of certain categories – particularly of agriculture and the craft trades where workers generally retired at a later age – and also more flexible career-end arrangements, which enabled a greater number of employees to take full retirement at an earlier age than before, it is, first and foremost, the early retirement management policies<sup>1</sup> implemented by companies and encouraged by successive governments in order to cope with rising unemployment that have contributed to this.

This development coincided with young people coming later on to the job market as a result of the extension of schooling. As a result, over the last twenty years, working life has tended to shorten at both ends, to the point where it has been possible to present France, as the country with “the world’s oldest students and youngest pensioners than in any comparable country.”

Though the general activity rate<sup>2</sup>, which stood at 68% in 2001 (68.3% in 2002), is increasing regularly (up two points since 1990), and ultimately puts France in a middle-ranking position among the 15 EU countries (EU activity rate, 2001: 69.8%), this nonetheless conceals a specific situation: on the one hand, France is one of the countries where the fall in the activity rate at the highest ages has been the most marked in the last twenty years and, on the other, the trend has been particularly pronounced beyond the age of 55.

There is talk of an “invisible wall” that brings a marked fall in activity rates between the 50-54 and 55-59 age groups (see table below)<sup>2</sup>. The fall-off in activity of 50-54 year-olds was a mere 2 points between 1975 and 1999 for men, whereas it was 22 points for 55-59 year-olds and almost 40 points for those aged 60-64. The rise in activity among women in the same period, which was mainly due to their increasing participation in the labour market, particularly

for the post-war generations, has not, however, been sufficient to compensate for this heavy fall-off in activity among men.

As a consequence, the model of working beyond the age of 55 has tended to become a minority one, even though the legal retirement age stands at 60 (since 1982). This model has spread widely throughout French society to the point that a genuine “early retirement culture” has gradually been established and has almost become the norm. Moreover, the post-war boom years saw the development of special retirement schemes, which contributed both to the generalisation of the lower legal retirement age of 60 in 1982, and to the introduction of significant disparities between employees on general schemes (private sector) and those on special schemes (public companies, public sector), making necessary pension reform a harder task today.

## Trends and Developments in the Labour Market

It is widely recognised today that future demographic trends present a clear challenge to the model of economic non-activity after 55. There were, in fact, 26.6 million people on the labour market in 2002, among whom almost 10% were workers aged over 55 (i.e. circa 2.6 million). The arrival at the age of 55 of the large baby boomer cohorts is beginning to have effects on the distribution of the working population: since 2001, the number of economically active older people now exceeds the number of young people coming annually on to the job market. The persistence of this trend will very soon have effects not just on pension systems (which mainly involve those in work paying for the pensions of the retired), but also on early retirement schemes which, assuming that these systems are maintained, will become too expensive as a result of the larger group of people potentially involved.

Up to 2006, according to a trend scenario developed by INSEE, the economically active population could still increase by almost 500,000. Beyond that date, when the first large post-war generations

**Table 1: Activity rates at census (in %)**

Age	1975		1980		1985		1990		1995		1999	
	M	F	M	F	M	F	M	F	M	F	M	F
45-49	96.5	53.6	96.7	57.7	96.5	69.1	96.9	69.1	96.2	77.3	95.0	80.2
50-54	93.7	51.1	92.5	54.3	92.5	63.2	91.9	63.2	92.4	70.5	91.9	74.6
55-59	82.9	43.2	80.9	46.7	69.9	48.0	71.8	48.0	70.9	52.5	70.7	53.2
60-64	54.5	29.3	47.0	27.0	30.3	19.0	23.2	19.0	18.2	16.9	15.5	14.2
65-69	19.3	10.6	11.9	10.4	8.4	3.5	5.1	3.5	3.3	2.9	2.6	2.2
70-74	8.2	3.7	4.8	3.5	3.1	0.8	1.8	0.8	1.4	0.6	1.1	0.6
> 74	3.6	1.8	2.2	1.6	1.5	0.3	1.3	0.3	0.5	0.3	1.0	0.4

Source: INSEE

<sup>1</sup> The development of early retirement schemes from 1963 onwards.

<sup>2</sup> The economically active population as a proportion of the total population aged 15-64 according to census returns. In 2001, the activity rate calculated on the basis of the population aged over 15 stood at around 54.7%. On the ILO definition, the activity rate is slightly higher in France.

<sup>3</sup> Conseil économique et social, “Dynamique de la population active et emploi: la gestion prévisionnelle des ages à l’horizon 2010” (known as the Quintreau Report), Paris, 2000.

**Table 2:** Projection of the economically active population of France: trend scenario

	Observed			Projected		
	1991	2001	2006	2111	2020	2050
Active population (in thousands)	24,994	26,426	26,895	26,751	26,141	24,095
% of 15-24 yrs.	11.5	8.8	8.4	8.3	8.2	8.1
% of 25-54 yrs.	78.9	82.3	79.9	79.5	78.6	78.5
% of 55 yrs + over	9.6	8.9	11.7	12.2	13.1	13.4
Activity Rate <sup>(1)</sup>	54.1	54.2	53.7	52.2	49.3	43.7
Relationship between active and inactive population of 60 and over	2.3	2.2	2.1	1.8	1.5	1.1

Active population (in the ILO sense) for metropolitan France, observed until 2001 and projected thereafter. At 1 January, using age reached during year.

(1) ratio of economically active population to population aged 15 and over; the figure would clearly be higher if it were related to the population aged 15-64.

Source: INSEE and DARES, "Projections de population active 2001-1050".

reach 60, the trend will be reversed. The working population should decrease, first moderately (by 30,000 a year) until 2010, then by around 80,000 a year circa 2020. By 2020, the accumulated decrease in the working population could amount to more than 750,000. According to the trend scenario published by INSEE,<sup>4</sup> the real demographic turning-point comes around 2006-07 (though we may note that Eurostat situates it around 2011), the date at which we shall see a decrease in the population of working age in France and hence of the activity rate, which is a measure in this case of the labour force as a percentage of the population of 15 years and over.

Hence, the proportion of workers aged 55 and over is going to increase considerably and the ratio of active to inactive 60-year-olds is going to fall greatly (2.2 in 2001 to 1.5 in 2020). It follows that the dependency rate, which generally measures the proportion of the population aged 60 and over relative to the total population, should increase a great deal: according to INSEE, it should rise from 21% in 2002 to 32% in 2034. The ageing of the active population will have an effect both on the future of pension schemes and on the prospects for France's economy which, if current trends persist, could be seriously short of labour.

Apart from demographic factors, which determine the population by age and by sex, prospects for labour resources depend on the development of activity behaviour. According to INSEE, over the last decade trends in this area have tended to stabilise in two respects: where young people are concerned, the fall in the activity rate has apparently stopped as the tendency towards longer study has been halted and, where older workers are concerned, it seems to have slowed down. This is confirmed by the OECD data, in which the year 2001 seems to mark a turning-point in the activity rate of French workers aged 55-64, with that rate increasing appreciably, exceeding the rate observed in 1990. Moreover, the differences between the sexes are gradually diminishing, the gap now standing at only 9.7 points, as against 17.7 eleven years earlier. This is a result both of a decline in male activity and an increase in female activity over this period.

The improvement in activity rates in the second half of the 1990s has to be correlated with an improvement in the employment situation from 1997 onwards; "macro-economically", it corresponds to the well-known economic effect whereby "people of working age are discouraged from entering the labour market when unemployment increases and, conversely, when employment picks

up again, some are encouraged to come back into the labour market"; "micro-economically", with the economic situation being set fair and redundancies decreasing, there was less use of early retirement schemes - one of the favoured tools of French companies where restructuring is concerned. To this may be added a context in which public funding was in decline (see below).

**Table 3:** Activity rate of 55-64 year olds

	Total	Male	Female
	(in %)		
1990	38.1	48.8	31.1
1998	36.2	41.3	31.3
1999	37.5	42.7	32.6
2000	37.3	41.7	33.0
2001	38.8	43.8	34.1

Activity rate = active population/population of active age

Source OECD

This reversal of the fall in activity rates appears as early as 1996 if we take the population of older workers in the broad sense (that is to say, those aged 50-64). According to DARES,<sup>5</sup> the analysis of activity rates of 50-64 year-olds over the first ten years actually shows that, after reaching a "floor" of around 50% during the first half of the 90s, it began to rise again after 1996 and reached 57.3% in 2001. However, this positive trend is due, above all, to the demographic increase among the youngest group within this category, particularly where men are concerned. Men would, in fact, have experienced a 2-point fall in their activity rate if the demographic structure had remained constant. It is actually the increase in women's activity rate that pushes up that of the age group as a whole, an increase not solely a result of demographic change, but of a modification in the economic behaviour of women at these ages, those who reach the age of fifty today being more active economically than their elders.

<sup>4</sup> A range of forecasting work has been done on this subject, in particular by Eurostat and by l'Observatoire français des conjonctures économiques (OFCE).

<sup>5</sup> DARES, "Le papy boom renforce l'activité des seniors", Premières Synthèses, Ministry of Social Affairs, Labour and Solidarity, April 2002.

**Table 4:** Breakdown of the variation of activity rates of the 50-64 age group between 1991 and 2001

	Men aged 50-64	Women aged 50-64	Overall
Variation in activity rate	+4.6	+9.9	+7.4
Due to the demographic effect	+6.6	+6.0	+6.3
Due to behaviour effect	-2.0	+3.9	+1.1

Source: DARES, from INSEE employment surveys.

We may note, in this regard, that, according to Eurostat (data for 2000), the activity rate of women aged 50-64 puts France sixth among EU countries, but for men of the same age group, it ranks only twelfth.<sup>6</sup>

As with the activity rate, the employment rate<sup>7</sup> also increased for the 55-64 age group over the latter part of the decade, after a period of continuous fall. This increase seems to correspond to the improvement in the employment situation in France from 1997 onwards.

**Table 5:** Employment rate of 55-64 age group

	Overall	Men	Women
	(in %)		
1990	35.6	43.0	28.8
1998	33.0	37.9	28.4
1999	34.2	39.0	29.7
2000	34.3	38.5	30.3
2001	36.5	41.4	31.8

Employment rate: Active population in employment/Population of working age

Source: OECD

Even if the data differ, the trends recorded by Eurostat confirm those observed by the OECD where the employment rate is concerned

**Table 6:** Employment rate of 55-64 age group

	Overall	Men	Women
	(in %)		
1990	30.7	n.d.	25.1
1998	29.8	35.7	24.4
1999	29.3	34	25.4
2000	29.9	33.6	26.3
2001	31.9	36.2	27.8

Employment rate: Active population in employment/Population of working age.

Source: Eurostat, Labour Force Survey

The unemployment rate within the older working population is generally lower than that of the population as a whole (6.1% in

2001, as against 8.8%), this being the consequence of political decisions taken over many years in favour of early retirement schemes. However, given the multiple ways other than unemployment by which workers may leave employment after the age of 55 (full early retirement, retirement), the traditional indicators do not give a complete picture of the situation of this age group in relation to the labour market.

**Table 7:** Unemployment rate of 55-64 age group

	Overall	Men	Women
	(in %)		
1990	6.7	6.0	7.6
1998	8.7	8.2	9.3
1999	8.7	8.7	8.7
2000	7.9	7.6	8.3
2001	6.1	5.6	6.6

Employment rate: Active population in employment/Population of working age

Source: OECD

A study carried out by DARES in 2002<sup>8</sup> casts further light on this question, in so far as it relates to the 50-64 age-groupage group, thus enabling us to avoid the distortions noted above. It emerges from the DARES analysis that unemployment among older workers is less reactive either to improvements in the employment situation or to its deterioration. It shows, however, that in most cases unemployment occurs as a result of redundancy and that, for this age-groupage group, the average unemployment period is a long one (25 months in 2001), being in fact twice as long as among the under- 50s. So, older workers are more affected by long-term unemployment (63% as against an average of 33%). It seems, therefore, that they experience significant redeployment difficulties once they lose their jobs. However, as with the under-25s, a higher education qualification represents a guarantee against unemployment: in March 2001, 3.2% of older workers with a higher education qualification were unemployed by comparison with 8% of workers of the same age without such a qualification.

### *The current political framework*

The public policies currently in force are still very substantially geared to the funding of early retirement schemes, even if these are now in decline and there is a trend towards redirecting their use. **Two types of public early retirement scheme co-exist.**

There are, firstly, those which enable the employee to cease work totally:

- **The National Employment Fund Special Allowance Agreement (Allocation spéciale du Fonds national de l'emploi or ASFNE).** This agreement, signed by a company, enables its older employees to withdraw early from the labour market while receiving a special allowance until their retirement pension becomes payable. This arrangement, generally implemented as part of a redundancy scheme, avoids older workers being made redundant. Though it was used a great deal in the early '90s, the State has progressively reduced access to it, among other things by raising the level of the

<sup>6</sup> Source: Eurostat, 2000.

<sup>7</sup> The economically active who are in employment, as a proportion of the total active population in the age group.

<sup>8</sup> DARES, "Le papy boom renforce l'activité des seniors", *Premières Synthèses*, Ministry of Social Affairs, Labour and Solidarity, April 2002

**Table 8:** Numbers entering Early Retirement Schemes since 1992

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>National Employment Fund Special Allowance Agreement (ASFNE)</b>										
Number of annual entries	45837	56345	49462	23683	21015	21669	18672	11993	7920	6740
Number of beneficiaries, end of Dec.	162558	174662	179219	152409	128442	107789	90654	73411	59939	48045
<b>Phased-In Early Retirement</b>										
Number of annual entries	4517	10616	22282	26858	24262	20870	16717	13372	11117	12357
Number of beneficiaries, end of Dec.	13114	17145	30910	52520	54672	55032	52112	44675	42045	42764
<b>Job Substitution Allowance (ARPE)</b>										
Number of annual entries				2650	52211	35353	43438	45170	37461	21354
Number of beneficiaries, end of Dec.				2622	49523	65795	76917	84519	86580	73121
<b>End of Career Leave (CFA)</b>										
Number of annual entries						19168	10782	15564	11888	12965
Number of beneficiaries, end of Dec.						10061	12117	15142	18407	21579
<b>Designated Employee Retirement Leave (CATS)</b>										
Number of annual entries									5218	5313
Number of beneficiaries, end of Dec.									5218	9152
<b>Early Retirement for Asbestos Workers (CAATA)</b>										
Number of annual entries									3894	5803
Number of beneficiaries, end of Dec.									3785	9152
<b>Total</b>										
Number of annual entries	50354	66961	71744	53191	97488	97060	89609	86099	77498	64532
Number of beneficiaries, end of Dec.	175672	191807	210129	207551	232637	238677	231800	217747	215974	204532

Source: Unedic, Ministère de la fonction publique, CNAM. Tabulated by DARES.

employer's financial contribution to the scheme.<sup>9</sup> In raising the level in this way, it is the aim of the authorities not simply to restrict the use of this provision, but to redirect it towards inclusion in redundancy schemes, where it is to function to aid restructuring. In 2001, 6,740 people joined this scheme (as against 21,669 in 1997) and since 1997 the number receiving the allowance has fallen by more than a half.

- **The Job Substitution Allowance (Allocation de remplacement pour l'emploi or ARPE).** This scheme, which was agreed by the social

partners in September 1995, enables employees, who wish to do so, to end their working life, provided that they meet certain age and contribution criteria. Between the time of leaving and the point at which their retirement pension falls due, they receive a replacement income equal to 65% of their previous reference salary. This scheme, which requires the agreement of the employer and a commitment on their part to maintain the overall volume of hours worked by taking on one or more new workers, has enabled many companies to achieve a younger age-pyramid.

<sup>9</sup> The rate of employer's contribution now varies from 17.5 to 20.5% for SMEs and from 28 to 31% for large companies.



Though it was originally meant to run only to the end of 1996, the scheme has been reintroduced on an annual basis ever since. In 2001, it was opened up to employees born in 1942 or before with a minimum of 160 quarters of contributions. Though it has been highly successful, the scheme should nonetheless completely disappear at the end of 2003, since all those involved will have reached the age of 60 and will hence be of pensionable age.

- **End of Career Leave (Congé de fin d'activité or CFA).** This scheme was created in 1997 for the three classes of civil servants (state, local and health-service). It enables workers satisfying certain age and contributions criteria to leave their employment before the age of 60.
- **The new Designated Employee Early Retirement Scheme (le nouveau dispositif de cessation anticipée d'activité de certains travailleurs salariés or CATS).** This scheme, in force since February 2000, applies only to companies in sub-sectors for which a national agreement has been signed.<sup>10</sup> Set at a maximum of five years, the agreement can cover only those workers aged over 55 who have performed 15 years of shift or production-line work, have worked 200 nights or more per year for 15 years, were registered as disabled workers at the date of the sub-sector agreement and have at least ten years' social security contributions.
- **Early Retirement for Asbestos Workers (la cessation anticipée d'activité des travailleurs de l'amiante or CAATA).** This scheme relates to employees in establishments where materials containing asbestos are produced, in ports (dockers and other staff handling asbestos) and in naval building and repair establishments.<sup>11</sup>

Secondly, there are those schemes which allow for a progressive cessation of work, the main one being the **Phased-In Early Retirement scheme (Prétraite progressive or PRP).** This may be accessed by companies engaged in a process of staff reduction to enable them to avoid redundancies or companies wishing to recruit. Since 1997, companies which recruit have been required to have among their new recruits a minimum proportion of so-called priority groups (jobseekers, young people etc.). Companies have to pay a compulsory financial contribution to the PRP scheme,<sup>12</sup> though there are variable levels of contribution, depending on the size of the enterprise and, where there is recruitment, on the commitment made in terms of recruiting from priority groups.

Nevertheless, though the number of early retirees has fallen regularly since 1998 (at least those covered by public schemes<sup>13</sup>), the number of older unemployed seems to have increased: in 2001, and for the first time since 1993,<sup>14</sup> more workers aged between 55 and 59 claimed unemployment benefit than took public early retirement.

Current schemes in favour of the older unemployed, of which there are three, continue to encourage inactivity beyond the age of 55:

- either in the form of the Unemployment Allowance for Older Persons (Allocation chômeurs âgés or ACA), which is payable to employees aged under 60 with forty years of contributions, who have lost their employment, or
- the Special Waiting Allowance (Allocation spécifique d'attente or ASA) which relates to unemployed workers aged under 60 with forty years' contributions or more receiving either the Special Supplementary Benefit (Allocation de solidarité spécifique or ASS) or Income Support (Revenu minimum d'insertion or RMI);
- or in the form of dispensation from the need to look for work (dispense de recherche d'emploi or DRE): this concerns jobseekers aged over 57<sup>1/2</sup> who are in receipt of unemployment insurance payments and, since 1999, jobseekers aged over 55 who are in receipt of unemployment insurance payments and who have made forty years of contributions, together with those who receive no unemployment allowance; the change to the rules on DRE in June 1999 had the effect of attracting the eligible jobseekers to it: hence between 1998 and 1999 the annual inflow into DRE increased by 43%.

Overall, if from the end of the 1970s onwards, the date for the end of working life became an instrument of employment policy, we can see that the second half of the 1990s, together with the early years of the twenty-first century have been characterised by somewhat opposing tendencies: on the one hand, the public authorities have sought to reduce the measures for access to early retirement by decreasing the levels of funding (ASFNE, ARPE, PRP etc.), on the other, new schemes have appeared (CATS, CFA) or have been extended (ARPE) and access to dispensation from job-seeking for older unemployed persons has become more open. Lastly, the Delalande contribution,<sup>15</sup> which has for many years been criticised for its unintended negative effects on the recruitment of workers over 50,<sup>16</sup> still remains in force. In 2001, for example, among persons recruited within the last twelve months, only 7% were aged over 50 – whereas the 50-64 age group represents 22% of the occupied labour force – and this percentage has barely changed in 10 years (the figure was 5% in 1991). We can confidently attribute this weak dynamism in the “over-fifties” labour market in part to the consequences of this contribution, even if age has recently<sup>17</sup> come to figure as a criterion in anti-discrimination legislation (which is new in French law), though this is guided by the concern to conform to European legal requirements.

### Current debates

In these early months of 2003, the current debates are concerned exclusively with protecting our pension system. Beyond the debate on the establishment of a system based on collective funding, which does not, on the face of it, seem as though it will meet with Government approval, there is a strong temptation to propose an extension of the period of required contributions,<sup>18</sup> as in 1993 (this is the position currently advocated by the employers' federation, MEDEF). There is, admittedly, some justification for this in the simulations carried out by

<sup>10</sup> It relates, therefore, mainly to industrial sub-sectors.

<sup>11</sup> The establishments for which this scheme is available are listed in a Government decree.

<sup>12</sup> Except in the case of companies signing re-recruitment agreements, on condition that they have at least 250 employees and commit themselves to recruiting 90% from the priority groups.

<sup>13</sup> Alongside the public schemes, company early retirement schemes also exist. These are generally implemented in large companies.

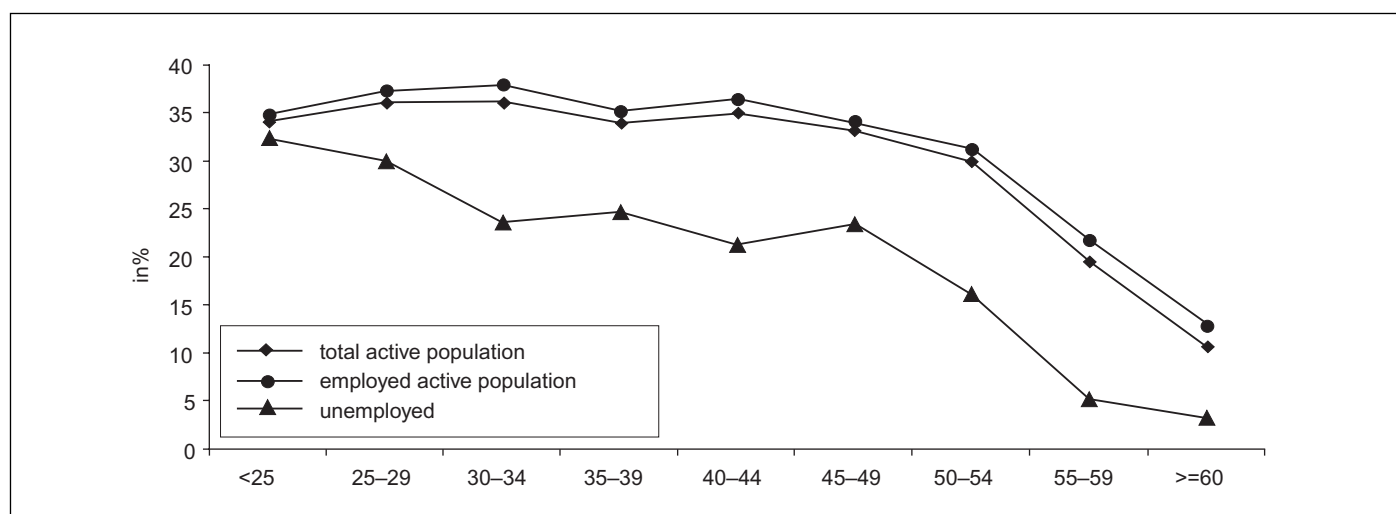
<sup>14</sup> With the exception of 1995, when the number of unemployed aged 55 and over was also higher.

<sup>15</sup> It has to be noted that this contribution, though it was originally intended to protect employees aged 50 and over from redundancy and to encourage companies to implement early retirement, has, by financially penalising companies, been a real obstacle to the employment of the over-50s and has contributed to sidelining them, as companies have kept from recruiting jobseekers over 45. Moreover, the financial penalty was in fact doubled under the Jospin Government.

<sup>16</sup> Jean Pisani-Ferry, “Plein Emploi”, Conseil d'analyse économique, December 2000.

<sup>17</sup> By the law of 16 November 2001 on the prevention of discrimination.

<sup>18</sup> With the public sector (which has remained at a requirement of 37.5 contribution years before the employee is entitled to a pension) being brought into line with the private.

**Figure 1: Rate of access to training by age**

Source: Survey, "Formation continue 2000"; graph by DARES, statistical office of the Ministry of Employment and Solidarity.

INSEE<sup>19</sup> on the impact of the 1993 reform of the general pensions regime on activity rates: the effect of that reform will be to increase the rate of activity among the 60-64 age group by 3 points in the year 2005. Moreover, the effect of the reform should increase over the generations, according to INSEE,<sup>20</sup> as "the lengthening of female careers and the increase in the average length of studies will, where the younger generations are concerned, translate into a higher concentration of contribution periods of 160 quarters coming to term at a later age." Thus, some 45% of the employees in the private sector born between 1970 and 1974 would have later dates of pension entitlement as a result of the reform, as against only 25% for the generation born between 1950 and 1954. In consequence, the effects of this reform will express themselves naturally by a rise in the activity rate of the order of 6 points for the generation that will be 60-64 in 2018. It has, then, a twofold advantage: it will both delay retirement and increase activity rates.<sup>21</sup>

By contrast, the question of an ageing workforce, though giving rise in France to an increasing number of studies and reports,<sup>22</sup> has not yet been "translated" into public policies: no concrete measure has in fact yet been taken to stimulate economic activity among the over-55s, except for those enforced by the funding of pensions (a shift from 37.5 to 40 contribution years for employees in the private sector) and the measures taken up to now to put a brake on early retirement have been relatively ineffective. Now, the question of an ageing workforce leads on to that of the employability of older workers, which is currently receiving no attention, as can be seen particularly from the fact that access to training stands at half the average rate for employed over-55s and at one quarter of it when they are unemployed.

Moreover, positive measures for the management of the final years of employment, such as phased-in early retirement, have been out-competed by the total early retirement schemes that are still in force, and have not, as a result, developed as expected.

Admittedly, awareness has been growing gradually and, in this connection, the report by B. Quintreau was the first to raise the alarm and show the urgent need to establish means for workers aged 55 and over to return to employment. Various proposals have been formulated to this end: apart from a reduction in the public funds allocated for early retirement, which has been going on for some years,<sup>23</sup> only managerial planning measures have, for the moment, captured the attention of the authorities: a company's access to the CATS scheme is conditional on the establishment of a GPEC<sup>24</sup>; similarly, a new scheme for advice provision proposed by the Ministry of Social Affairs, relates exclusively to the GPEC, thus promoting thinking on the age pyramid. We must note also that, driven by European programmes, thinking is ongoing in the regions, as is illustrated by the experiments currently being carried out in Poitou-Charentes, the Pays de la Loire or in Aquitaine.<sup>25</sup>

Where companies are concerned, only the first fumbling attempts have been made to confront the problem, as is attested by the DARES study carried out in 2001 in 3,000 private companies with 10 or more employees. "In almost one company in two, the executive responsible has never given any thought to the question of an ageing population." Similarly, INSEE, in its social data survey 2002-3 found that only one managing director in five was anticipating large-scale retirements from 2006 onwards. It emerges from this that human resources policies in French companies are not greatly

<sup>19</sup> The "Destinie" micro-simulation model.

<sup>20</sup> José Bardaji, "Le réformé des retraites du régime général de 1999: quel impact sur les taux d'activité des 60-64 ans?", INSEE no. 21/G211, October 2001.

<sup>21</sup> Among other things, to satisfy European objectives within the framework of the commitments made by France.

<sup>22</sup> In 1999 the present writer produced the first article on this subject in the European Employment Observatory's "Trends" Report, at which time there was a paucity of literature on this topic in France, but this is not by any means the case today.

<sup>23</sup> 504 million euro in 2002, as against 2,353.44 million euro in 1996, which is to say one quarter of the previous expenditure.

<sup>24</sup> Gestion prévisionnelle des emplois et des compétences (Forward Employment and Skills Planning).

<sup>25</sup> In Poitou-Charentes, the CISTE (Carrefour pour l'Innovation Sociale, le Travail et l'Emploi), which brings together the regional social partners within a research group, is running an EQUAL project aimed at implementing human resources management measures that will promote the continued working or enhanced employability of older workers who have, in spite of their extensive experience, been marginalised in the labour market. In the Pays de Loire, also within the framework of an EQUAL project, an inter-institutional project group has been formed to look into demographic projections by occupation and sector, and the situation of the over-fifties in relation to continuing training, early retirement, and health issues for older workers etc. In Aquitaine, the Regional Council has, as part of a regional planning initiative, undertaken a special examination of the issue of ageing.

focused on this issue. According to DARES, it is mainly in the industry, building, finance and property sectors that thinking, if not action, is going on with regard to the issue of older workers and, within these sectors, only in large establishments with an ageing personnel which have undergone some technical or organisational upheaval. In these establishments, measures to encourage career-end part-time working are emerging, together with, in an as yet very marginal way, a genuine Human Resources policy in respect of older employees, such as the agreement on the “valorisation of experience and career-ends” signed in late 2001 at THALES, systematically introducing a career evaluation at age 45, which may lead to an entitlement to one hundred and twenty hours of training. Increasingly, the occupational sub-sector bodies most affected by the ageing of the population are attempting progressively to modify the behaviour of their members in terms of age management. In an agreement of January 2001, the French Banking Association (Association Française des Banques or AFB) called on its members to avoid any early retirement before the age of 58, whereas employees could previously expect to benefit from such arrangements from the age of 50. Nevertheless, alongside these good practices, the introduction of time-savings accounts within companies, which allows employees to “save up” the hours worked in excess of the thirty-five hour week and deduct these from their working life, is a measure directed toward shortening working life rather than extending it.

### Conclusions

In this way, the current political framework and the actual practices met with in companies send out relatively contradictory messages. At any rate, those messages are not sufficiently clear to bring about a marked change in behaviour or create a different attitude to workers aged over 50. This is, admittedly, a delicate subject, since there is a strong social consensus in this area: “in the 1980s, early retirement was experienced as redundancy, whereas it is now claimed as an established right.” The reform of the pensions system will probably be crucial, then, in the future development of activity rates of older workers, but we may nonetheless regret that it is not accompanied by parallel messages aimed at shifting public opinion on this subject in a more positive direction than the mere question of the funding of pensions. This is an issue that will play a major role in our future development.

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# Germany

## 1 Introduction

As far back as the mid-1960s, the first structural crisis of the post-war years occurred in the mining industry, and was primarily overcome via the retirement of older workers from working life. This model of crisis management was gradually adopted, first by other sectors and then for the economy as a whole. While at first it was only a question of avoiding open unemployment in individual regions and sectors, in the early 1980s state-subsidised early retirement was passed off as an instrument supporting the integration of age groups with a high birth rate. "Older people are going and freeing up jobs for young people" – this social benefit was the main reason for subsidising the early retirement of older workers from companies. Almost all large companies, and not simply those that were in difficulties, took advantage on a large scale of the opportunity to rejuvenate their workforces with state aid. The push for early retirement was so strong that in the sectors in crisis, mining and steel, the average age actually fell below the average for the economy as a whole, and was well below the average for these sectors in other EU countries (Auer 1992).

The logic behind the public subsidy, "young for old", was undeniable. Even at times of crisis, unemployment rates among young people in Germany did not reach the same high levels as in many neighbouring countries. As a result of opening up of company labour markets to young people, in the past 30 years the youth unemployment rate has remained, with only minor variations, at the same level as the general unemployment rate<sup>1</sup>. However, this does not mean that promotion of the retirement of older workers automatically opens up the way to the employment of young people. This was only the case in Germany because the dual system of vocational training, through which almost two-thirds of all young people pass, constitutes a way of recruiting skilled young workers that is also attractive to companies (Bosch 2000).

In the 1960s and the early 1970s, the practice of early retirement in Germany was unpopular with many of those involved. They felt that they were being pushed out of working life early and discriminated against. This changed in the next few decades, when the early retirement terms were attractive and there were ever more examples showing that meaningful use could be made of this status. Early retirement became one of the most popular ways of shortening working life, and this is still the case today.

It was not employees, unions or employers' associations who criticised this means of shortening working life. It was only the financing problems experienced by pension funds that undermined this general social consensus on early retirement practice. It had long been clear that the ageing of the population would cause problems for the funds. The old-age dependency rate, i.e. the ratio of over-65s in the population to all those of working age, had significantly worsened in Germany since 1990. In 1990 it was 21.6%, in 1995 22.5%, and in 2001 it was 24.5%. It is expected to rise to 30.3% by 2010 (EUROSTAT 2002); this will be the second-highest level in the EU, second only to Italy. The sharp drop in the

employment rate of older workers and the fact that this was partly financed by pension funds led to the early occurrence of demographically based financing problems.

Over the past ten years, little consistency has been apparent in German policy on the employment of older workers. Problems with financing retirement provision have led to recurring calls for increased participation of older people in working life. In fact, a change of policy was introduced, with a rise in retirement age, a less financially attractive structure for early retirement, and promotion of employment of older workers. On the other hand, the current labour market problems have constantly caused the players involved to use early retirement as a tool for preventing open unemployment. This applied to Eastern Germany in particular, where the impact of restructuring on a scale never seen before was cushioned by the retirement of older workers from working life. The main reason for these inconsistencies is the fact that the constant predictions of demographically based bottlenecks on the labour market have not so far been fulfilled and, according to all current forecasts, unemployment will remain high until 2020 (Kistler/Huber 2001). In its new report, Prognos predicts an unemployment rate of 8.9% in 2010 and of 6.6% in 2020<sup>2</sup> (Prognos 2002: 90). However, it is harder to implement a change of policy with high unemployment than with full employment. Even with full employment, it is conceivable that in view of the pronounced early-retirement mentality, in the event of a shortage of skilled workers Germany would rely on immigration rather than an increase in the employment rate of older workers.

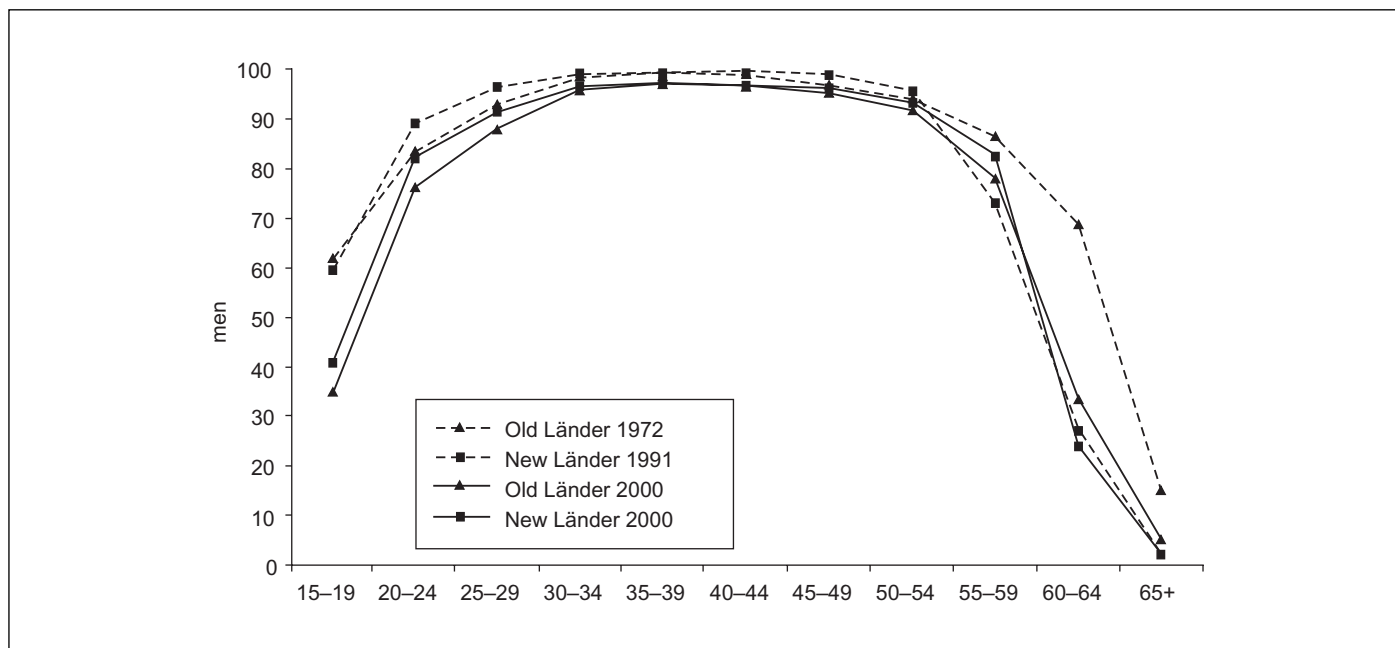
## 2 Trends and developments on the labour market

### 2.1 Activity rates among older workers, 1972-2020

A marked decrease in economic activity can be identified among men aged 60-65 in particular. The activity rate of older workers has halved in comparison with the early 1970s. Only some 80% of 55 to 60-year-old men and only one third of 60 to 65-year-old men are still economically active. As Figure 1 shows, in the 1990s, in Western Germany in particular, there was a further marked reduction in the activity rate of older workers, which came into line with the level in Eastern Germany. The trend is less clear for women. The overall increase in the tendency for women to work has compensated for the effects of early retirement among women aged 55-60. The activity rate for this age group has increased in both Eastern and Western Germany. In the 60-65 age group (Figure 2), there has been a slight increase in the activity rate among East German women and a further drop in the case of West German women. Here, it should be noted that activity rates include the unemployed. Many of the older unemployed people are waiting, in some cases with support from company social plans, to retire early from working life. Owing to high unemployment among older workers, employment rates are also much lower than activity rates. In 2001, 37.7% of 55 to 64-year-olds in Germany were employed (women 29.5%) (EUROSTAT

<sup>1</sup> In other EU countries, for the most part the youth unemployment rate has been and remains well above the general unemployment rate (Bosch 2000).

<sup>2</sup> These are unemployment rates based on national statistics. The standardised figures for the EU are lower than the German figures. In 2002, the unemployment rate in Germany was 9.8% in accordance with the national definition and 8.2% in accordance with the EU definition (BA 2003).

**Figure 1: Age-specific activity rates for men, 1972, 1991 and 2000**

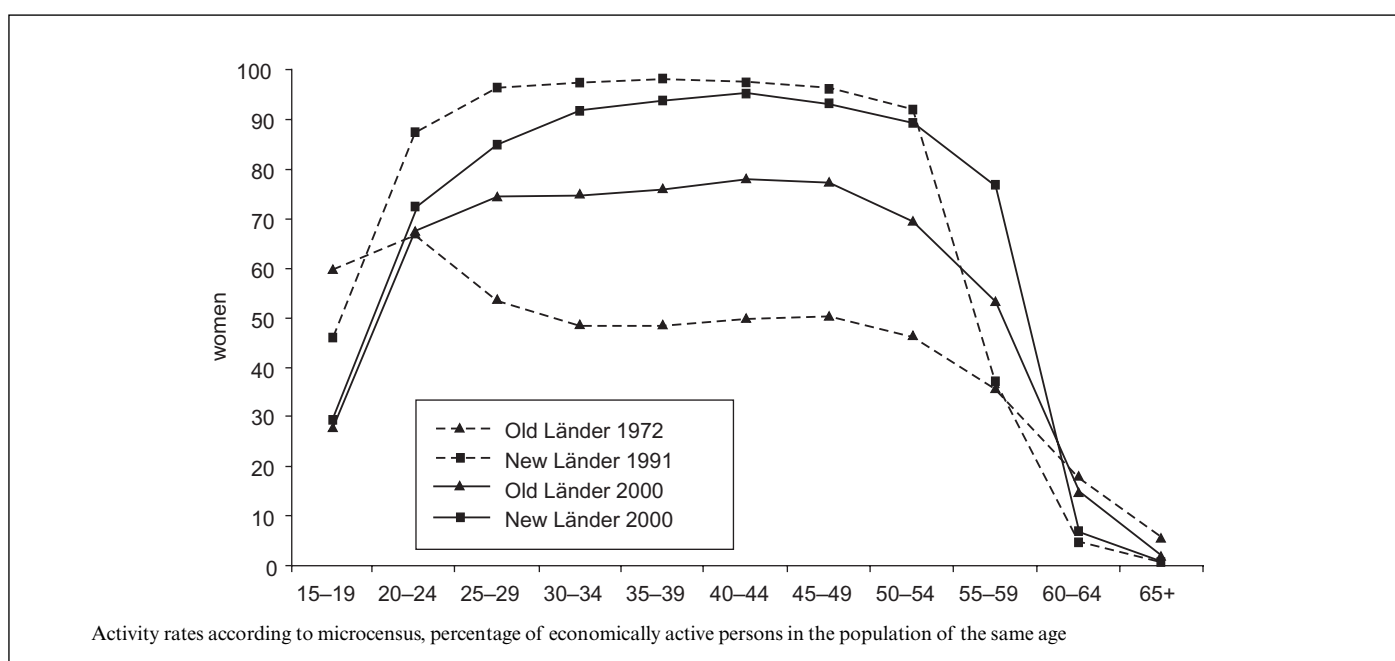
Source: Prognos 2002: 54

2002). Although these levels were roughly equivalent to the EU average, they were well below the levels in Scandinavia, where no comparable early retirement policy has been operated.

Forecasts anticipate a radical change in the trend as regards the economic activity of older workers. Reduced pensions when a pension is taken early (18.6% reduction on retirement at 60), raising of the minimum age for early retirement from 60 to 62 (with the exception of the retirement pension for the severely disabled), the reduction in the pension level as a result of the pensions reform – all these will have an effect (see section 3.1). Prognos expects the activity rate among 60 to 65-year-old men and women to increase by

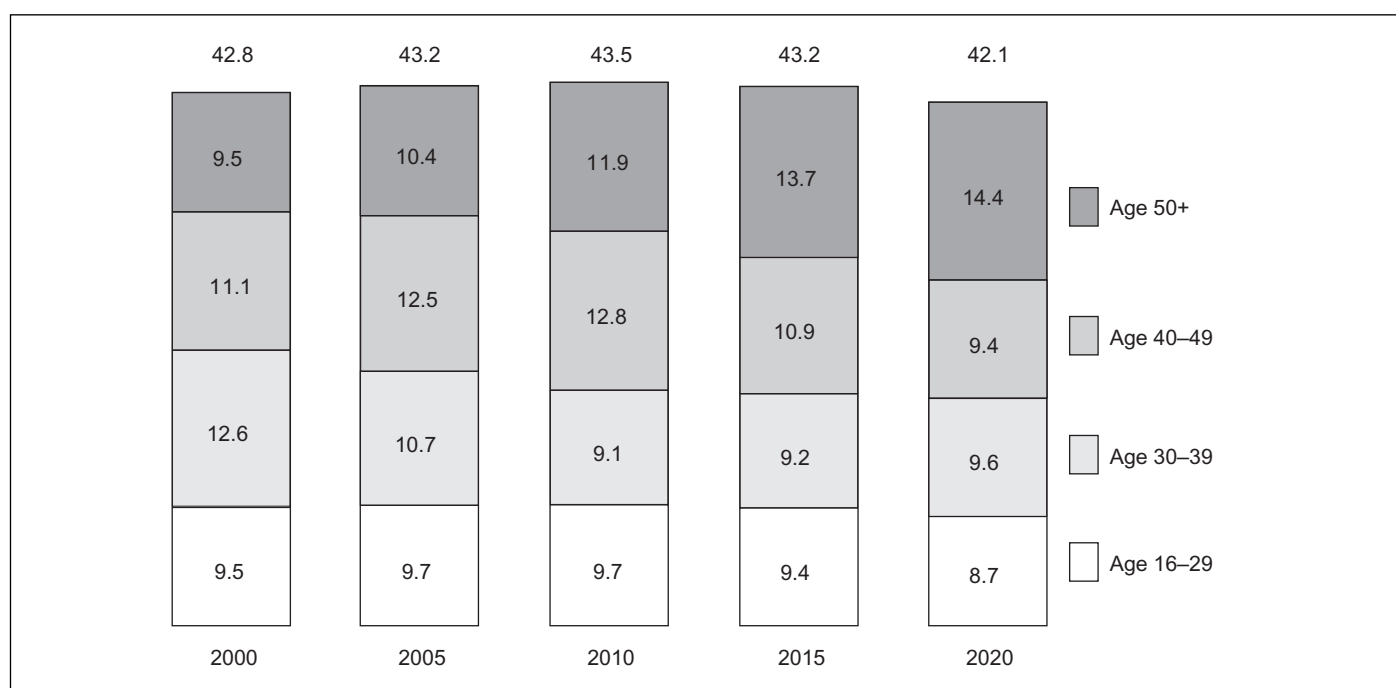
approximately 20%. The increase will be somewhat smaller for 55 to 60-year-olds.

However, owing to the demographic trend in particular but also to the change in behaviour as regards economic activity, by 2020 there will be a major shift in the age structure of the potentially economically active population (Figure 3). Initially, this population will actually increase up until 2015, owing to the rising activity rate among women and older workers, and then it will decrease slightly by 2020. The average age of the economically active population will increase from the current figure of 39.6 to 41.7 in 2020. In the process, the over-55 age group will grow by almost 5 million by 2020.

**Figure 2: Age-specific activity rates for women, 1972, 1991 and 2000**

Activity rates according to microcensus, percentage of economically active persons in the population of the same age

Source: Prognos 2002: 55

**Figure 3:** Potentially economically active population in millions of persons

Source: Prognos 2002: 62

**Table 1:** Significance of the superannuation problem in Germany in 2001/2002 by company size category — in per cent

Company size category as at 30.6.2000	Companies in Germany	Companies in Western Germany	Companies in Eastern Germany
1-4 employees	1	1	1
5-19 employees	4	5	3
20-99 employees	11	11	12
100-499 employees	15	15	19
500+ employees	15	13	28
<b>Total</b>	<b>4</b>	<b>4</b>	<b>3</b>

Source: Hübner/Wahse, 2002: 81 (IAB-Betriebspanel 2000)

“This represents an increase of over 50%. Its share in the potentially economically active population, which is currently 22%, will have increased by 12 percentage points by 2020. The percentage shares of the remaining age groups will decrease accordingly” (Prognos 2002: 62).

## 2.2 Older employees in the company

Although the demographically-based ageing of workforces has been the subject of much discussion for many years, only 4% of companies see the superannuation of their workforces as a problem for their personnel policy in the next few years (Table 1). Admittedly, no specific age threshold was cited in a survey of a total of almost 14,000 companies carried out by the Institute for Employment Research (IAB). However, when the results are classified according to company size, it is clear that the larger the company, the more likely it is to regard superannuation as a problem.

In complete contrast to the prevailing practice of retiring workers early, only a minority of companies regard it as necessary to replace older workers with younger workers. Most companies regard it as necessary to implement a personnel policy that promotes the

employment of older workers in the company. Mixed teams of older and younger workers, increased skills training measures for older workers, and use of older workers in a way that is appropriate to their age, are regarded by most companies as important (Table 2).

There are also indications that older workers are now included in continuing vocational training pro-programmes more frequently than in the past. Admittedly, in 2001 the participation rate of older workers aged 50-64 (18% per year) was only half that of younger workers aged 35-49 (Table 3). However, the increase in the participation of older workers since 1979 was greater than that for the other age groups (1979-2001 + 350% compared with an average of + 190%).

## 2.3 Unemployment among older workers

Between 1984 and the late 1990s, there was a substantial increase in unemployment among older workers, particularly in the 55-60 age group (former area of the Federal Republic). Since then, however, there has been a drop in the figures for the 55+ age group (Figure 4). Even in 2002, a crisis year for employment, in which there was a pronounced increase in general unemployment (up by 170,000 in the former area of the Federal Republic), the figures for the older

**Table 2:** Opinions of companies in Germany by percentage of workers aged 51+ in their workforce

(Percentage of all companies with experience of dealing with older workers that agree with the relevant statement, as at June 2000)

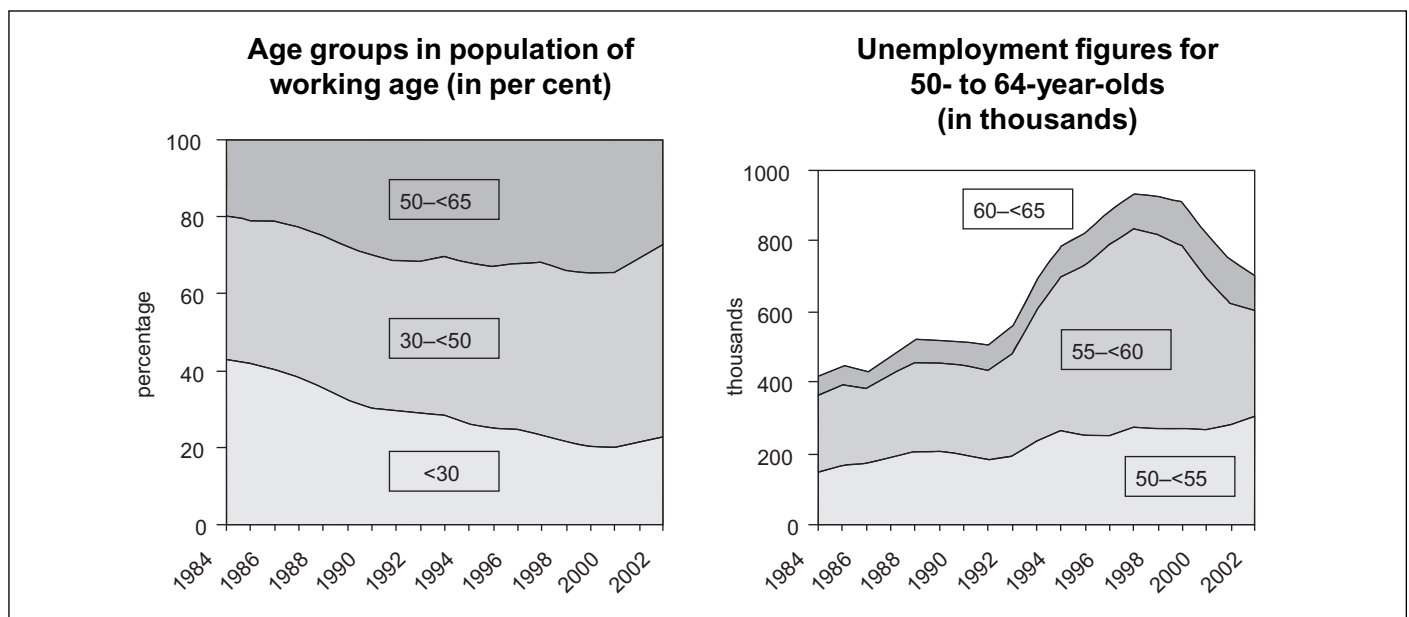
Opinion	0	Percentage of workers aged 51+ in the workforce				Total
		More than 0 to less than 15%	15 to less than 25%	25 to less than 40%	40% or more	
In principle, older workers are just as efficient as younger workers	83	80	82	84	91	84
Older workers find it difficult to adapt to new demands	28	37	37	32	20	30
Older workers' strengths can be exploited by using them in a way appropriate to their age	64	61	63	59	53	60
Older and younger workers should work in mixed-age teams	88	91	91	86	88	88
Older workers should be included in skills training measures	84	85	86	85	89	86
Older workers should be replaced by younger workers	18	18	20	18	14	17

Source: Hübner/Wahse, 2002: 83 (IAB-Betriebspanel 2000)

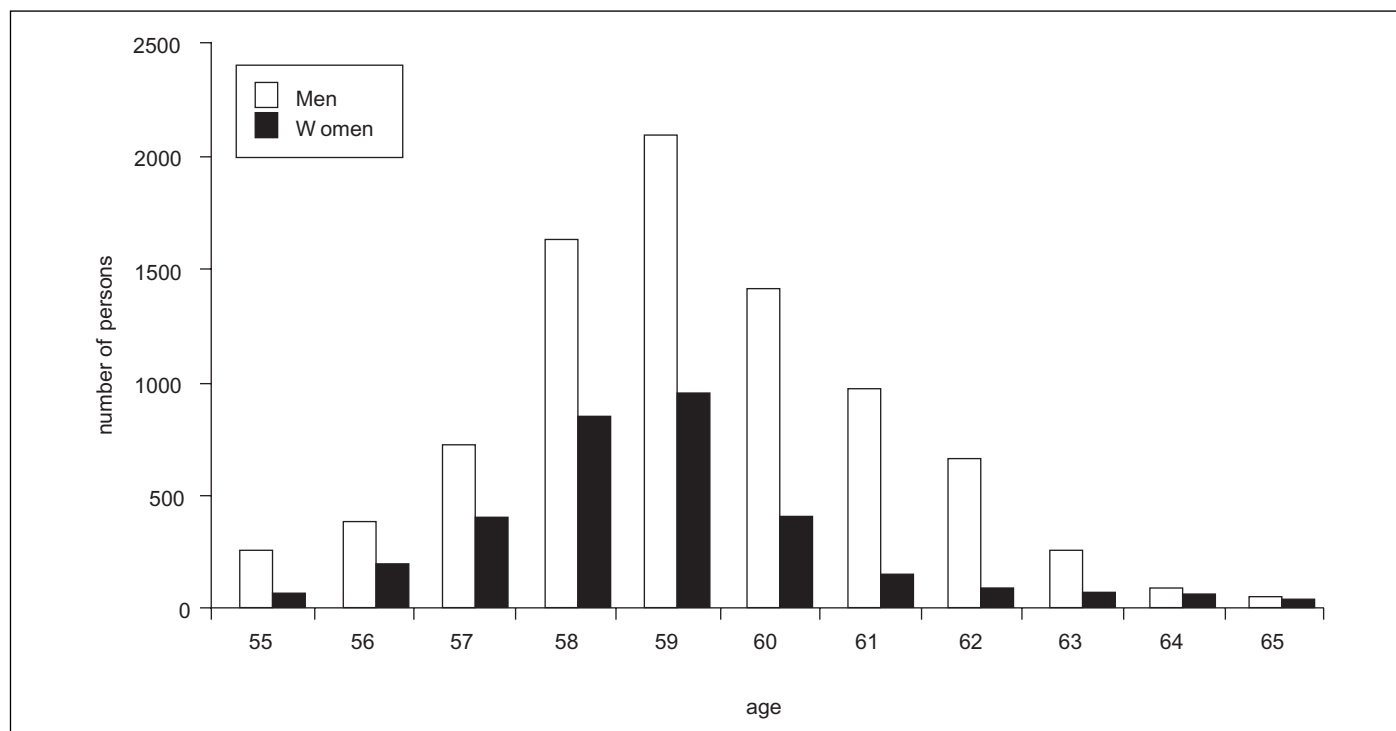
**Table 3:** Participation in continuing vocational training by age group

Age group	1979	1982	1985	1988	1991	1994	1997	2001
19-34	16%	15%	14%	23%	25%	27%	33%	31%
35-49	9%	15%	14%	20%	24%	29%	36%	36%
50-64	4%	4%	6%	8%	11%	14%	20%	18%
All age groups	10%	12%	12%	18%	21%	24%	30%	29%

Source: Bellmann, 2003: 72 (Berichtssystem Weiterbildung VIII)

**Figure 4:** Trend in unemployment by age group, former area of the Federal Republic, 1984-2002

Source: Amtliche Nachrichten der Bundesanstalt für Arbeit IAT 2003

**Figure 5:** Take-up of early-retirement-type benefits by age and sex, 1980-1995

Source: Knuth/Kalina, 2002:17 (IAB-Beschäftigungsstichprobe 1975-1995)

unemployed continued to decrease. “The crucial reason for this was, in particular, increased recourse to the provision akin to early retirement in § 428 SGB [Social Security Code] III” (BA 2003: 9). Under this, unemployed persons aged 57+ can also claim unemployment benefit when they are no longer willing to work. They are no longer recorded as unemployed in the unemployment statistics (Kalina/Knuth 2002). In Western Germany, the numbers of these older quasi-unemployed persons have increased from 109,774 (2000) to 190,450 (2002). In the same period, unemployment among older workers (50-65) has fallen from 821,885 (2000) to 703,156 (2002).

In introducing § 428 SGB III, the legislator legalised a status that had long been customary among the older unemployed. Many older workers leave companies under social plans and remain unemployed while waiting to draw an early pension. Their unemployment benefit is usually supplemented by payments under the social plan. Although hitherto these unemployed workers had to remain available for a job placement, in practice employment offices tolerated unemployment. Thus surveys of the older unemployed come to the unsurprising conclusion that most of the older unemployed are no longer seeking work. For example, in the mid-1990s 90.4% of unemployed workers under 55, but only 13.9% of unemployed workers over 55, intended to take up paid employment again in the future (Wagner/Muth 1998: 194).

In 1993, the last year for which reliable data are available, this “early-retirement unemployment” accounted for some 11% of total unemployment in Western Germany, representing twice as large a share as in the 1980s (Kalina/Knuth 2002:19). Men in the 57-61 age group in particular were becoming unemployed in this way (Figure 8) as a result of, firstly, the higher participation in working life of men in these age groups in particular and, secondly, the concentration of job cuts in the last two decades in the male-dominated secondary sector.

## 2.4 Access to pensions

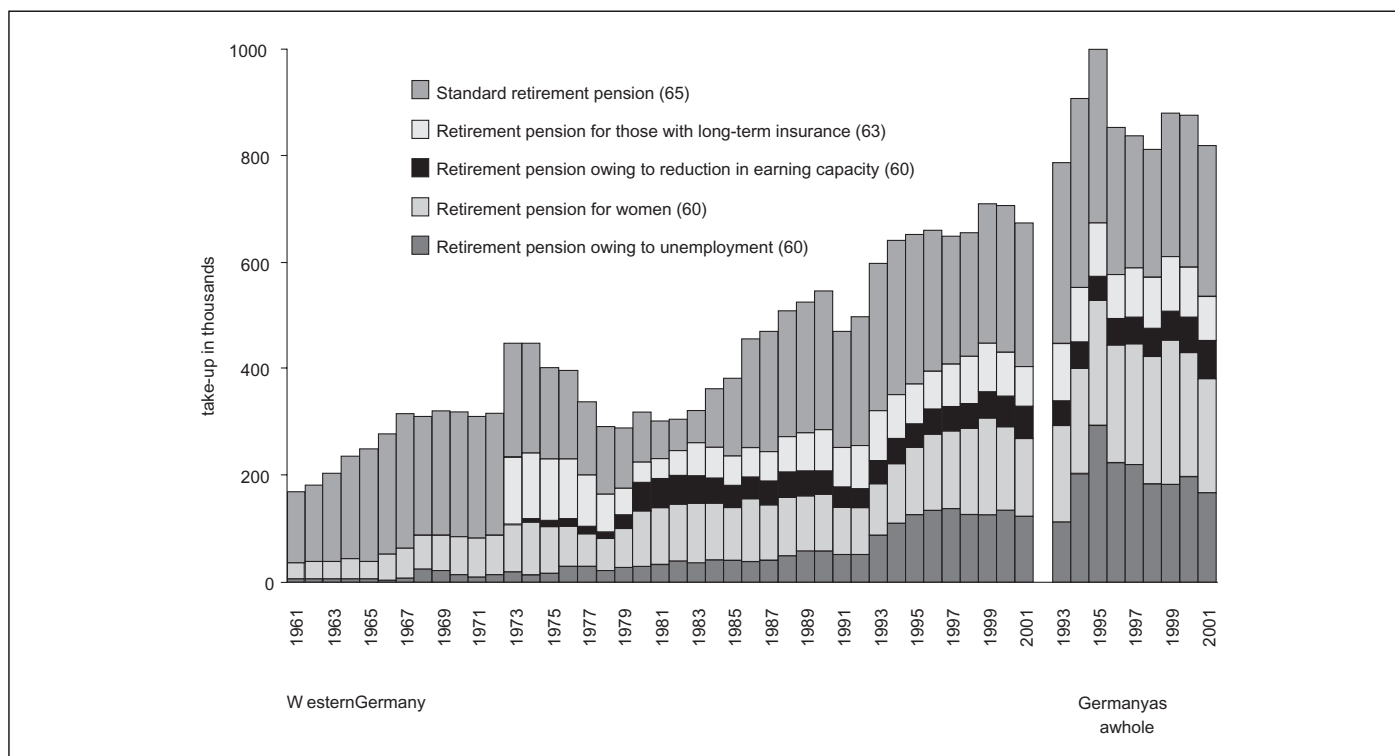
In Germany the statutory retirement age is 65, but in fact only part of the working population works up to this age. A growing proportion retires from working life earlier via a variety of channels (Knuth/Kalina 2002). In addition to reaching normal retirement age, the following paths to retirement also exist:

- All women had the option of claiming a pension early, at 60, if they had paid contributions for a long enough period;
- After being unemployed for 12 months, unemployed persons could retire on reaching the age of 60;
- All employees could claim a pension at 63 if they had paid contributions for at least 35 years by then;
- Economically active persons who are unable to work owing to a disability or chronic illness (invalidity) receive a pension for reduction in earning capacity before switching to the standard retirement pension at 60 or 65.

The various forms of early retirement have increased in importance since 1961. As Figure 6 shows, there has been a pronounced increase in early retirement following unemployment or owing to invalidity. These were the main tools utilised to implement restructuring of staffing in the manufacturing industry in Western Germany. This applies even more strongly to the restructuring of the East German economy, as can be seen from the right-hand columns in Figure 6. There has been a clear shift in the average retirement age in recent decades. The retirement age for the cohort born in 1904 for the standard retirement pension was still 64.3; owing to early retirement by women at 60 or by men at 63, for the cohort born in 1935 this fell to 62.5 (Kistler/Huber 2001: 53). For the same cohorts, the age of commencement of receipt of a pension owing to reduced earning capacity actually fell from 58 to 53.2 (ibid.: 53). This steep fall is not due to a drastically worsening state of health but reflects a worsening labour market situation, which offers no prospect of employment for those with health problems.



**Figure 6:** Take-up of retirement pensions by pension types 1961-2001 (Western Germany) and 1993-2001 (Germany as a whole)



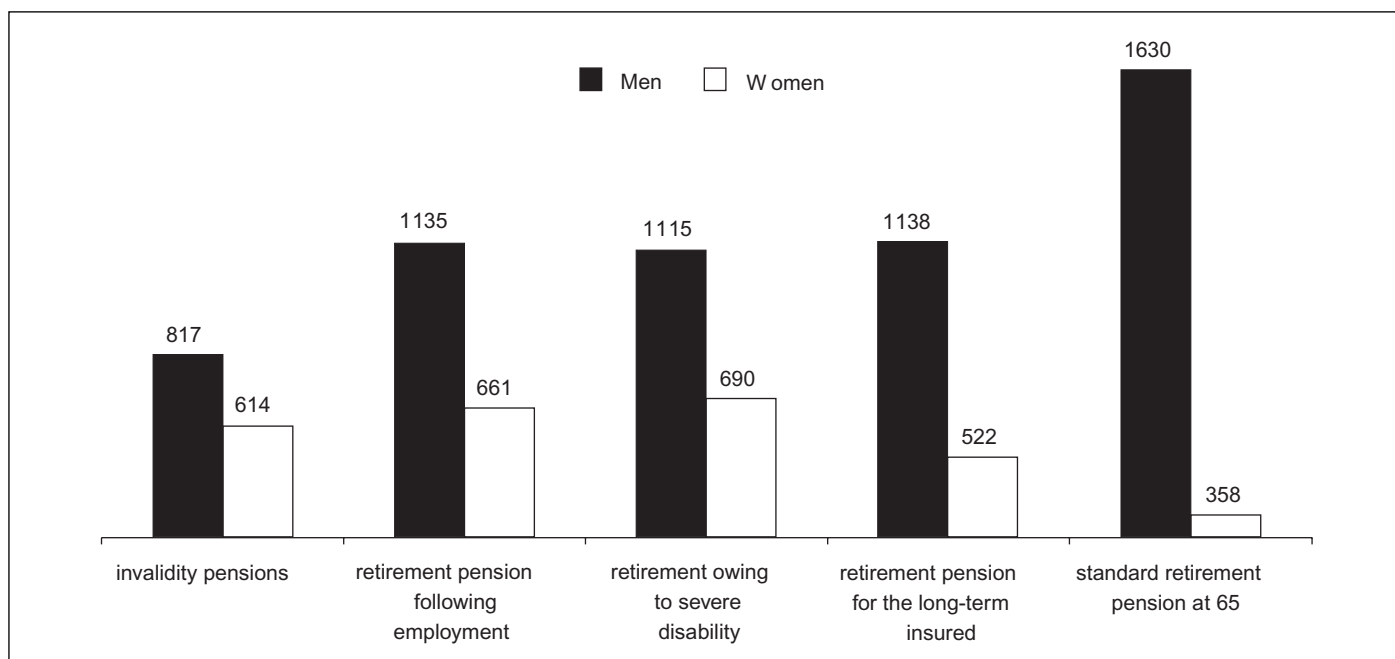
Source: Knuth/Kalina, 2002 (IAB employee samples 1975-1995)

## 2.5 Pension levels and poverty in old age

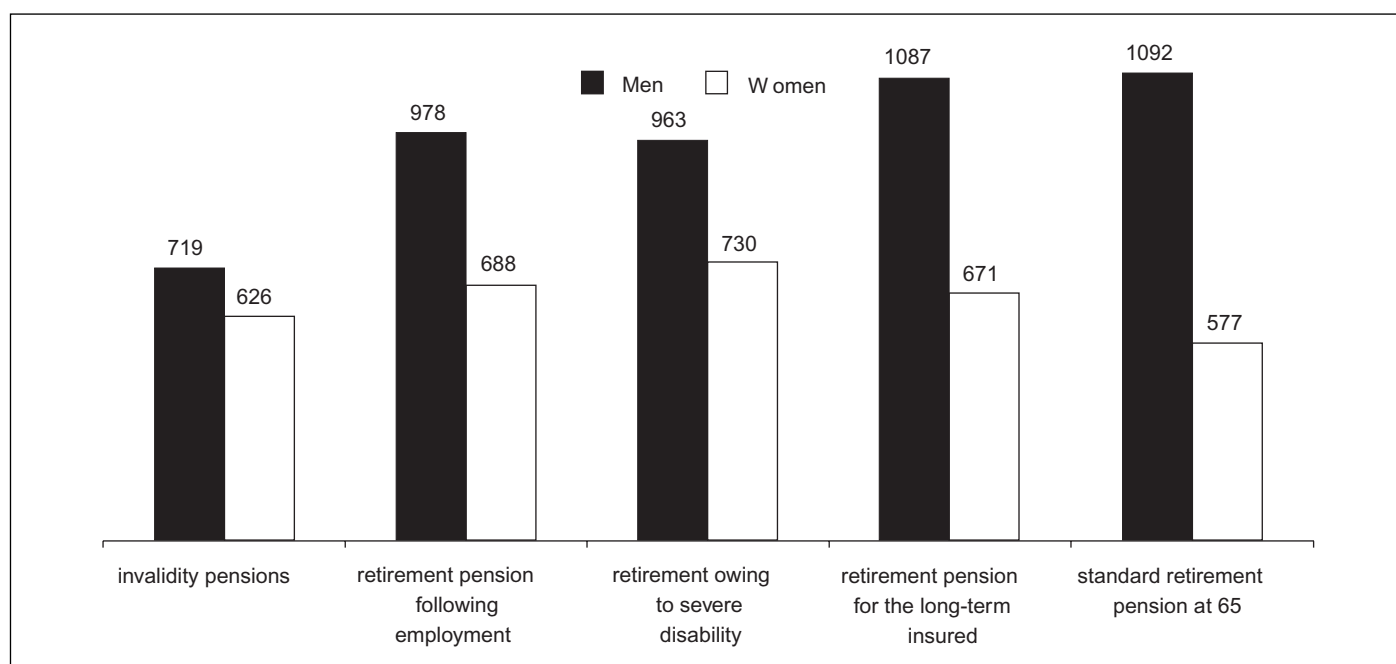
Figures 7 and 8 show average monthly pensions by pension type and by sex. These two figures demonstrate the following points, inter alia:

- On average, men receive much higher pensions than women, since their career histories contain fewer breaks than those of women, and they also had better paid jobs;
- Owing to their higher earnings, West German men receive higher pensions than East German men;
- In contrast, East German women receive higher pensions than West German women since they have fewer breaks in their career histories;
- Persons forced to retire from working life early owing to invalidity receive very small pensions, relatively speaking;

**Figure 7:** Average amounts paid under current pensions in euro as at 31.12.2000 (old L nder)



Source: Bäcker et al. 2000

**Figure 8:** Average amounts paid under current pensions in euro as at 31.12.2000 (new Länder)

Source: Bäcker et al. 2000

- Pensioners who retired early following unemployment receive very large pensions, relatively speaking, in Western Germany in particular. Most of them were able to retire early without any reduction in pension, and they frequently came from larger companies where good wages were paid;
- By far the lowest pensions in Western Germany are received by those who did not retire until they were 65. Many of them could not afford to retire earlier owing to low earnings and a low level of contribution payments, sometimes because of a lengthy period of self-employment.

This overview of average payments may well conceal a major imbalance. In fact, there are large groups who receive very small pensions. Under blue-collar worker pensions insurance, 22% of men and 88% of women receive less than €500 per month. Under white-collar worker insurance, the equivalent percentages are 10.9% of men and 43.5% of women. These large numbers of small pensions could lend support to the conjecture that there is a substantial amount of poverty in old age in Germany. This supposition cannot, however, be confirmed. Actual income conditions can only be calculated on the basis of households. Only at this level can the extent to which small pensions are supplemented by the partner's income be determined. For example, the level of dependence on income support among older people is not very high. At the end of 2001, there were 200,786 persons aged 65+ dependent on income support. Of these, 66.6% were women (Federal Statistical Office 2002). The income support rate among older people was 1.5%, as against 3.3% for the population as a whole.

Among older households, the following groups in particular are poorly provided for (Bäcker et al. 2000: 306 ff.):

- Former blue-collar households in which the man's earnings were low and the woman was not economically active or was only minimally economically active;
- Single women or widows from the first group;
- People who were formerly self-employed, who have not built up their own retirement provision;
- Immigrants who came to Germany only in middle age or later.

In contrast, pensioners who have assets and have several sources of income are relatively well provided for.

### 3 Policy

The figures set out in section 2 for employment and unemployment among older workers, for pension take-up and pension levels, reflect above all the former policy of managing radical structural changes in trade and industry via the retirement of older workers from working life. The change in policy tentatively initiated in recent years owing to the demographic shift has not yet had an impact on the labour market, one reason for this being that with the introduction of partial retirement, new paths to earlier retirement from working life were opened up. In this section, we shall describe some of the main trends in the development of statutory and collectively agreed framework conditions for the employment of older workers and for their transition to retirement.

#### 3.1 Reform of pension systems

Owing to the demographic trend, in the 1990s the retirement age was raised and pension reductions were built into early retirement. The most important changes are summarised in Figure 9:

- Since 2002, retirement on the grounds of unemployment with no reduction in pension has been possible only at the age of 65. However, early retirement is still possible from the age of 60, but only with a reduction in pension of 3.6% per year (a maximum of 18.6%);
- As from 2005, women will no longer be able to retire on a full pension before the age of 65;
- As from 2004, the severely disabled will no longer be able to retire on a full pension before the age of 63;
- Since 2002, long-term insured persons have no longer been able to retire early on a full pension.

Transition periods have been built into the introduction of these changes, and are indicated in Figure 9. These changes mean that

**Figure 9: Raising of age thresholds in Germany**

Types of retirement pension and age thresholds																		
Commencement of pension																		
	1996 and earlier	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 and after
<b>Ret. pension based on unemployment following partial retirement</b>																		
No reduction	60							65	65	65	65	65	65	65	65	65		
With reductions	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60		
<b>Ret. pension for women</b>																		
No reduction	60	60	60	60						65	65	65	65	65	65	65		
With reductions	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60		
<b>Ret. pension for the severely disabled</b>																		
No reduction	60								63	63	63	63	63	63	63	63	63	63
With reductions	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
<b>Ret. pension for the long-term insured</b>																		
No reduction	63	63	63	63			65	65	65	65	65	65	65	65	65	65	65	65
With reductions	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	62

=&gt; Transition periods

Source: Gutachten des Sozialberichts zum Rentenversicherungsbericht 2002. <http://dip.bundestag.de/btd/15/001/1500110.pdf>

although it is still possible to retire early as before, early retirement must now be partially financed by those concerned, owing to the reductions. Thus the effects on the labour market are dependent on the effect of these negative financial incentives. On the one hand, it can be assumed that even with reductions in pensions, early retirement will remain attractive to some groups, such as people for whom remaining on the labour market offers poorer prospects, or those living in households with several sources of income. With the increasing participation of women in the labour market, the number of households with several sources of income will rise. This means that the number of options available at the end of working life will

also increase. On the other hand, the reduction in pension level will increase the numbers of people who have to work longer for financial reasons. The new pension formula, which took effect as from 2001 in the context of reform of the pensions structure, will reduce the level of pensions in the next few years. The adjustment of pensions is in line with the general trend in net wages, but the state-subsidised personal contribution to private retirement provision (the so-called Riester pension) is factored in as a charge on employees and thus reduces net income, irrespective of whether or not it is actually paid. Hence in 2030, the standard pension will fall from 69.1% of comparable employee earnings (old Länder 2001) to

**Table 4: Duration of entitlement to unemployment benefit**

Duration of entitlement to unemployment benefit (months)	Qualifying period of insurable employment (months)	Minimum age (years)
6	12	
8	16	
10	20	
12	24	
14	28	45
16	32	45
18	36	45
20	40	47
22	44	47
24	48	52
26	52	52
28	56	57
30	60	57
32	64	57

Source: Sozialgesetzbuch (SGB). Drittes Buch (III). Arbeitsförderung § 127 (2).

64.5% (Hain/Tautz 2001: 365) without net payments from private provision. In evaluating these payments, it must be borne in mind that the standard pension is a purely notional amount based on average earnings and 45 years of contributions. Most pensions are below this level.

Since the transition periods for the introduction of reduced pensions are still under way or have only just expired, and the Riester pension has only just been introduced, it is still too early to assess the situation. However, in its long-term forecast Prognos anticipates a sharp rise in the employment rate for older workers, primarily owing to the pension reforms in the past ten years (cf. section 2.1).

### 3.2 Labour market policy

The older unemployed have long been a target group for active and passive labour market policy. Older workers aged 55+ may be assigned to publicly subsidised structural programmes for up to 60 months (a maximum of 36 months for those aged under 55). These programmes focus on improving the environment or social service provision or on other public objectives. Older workers are also given preferential treatment and supported for longer in job creation programmes. Furthermore, older workers are one of the special target groups for settling-in allowances. Finally, the duration of receipt of unemployment benefit increases very substantially with increasing age. With only five years of insurance, a 57-year-old can claim unemployment benefit for 20 months longer than an unemployed 44-year-old (Table 4). The preferential support for older workers under labour market policy is only partially based on the wording of laws. Other provisions formulated in an “age-neutral” way have been applied specifically to older workers. This applies, for example, to structural short-time working allowances, which cover employees for up to two years following job cuts, before they become unemployed.

The aim of the 1996 Altersteilzeitgesetz [Partial Retirement Act] (Kirsch/Müller 2002) was to facilitate a gradual transition to retirement for employees. Employees aged 55+ can reduce their working hours by up to 50% for up to five years. The employer tops up the wage to at least 70% and pays pension contributions at a level of 90% of the former wage, so that the partial retirement involves only a minor reduction in pension. The Federal Employment Service reimburses the employer for these special payments (wage increase and increased pension contribution) if the appointment of unemployed persons or trainees to cover the full amount of working time lost can be proved. This entitlement to payments from the Federal Employment Service requires a collective agreement to be concluded in which the conditions for partial retirement are regulated (cf. section 3.3.).

In the past, labour market policy focused on promoting active or passive bridging phases for the older unemployed prior to early retirement. Social plans of this kind, with transition phases of up to five years, were made attractive to companies by extending the duration of receipt of unemployment benefit for older workers, often in combination with structural short-time working allowances. In Eastern Germany in particular, older workers are supported up to early retirement by means of programmes of structural adjustment. The relevant Federal Employment Service programmes are often topped up from Land funds (usually ESF funds). In practice, the Partial Retirement Act was not used to support a gradual transition to retirement. Instead, the legally permitted “block” model predominated (2 years of full-time working, 2 years away from the company while continuing to receive a wage). In 2002, the Federal Employment Service subsidised 61,000 persons in partial retirement

(+ 21% in comparison with the previous year) (BA 2003).

Modification of labour market policy in respect of this subsidised withdrawal has become apparent only very recently. With its “50 plus” programme, the Federal Employment Service has begun a job placement campaign for older workers. This programme not only draws attention to the special subsidies available for older workers, but also attempts to change mindsets. Attention is drawn to the particular potential of older workers as regards performance, and also to opportunities for exploiting this potential in mixed-age teams within the company. Examples of corporate best practice are used as models (<http://aeltere.arbeitsamt.de/de-beispiel-bluetthner.html>).

However, owing to the high level of unemployment, a change of paradigm is not easy for labour market policy. Nevertheless, the first signs of progress can be detected. Under the Job-AQTIV-Gesetz [Jobs Act – activation, (skills) training, investment, placement], which entered into force at the beginning of 2002, continuing training of older employees aged 50+ in companies with up to 100 employees can be subsidised. Under the laws on modern labour market services, which entered into force on 1 January 2003, various instruments promote the employment of older workers (see box).

#### **New instruments promoting the employment of older workers in the two laws on modern labour market services (1.1.2003)**

1. *An assured wage for older employees: older employees aged 50+ who were previously unemployed or are at risk of unemployment receive an assured net wage when they take up lower paid employment. The wage is assured via two payments:*
  - *an allowance constituting 50% of the “difference in net wage” between employment before and after unemployment (“combined wage”, wage not liable to tax and compulsory contributions);*
  - *increased insurance under statutory pensions insurance, at 90% of the assessed remuneration that was taken as a basis for the previous unemployment benefit.*

*The allowance added to the wage is tax-free.*
2. *Contribution bonus for employers on employment of older workers: employers who appoint unemployed persons aged 55+ are exempted from their contribution to unemployment insurance (3.25%).*

*Increased opportunities for fixed-term employment of older workers: the age threshold laid down in the law on part-time and fixed-term employment, as from which fixed-term employment contracts can be concluded with employees without material grounds for fixing the term and with no maximum time limit, is reduced, initially for a period of four years, from 58 to 52.*

Only when the legislative process was concluded was the introduction of the “bridging system” re-moved from these laws again. The idea of this system came from the report of the Hartz Commission, which had submitted proposals for reform of labour market policy in summer 2002, on behalf of the Federal Government. Older unemployed persons aged 55+ were to have the option of stating to the employment office that they “are no longer willing to work and wish to retire from working life”. They were to be able to draw, for a maximum of 60 months, a bridging payment whose total was not to exceed the total unemployment benefit entitlement of those concerned. The intention was to restrict the availability of this option again in stages, owing to the demographic trend. This proposal was in stark contrast to the Commission’s other ideas, which were aimed at improving job placements, increasing the effectiveness of the Federal Employment Service, and also at integrating older workers. Peter Hartz, Labour Relations Director of Volkswagen AG, obviously wanted to create new opportunities for industry to continue the previous early retirement practice.

### 3.3 Collective bargaining policy

Collective agreements contain numerous provisions directly linked to age. The most important provisions relate to protection against dismissal, remuneration, working hours, work organisation and occupational safety, and skills training. Since there is a wide range of collective agreements, we can only cite a few examples here (Bispinck and WSI-Tarifarchiv 2002):

- *Protection against dismissal:* statutory protection against dismissal is associated with length of service. As length of service increases, the notice period rises from one month to seven months (with 20 years of service). These provisions are completely optional in collective bargaining. In some collective agreements the notice period is reduced (e.g. chemical industry, maximum notice period six months); in others, additional stages or combinations of age and length of service are introduced. In some sectors, protection of older workers against dismissal has been agreed. For example, in the metal industry in North Württemberg/North Baden, employees aged 53+ with three years of service cannot be subject to routine dismissal. Other sectors have special periods of protection against dismissal in rationalisation programmes (banking industry, paper industry). Overall, provisions in collective agreements have extended the protection of vested rights for older employees with many years of service.

- *Remuneration:* there are seniority-based remuneration systems for white-collar workers in particular (e.g. banking industry, retail trade), with preferential treatment for older employees. A direct link between age and remuneration is found in the private sector only with white-collar workers, and usually only up to the age of 28. In contrast, in the government service the remuneration of both blue and white-collar workers is adjusted every two years in line with rising age (up to the age of 45 at most). These special provisions in the government service drastically restrict mobility between the private and public sectors. Many collective agreements contain minimum wage stipulations for older workers (e.g. banking industry, metal industry, retail trade). They protect older employees against loss of earnings, permanently or for a transitional period, in the event of transfer to another post or reorganisation of their job. If they lose their job, special settlement clauses provide for them to receive special compensation (Table 5).
- *Working hours:* shorter working hours have been agreed for older workers in several collective bargaining sectors, to reduce their workload. In the chemical industry, weekly working hours are reduced by 2 hours for workers aged 57+. In many sectors, extra days off per year are also granted (insurance sector in Rhineland-Pfalz, five days additional leave for workers aged 50+ with 12 years of service). It has recently been agreed that “long-term accounts” will be set up for older workers, in which working hours can be “saved” for a later reduction in working hours or for early retirement (in the steel industry, for example, up to 15% of annual earnings can be saved, and as much as 20% as from the age of 45). In collective bargaining sectors covering 16.5 million employees, it has been agreed that statutory payments towards partial retirement will be topped up (Table 6).
- *Work organisation/occupational safety:* there have been a variety of reactions to the often reduced performance of older workers. In some cases there are attempts to modify working conditions so these can be adhered to up to the standard retirement age. This principle is laid down in agreements involving payment by results in particular (e.g. piecework). For example, the framework collective agreement for workers in the textile industry in Baden-Württemberg states: “Normal performance shall be that human performance that can be achieved in the long term by a suitable, experienced and practised employee without injury to health”. In other collective agreements, older workers are protected against heavy workloads. In German seaport companies, for example, workers aged 55+ are exempt from night shifts. At Deutsche Post

**Table 5:** Maximum compensation payments under collective agreements — selected sectors

Collective bargaining sector	Conditions	Months of remun. (max.)
Banking industry	Age 56 with 26 YS*	14
Clothing industry, West	Age 55 with 25 YS	12
Chemical industry	Age 60 with 25 YS	6
Deutsche Post AG	As from age 55 with 25 YS	18
Printing industry	Age 58 with 25 YS	12
Wood processing industry, North-Western Germany	Age 64 with 25 YS	9
Metal industry, North W rttemberg/North Baden	Age 59 with 25 YS	9
Government service, West	Age 55 with 25 YS	18
Paper processing industry	Age 58 with 25 YS	10
Confectionery industry, West	Age 60 with 25 YS	12
Insurance industry	Age 58 with 28 YS	16

Source: WSI-Tarifarchiv. As at 31.12.2001.

\*YS: years of service

**Table 6:** Collectively agreed working hours (examples)

Collective bargaining sector	As from (age)	Net earnings	Pension contribution	Pension top-up
Banking industry		Statutory provisions		
Chemical industry	55	85	90	yes
Deutsche Post AG	55	89	90	-
Deutsche Telekom AG	55	85/88	90	-
Printing industry	57(1)	85	90	-
Retail trade, NRW/East	55	82.5	90	-
Iron and steel, NRW	55	85	95	yes
Energy sector, NRW		Statutory provisions		
Wholesale and foreign trade, NRW/Saxony-Anhalt	55	82.5	90	-
Wood and plastics, NRW	55(2)	80	95	yes
Brown coal, Lusatia and Central Germany	55	80	90	yes
Automotive industry, NRW	55(3)	82	95	-
Metal, North W rt./North Baden	55(4)	82	95	yes
Government service	55(5)	83	90	yes
Confectionery industry	55(5)	80	92	-
Insurance	55/57	75	90	yes
Legal entitlement: 1) With permanent alternating or night shifts in the last 5 years 2) As from age 57 3) As from age 61 4) As from age 57/61 5) As from age 60				

Source: WSI-Tarifarchiv. As at 31.12.2001.

AG and Deutsche Telekom AG, VDU operators have health checks every five years, but every three years from the age of 45 (Deutsche Telekom: from the age of 40). Air-traffic controllers can retire from the age of 55 onwards.

- *Skills training:* there are few provisions covering continuing training for older workers. At Deutsche Telekom and in the government service, workers aged 55+ have the right to decline to participate in skills training programmes. The skills training agreement at IG Metall North Württemberg/North Baden includes an entitlement for all employees to a regular discussion with the employer about skills training needs. The agreement states: "Where necessary, in discussions with older employees particular attention will be paid to their basic knowledge in their own field. The objective is to keep their skills up to date as required for them to perform their duties".

It is generally apparent that the provisions for older workers in collective agreements are strongly oriented towards the training of core workforces and towards protection and early retirement. These measures are very expensive for companies and tie up resources that could be used for preventive measures for employees. Preventive measures in job design and continuing training play only a minor part in collective agreements. Since collective agreements are concluded by employers and trade unions, they clearly reflect traditional German thinking and the German tradition of early retirement. Collective bargaining policy lags well behind corporate practice. Examples of a change in personnel policy can be found in many companies, even if it is still very tentative (Gussone et al. 1999, Frerichs 1998) (see box).

Management and unions have not yet formulated a credible new policy. While employers' associations are calling for the number of

years for which people work to be increased and the pension level to be reduced, at the same time they are lobbying vociferously for new early retirement instruments (see the bridging system proposed by the Hartz Committee, with its bias towards industry) and concluding collective agreements on partial retirement, in order to pervert this instrument, which was actually intended to facilitate a gradual transition to retirement, into a tool for early retirement. The unions fear that companies will reduce training of young people if older workers can no longer retire early. At the same time, the high average age of many workforces, and also of works councils, has allowed an employee lobby to come into being, which is uninterested

**Reduced working hours for older workers at  
Verkehrsgesellschaft Nürnberg  
[Nuremberg transport company]**

In 1984, Verkehrsgesellschaft Nürnberg investigated the reasons why drivers were becoming unfit for work prematurely. It was established that 85% of all drivers were retiring early on health grounds. The company doctor responsible in this area considered that it would be sensible to reduce working hours for drivers aged 57+. The last of five successive periods of duty was gifted to them. Following ten years of experience, it can be stated that there has been a substantial reduction in the incidence of absence from work owing to illness and unfitness for driving duty among older workers.

Source: Gussone et al. 1999: 174

in the up-and-coming generation and is concerned only with its own settlements and pensions.

#### 4 Conclusions

In the last 40 years in Germany, the impact of job cuts in large companies, the manufacturing industry in particular, has been cushioned by promotion of early retirement of older workers from working life. To this end, very generous early retirement options and lengthy waiting periods in unemployment or short-time work were offered. The two sides of industry provided these statutory instruments with a good financial basis and hence created acceptance among employees. These paths to early retirement from working life were increasingly opened up to all older workers, so that early retirement practice moved away from the original aim of mitigating the situation of employees, and the rejuvenation of workforces was subsidised throughout trade and industry (whether companies were growing or shrinking, struggling or highly profitable). Early retirement is now one of the most popular instruments in social, labour market and collective bargaining policy.

It had already become clear to all the political players at the beginning of the 1990s that, owing to the demographic trend, this policy could not be maintained. However, it was only German reunification, together with the radical structural changes in East Germany and the ensuing economic crisis in West Germany (1993/94) that marked the high point of the early retirement policy. The simultaneous raising of the retirement age and reduction in pension levels did nothing to change this. The increase in unemployment in Germany that followed reunification, which will be maintained up to and beyond 2010, makes it more difficult to change this policy.

However, there is still a chance that the trend will change. Almost all the transitional periods associated with raising of the retirement age have expired, the new provisions in the Job-AQTIV-Gesetz and the laws on modern services in the labour market, and the Federal Employment Service's "50 plus" programme may achieve their ends. Much will depend on whether policy "relapses". The fact that early retirement is so popular, and politicians have to be re-elected, means that this possibility cannot be excluded.

*Gerhard Bosch*

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# Greece

## 1. Introduction

Due to a fall in fertility and a fall in mortality, Greece's working population is ageing fast. Furthermore, demographic ageing appears to affect Greece to a larger extent than most other EU Member States. The total fertility rate is currently (2000) estimated at 1.30, having suffered a rather drastic decline during the last three decades<sup>1</sup>. The drop in fertility was particularly severe in the 80s. Between 1980 and 1990 the total fertility rate declined from 2.21 to 1.39 (a drop of 37%). In relation to this, the decline during the past decade has been more modest. In 2000, however, Greece exhibited the third lowest total fertility rate in the EU, following Spain and Italy.

Mortality rates have also been falling in the last few decades as a result of higher welfare standards and improved medical care. For the last twenty years or so, life expectancy at birth increased by more than three years for both sexes. Current estimates for Greece compare favourably with the average for EU-15, especially for males, where Greece (together with Italy and Sweden) exhibit the highest life expectancy at birth (75.5 years for Greece, compared to 74.6 for EU-15 in 1999).

As expected, demographic ageing has a serious bearing upon the structure of the population. Young people of 15-24 years of age, comprising 1,476 million persons in 2000, are expected to decline by as much as 26% by 2015<sup>2</sup>. In contrast, older people aged 55 and over

are projected to increase, while the growth of the population aged 80 or more is expected to be even more pronounced. More specifically, over the next fifteen years, the population aged 55-64 (currently 1.2 million) will rise by 13%, while the corresponding rise for the population 65 and over (1,819 million in 2000), is expected to be even higher (20%). Finally, the number of the "very old" people (population aged 80 and over, currently 373 thousand) is expected to rise by more than 70%.

These developments affect, among others, the old-age dependency ratio, which shows the population aged 65 and over as a percentage of the working age population 15-64. In 1990, population aged 65 and over corresponded to 20.4% of the working age population (15-64 years). By 2010, the old-age dependency ratio is expected to rise to 29.2%.

Rapid demographic ageing has raised concerns on the viability of the pension system and has brought to the forefront the need to cater for the elderly to a greater extent than in the past. Fears are often expressed that, unless the previously pursued policy of fostering early retirement is reversed, it will be hard to maintain sustainability and these fears and concerns are commonly acknowledged and frequently mentioned in both academic and political discussions in Greece. Thus, the issue of "ageing" has entered the Greek political and academic debate primarily as a "threat" to the viability of the pension system, to be remedied either by raising the employment levels of women and the young, by

<sup>1</sup> See European Commission (2002): The Social situation in the European Union.

<sup>2</sup> Source: Eurostat – Demographic Statistics, baseline demographic scenario, projection 1995, revision 1999.



legalising illegal immigrants or by raising statutory retirement age limits (restricting the amount of pensions is not considered as a viable policy option, as pensions are rather low in Greece). Yet, apart from entailing a higher economic cost to society, demographic ageing has a number of serious implications, both economic and social<sup>3</sup>. Changing family structures, new living arrangements and altered relations between generations are but a few of the social consequences stemming from the rapid change. The implications of demographic change might be better understood by looking at specific age cohorts, which are of particular importance for policy-making. In this respect, the decline in the age cohort 15-24 raises the issues of education, human resource development and labour market policies for the young. Similarly, growth in the age cohort 50-64 raises the issue of active ageing, while the trend concerning the age group 65 and over increases the need for social security reforms. Finally, increased numbers of very old people (80 and over) raise the issue of health and care policy planning and have implications for housing services, transport and other public infrastructures. In short, there is currently a certain lack of awareness of the wider implications of ageing among the public in general and among the politicians and the academics in particular<sup>4</sup>. The implications of ageing which are considered in this article relate to employment and the labour market as well as to policies aimed at stimulating active ageing.

## 2. Trends and developments in the labour market

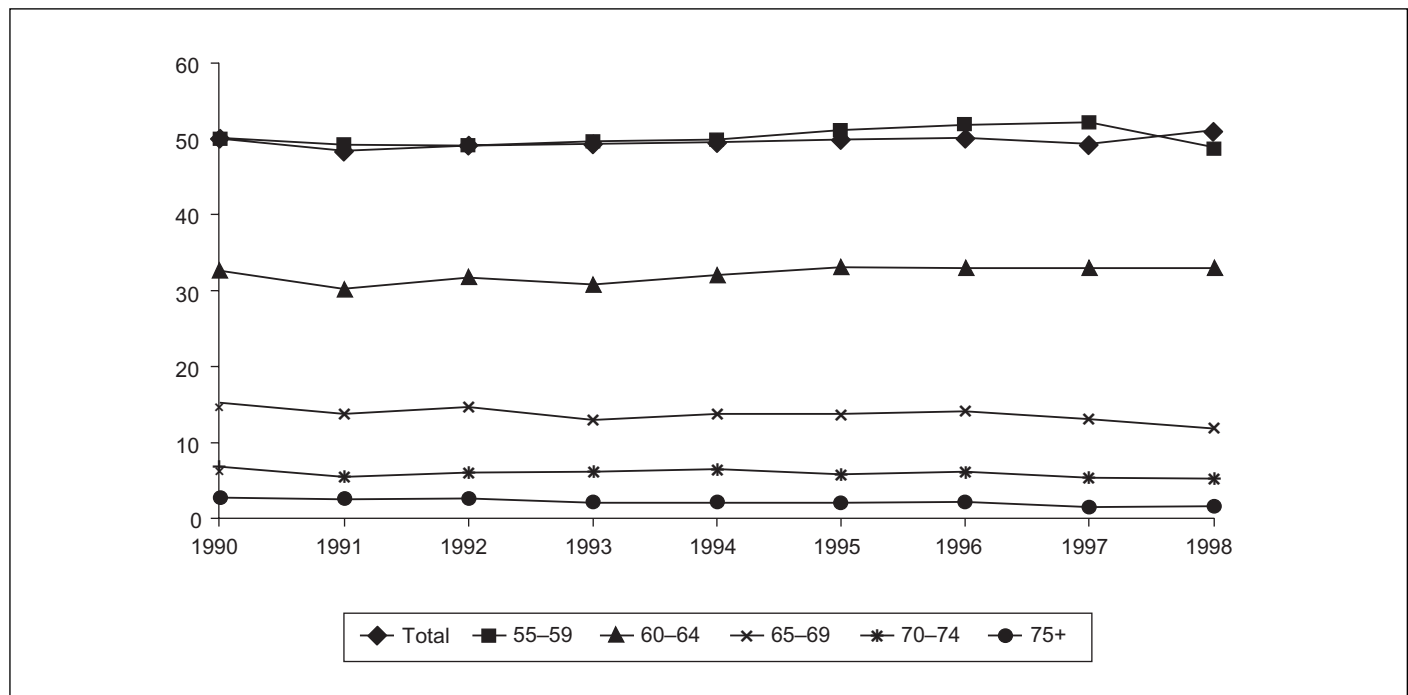
Labour force participation rates (also known as activity rates) for older people vary according to gender, type of area and type of

economic activity. In general, activity rates for older women are lower than for older men and higher activity rates for both sexes are more common in the rural areas. The lower participation rates observed for older women are partly due to cohort effects i.e., when these women were younger they participated less than women in comparable age groups do at present<sup>5</sup>. Besides, the higher activity rates observed for rural areas are related to the predominance of agriculture and to the lack of income options which forces many farmers to continue working as long as possible.

According to information drawn from the Labour Force Survey conducted by the National Statistical Service, although activity rates decline with age, a sudden drop is not noticeable until the age of 60 (Figure 1). However it is the 60-64 age group which shows clearly the extent to which older people have dropped out of the labour force. The activity rate of the 55-59 age group is very much the same with the average rate for all age cohorts. It then drops, as people approach retirement age (60-64 years of age), while a further and rather abrupt drop is noticed as people become older (65-69 years of age). The activity rate declines thereafter to levels below the 10% mark. As regards changes through time, the activity rate of the old (65+) was clearly declining throughout the greater part of the 90s. In contrast, the activity rate of the 55-64 age group shows no declining trend, at least until 1997, remaining on the whole, constant throughout the greater part of the 90s.

Overall activity rates mask variations according to gender: the activity rate of the 55-59 male age group is well above the average for all age cohorts. Moreover, it remained above the 70% mark for the greater part of the 90s, reaching its peak on 1997, where 75% of the entire cohort population was either employed or unemployed. A much lower proportion of older women are in the labour force than

Figure 1: Labour force participation rates, both sexes, 1990—1998



Source: NSSG, LFS

<sup>3</sup> See: Auer, P. and M. Fortuny (2000): "Ageing of the Labour Force in OECD Countries: Economic and Social Consequences", ILO Employment Paper, 2000/2.

<sup>4</sup> For a notable exception, see: Emke-Poulopoulou, Ira (1999): Greek older citizens: Past, present and future, Ellin Editions (in Greek).

<sup>5</sup> This trend is common in most countries. See: Samorodov, A. (1999): "Ageing and labour markets for older workers", ILO Employment and Training Papers, No 33.

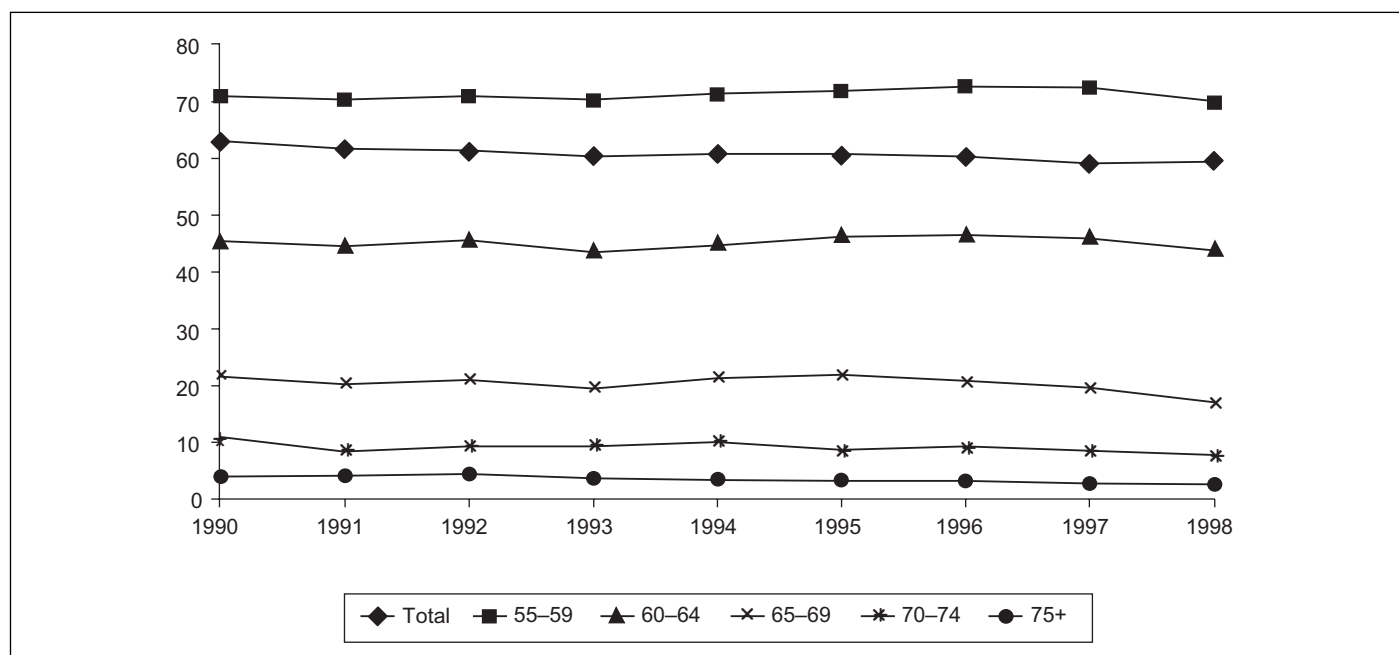
men (Figure 3). In clear contrast with males, older females 55-59 years of age, exhibit activity rates lower than the average for all age cohorts. In 1998 the activity rate of this age group was approximately 10% below the average rate for the whole female population and more than 40% below the equivalent rate for males. Finally, with respect to changes, the decline in activity rates has been particularly marked among older men (65 years and above) and among the 55-64 male age group during 1997-1998. Female participation rates for the age group 55-64 however, have been

increasing modestly and this has partially offset the decline in male labour force participation rates.

Employment rates of older workers (Figures 2 and 3), closely follow the trends observed in activity rates.

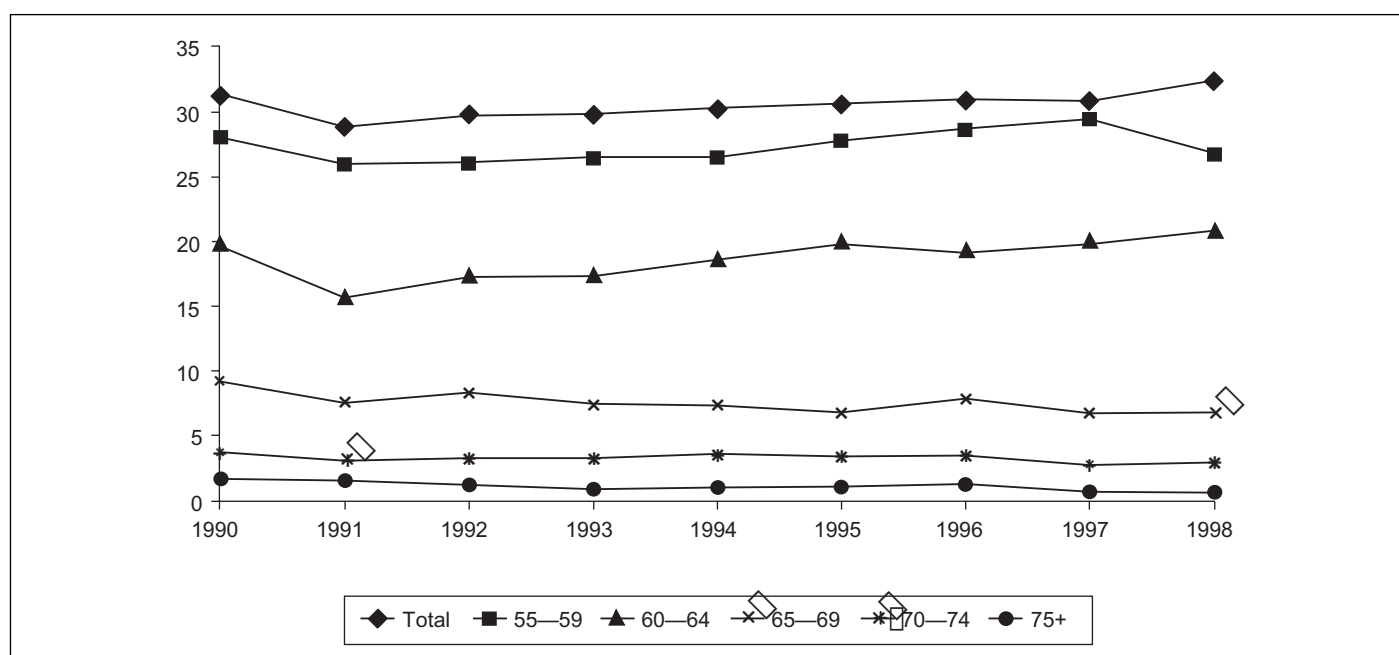
On the basis of more recent data, provided by Eurostat, Greece's total employment rate (calculated on the basis of persons aged 15-64) was 55.4% in 2001, 8.5% below the average for EU-15 and 14.6 percentage points below the target set at the Lisbon and Stockholm

**Figure 2: Employment rates, males, 1990—1998**

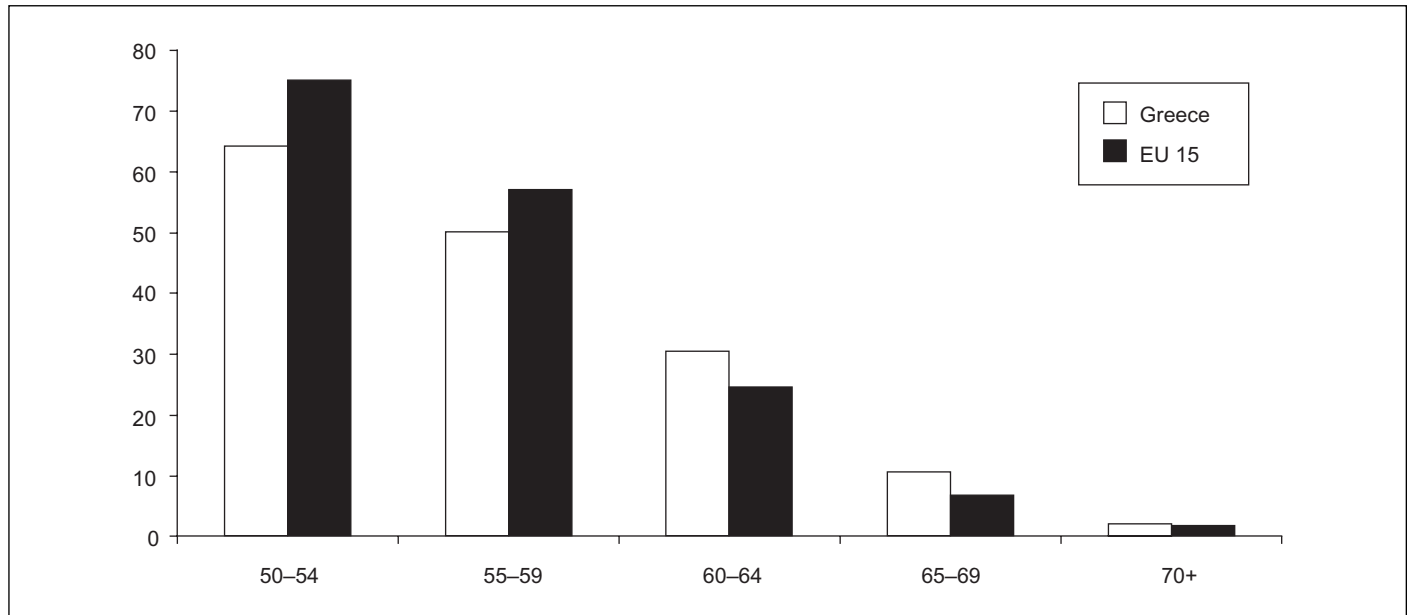


Source: NSSG, LFS

**Figure 3: Employment rates, females, 1990—1998**



Source: NSSG, LFS

**Figure 4: Employment rates, Greece and EU 15, both sexes, 2001 (%)**

Source: EUROSTAT, LFS

summits (70%). The employment rate for older workers aged 55-64 was estimated at 38%, slightly less than the average for EU-15 (38.5% in 2001), but still 11.5 percentage points below target (50% by 2010). As Figure 4 shows, the employment rate in Greece lags behind the average of EU-15, for the age groups 50-54 and 55-59. In contrast, employment rates among older workers 60 years of age and above are higher in Greece than in EU-15. As noted earlier, employment rates vary distinctly between the sexes, with older women exhibiting much lower rates than men. Thus in 2001, the employment rate of older women (55-64) was 22.5%, 6.6 percentage points below the average for EU-15 and 15.5 percentage points below the equivalent rate for both sexes. As the rapid rise in female labour force participation took place in the 90s, however, these cohorts should raise the employment rates of older female workers within the next two decades.

In the period between 1995 and 2001, the employment rate of older workers (55-64), fell in Greece by 3.0%. It should be noted that during the same period, the employment rate of older workers has increased in all other EU Member States, with the exception of Italy and Austria (for the EU as a whole the improvement was 2.6%). Although at this level of analysis, it is not clear what has caused the drop in the employment rate of older workers in Greece, it would appear that the reversal of the trend towards earlier retirement has already begun in most EU Member States.

Details on the occupational structure and the sectoral distribution of older workers are generally scant<sup>6</sup>. In general, the distribution of older workers between basic and more advanced sectors appears to be different from that of younger workers. In 1998, 60% of men aged 55 to 59 were in employment and around 70% or more of those aged 60 to 64 worked in agriculture, manufacturing, distribution and hotels and restaurants. In comparison, only 50% of the 25 to 49 age group is employed in one of these sectors. Further, it would seem that older workers are more concentrated in declining sectors than younger ones. According to estimates, 72% of those aged 55 to 59 in

work were employed in low growth or declining sectors (notably agriculture). The same holds for over 80% of those aged 60 to 64, compared with only 56% of those aged 25 to 49<sup>7</sup>.

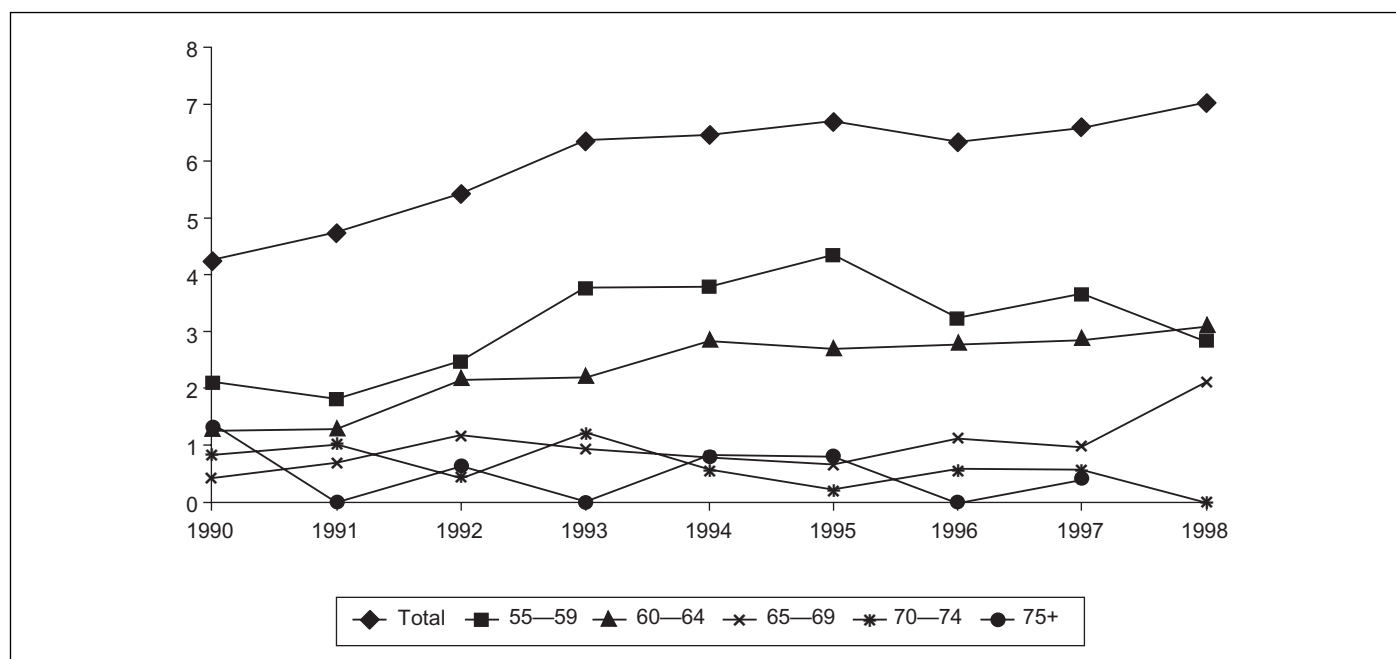
Another feature differentiating older people in employment from younger ones is the proportion of self-employment. As expected, the incidence of self-employment is much higher among older workers in relation to younger workers. Almost half (47%) of the 55-64 age group in employment and 75% of 60 to 64 year-olds were self-employed in 1998. This finding is closely related to the importance of agriculture which employs a large share of older workers.

Women older workers tend also to exhibit a higher incidence of self-employment in relation to their younger counterparts. It is estimated that around 40% of women aged 55 to 64 in employment were self-employed in 1998. Another significant proportion of women in the same age group (around 40%) was working as unpaid family workers. Consequently, those in employment working as wage or salary earners were just a minority (slightly above the 20% mark).

The average level of educational attainment of older people is significantly lower than that of their younger counterparts. Some 73.4% of those aged 55-64 had a low educational level (ISCED 2 or lower), as opposed to 27.5% of those aged 25 to 34. This finding partly reflects the increase in educational levels observed over time and partly the structure of economic activity in Greece and the high incidence of agricultural employment among older workers. The cohort of workers aged 55-64 in the next two decades will be better educated than their counterparts today and rising educational attainment should help raise the absorption of larger groups of older workers in the future. However, in 2000, almost three quarters of workers aged 55-64 were classified as persons with low educational attainment in Greece, as opposed to just over half of their European counterparts, and this has certain implications. First, older workers are at risk of being excluded from employment in the services sector, which has been a major source of new job

<sup>6</sup> For a treatment of these issues, based on earlier data, see: Richardson, C., and T. Vasilinas (1996), "The employment of older people in Greece", Proceedings of the Conference on Ageing and Society, EKKE, 1996.

<sup>7</sup> See: Employment in Europe, 1999.

**Figure 5: Unemployment rates, males, 1990—1998**

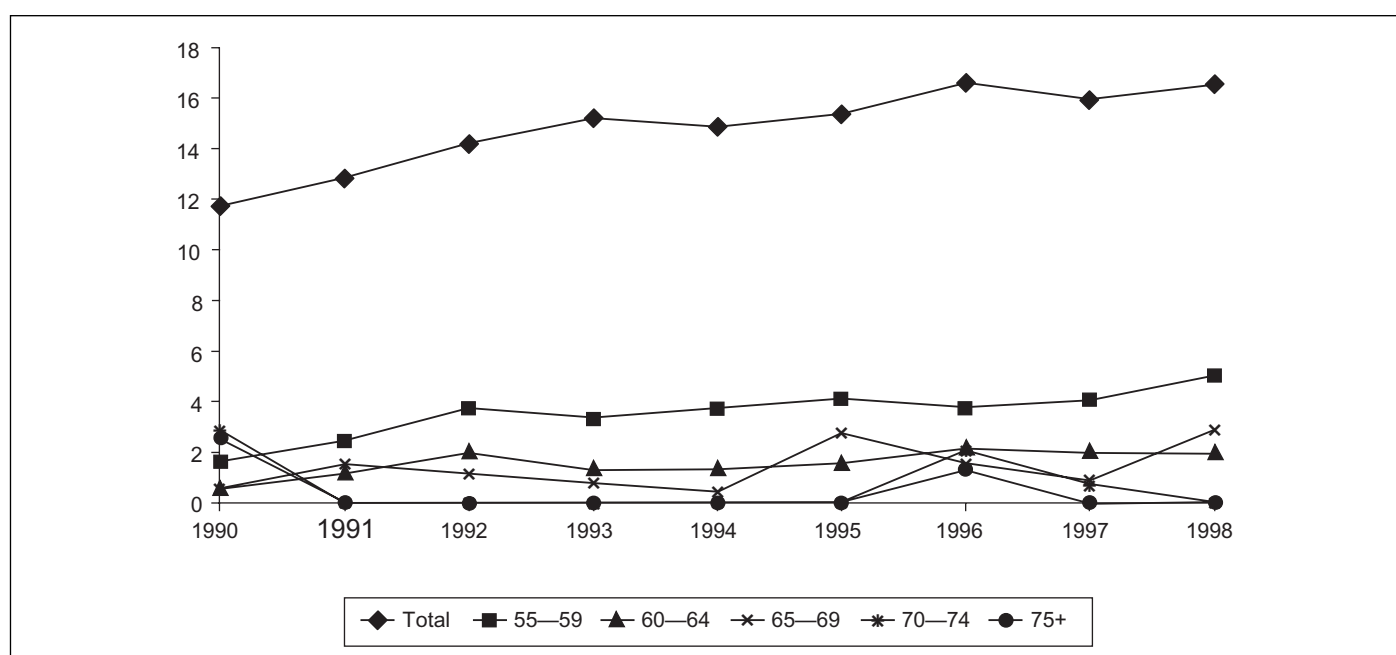
Source: NSSG, LFS

creation and typically exhibits higher educational requirements. Secondly, because of the low educational level of older workers, the possibilities for training and acquiring skills are limited. The problem of low educational attainment is more acute among older women, as almost 8 out of 10 of them have failed to progress beyond basic schooling. Young women, however, have made a lot of progress and appear to have acquired higher educational levels than their male counterparts.

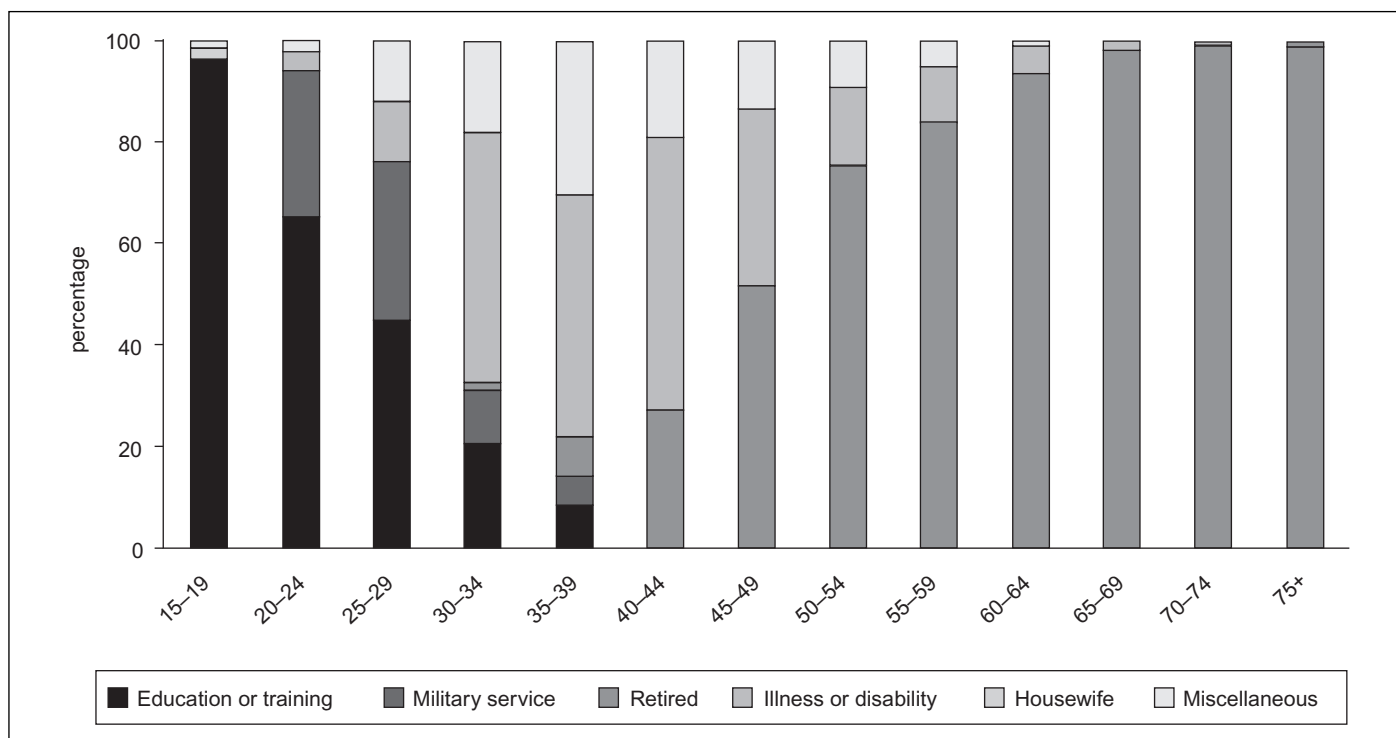
Progress in achieving higher educational levels is rising fast in Greece, even among older workers, but despite this the educational gap between Greece and the EU has not become narrower in recent years.

The proportion of older people aged 55 to 64 participating in education and training is particularly small in Greece, 0.1% as opposed to 3% in EU-15. Furthermore, no progress appears to have been made in the numbers of older people participating in education and training since at least 1992, the first year for which comparable data exist. Further adult education structures are not very well developed in Greece, and this is reflected in the proportion of the adult population aged 25 to 64 participating in education and training over the four weeks period prior to the LFS (1.4% in Greece as opposed to 8.4% in EU-15).

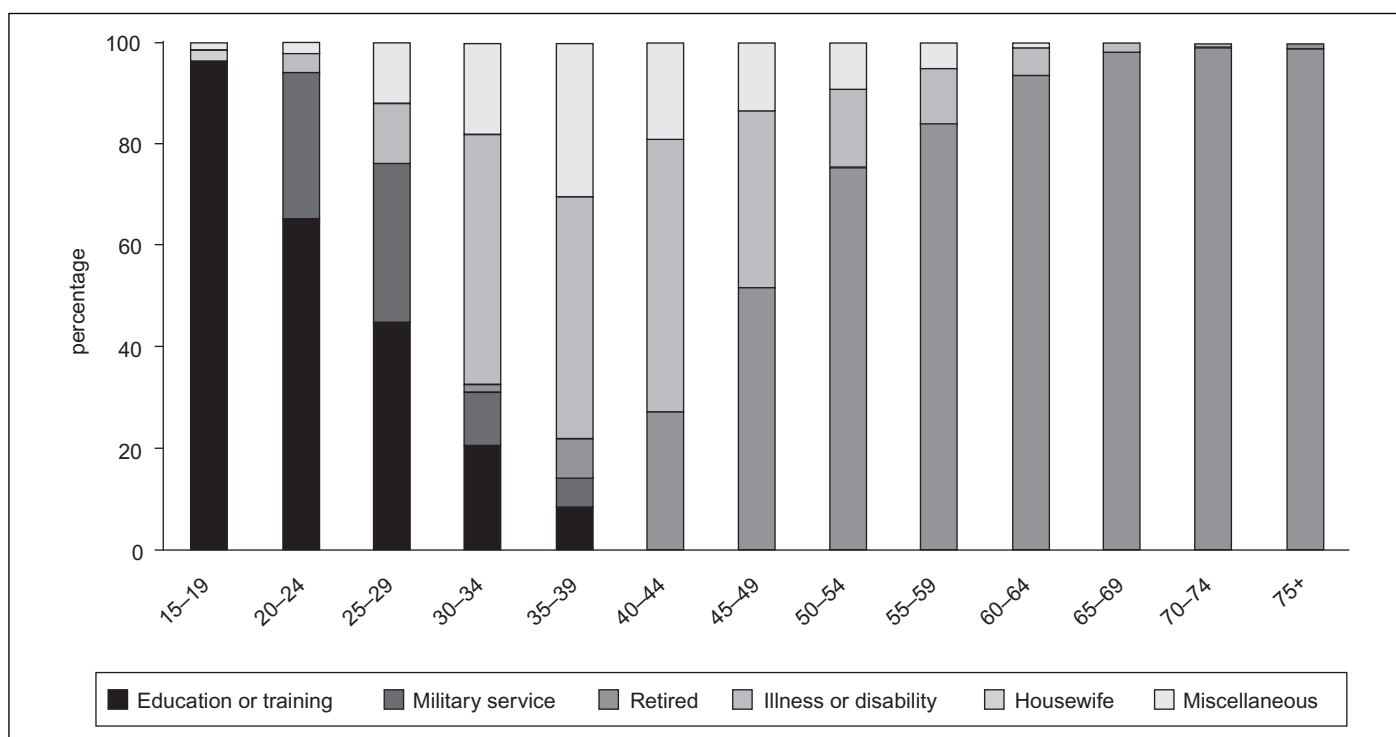
The chances of someone becoming unemployed as they grow older

**Figure 6: Unemployment rates, females, 1990—1998**

Source: NSSG, LFS

**Figure 7: Employment rates, females, 1990—1998**

Source: NSSG, LFS

**Figure 8: Employment rates, females, 1990—1998**

Source: NSSG, LFS

generally decreases in Greece. Admittedly, this may be partly artificial, given that older people often tend to move from employment directly to inactivity, by-passing unemployment. Nevertheless, on the basis of the LFS data for the period 1990 to 1998, unemployment rates among older workers were at markedly

lower levels than the average for all age cohorts. Further, unemployment rates appear to diminish with age. Again, overall trends hide variation between the sexes. In general, males exhibit lower unemployment rates than females (Figures 5 and 6), while for both sexes unemployment was on the increase during 1990-1998.

More recent data, provided by Eurostat, indicate a rising unemployment trend among older workers of both sexes. The unemployment rate of older workers aged 55 to 64 rose from 3.8% in 2000 to 4.1% in 2001. It should be noted that the unemployment rate for those aged 55 to 64 was just 1.6% at the beginning of the past decade, climbing to 3.4% in 1995. Similarly, the unemployment rate of older women aged 55-64 rose from 1.2% in 1990 to 2.9% in 1995 and from then on, to 4.4% in 2000. On the basis of these data, there is little doubt that unemployment among older workers is increasing.

The average economic dependency ratio (i.e. the number of people aged 15 and over dependent on those in work), was estimated at almost 120% in 1998. The value of the ratio is much lower for males (68%) than for females (in excess of 200%), indicating the low activity and employment rates of women. Further, the youngest age group with fewer people in employment than those requiring support is 60-64 years of age for males and 45-49 for females, reflecting the large number of economically inactive women. Figures 7 and 8 present information on the inactive population classified by reason of inactivity. As can be seen from the figures, for men aged 30-50, health problems appear to be the main factor leading to inactivity. In contrast, in the age category from 40 to 60, early retirement appears to be the single most important factor. For almost all women, however, family responsibilities appear to be the sole factor associated with inactivity. Inactivity due to health problems raises the issue of occupational health. Similarly, inactivity due to family responsibilities raises the issue of reconciliation of family and work life.

Turning to employment projections, according to the Commission Services, Greece is unlikely to achieve the 50% employment rate for older workers set as a target for 2010. Based on the assumption that the employment intensity of growth in the coming years will be much the same as the country-specific average intensity for the period 1996-2001 (the so-called employment pattern 1996-2001 scenario), average employment growth among older workers is forecast to rise by 2.2% between 2001 and 2010. The employment rate for older workers will thus be 42.7% in 2010, or 7.5 percentage points below the target. The Stockholm target of 50% may be out of reach for the EU as a whole, as projections under the employment patterns scenario forecast an EU wide employment rate for older workers of 45.2% in 2010.

Summing-up, this brief statistical portrait of older workers in Greece has helped to highlight a number of observations. Employment rates among older workers are close to the European average, but activity rates among older women are low. Further, employment rates have been decreasing modestly during the last few years, contrary to the trend in other EU Member States, whereas unemployment has shown a tendency to increase. The majority of older people still in employment is generally concentrated in a few sectors, typically those in decline (notably agriculture, traditional manufacturing distributive trade and hotels and restaurants). Partly because of this, their educational level is low, whereas participation in training is negligible. The incidence of self-employment is high among older workers, and so is the incidence of family worker among older women. This labour force status protects the older workers from the realities of the labour market, but raises the issues of productivity and underemployment. The falling employment rates probably reflect structural change factors, associated with heavy job losses in agriculture. At this point it would be useful to remind the reader that the EU's Common Agricultural Policy currently favours early retirement among farmers. Finally, the increase in unemployment is probably connected with the current restructuring of firms and

activities and, to some extent, with the coming-of-age of younger cohorts who are more prone to unemployment.

### 3. The Policy Framework

Withdrawal from the labour market depends on a variety of factors, among which pension eligibility, the amount of pension, the mandatory retirement age and the working conditions (wages) are thought to be of importance. Falling average age of transition to inactivity may be partly the result of early retirement policies, aimed at freeing up jobs for younger workers and reducing the unemployment rate, or may partly reflect the difficulties experienced by those who have lost their jobs to find suitable employment elsewhere. Finally, withdrawal from the labour market can be the result of choice. Evaluating the significance of these factors, i.e. determining whether early withdrawal is voluntary or imposed by economic conditions, is difficult, yet indispensable, if we are to understand and influence average flows into inactivity. Unfortunately, these issues have not been researched in Greece and hence the attempt made in the following paragraphs to provide an overview of these issues is bound to be incomplete.

The Greek pension system consists of a variety of schemes, which are dispersed among sectors of economic activity and provide varying levels of support. The largest funds are IKA (private sector) and OGA (farmers). The self-employed outside agriculture are covered by a separate scheme. These primary pensions typically offer replacement rates of up to 80%, while primary pensions account for 10.6% of GDP (84% of total pensions). There also exists a system of occupation-based auxiliary funds, which provide supplementary pensions. These funds cover all employees and a small percentage of the self-employed, and typically offer replacement rates of up to 20%. In 2001 they accounted for 1.8% of GDP (14.5% of total pension expenditure). For pensioners with total income from pensions below a minimum and whose other income and household situation fulfil additional criteria, a pension supplement (EKAS) is also paid. Rates of return differ among the funds while, within a fund, the various occupational categories may be subject to different treatment. In addition, rules have been changed frequently during the past few decades and as a result there are today differences in treatment related to the time of first affiliation to the system.

The Greek pension system is characterised by a number of structural problems, which are only partly related to the current demographic ageing problem. First, in spite of the amount paid for pensions (12.4% of GDP), old age remains the single most important factor in determining poverty risk as measured by the European Community Household panel survey of the late 1990s. Specific cultural factors, notably traditional family solidarity and other features, mitigate the incidence of poverty among older people. There is some indication however, that informal support networks are under stress. According to information drawn from the Household Budget Surveys, between 1987/88 and 1998/99, the proportion of aged persons (65+) living alone increased from 15.9% to 18.6%. The increase was faster for the very old (75+) and for the rural areas. The current economic situation of the elderly is partly attributed to the different (in terms of structure of the economy and income levels) circumstances prevailing during the decades following the Second World War<sup>8</sup>.

Second, occupational categories are often subjected to unequal treatment. Farmers constitute a typical example in this respect. As a

<sup>8</sup> An extensive treatment of the links between poverty and old age is contained in the Appendix of the Greek Report on Pension Strategy. See: Ministry of Economy and Finance/Ministry of Labour and Social Security (2002), Greek Report on Pension Strategy, September 2002.

result of not being liable to pay contributions, farmers receive welfare pensions from OGA, the agricultural community fund. The minimum pension administered by OGA in 2002 amounted to 53.201 drs (€156) or just 41% of the minimum pension issued by IKA (the urban fund). Although OGA's pensions have been improving markedly since 1993, they are still at levels grossly inadequate for sustaining a decent living standard. Thus it would appear that the increased participation rate of older people in rural areas recorded earlier on, is attributed to the lack of attractive retirement and income options, and is thus involuntary.

Third, partly because of demographic ageing, there is clearly a financial sustainability problem. Public pensions expenditure is projected to rise steeply, from 12.4% of GDP in 2000, to 17.3% in 2030 and from there on to 22.6% in 2050, the largest projected increase among EU Member States. Addressing this financial challenge will require a huge effort and, inter alia, a broad social consensus among the dominant socio-political actors.

General retirement limits are set at 65 for men and 60 for women and, for those who began working after 1993, at 65 for both men and women. According to the Greek Report on Pension Strategy (2002), however, "the complexity of the legislative framework makes these general limits as something of purely theoretical significance". It is thought that the structure of benefits is such that usually individuals decide to retire officially as early as possible and then continue to work unofficially (while drawing a pension)<sup>9</sup>. This observation receives some support from the examination of the age distribution of retired persons in 1998. According to information drawn from the LFS, a respectable part of males (252,225 persons, or 26.1% of the total) were already in retirement prior to reaching the general retirement age (65). The corresponding estimate for women was smaller (79,893 persons, 11.5% of the total) yet significant. In general, the effective (rather than the statutory) retirement age

appears to have declined drastically in Greece over the last fifty years or so. According to Table 1, the average age of transition to inactivity for males decreased from 68.2 years in 1950 to 61.9 years in 2000, a drop of 6.3 years. Similarly, the average age for females dropped from 64.3 to 58.5 years over the same time period. It is certainly impressive that the improvements in health and in life expectancy, which occurred during the last decades, were accompanied by a shortening of working lives.

With respect to premature retirement and the minimum retirement age, current social security legislation foresees a gradual increase in the age limits for large categories of persons. These increases began to come into effect in 1998 and will continue to be implemented up until 2007<sup>10</sup>. Changes are meant to bring the age limits of persons working in sectors with lower retirement ages (public sector, "Special funds") in line with those of IKA. Certain measures have also been taken since 1998, in order to limit the incentives for early transition to inactivity.

Disability pensions constitute another option for early retirement. According to the Social Budget, in 1998 there were 340,026 persons receiving invalidity pensions and 100,613 disabled persons receiving welfare benefits. The majority of these pensions were issued by the two largest Social Insurance Funds, IKA and OGA. It is estimated that approximately half of the invalidity pensioners were of working-age (i.e. 15-64 years of age) and that of this sub-total, a sizeable proportion (as much as 40%) was working at least occasionally<sup>11</sup>. The granting of invalidity pensions has often been connected with "social criteria" in the past, and this explains the large proportion of disability pensions among the total. It is believed, however, that during the last decade or so, and especially since the regulations introduced by Law 1902/1990 which tightened eligibility criteria, disability pensions have ceased to constitute a favourable option for retirement and the granting of new disability

**Table 1: Estimates of the average age of transition to inactivity for Greece, 1950-2000**

	1950	1960	1970	1980	1990	1995	2000/200	Change 2000/1950(in years)
Males	68.2	66.5	65.6	64.9	62.3	62.3	61.9	6.3
Females	64.3	64.4	64.3	62.5	60.6	60.3	58.5	5.8

Source: Blondal S. and S. Scarpetta (1998): "The retirement decision in OECD countries", OECD, Economic Department Working Paper, Number 202. Also, Scherer, P. (2002): "Age of withdrawal from the Labour Force in OECD Countries", OECD, Labour Market and Social Policy Occasional Papers No 49.

**Table 2: Transition probabilities from unemployment, 1997/1998**

		From unemployment to unemployment	From unemployment to inactivity	From unemployment to employment
All ages (15+)	M	0.6524	0.1024	0.2452
	F	0.5806	0.0819	0.3375
50-54	M	0.7880	0.0610	0.1510
	F	0.7552	0.0249	0.2199
55-59	M	0.7259	0.0969	0.1771
	F	0.6658	0.1028	0.2313
60-64	M	0.8597	0.1403	0.0000
	F	0.8075	0.1925	0.0000

Source: NSSG, LFS and author's calculations

<sup>9</sup> For an account of early retirement options for various categories of workers, see: Fakiolas, R. (1996): "Effectiveness in work and ageing", Proceedings of the Conference on Ageing and Society, EKKE, 1996.

<sup>11</sup> See: Greek Report of Pension Strategy, p. 25.

<sup>11</sup> See: Karantinos, D. (2001): "The Employment Status of the Disabled in Greece", Report prepared for DG EMPL.

pensions retracted to normal levels (i.e. around 15% of all new pensions in 2000, against 30% in 1989).

Along with disability and health problems, unemployment may constitute another pathway leading to effective retirement and eventual withdrawal from the labour market. According to Table 2, once unemployed, the chances of finding another job, diminish with age. In 1998, only 15,10% of men aged 50-54, unemployed a year before, had found a job in the succeeding year, compared with 24,52% which is the estimated average for all age cohorts (15+).

Of the remaining population, some 78,80% remained unemployed and 6,10% passed into inactivity. The proportion of the unemployed, one year before drifting into inactivity in the succeeding year, increases with age. For men, it rises from just under 10% for the 55-59 age group, to 14,03% for the 60-64 age cohort. Similarly, the equivalent proportion for women rises from 2,49% for the 50-54 age group to 10,28% in the next age group and, finally, to 19,25% for those in the last age bracket (60-64 years of age).

In relation to the scale of the demographic ageing problem, very little has been done so far to address the issue. Most of the training and employment programmes benefiting older workers are designed to benefit a broader age group (45-64 years of age). This is the case of the integrated programmes for unemployed persons, which include actions for pre-training, vocational training, job-search assistance and accompanying support services (NAP 2002). Older workers can also benefit from the various in-house training schemes offered to workers of private firms. The only scheme currently in operation, targeting older workers exclusively, is a wage subsidy scheme financed by the Social Partners Fund, LAEK (Account for Employment and Vocational Training). Under this scheme, enterprises of the private and the broader public sector are subsidised, in order to employ unemployed persons who are close to retirement age (i.e., five years short of retirement). The period of subsidy ranges from 1 to 60 months and the amount of subsidy for each day of full employment is 17,61 euro for the first 24 months and 20,54 euro for the next 36 months. For part-timers, the subsidy is set at 10,27 euro and 11,74 euro, accordingly. It should be noted that none of the above measures has been evaluated recently and hence their impact upon older workers employment rates remain to a large extent, unknown.

The reasons behind the apparent lack of interest on problems associated with ageing may be attributed to the existence of ample possibilities for early retirement and also to the low unemployment rate facing older workers. Early retirement by large numbers has prevented the problem of an ageing workforce from coming to the forefront. Besides, partly because of the high compensation requirements for salaried employees with many years of service, dismissal of older workers is not as frequent as in other EU Member States, a fact contributing to low unemployment rates among older workers<sup>12</sup>.

#### 4. Concluding remarks

Demographic ageing, due to a fall in fertility and a fall in mortality, appears to affect Greece to a larger extent than most other EU Member States. Taking 2000 as a base year, the old-age dependency ratio (i.e. population aged 65 and over as a percentage of the working-age population, 15-64) is estimated at 25,6 and is projected to climb to 29,2 by 2010. In comparison, the equivalent estimates for EU-15 are 24 and 27, respectively. Greece is one of the three Member States (the others being Italy and Germany), which are

expected to have an old-age dependency ratio of almost 30% by 2010.

Rapid demographic ageing has raised concerns on the viability of the pension system and has brought to the forefront the need to cater for the elderly to a greater extent than in the past. Fears are often expressed that, unless the previously pursued policy of fostering early retirement is reversed, it will be hard to maintain sustainability. As a policy, early retirement was popular in the 1980s and 1990s, when it was viewed as a means of paving the way for the younger generations. This situation resulted in great numbers of healthy, prematurely retired workers, many of whom continued working in the informal sector of the economy. Although, in theory, employment of the retired workers in the formal sector of the economy is not prohibited by law, in practice the various insurance funds impose restrictions, severely limiting incentives to do so.

Fears and concerns about the demographic situation are commonly acknowledged and frequently mentioned in both academic and political discussions in Greece. Yet, at the moment, there appears to be no consensus among the dominant socio-political actors on appropriate political initiatives and, as a result, no concrete measures aimed at addressing the issue have been taken so far. The formulation and implementation of an active ageing policy is restricted by a variety of factors, including the following:

First, an attempt to raise the participation rates of older people makes sense only if employment opportunities exist and the net job growth rate is substantial. Greece's net job growth rate over the 90s, however, was modest and this in spite of the strong output growth rates which prevailed during the latter half of the same period. In 2001, the overall employment rate was estimated at 55,4 (one of the lowest in EU, 14,6 percentage points below the target set at the Lisbon Council), having grown by a mere 0,5% annually during the last five years.

Second, without substantial net job growth, increased employment among older workers, is bound to cause some substitution with the young. In 1999, Greece exhibited the highest youth unemployment rate in the EU (31,6% in comparison with 17,9% which was the average for EU-15).

Third, the sectoral and occupational structure of older workers in Greece imply that it is difficult to apply a uniform policy for retaining older workers in employment. Around half of the older workers work in agriculture, either as self employed or as unpaid family workers. It should be borne in mind that the EU's CAP currently favours early retirement. Of the remaining older people still in employment, a sizeable part works in traditional and declining sectors (e.g. traditional manufacturing), as manual workers and technicians in physically demanding jobs.

To counterbalance these features, prejudice and discrimination, low employment among the elderly and weak re-employment of ageing workers are perhaps less acute problems in the Greek context, for a number of reasons. First, the household in Greece has retained a lot of its traditional functions, acting as a safety net for older people. This is manifested in the number of older people living alone, which is smaller in Greece compared to other EU countries. Second, Greece (together with Portugal and Ireland) exhibit the highest employment rates for male workers aged 55 or above. The absolute majority of males aged 55-64 years (55%) were still in employment in Greece (1999), compared to 47% in EU-15. Third, the setting and specific features of the labour market in Greece (notably the large share of self-employment), favour the continuation of employment,

<sup>12</sup> See: Trends, No 33, Winter 1999.



irrespective of statutory age pension limits. The vast majority of private firms are micro-enterprises of 1-5 employees, often operated by members of the same family. Fourth, dismissals of older workers are rather rare, a fact partly attributed to the high degree of employment protection offered in Greece (it is expensive to fire an older worker). The reported unemployment rate of older workers appears also to be small, although this finding might be artificial, as older workers often tend to move from employment to inactivity, bypassing unemployment. On top of these features, there are still substantial labour reserves (comprising mainly middle-aged and older women) which could be mobilised and help achieve higher employment rates.

From the above, it becomes evident that Greek policy-makers, the social partners and company owners are faced with the formidable challenge of reversing the previously pursued policy of economic adjustment through downsizing and early retirement. Present and future costs of early and normal retirement are mounting (due to the reduced inflow of the young in the labour market) and threaten to deprive policy areas such as health and education of much needed future funds. Thus, failure to adjust the labour market so as to provide older workers with more employment and earning opportunities will negatively affect medium-term growth. On the other hand, the national context precludes the application of an indiscriminate policy across the board, calling instead for carefully planned interventions designed to mitigate any undesired side effects (notably the risk of substitution with younger workers).

Addressing this dilemma is easier said than done. Sluggish employment growth and high youth unemployment rates do not allow the expansion of the labour supply in order to absorb older workers in growing numbers. Perhaps this is the reason why a social consensus on ageing workers is currently lacking and no relevant actions have been undertaken so far.

There is plenty to be done, however, even before the employment growth rate picks up again and unemployment is restrained. Apart from raising awareness and conducting research in problems associated with ageing, the development of measures aimed at maintaining the working capacity of older workers, the promotion of flexible working arrangements and the removal of the barriers which older people (including early retirees) face with respect to training, can only contribute to productivity growth and help retain older people in the labour market. Similarly, the elimination of disincentives to remain active and the safeguarding of older people's access to the labour market as well as the development of part-time retirement schemes, constitute a policy option, given that Greece is committed by virtue of the Barcelona decision to increase by five years the average age of withdrawal from work<sup>13</sup>. Finally, improving the integration of middle-aged women in the labour market, through investments in care facilities and extensive job-search assistance, will both reduce unemployment and raise employment among mature and older workers.

The above policy prescriptions are used here merely to show that, although the situation is difficult, it is not hopeless. Admittedly, however, the success of any action in favour of older workers will crucially depend upon the Government's ability to set and reinforce new rules, guidelines and appropriate incentives/ disincentives and upon the companies and managers who will be asked to adjust their behaviour accordingly.

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<sup>13</sup> A gradual retirement system could be useful as an alternative to early retirement. See: Hletsos, M. (2001): "Employment policies in conditions of demographic ageing: Greece", in: National Labour Institute (2001): Demographic Ageing, the Labour Market and Social Protection, Athens.

# Ireland

## 1. Introduction

This Paper is, to some degree, an updated version of a similar analysis of ageing and its relevance to the labour market contained in the Winter 1999 European Observatory "Trends" publication.<sup>1</sup> However, there have been several developments in the intervening years, relating to economic conditions, demographic change and some policy initiatives. These aspects, and some of their implications, are discussed in the following text.

## 2. Demographic trends

It is best to begin this analysis by reviewing recent demographic trends and by sketching the likely future developments in the structure of Irish population over the coming decades. In this regard Table 1 shows national population data classified by age for the period from 1991 to 2001, with projections covering the period up to

2031. The broad message that emerges from these figures is that in Ireland, as in other European countries, the population is undergoing a significant ageing process. The number of persons aged less than 25 years is set to fall significantly over the coming decades (especially in the 15 to 24 year age group), while the population in the older age categories is forecast to rise. However, a distinguishing feature of the Irish demographic scene which sets it apart from other European countries is that the advance wave of this older age bulge has, at this point (i.e. in 2001), only reached the "late middle age" stage (broadly speaking up to age 55 to 59 years, or thereabouts). Only modest increases are projected to occur in the numbers in the older age groups (i.e., aged 60 years and upwards) in the period up to 2006, even though subsequently the rate of increase will accelerate.

If the position is viewed in relative terms (see Table 2) the old age dependency rate actually decreased in Ireland in the ten year period

**Table 1: Population projections 1991-2031**

Year	0-14	15-24	25-44	45-54	55-59	60-64	65+	Total
(000)								
1991	941	602	959	345	143	135	403	3526
1996	859	633	1016	412	154	138	414	3626
2001	828	654	1116	471	186	150	428	3834
2006	845	599	1222	509	225	181	452	4031
2011	878	538	1278	542	243	219	504	4201
2016	874	539	1269	566	261	237	585	4331
2021	841	570	1199	620	275	255	673	4434
2026	796	578	1127	685	287	270	767	4510
2031	759	563	1096	679	329	282	859	4567

Sources (a) Census of Population, 1996 (b) Central Statistics Office (1999). Population and Labour Force Projections, 2001-2031.

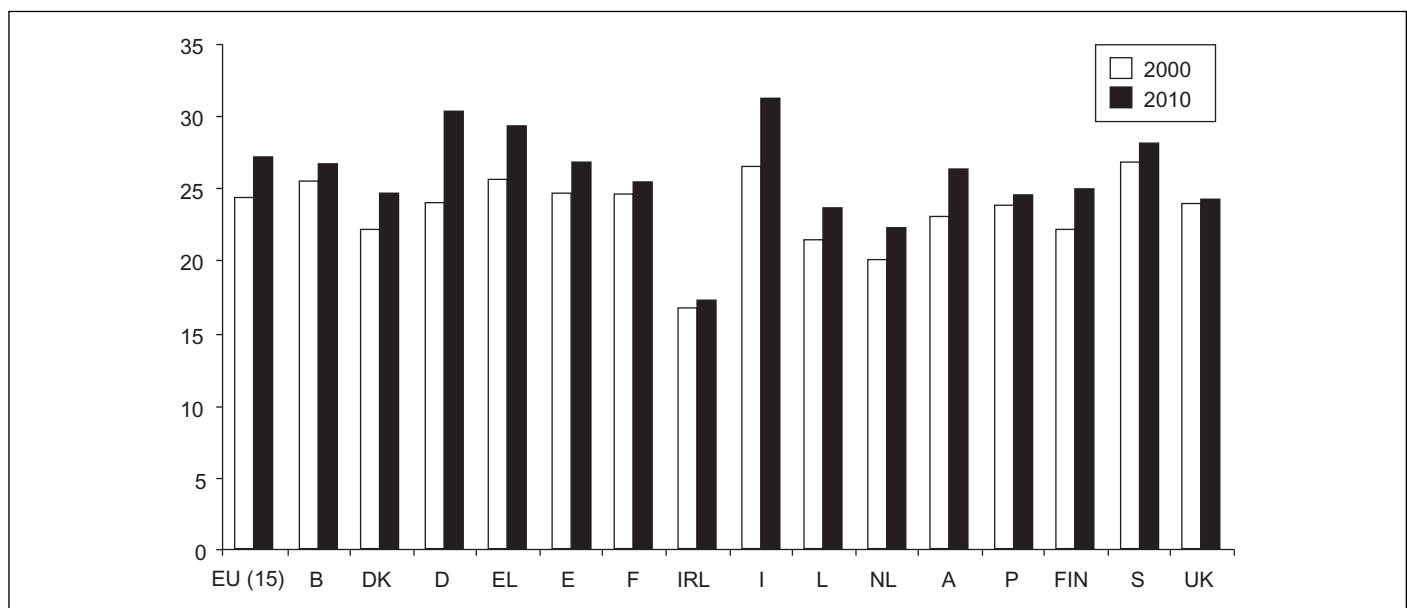
Note. These projections are based on the "M1F2" assumptions as set out in the CSO report as referenced. These involve a continuation of significant net immigration (even if declining) over the entire projection period, and decreasing fertility up to 2011.

**Table 2: Population dependency ratios, 1991-2031**

Year (1)	Total Dependency (2)	Old Age Dependency (3)	Pop(55-64)/Pop(15-64) (4)
%			
1991	61.6	18.5	12.7
1996	54.1	17.6	12.4
2001	48.7	16.6	13.0
2006	47.4	16.5	14.9
2011	49.0	17.9	16.4
2016	50.8	20.4	17.3
2021	51.8	23.0	18.2
2026	53.0	26.0	18.9
2031	54.8	29.1	20.7

(1). Total Dependency = Sum of the population aged less than 15 years and 65 years or over, divided the population aged 15 to 64 years.

(2). Old Age Dependency = Population aged 65 years or over divided by the population aged 15 to 64 years.

**Figure 1: Old Age Dependency Ratios (%) in the EU, 2000 and 2010**

between 1991 and 2001, from 18.5 to 16.6, and is forecast to increase only marginally (to 17.9) between now and 2011. Inevitably, of course, in the following years as the numbers in the older age groups begin to rise more rapidly, there will be a parallel rise in old age dependency. The age indicator in question is projected to reach 23.0 by the year 2021 and attain a level as high as 29.1 by 2031.

It is of interest to note that the forecast indicators quoted above represent levels which already prevail in several European countries. In this context, Figure 1 is highly informative in illustrating just how different the age profile in Ireland actually is when compared with other countries in the European Union. This figure shows current (2001) and projected old age dependency ratios for 2010 for all Member States. The Irish 2001 rate (at 16.6 compared with an EU average of just under 25) is markedly lower than those for all other countries, and is forecast to rise only marginally over the next ten years. A period of some twenty years will have elapsed before old age dependency in Ireland reaches the levels that now prevail in Europe generally. It is against this background, and the fact that dependency levels were very high in Ireland in earlier periods, which serves to explain why public concern regarding ageing is not as pressing an issue in Ireland as it is elsewhere.

It should also be noted that total or overall dependency, which takes both young and older members of the population into account, has declined significantly in Ireland in recent years. Table 2 shows that this more broadly based dependency ratio declined from 62% in 1991 to nearly 49% in 2001. It is projected to remain at about this level until 2016, after which time it will begin to rise slowly. However, the rate of increase will accelerate after 2021 and ultimately attain a level of just under 55% by 2031.

### 3. Labour force trends

Turning to labour market issues, there are at present no recently compiled labour force projections which provide an up-to-date perspective on likely future trends in the Irish labour market. The previous article on older workers contained in the Winter 1999 European Employment Observatory publication did contain such projections, but the assumptions on which these were based (especially in relation to labour force participation) would now need

to be revised. It is, however, of interest to review recent trends on the basis of more up-to-date published data. This is done in Table 3 which shows labour force estimates classified by age and sex derived from official sources covering the period from 1991 to 2001. These figures show that the Irish labour force increased by nearly 430,000 (or more than 30%) over the ten year span between 1991 and 2001. Most of this rise (255,000 or close on 60%) related to women. Regarding older workers in particular, the data show that the labour force numbers in the 55 to 64 year age category rose more rapidly than average (by 35%) from 118,000 to 160,000 over the period in question.

These estimates are, however, clearly influenced by underlying changes in the population age structure which, as already noted, were quite substantial during the period involved. It is, therefore, more appropriate to interpret these data in terms of labour force participation rates which reflect variations in the labour force age/sex components as a proportion of the corresponding population totals. These data are also shown in Table 3. The most interesting features relate, perhaps, to the more recent 1996-2001 period as this was a time when the Irish economy experienced phenomenal growth rates both in terms of output and employment. Labour force participation rose markedly for the 15 to 24 year age group during this time, as young people (both men and women) were attracted by the availability of the diverse range of jobs on offer. Many diverted to the labour market who in earlier periods would have remained on in education. The overall participation rates for the age group in question rose from 44 to 50% over the five-year period concerned.

The figures for older workers are also indicative of rising labour force participation in the late 1990s. The labour force participation rate for the 55 to 64 year age category rose from 43 to 48% between 1996 and 2001, having remained more or less constant in the early years of the decade. In this instance, however, gender is an important factor to bear in mind. In the case of women, the rise in labour force participation relates not only to demand factors, but also to a longstanding tendency towards greater participation in the workforce generally which has its origins in a variety of influences – social, behavioural and attitudinal, as well as legislative change. In this context the increases in participation recorded for men in recent

**Table 3: Labour force trends, 1991-2001**

Persons	Labour Force			Labour Force Participation Rates			Employment Population Ratios		
	1991	1996	2001	1991	1996	2001	1991	1996	2001
	(000)			%					
15-24	293.5	281.1	331.1	48.8	44.4	50.1	0.382	0.363	0.470
25-44	695.9	797.6	924.0	72.6	78.5	82.2	0.622	0.698	0.795
45-54	211.2	267.8	333.5	61.3	65.0	71.1	0.541	0.579	0.689
55-64	117.7	126.3	160.5	42.5	43.3	48.0	0.389	0.403	0.468
65+	36.1	34.7	33.6	9.0	8.4	7.8	0.087	0.080	0.078
Total	1354.4	1507.5	1782.6	52.4	54.5	59.1	0.447	0.480	0.569
Total (15-64)	1318.3	1472.8	1749.1	60.4	62.6	67.6	0.514	0.551	0.650
<b>Males</b>									
15-24	160.4	153.8	185.1	52.1	47.6	55.1	0.399	0.384	0.516
25-44	445.2	470.0	526.1	93.4	93.4	93.8	0.804	0.828	0.905
45-54	154.8	182.0	206.0	88.3	87.3	87.5	0.785	0.777	0.845
55-64	90.2	92.2	111.7	65.7	62.9	66.6	0.603	0.586	0.649
65+	28.7	27.1	26.4	16.5	15.3	14.2	0.161	0.149	0.142
Total	879.4	925.1	1055.4	69.2	68.1	71.0	0.594	0.600	0.683
Total (15-64)	850.7	898.0	1028.9	77.5	76.0	79.1	0.662	0.668	0.761
<b>Females</b>									
15-24	133.1	127.3	146.0	45.3	41.1	44.9	0.364	0.341	0.423
25-44	250.7	327.5	397.9	51.9	63.9	70.6	0.442	0.570	0.684
45-54	56.4	85.8	127.6	33.3	42.2	54.6	0.289	0.377	0.531
55-64	27.5	34.2	48.7	19.6	23.5	29.3	0.179	0.220	0.285
65+	7.4	7.6	7.1	3.2	3.2	2.9	0.031	0.028	0.029
Total	475.0	582.4	727.3	36.1	41.4	47.5	0.305	0.365	0.458
Total (15-64)	467.6	574.8	720.1	43.1	49.1	55.9	0.363	0.433	0.539

Source. (a). CSO. Labour Force Surveys, 1991 and 1996.

(b). CSO. Quarterly National Household Survey (QNHS), 2001 (2nd Quarter)

years are of particular significance as, in a sense, they provide a more unambiguous indicator of changing demand influences insofar as these relate to older workers generally. The labour demand effects are also undoubtedly present in the case of women, but they tend to be submerged by the impact of socio-behavioural factors. The labour force participation rate for men aged 55 to 64 years declined between 1991 and 1996, from 66 to 63%. This was, in effect, a continuation of a longstanding trend as increasing numbers of men opted for early retirement. However, the rate began to rise after 1996 when labour demand intensified and had reached a level of nearly 67% by 2001. The obvious interpretation of this change is that the increasingly tight labour market situation led to greater inducements to older workers to postpone retirement and remain longer at work. For women in the same age group the participation rate rose from just under 20% in 1991 to 23.5% in 1996, and increased further to just over 29% in 2001.

### *Future labour force developments*

Even though up-to-date labour force projections are not available for Ireland, one can use the existing population projections to obtain an indication as to how the age structure of the labour force is likely to change over the coming decades. In this regard, bearing in mind our concern with older workers, the final column of Table 2 shows a series of ratios which represent the population aged 55 to

64 years taken as a share of the total “active” population aged from 15 to 65 years. In other words, it is a sort of proxy for the share attributable to the “older” segment of the labour force, but assuming constant participation rates. The ratio as calculated remained unchanged (at about 13%) throughout the entire 1990s, but is forecast to increase to over 16% by 2011 and to more than 18% by 2021. It will continue to rise slowly thereafter, reaching a level of about 21% by 2031. What these figures imply is that, due to population changes alone, ageing will accelerate within the labour force after 2011. If participation among older persons also rises (which on the basis of the evidence one would expect) then the emerging age imbalance within the workforce will be even greater.

### *Employment population ratios*

It is also of relevance to present labour market indicators in the form of “employment population ratios” (EPRs) which relate employment totals in different sex/age categories to corresponding population aggregates. Such measures have in fact been adopted as the principal indicators in the context of the European Employment Strategy, which sets out EPR targets that each Member State should achieve within given time frames. The current EU target for the overall 15 to 64 year age category is 0.67 by the year 2005, and 0.70 by 2010. The corresponding targets for women are 0.57 and 0.60 respectively. A feature of more relevance to the analysis in this Paper

is the fact that there is also an EU 2010 target of 0.50 for older workers aged between 55 and 64 years.

It is clear that in value or absolute terms EPRs are similar to labour force participation rates, the difference being, in effect, the unemployment component. Since unemployment among older workers is very low at present in Ireland (2.6% in 2001 as against an overall rate of 3.7%) it does not materially matter which indicator is used, especially in making cross-sectional comparisons. However, as unemployment was higher in earlier years, in considering trend analyses the EPRs tend to exhibit more variability and signal greater change.

Table 3 shows relevant EPR data for Ireland covering the period from 1991-2001. The ratio for the aggregate 15 to 64 year age group was 0.65 in 2001 compared with 0.55 in 1996 and 0.51 in 1991. On this basis, given even moderate economic growth, the 2005 EU target of 0.67 should be reached. The corresponding female employment rate in 2001 was 0.54, again suggesting the likelihood that the 2005 target of 0.57 should be attained.

Turning to older workers, the table shows that the EPR for the 55 to 64 year age band in 2001 was 0.47, already very close to the EU 2010 target of 0.50. This, again, suggests that the target in question should be reached, unless there are either substantial economic difficulties in the intervening period, or changes in the pattern of labour supply. With regard to the latter, we are referring principally to the possibility of significant inward migration (which has been high in recent years), arising from a preference on the part of employers for younger migrants rather than older workers.<sup>2</sup> It will also be noted (see below) that a significant proportion of those at work in Ireland in the over 55 year age category are engaged in agriculture, a sector which in terms of numbers at work has been, and still is, in long-term secular decline. This implies that if the employment population rate for this age group is to be maintained or increased, the extra employment among older workers will have to materialise in other sectors.

### Wider EU comparisons

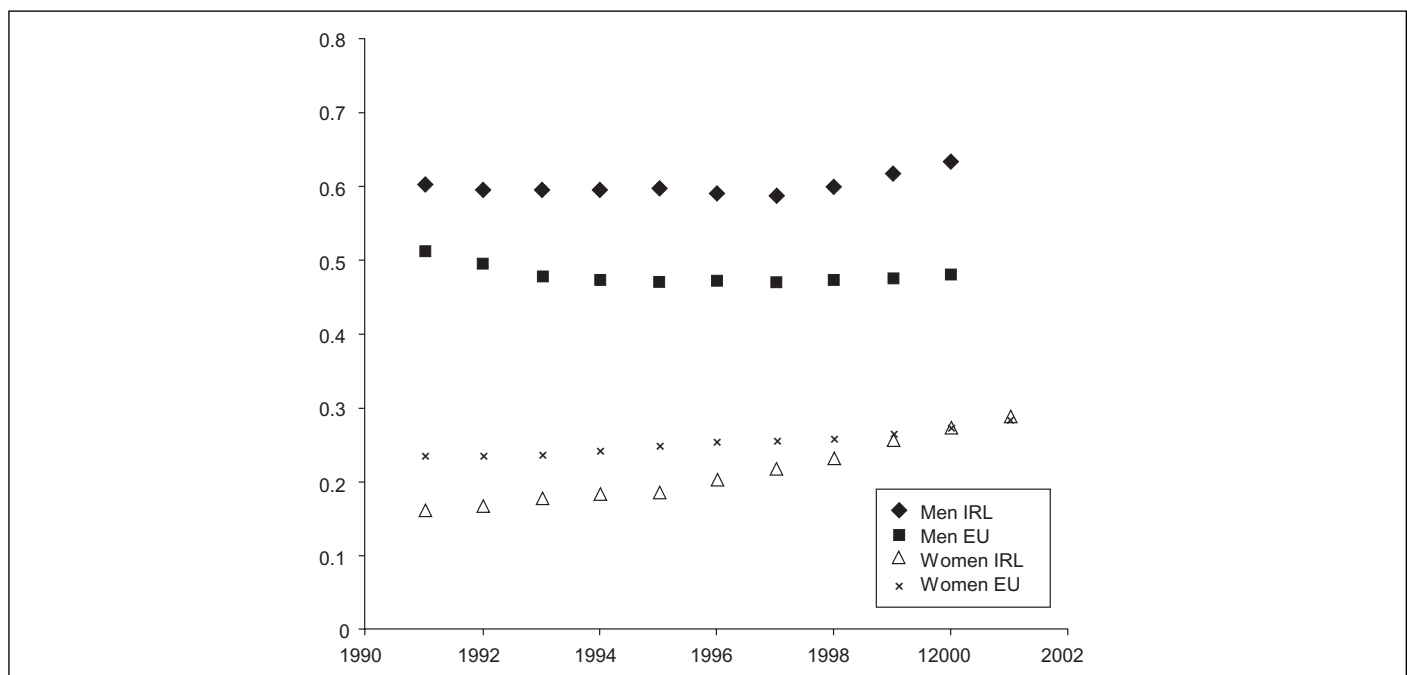
It is also of interest to view comparative changes in EPRs for older workers over a more extended period in a wider EU context. Relevant data are given in Figure 2 which illustrates EPR trends for both Ireland and the EU over the period from 1991 to 2001, for both men and women. The results for men are of particular interest as, for the reasons already stated, these tend to reflect influences more directly related to demand influences. The EPRs for older males in Ireland declined slowly but consistently from 1991 to 1997<sup>3</sup> but then rose markedly in the following years to reach a level of 0.65 by 2001, compared with 0.59 in 1997. This may not seem a large rise when viewed in numerical terms, but it does represent a 10% increase in this ratio over a relatively short period. The ratios for the EU, which are consistently smaller, also followed a downward trend in the period up to 1997. However, the EU trend levelled off thereafter, and does not reveal a significant upturn as happened in Ireland. The difference is, in all likelihood, attributable to the tightening labour market situation in Ireland which resulted in more older persons being retained or drawn into employment, a feature which does not appear to have occurred to the same degree across the EU generally.

The trends for women are also of special interest, but in this instance one must bear in mind that a wider range of effects tends to be involved. At the beginning of the period in question in 1991 the EPR for women in Ireland, at 0.16, was significantly less than that for the European Union as a whole, which at that time was almost 0.24. However, over the ten-year span concerned the two series converged, the figure for both Ireland and the EU being just under 0.29 in 2001.

### Where are the older workers?

It is of interest to provide some summary information on where older workers tend to be located within the economy. Table 4 shows an age and gender classification of older workers employed in different sectors in 2001, the data being given in percentage form.

**Figure 2: EPRs for Persons 55—64, Ireland and the EU, 1991—2001**



<sup>2</sup> In this regard it should be noted that the enlargement of the Union will facilitate the migration of significant numbers of workers who currently can only take up employment in existing Member States under work permit arrangements.

<sup>3</sup> These ratios would, of course, have been in long-term decline before this period.

**Table 4: Employment by age across sectors, 2001**

	15-44	45-54	55-64	65+	Total
	%				
<b>Males</b>					
Agriculture	7.3	12.0	17.7	53.6	10.6
Manufacturing	24.1	19.3	16.5	6.8	21.9
Construction	18.4	16.0	12.6	5.3	17.0
Distribution & Transp	21.3	20.1	21.2	14.1	20.9
Finance & Business Sves	11.7	9.3	8.8	5.3	10.7
Other Market Services	8.0	6.4	8.0	8.4	7.7
Non Market Services	9.0	16.8	15.1	6.5	11.2
Total	100.0	100.0	100.0	100.0	100.0
<b>Females</b>					
Agriculture	1.1	2.9	5.0	22.2	1.8
Manufacturing	15.0	9.8	7.4	4.8	13.5
Construction	1.3	0.9	0.0	0.0	1.1
Distribution & Transp	22.0	16.8	18.4	15.9	20.8
Finance & Business Sves	16.6	11.7	8.2	7.9	15.1
Other Market Services	15.2	14.6	16.2	23.8	15.3
Non Market Services	28.8	43.3	44.8	25.4	32.4
Total	100.0	100.0	100.0	100.0	100.0
<b>Persons</b>					
Agriculture	4.6	8.5	13.9	47.5	7.0
Manufacturing	20.2	15.7	13.8	6.4	18.5
Construction	11.0	10.2	8.8	4.3	10.5
Distribution & Transp	21.6	18.8	20.4	14.4	20.8
Finance & Business Sves	13.8	10.2	8.6	5.8	12.5
Other Market Services	11.2	9.6	10.5	11.3	10.8
Non Market Services	17.6	27.0	24.0	10.1	19.8
Total	100.0	100.0	100.0	100.0	100.0

One noticeable feature which emerges is the concentration of older workers in the public sector. The figures show that nearly 25% of those aged 55 to 64 years were engaged in “non market services”, i.e., activities related to public administration, health, education and social work. Over 20% of this age group were engaged in distribution and transport activities, while some 14% were employed in each of the agricultural and manufacturing sectors. The figures for women show a much greater degree of concentration. No less than 45% of women were engaged in public service activities broadly defined, with virtually all of the remainder employed in distribution or services. Broadly speaking the figures reveal, for both men and women, a greater degree in sectoral concentration among older workers than is evident for their younger counterparts.

The table also shows separate figures for the 65 years and over age category. While the numbers involved are relatively small, it is of interest to note that nearly 50% of workers aged 65 years or over were engaged in agriculture, and just under 15% in the distribution and transport industries.

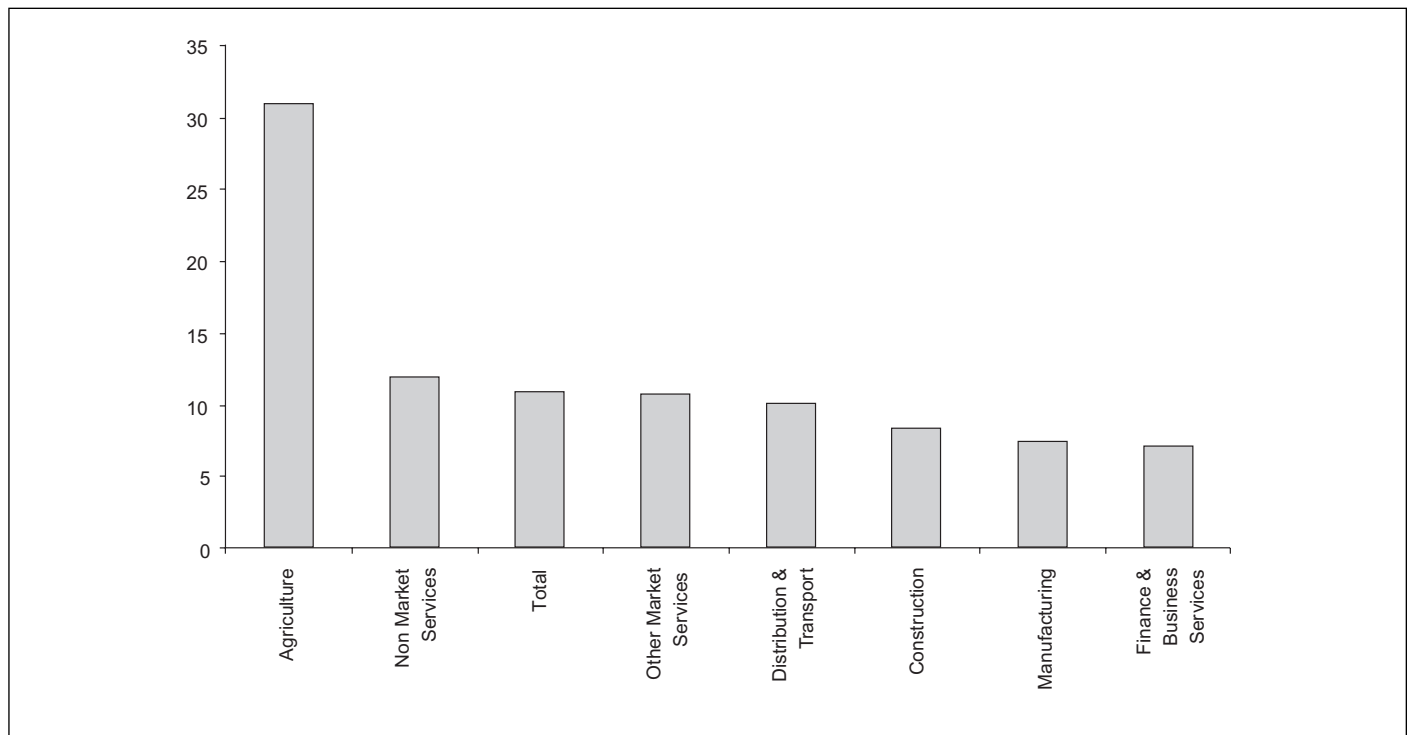
It is also revealing to examine the proportion of workers *within* industries, a feature which is illustrated in Figure 3. Not unexpectedly, the highest share of older workers is in the agricultural sector, the relevant proportion for those aged 55 years

and over being more than 30% in 2001. The lowest proportion of older workers are to be found in manufacturing industry and in financial and business services, each with older worker shares of about 7%. Even though the data are not shown explicitly in this report, if one further sub-divides the manufacturing sector into a high-technology component (i.e. machinery, computer products and chemicals) and more traditional activities, it emerges that the former involves a very small proportion of older workers – just over 5%. This result is not entirely unexpected given the nature of the enterprises involved (many of which are multinational) and also the fact that many are of relatively recent origin.

#### **4. Labour market programmes relevant to older workers**

##### ***Basic support measures***

There are in Ireland, as in most other countries, basic support programmes, mainly in the social protection sphere, which are designed to deal with or alleviate ageing or withdrawal from the labour force. There are, for example, contributory and non-contributory State pension schemes. The former, which applies at

**Figure 3: Shares (%) of Older Workers (55+) within Sectors**

age 65 years, is dependent on the level of social insurance contributions paid. The non-contributory measure (for which eligibility is established at age 66) is intended to cover persons with insufficient contribution records and is means tested. Neither pension system is income linked: both involve fixed absolute weekly payments (dependent, however, on family circumstances) which are reviewed annually.

While there are no early retirement provisions associated with the above measures (i.e. which allow eligibility before age 65 or 66 years) this may be possible under the terms of the State invalidity pension schemes. These are paid in circumstances of serious illness or incapacity, to the extent that the person is classified as incapable of work. In the case of the contribution-based Invalidity Pension (for which the incapacity has to be medically certified as permanent) a minimum of five years of paid social insurance contributions is normally required to qualify. There is an equivalent non-contributory means tested measure (Disability Allowance) for persons who do not meet the required contribution levels. In this case the medical requirements are somewhat less stringent in that eligibility can be established if (on the basis of medical examination) the expectation is that the disability will last for at least a year. The basic weekly payments for these measures are similar to those paid in the case of equivalent State pension schemes.

There is also a Pre-Retirement Allowance Scheme (PRETA) which allows long-term unemployed persons aged 55 years or over to “opt out” of the labour force and continue to receive unemployment benefit without requirements related to work search, availability, etc. There is a condition that applicants sign a declaration stating that they will not take up employment. At age 65 or 66 years these persons would become eligible for the normal State pension supports. This measure is, of course, quite the reverse of what is intended under policies to promote active ageing, as it specifically

discourages persons from remaining in the labour force. This scheme is not in any sense unique, similar measures exist in many other countries.<sup>4</sup>

The numbers of direct participants (i.e. excluding dependants etc.) in the above-mentioned programmes in the year 2000 are given in Table 5.

**Table 5: Numbers of direct participants in age related social welfare programmes, 2000**

Old Age Contributory and Retirement Pensions	164,600
Old Age Non Contributory Pension	90,700
Invalidity Pension	48,700
Disability Allowance	54,300
Pre-Retirement Allowance	12,500
Total	370,300

Source. Department of Social, Community and Family Affairs

When compared with the State pension arrangements in many other European countries, the level of benefits associated with these schemes are relatively low – an outcome which derives in part from the fact that they are not income linked. When viewed in terms of average industrial earnings, the replacement rates vary between 28 and 35%. This is one of the factors which contributes to the relatively high employment rates among older workers in Ireland. Bearing this context in mind, it follows that there is little scope for amending or manipulating the State pension arrangements in Ireland with a view to promoting greater labour force involvement among older workers. To do so would involve additional restrictions to the circumstances under which allowances can be claimed and, possibly, constraints on benefit levels, thus increasing the risk of poverty or disadvantage among the elderly.

<sup>4</sup> Most of these measures were introduced in the 1980s when labour market conditions were particularly depressed.

## Occupational pensions

There are also enterprise-sponsored occupational pension schemes for those in paid employment. The self-employed can also make independent provision for pension income. These schemes are voluntary (in the sense that there is no statutory requirement involved, either for enterprises or employees) and the arrangements vary greatly from one employment to another. The State also provides occupational pensions for its own permanent employees, which are still mainly funded from current taxation on an ongoing basis.<sup>5</sup>

In the case of private sector pensions, for which eligibility is normally established at age 65, the amount of the pension is usually calculated on the basis of 1/60<sup>th</sup> of current salary for each year of service in the company. Basically, therefore, the amount payable is related to the period spent in pensionable employment, even though in many cases this can be adversely affected by problems of transferability of pensions in the event of job changes. This issue is discussed further below. For those in State employment, the amounts payable as pension (on reaching 65 years) is based on 1/80<sup>th</sup> of finishing salary for each year of service, subject to a maximum of 40 years.

Approximately 50% of persons in the workforce in Ireland are members of one or other of the above non-statutory types of scheme. The coverage is as high as 87% in the public sector, but as low as 35% in the case of private sector employees; it is 44% for the self-employed.

Most of the private occupational schemes that have existed to date have involved what are termed “defined benefit” provisions, i.e. they have a guaranteed level of pension benefit when eligibility is established. As such they are deemed as “actuarially biased” towards early retirement. However, the sharp decline in equity values in recent years has had a substantial negative impact on pension funds and has led to the situation where virtually all new pension arrangements now on offer are on a “defined contribution” basis, with no guarantees as to the ultimate level of benefit. This tends to tilt the balance towards longer retention in the workforce. However, since these arrangements apply only to new labour force entrants, any impact on increased workforce participation among older employees will not materialise for a very long time.

## 5. Recent policy initiatives relevant to ageing

### Personal Retirement Savings Accounts

The Pensions Act (2002) provides for the introduction, from 2003, of Personal Retirement Savings Accounts (PRSAs), i.e. portable personal pensions of a defined contribution type. Basically these are investment accounts owned by individuals. The contributions are lodged in investment funds, which are held and managed by an approved PRSA provider, which may be a bank, insurance company, or another financial institution. At an appropriate point in time the funds will be transferred to an institution authorised to offer a life annuity for purchase. At present if an individual’s employment status changes there is an obligation to cease contributing to the existing pension arrangement, if indeed one exists, or if the individual is a member. Although the person may start all over again in a new arrangement, as careers become more fragmented the costs become increasingly onerous and unacceptable both to the individual and providers. In contrast, the owner of a

PRSA would be able to continue it whenever a job change occurs, or if there is an interruption of employment. Such an arrangement would be of particular benefit to atypical workers, and to persons in sectors which involve low coverage in terms of occupational pensions.

It will thus shortly be obligatory for Irish employers to offer such pension products to their employees, but participation in a pension scheme and employer contributions will not be mandatory. This may accelerate the substitution of “defined contribution” for “defined benefit” pensions, a process which, as previously noted, is already under way, and may thus ultimately reduce the limited actuarial incentives towards early retirement in many current defined benefit schemes.

### Lifelong learning

As in other countries, the issue of lifelong learning (LLL) has become very topical in Ireland. This derives from a realisation that economies are moving to a post-industrial phase where the emphasis is increasingly on the ability to acquire knowledge, skills and competencies in an environment of constant change. The previous (1999) Paper in the series that dealt with population ageing also considered this issue, mainly in the context of developments in adult education. The most relevant recent development in relation to LLL was the publication by the Government in December 2002 of *The Report of the Taskforce on Lifelong Learning*.<sup>6</sup> This initiative was sponsored by the Department of Enterprise, Trade and Employment in association with the Department of Education and Science. While, in the first instance, the document stresses the importance of LLL in the labour market, it also deals with the issue in a wider societal context. Lifelong learning has the potential to promote and further develop citizenship whereby people are encouraged to contribute actively to community development, business, politics and the arts and sciences.

The publication of the Report was not specifically prompted by the ageing process in the population, but it is, nevertheless, of obvious relevance when viewed in this context. It does, however, specifically recognise that changing demographic trends will soon reduce the flow of young entrants into the labour market, indicating the need for more investment in upgrading the skills of existing workers. A significant event, which provided an impetus for this and other LLL initiatives, was the publication by the OECD in 1997 of a comparative Adult Literacy Survey that indicated significant literacy and numeracy deficiencies among the Irish adult population. The study identified other aspects of concern. For example, to the extent that existing adult education facilities are used in Ireland, they tend to be availed of by those who are already relatively well educated.

The 2002 report contains a long list of recommendations, the details of which cannot be described in this Paper. They are, however, set out under five distinct headings:

- Developing the National Framework of Qualifications (recently instituted).
- Ensuring basic skills for all.
- Providing comprehensive guidance and information.
- Addressing delivery, access and funding issues.
- Better learning opportunities in the workplace and for workers.

The Report stresses that instituting the required changes in delivery

<sup>5</sup> As from 1995 for those entering public sector employment pension contributions are deducted from their salaries. The Government has set up a special State Pension Fund to facilitate the new arrangements.

<sup>6</sup> Stationery Office (2002). *The Report of the Taskforce on Lifelong Learning*. Dublin



and funding systems is perhaps the biggest challenge to be faced in the move from “education and training” to lifelong learning. Opening up access to a much wider population of learners, covering a greater span of aptitudes, abilities and ages will involve fundamental changes in how education and training institutions operate, and how learning is funded and promoted by the State.

### ***Anti-discrimination legislation in relation to employment***

The Employment Equality Act 1998 is of particular importance in the context of age-related issues in the labour market. This legislation renders it illegal to discriminate (either directly or indirectly) in employment matters on a range of grounds, including age.<sup>7</sup> All aspects of discrimination in employment are covered, including equal pay for work of equal value, access to employment, vocational training, conditions of employment, work experience, promotion and dismissal. The Act makes it unlawful to advertise a job in such a way that the advertisement could reasonably be interpreted as indicating an intention to discriminate. It also provides for the insertion into every contract of employment a “non-discriminatory equality clause”. The terms of the legislation apply to employers in both the public and private sectors and to employment agencies, vocational training bodies, trade unions and professional bodies.

It should be noted, however, that the inclusion of age among the grounds for discrimination in this legislation does not in any sense convey a specific relative advantage on older workers *vis-a-vis* workers in other age groups. Age in the context of this Act covers discrimination at all ages.

## **6. Concluding comments**

In summary, while policies are being developed in Ireland which relate to older persons or population ageing, these are of a more general socio-economic nature designed to address long-term problems. Thus far, none has been specifically associated with the labour market, even though the measures put in place clearly impact on employment related issues. Notable examples relate to the introduction of Personal Retirement Savings Accounts and the 2002 *Report of the Government Taskforce on Lifelong Learning*. There is

not at this stage a comprehensive or co-ordinated programme designed specifically to increase labour force participation among older persons (as, for example, in Finland), nor are there plans to initiate one.

The subject of ageing is addressed in the 2002 National Employment Action Plan which contains a section on the promotion of active ageing. However, it is envisaged that the activities in question would be mainly pursued under wider social or labour market headings related to changes in work organisation, greater involvement of older workers in ALMPs, reconciling work and family life and lifelong learning. It is envisaged in the Plan that most of the activities involved will be promoted through social partnership arrangements<sup>8</sup>.

Issues arising from the effect of population ageing on the labour force have begun to be debated. A number of the State-sponsored development and research agencies have published reports on ageing, both in general terms and in relation to the impact in the labour market. The most recent of these is a 2003 report by the National Economic and Social Forum (NESF)<sup>9</sup> entitled “*Labour Market Issues for Older Workers*”. This focuses on workers aged 45 years or over and deals with aspects such as employers’ attitudes to older workers, training (especially in-firm training with a view to encouraging retention), issues of work-life balance and pension arrangements. Other studies have been commissioned by the State Development Agency (Forfás) and the National Council for Ageing and Older Persons.<sup>10</sup> All of these reports contain recommendations as to how the position of older workers could be improved, with a view to increasing labour force participation.

The reasons underlying the approach taken to population ageing have already been demonstrated. The ageing process is not at as advanced a stage in Ireland as it is in other EU countries and, indeed, may not be as acute (especially in a labour market context) when it does materialise. This would be the case if inward migration turns out to be higher than envisaged in current forecasts.<sup>11</sup> While the wider socio-economic initiatives that have already been taken point to a growing awareness of the consequences of population ageing, it is likely that it will be some time before this gives rise to specific labour market programmes.

*J.J. Sexton & Barra Casey*

<sup>7</sup> The full range of grounds are nine in number – sex, age, marital status, family status, sexual orientation, religion, disability, race and membership of the travelling community.

<sup>8</sup> An important consideration here is whether a new National Understanding involving the social partners and other representative groups will be agreed to replace the one that is now terminating.

<sup>9</sup> The National Economic and Social Forum is a State sponsored consultative body involving the social partners, politicians, and representatives of the community pillar. It should be mentioned that a significant amount of the text in part of this Paper (e.g. on pensions) has been drawn from the NESF report in question.

<sup>10</sup> (a) Forfas (2001). Expert Group on Future Skill Needs. Labour Force Participation Rates among the Over 55s in Ireland. Dublin. (b) National Council Ageing and Older People (2001). Older People Preferences for Employment and Retirement in Ireland, Report No. 67, Dublin.

<sup>11</sup> The migration assumptions associated with current population projections involve declining levels and are quite modest when compared with the large inflows of recent years.

# Italy

## 1. Introduction

The EU officially started to focus its interest on employment opportunities for older workers and on active ageing in 1999, when reference to older workers was explicitly introduced in the employment guidelines. This interest is motivated by the observation that the increasing life expectancy in all industrialised countries leads to an increase in the average age of the population. This process has implications for the composition of the labour force, as the younger cohorts are shrinking and the number of older workers is progressively increasing, and on the sustainability of existing welfare systems.

The above demographic changes have now generated a significant policy debate in Italy. In this country, the policies undertaken in the previous decades – with the aim of encouraging early retirement, to support companies in crisis and to favour the employment of younger workers – have coupled with the demographic tendencies at work to worsen the problem of the dependency of the population on an increasingly lower number of active workers.

The problem is also key in the ongoing discussion on the reform of the pension system and on the re-shaping of the welfare state. There is increasing agreement that such a system is unbalanced and that it encourages workers to retire too early. The reforms of the pension system of the 1990s were based on the forecast that, without interventions, pension expenditure would have reached 23.27% of GDP in 2040, while it is now expected to reach 16% in 2033 and to decrease subsequently below 14% of GDP. The cumulated value of savings in the period 1996-2000 is estimated at 30.3 billion euro (INPDAP<sup>1</sup> Yearly Report on the Welfare State 2002).

**Table 1: Demographic projections**

	2000	2010	2020	2030	2040	2050
Fertility rate*	1.26	1.4	1.4	1.41	1.42	1.42
Life expectancy*						
Males	76.2		79.6			81.4
Females	82.6		86.2			88.1
Net inflow of immigrants (x 1000)*	111	113	117	119	121	124
Old age dependency rate (65+/15-64):						
- ISTAT central scenario	26.6	31.5	37.2	46.4	60.1	63.5
- Eurostat central scenario	26.6	31.3	36.7	45.6	59.0	61.3

Source: ISTAT, Eurostat, Department for General Accounts

Note: \* ISTAT central hypothesis – base 2000

According to official forecasts (ISTAT, Eurostat), the Italian population will increase in the first ten years of the century but, starting from 2012, population ageing and low fertility rates (Table 1)<sup>2</sup> will start to produce a long-term reduction, which should lead to a reduction in the population by 5.5 million individuals in 2050 (Table 2). Between 2000 and 2050, the active population is forecast to fall by 10.7 million (4.5 million by 2030).

Whereas in Europe the population aged 55-64 should grow considerably (around 20%) over the first fifteen years of the century, in Italy the expected increase is less than 10%, although the number of people in this age group should rise sharply in subsequent years. The official forecasts of the population over 55, broken down by selected years of age and gender, are summarised in Table 3.

The overall dependency rate is today not far from the EU average; in particular, the old age dependency rate (the ratio between people over 65 and the working-age population, i.e. the individuals between 15 and 64) is 2.3 percentage points above the EU average<sup>3</sup>. According to forecasts, in 2020 Italy will lose 1.8 million young people and 2.8 million people in the working-age population, and will have 3.8 million old people more than today. As shown in Table 4, the increase in Italy's old age dependency rate will continue along the pattern of growth faster than that of the EU average which started in 1995. This will lead to a sharp increase in the old age dependency rate which, in 2010, will be 4 percentage points above the EU average. An even sharper increase is expected for subsequent years (Table 1). Thus, both in the medium and in the long term the ageing of the population and the increase in old dependency among older people will represent an important problem.

**Table 2: Italian population**

Year	Females	Males	Total
2000	29.676.583	28.003.312	57.679.895
2001	29.718.466	28.058.149	57.776.615
2010	30.030.374	28.458.124	58.488.498
2020	29.764.762	28.276.764	58.041.526
2030	29.207.037	27.768.963	56.976.000
2040	28.327.920	26.877.135	55.205.055
2050	26.823.717	25.343.853	52.167.570

Source: Istat.

<sup>1</sup> National Institute for the Social Security of Public Employees.

<sup>2</sup> The Italian fertility rate is today the lowest in the EU.

<sup>3</sup> It should, however, be noticed that the ratio between the under 20s and the individuals of age 20-54 and the ratio between the over 60 and those of age 20-54 are respectively higher and lower than the EU average.

**Table 3: Population forecasts on 1 January 2001**

Age	2001			2005			2010			2015		
	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
55	630360	310071	320289	768113	378880	389233	758315	374473	383842	824344	411000	413344
60	737794	355989	381805	638965	310667	328298	751137	366831	384306	743415	363812	379603
65	649332	304883	344449	704602	333668	370934	614407	293315	321092	724335	347769	376566
70	620039	277148	342891	596161	270073	326088	657687	301841	355846	577066	267564	309502
75	495910	203836	292074	510224	215914	294310	532318	229571	302747	592595	259632	332963
80	380037	139135	240902	399462	150965	248497	421155	165001	256154	446220	178846	267374
85	216385	71011	145374	173451	56504	116947	287056	96922	190134	310080	109083	200997
90+	382885	96434	286451	485923	126049	359874	460758	117064	343694	716777	188126	528651

Source: ISTAT

**Table 4: Old age dependency rate on 1 January 2001**

	EU 15	Italy
1990	21.6	21.5
1995	23.0	24.1
2000	24.3	26.6
2001	—	27.1
2010	27.3	31.3

Source: Eurostat – Demographic Statistic

Furthermore, it is increasingly understood that problems related to the development of the labour market and to the pension system are bound to increase in the future, if policies aimed at reducing dependency rates are not undertaken.

## 2. Trends and developments on the labour market

In Italy, labour force participation reflects some of the main structural characteristics of the labour market, which differentiates it from the average European experience. Two elements appear to be particularly important: reduced participation of the population in the labour market and sharp regional disparities. According to the ISTAT quarterly labour force survey, in October 2002 the overall **activity rate** (age 15-64) was 61.2% as compared to 60.8% in October 2001 and to a European average of 69.4%. The rate was 66.4% in the North, to 62.6% in the Centre and 53.9% in the South of the country. The activity rate of older workers in October 2002 is lower: in the age bracket 55-64 it is 29.4%, 14.8 percentage points below the European average.

Recent trends in the activity rate for the 55-64 year olds show that from 1995 to 2001 the overall (male and female) rate remained substantially stable, recording only a slight fall of 0.4 percentage points (Table 5). However, the year 2001 experienced an increase of 0.2 percentage points with respect to 2000. These trends are the result of a continuing fall in the activity rate among males and a constant increase among females. Also the activity rate among older people (over 65) fell by 0.3 percentage points in the period 1995-2001, with decreasing trends for both males and females.

Gender differences are confirmed by an analysis at the geographical level (Tables 6, 7 and 8). The activity rate of females remains

**Table 5: Activity rates (age 55-64)**

	1995	1996	1997	1998	1999	2000	2001
<b>Males</b>							
55-64	46.5	45.9	44.0	43.5	43.2	42.7	42.3
Over 65	6.4	6.3	6.8	6.3	5.9	5.8	6.0
<b>Females</b>							
55-64	14.1	15.2	15.5	15.7	15.8	16.1	16.9
Over 65	1.8	1.8	2.0	1.7	1.7	1.6	1.6
<b>Total</b>							
55-64	29.6	29.9	29.2	29.0	29.0	29.0	29.2
Over 65	3.7	3.6	4.0	3.6	3.4	3.3	3.4

Source: ISTAT

**Table 6: Activity rates (age 55-64) — regional data — North**

	1995	1996	1997	1998	1999	2000	2001
<b>Males</b>							
55-64	39.9	39.0	36.9	36.3	36.6	35.7	34.9
Over 65	6.6	6.6	7.3	6.8	6.5	6.4	6.4
<b>Females</b>							
55-64	12.4	13.5	14.2	14.5	15.0	15.1	15.9
Over 65	1.7	1.9	2.0	1.8	1.9	1.7	1.7
<b>Total</b>							
55-64	25.7	25.9	25.2	25.1	25.5	25.1	25.1
Over 65	3.7	3.7	4.1	3.8	3.7	3.5	3.6

Source: ISTAT

substantially below that of males in every region, but from 1995 to 2001 it shows an increasing dynamic, particularly sharp in the South in the last two years, where it rises by more than 18%. The activity rate of males falls everywhere. The rate in the North is notably below that of the other geographical regions for the entire period.

In 2001 the Department of General Accounts of the Ministry of the Treasury (Ragioneria Generale dello Stato) presented forecasts for the activity rates of older workers (55-64). This study, aimed at programming pension expenditure, suggested that the activity rates may experience structural changes in the future, mainly for the following reasons:

**Table 7: Activity rates (age 55-64) — regional data — Centre**

	1995	1996	1997	1998	1999	2000	2001
<b>Males</b>							
55-64	51.4	50.5	48.4	46.4	45.5	44.7	45.3
Over 65	6.9	6.4	7.2	6.5	6.2	5.9	6.1
<b>Females</b>							
55-64	17.7	18.8	18.9	18.5	19.3	19.4	19.4
Over 65	2.2	1.9	2.2	1.8	1.9	1.5	1.6
<b>Total</b>							
55-64	33.8	33.9	33.0	31.9	31.9	31.5	31.8
Over 65	4.2	3.8	4.3	3.8	3.7	3.4	3.5

Source: ISTAT

The increasing participation in schooling and training systems;

The gradual increases in the retirement age introduced by the pension reforms of the 1990 (to be discussed in the next sections), together with the ongoing changes in the structure for age and contribution history of the workers belonging to the pension system;

The change in the equilibrium conditions in the labour market due to the sharp fall in the working population to be registered in the central forecast period (2020-2030).

As for the older workers, the greatest impact should be produced by the last two elements. The third is linked to the shift of the “baby boom” generations from activity to inactivity. This will produce a drastic fall in the working population, which will not be coupled by a similar and contemporaneous reduction in the total population. This mismatch in the trends of the two demographic components will require an increase in activity rates which, however, appear to possess different potentials according to age and gender. The forecasts for 2010, 2030 and 2050 for all ages are drawn in Figure 1, which highlights a significant increase in the activity rates, both for males and females, especially for the age bracket 55-60. This increase is also due to the tightening of constraints on the retirement age<sup>4</sup> and the negative developments in the relation between age and contribution history which cause workers to postpone exiting from the labour market.

The past dynamics of **employment rates** are consistent with what was observed with respect to activity rates. In the 1990s, Italy recorded a high number of early exits from the labour market, a phenomenon which continued, although less sharply, after the pension reform of 1995 (see the next section), due to the persistence (even though with new and more strict rules) of early retirement. More than 1,230 million new pension benefits due to early retirement were paid between 1996 and 2000. For this reason, the employment rate of older workers is notably below the European average (Table 9): in 2001 the difference was close to 10 percentage points.

Medium term trends, however, show a more encouraging scenario. After the decline of the period 1995–2000, experienced also by the European average in the previous five-year period, the employment rate among the over 54s started to rise, due to the female component: this employment rate increased by almost 3 percentage points with respect to 1995, whereas the rate for males continued to fall (4.3 percentage points less than in 1995). According to the

**Table 8: Activity rates (age 55-64) — regional data — South**

	1995	1996	1997	1998	1999	2000	2001
<b>Males</b>							
55-64	53.3	53.3	52.3	52.8	52.1	52.5	52.0
Over 65	5.8	5.7	5.9	5.5	4.9	5.0	5.4
<b>Females</b>							
55-64	14.3	15.4	15.4	15.5	14.9	15.4	17.0
Over 65	1.6	1.6	1.8	1.6	1.4	1.4	1.4
<b>Total</b>							
55-64	32.8	33.4	33.0	33.3	32.7	33.2	33.8
Over 65	3.3	3.3	3.6	3.2	2.9	2.9	3.1

Source: ISTAT

ISTAT short-term projections of overall employment rates for the age group 55-64, the increase recorded in 2001 should continue in 2002 (28.2) and in 2003 (28.3).

The change in the trend has been assisted, besides the favourable tendencies in total employment, by the increasing effects of the pension reforms of the 1990s, in particular with their effects on retirement age. Early retirement has been progressively reduced, and retirement as an instrument of social policy (as opposed to firing), heavily employed in the first half of the 1990s (with a peak in 1992), has been gradually eliminated.

An effect on the employment rate among the over 54s has also been due to changes in the age structure of the population. However, it should be noted that, according to recent investigations (Employment in Europe 2002, Chart 52, p. 66) progressive population ageing has had only a limited effect, with a contribution to the increase in the overall employment rate (i.e. for the age group 15-64) equal to 2-2.4 percentage points in 2000.

Medium-term projections of the employment rate relate to three different scenarios (Table 10): one produced by ISTAT on the basis of its central hypothesis on demographic developments; the EPC-WGA based on the central Eurostat forecasts of demographic developments; the EPC-WGA “Lisbon” which tries to reproduce the policy indications agreed upon at the Lisbon European Council.

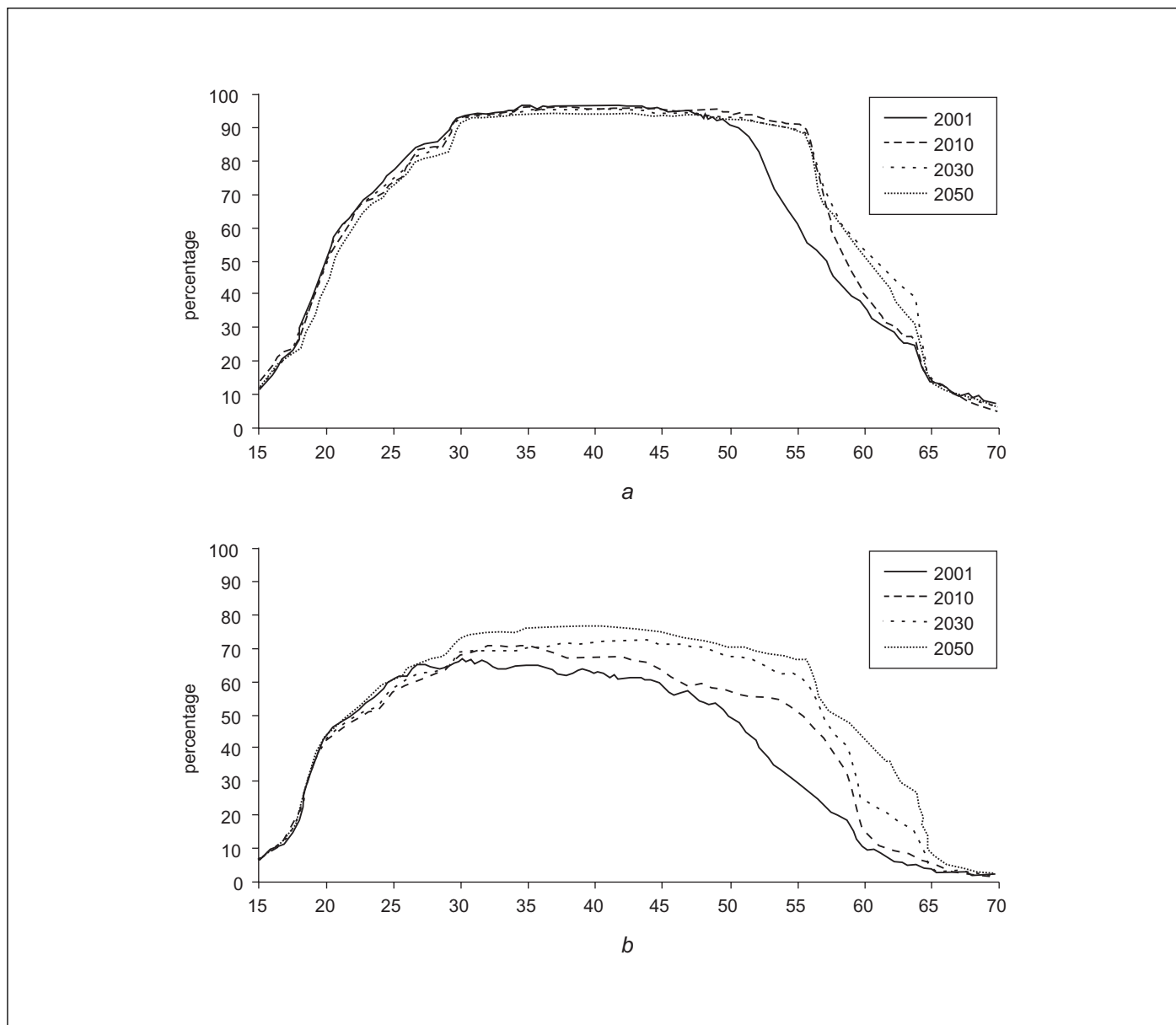
Starting from the first decade (2000-2010), the three scenarios forecast relevant increases in the employment rate which are mainly due to:

1. increases in the retirement age according to the present laws;
2. evolution in the relationship between age and contribution history;
3. progressive fading out of the effects produced by the previous pension regimes.

The employment growth of older female workers (55-64) is worth stressing: in 2010 the employment rate for this group is expected to be almost twice as much as the present one. Finally, it is worth recalling here (see also the next sections) that the Italian Government set a target of 40% in the 2002 NAP for the employment rate of older workers. The achievement of this target will require an acceleration of the growth in employment, as compared to the forecasts discussed above.

Until 2001, the Italian **unemployment rates** among the over 54s have been below the European averages (Table 11). This is a stable

<sup>4</sup> The different shapes of the curves are explained also by the different pension systems applying to the years 2010 (pay-as-you-go), 2030 (*pro-rata*), and 2050 (capitalisation). See the next section.

**Figure 1: Activity rates forecasts**

Source: Department of General Accounts – Ministry of Treasury

**Table 9: Employment rates (age 55-64)**

	1990	1995	2000	2001
<b>Males</b>				
Italy	—	44.7	40.9	40.4
EU	—	47.0	48.0	48.6
<b>Females</b>				
Italy	—	13.5	15.3	16.2
EU	23.9	25.3	28.0	29.1
<b>Total</b>				
Italy	—	28.6	27.8	28.1
EU	37.0	36.0	37.8	38.8

Source: ISTAT and Eurostat

characteristic, mostly due to the low participation of Italian older workers to the labour market and the low employment rates in this age group (see the previous subsections).

The period 2000-2001 experienced a slight fall in the unemployment rate (0.1 percentage points), following the upward trend recorded in the 1990s. It should, however, be noted that the decrease in the unemployment rate:

- is the result of a number of components, as can be detected when broken down by gender; the fall is in fact due only to the female component, whereas unemployment among males increased;
- is less than the fall in the European average for the same period, with the differential progressively narrowing.

As for the numbers withdrawing from the labour market for long-term sickness and disabilities, the phenomenon has to be perceived through several scattered pieces of information. According to the Eurostat data, the number of persons of age 50-64 who were inactive in 2000 was 6,138 million, of which 2,232 were males and

**Table 10:** Forecasts of employment rates for the older workers

	Age	2000			2010			2020		
		M	F	Total	M	F	Total	M	F	Total
Nat. Baseline Scenario	55-64	40.9	15.3	27.7	51.4	27.9	39.4	58.1	32	44.9
	65-69	10.5	2.6	6.3	10.7	3.6	6.9	11.9	4.1	7.9
<b>EPC-WGA</b>										
- Baseline	55-64	40.9	15.3	27.7	51.6	28	39.5	59.5	32.6	45.9
	65-69	10.5	2.6	6.3	10.7	3.6	6.9	12.1	4.2	7.9
- Lisbon	55-64	40.9	15.3	27.7	53	30.6	41.5	62.6	39.4	50.9
	65-69	10.5	2.6	6.3	11.3	4.3	7.6	12.5	4.8	8.5

Source: Department for General Accounts – Ministry of Treasury

**Table 11:** Unemployment rates (age 55-64)

	1990	1995	2000	2001
<b>Males</b>				
Italy	1.5	3.7	4.0	4.4
EU	—	7.6	6.6	-
<b>Females</b>				
Italy	2	4.9	4.9	4.5
EU	—	8	7.8	6.5
<b>Total</b>				
Italy	1.8	4.3	4.7	4.6
EU	—	8.3	7.6	6.5

Source: ISTAT and Eurostat

4,085 were females. In the same year, the persons over 15 who were inactive due to sickness and disability were 1,670 million, of which 598 were males and 1,073 were females. The other available piece of information is that, according to the INPDAP Yearly Report on the Welfare State 2001, in 1995 among the main reasons for retirement of the male pensioners of age 55-64, illness and invalidity accounted for 5.2% of the total. The 2002 INPDAP Report states that the number of pensions for invalidity and inability on 1 January 2001 were equal to 397,090.

The dynamics of the average actual **retirement age** are summarised in Table 12. From 1994 to 2001 the retirement age increases progressively, although discontinuously, in line with the objectives

**Table 12:** Average actual retirement age

	Male	Female	Total
1994	58.8	57.4	58.4
1995	58.5	58.3	58.4
1996	58.3	56.3	57.8
1997	57.4	57.1	57.4
1998	58.8	59.3	58.9
1999	59.8	58.3	59.4
2000	59.5	58.9	59.3
2001	59.1	60.4	59.4

Source: Ministry of Welfare

of the 2002 Barcelona Council. This tendency is mostly produced by the 1992 and 1995 reforms of the pension system, especially by the tighter constraints on early retirement. The increase in the retirement age is sharper in the case of females (5.3% in the eight-year period).

The measures adopted for the pension system which will show their effects in the next few years should accelerate the increase in the average working life (see the next section). Although forecasts are not easy to make, due to the co-existence, for a long transitory phase, of the pay-as-you-go with the capitalisation system, the process of increase in the retirement age should be long and gradual, and the final passage to the new regime, which makes more flexible the choice of when to retire, should provide strong incentives to postpone exit from the labour market.

As for the **participation in training**, Table 13 contains the percentage of the population aged 55-64 participating in education and training over the four weeks prior to the survey. In spite of the increasing trend in lifelong learning recorded between 1992 and 2000 (from 0.3% to 0.9%), the percentage of older people engaged in education and training programmes remains well below the European average of 3%. The differential increases in 2001, due to the stability of the European average and the slight fall in the Italian record. The Italian situation appears to be even more distant from the EU 15 average when we consider the percentage of the population aged 55-64 having achieved at least upper secondary education (Table 14). In spite of the notable medium-run improvement highlighted in the table, which took that percentage from 14.6 in 1992 to 21.8 in 2001, in the latter year the Italian data is still below the European average by more than 26 percentage points. The differential widens by almost 3 percentage points from 1995 to 2001.

**Table 13:** Lifelong learning, age 55-64

	1992	1995	2000	2001
Italy	0.3	0.6	0.9	0.8
EU	—	—	3	3

Source: Eurostat, Labour Force Surveys

**Table 14:** Educational attainment, age 55-64

	1992	1995	2000	2001
Italy	14.6	14.9	23.6	21.8
EU 15	—	38.6	48.4	48.4

Source: Eurostat, Labour Force Surveys

### 3. The policy framework

The Italian old age **pension system** is compulsory and public. Before 1996 it was based on the pay-as-you-go criterion, but the “Dini reform” of 1995 provides pensions based on the contribution principle, entirely for those employed after 1 January 1996, or in part, according to the number of years of contribution to the system ruling before 1996.

In the old system, the retirement age was set at 60 years for females and 65 for males, but retirement was allowed also to those above 54 years of age and 35 years of contributions, and to those with 37 years of working life, independent of age. In the new regime the retirement age is flexible between 57 and 65 years of age, both for males and females, but retirement is also allowed after 40 years of contributions, independent of age.

In the old system, the pension benefit (which reaches its limit after 40 years of contribution) is calculated by multiplying the average wage/salary over a period depending on the years of contribution (last 10 years for those who had paid contributions for more than 18 years on 31 December 1995 and the entire working life for the others) by the years of work and by a coefficient determined as follows. (1) In the private sector, for the working life before 31 December 1992: 2% for the yearly incomes below 33,714 euro; 1.5% for the income bracket 33,714 – 44,840 euro; 1.25% for that of 44,840 – 55,966 euro; 1% above the latter limit. (2) In the private sector, for the working life after 31 December 1992, the coefficients are: 1.6% for the second income bracket; 1.35% for the third; 1.1% for the income bracket 55,966 – 64,057 euro; 0.9% above the latter limit. (3) In the public sector it is equal to 2%. The pension benefit is indexed to consumer prices but not to wages/salaries.

In the new system, which applies to those employed for the first time after 1 January 1996, the pension benefit is calculated by multiplying a coefficient ( $e$ ) by an amount obtained by capitalising 33% of the wages/salaries obtained during the working life, annually adjusted for the average rate of growth of nominal GDP in the previous five years. The coefficient  $e$  reflects the life expectancy at the time of retirement and it increases with the actual retirement age. For example, for a worker retiring at the age of 57 the coefficient is today equal to 4.72%, but it increases to 6.12% for those retiring at 65. The substitution rate (pension over the last wage/salary) in the new regime is thus inversely related to the difference between the rate of growth of the worker’s wage/salary and the rate of growth of GDP (whose long-term value is set at 1.5%). For example, for a rate of growth of GDP equal to 2%, the substitution rate of a worker who will pay contributions for 40 years and will retire at 65 is equal to 67.4% if the rate of growth of his wage/salary is one percentage point above that of GDP; the rate falls to 57% if the former rate of growth is more than two percentage points above that of GDP. The pension benefit is indexed to consumer prices but not to wages/salaries.

For all the workers who contributed for less than 18 years to the previous regime, the contribution system is applied *pro-rata* (mixed system), whereas for those who had more than 18 years of contributions at the time of the reform the pension benefit is entirely calculated on the basis of the old rules.

Recent attempts to build a second “pillar” of the pension system, based on capitalisation of contributions and (open and closed)

pension funds has not yet been able to seriously take off. This integrative scheme should not be funded through the contributions sustaining the first pillar, but should draw on the TFR (funds belonging to the worker but retained and accumulated by the employer).

In the private sector, the contribution rate of workers is equal to 8.89% (plus 1% for the part of earnings exceeding 33,714 euro) and that of employers is 23.81%,<sup>5</sup> for a total of 32.7% (and for maximum yearly earnings equal to 73,332 euro for those employed after 1996, who belong to the capitalisation regime). The State provides transfers for assistance measures and for support to pension schemes. In the public sector, the contribution rate of workers is 8.55% and that of the employer is 23.8% in the case of local authorities and 24.2% in the case of the state. The State provides transfers sufficient to cover the total pension expenditure.

According to the “Nucleo di valutazione della spesa pensionistica” (the department of the Treasury in charge of monitoring social expenditure), in 2001 pension expenditure, which amounted to 13.5% of GDP (the same value as in 2000 and 0.4 percentage points below that of 1999), was mostly financed by contributions. After remaining above 10% of GDP since 1996, in 2001 contributions amounted to 10.5% (as compared to the value of 10.3% recorded in 2000, 10.5 in 1999, 10.2 in 1998 and in 1997). The GIAS (the department of the national institute for social protection, INPS, in charge of the management of assistance measure) financed expenditure for an amount equal to 2.2% of GDP (which has been fairly stable since 1998, when the borders between pensions and assistance measures were redefined by law). The deficit, which is mostly due to the state financing of the pension fund of state employees, was thus equal to 0.8% of GDP, as compared to the value of 1% recorded in 2000, 1.1 in 1999, 1.3 in 1998, 1.8 in 1997.

The Stockholm European Council set the target of increasing the Union **employment rate** among the 55-64 up to 50% and the Barcelona Council proposed, according to the timing up to 2010 set for the employment rates, to increase the retirement age by five years. In line with these goals, the NAP 2002 sets, for the first time, a “plausible although ambitious” quantitative target: increase the employment rate among the 55-64 to 40% by 2005, from 28% in 2001.<sup>6</sup>

This target requires, of course, the activation of wide-ranging policies, although the gradual phasing in of the pension reforms and further measure in the Government agenda (in particular, the increases in minimum retirement age), to be discussed below, should strengthen the recent positive trends in old age employment rates (see Table 9), improving also those for males.

Some steps towards the achievement of such targets are contained in the Budget Law (Legge Finanziaria) 2002, which passed in Parliament on 23 December 2002. The prohibition to cumulate pensions and income from work was abolished for those who retire at minimum 58 years of age and with 37 years of contribution. The same applies to those already retired on 1 December 2002, even though these individuals will have to pay a certain amount depending on their age and contribution history at the time of retirement. A ratification (“sanatoria”) is available for the pensioners who illegally worked in the black market.

The general lines of action which the Government wishes to pursue

<sup>5</sup> Employers pay contributions also for illness and motherhood (3.09% for blue-collar and 0.87% for white-collar workers); unemployment (4.71% for both types of workers) and family support (2.48% for both types of workers).

<sup>6</sup> It is worth reminding that the targets set for the total employment rate and the female one are set, respectively, at 58.5% (an increase of 3.6 percentage points) and 46.0% (an increase of 4.7 percentage points).

should take the territorial imbalance into account. In particular, in the Centre-North, where the employment rate is close to the European average, the aim is to increase the training of adults and to promote active ageing; in the South, the increase in employment rates should derive from a new reform of the pension system and from measures for the surfacing of hidden work by pensioners.

The main measures providing incentives to prolong working life are contained in two laws (*Leggi delega*) yet to be passed: the Legge delega on the labour market (which is the object of negotiations with social partners) and the Legge delega on the pension reform (also to be discussed with social partners).

As for the former, the general measures the Government believes will have a positive and particularly sharp impact on older workers are those favouring part-time labour, introducing new types of contracts and fostering lifelong learning. Specific measures for the labour market in the South encompass improvements in the demand/supply matching, also through private employment services, the integration between training and income support to the unemployed (workfare), labour market rules more favourable for small firms and aiming at increasing their size and, finally, contribution and tax abatements.

The main measures contained in the law on pension reform that should favour a longer working life can be summarised in three main items.

1. In order to postpone the exit from the labour market, most favourable conditions should be guaranteed to those who remain in employment after retirement age. Those eligible for retirement who want to postpone it can sign a labour contract (for at least two years) providing the same earnings as the previous one but bearing fiscal and contribution advantages: earnings are separately taxed and no contribution is levied on both the employee and the worker. This will be to the advantage of both workers and firms, since at least half of the unpaid contribution will be given to the worker (who pays less than one third of total contributions) and the remaining part will reduce labour costs. These special contracts can be renewed for less than two years.
2. The retirement age should be liberalised, on the basis of an agreement between employee and worker. The present regulation of old age pensions should continue to apply to the female workers.
3. All work (including self-employment) should be subject to separate taxation. This creates a double advantage for pensioners, as earnings avoid the marginal rate of income tax on cumulated income (labour earnings plus pension) and contribution is not compulsory but voluntary.

Other marginal measures should include regional actions (mainly training) for older workers, specialised services for older workers by the PES and enhancement in the activity of the territorial centres for learning and education of the adults.

#### 4. Evaluation

Given the little attention paid until recently to the employment of older workers, it is indeed difficult to single out relevant case studies to report upon. This is confirmed by the fact that the only example of relevant best practices which can be found in the NAP 2002 is the reference to a programme, undertaken by the Milan City Hall, aiming at enhancing the professional and relational expertise of pensioners working in libraries.

For the same reason, the evaluation of policies is extremely limited, as shown by the fact that the evaluation of the 1990s reforms of the pension systems has mainly focused on their effects on public expenditure. As mentioned above, the only remark that is often made in official documents and in research work is that the pension reforms provided support to the increasing trend in employment among the older workers through their constraints on the retirement age. But little evaluation is contained in the statement that the employment of older workers increases when early retirement is reduced and retirement – as an alternative to firing – is gradually eliminated.

#### 5. Conclusions

Albeit with some delays, the issues related to older workers are becoming increasingly important in Italy. Population ageing shrinks the younger cohorts of the labour force, raises doubts on the sustainability of the pension system and asks for a reshaping of the welfare state. And there is awareness that these problems are bound to increase in the future if policies aiming at increasing employment are not undertaken.

This led to a reverse in the policies undertaken in the last 15 years which aimed at encouraging early retirement in order to increase the employment of younger workers, but which actually worsened the problem of the dependency of the population on a lower number of active workers. It also favoured the reforms of the pension system and the setting of targets for the employment rate of older workers. Several further policies are presently on the Government's policy agenda, including a general reform of the labour market and incentives to older workers for postponing the exit from the labour force.

Less developed is the design of measures aimed at reducing the existing gap with the EU average regarding the quality and abilities of older workers. In order to enhance the older workers' human and skill capital, a further effort is needed to expand lifelong learning and other policies able to promote active ageing.

*Giuseppe Ciccarone & Enrico Marchetti*



# Luxembourg

## 1. Introduction

We shall, first of all, provide some general data in Sections 1 and 2 on the situation of older workers in, and outside, the labour market.

### 1.1 Characteristics of the jobseekers registered for work at the end of each month

Reading Table 1, we can see that, of the people in the age groups 55-59, 60-64 and 65 and over, 11,436 are in work and 43,294 are retired. Although those in the 55-59 age group are, for the majority, still in work, the turning point comes at 60, after which, as we would expect, we find more retired than active persons. We should note the large proportion of persons in the 65 and over group who are listed not as retired, but as employed in their own homes.

### 1.2 Projections

Rather than seek to convey demographic trends and projections here, we are going to focus on a more specific element. The PSELL programme,<sup>1</sup> which has been running now for several years at the CEPS/INSTEAD,<sup>2</sup> and which studies the living conditions of Luxembourg households from many angles, put this question to active individuals aged forty or over within the 2,554 households covered by its survey in 1998:

“Taking your current situation into account, would you agree to work beyond your retirement age?”

Three broad categories of response were possible: unreserved agreement, agreement with reservations and refusal.

The results were as follows:

**Table 2: Questions of the PSELL programme<sup>4</sup>**

	Unreserved agreement	Agreement with reservations	Refusal
Over 40	11.9%	21.1%	66.0%
Over 45	11.7%	21.4%	66.2%
Over 50	10.9%	20.7%	67.5%
Over 55	9.0%	22.9%	60.0%

We find, then, that the majority of persons questioned do not wish to work beyond the age at which they envisage retiring. And those who would agree to do so would largely do so with reservations. We can sense, then, an aspiration to benefit from retirement as soon as possible.

Among those polled who would agree unreservedly to carry on working, the main motive given is the avoidance of boredom. Among those who would agree with reservations, they specify that they would do so given shorter working hours or better pay. Lastly, those who would reject working beyond the expected retirement age would do so because they felt they had done enough work in their lives.

**Table 1: Total population by age group and sex, distributed according to their relationship to economic life at 1 March 1991<sup>3</sup>**

Age	Total	In employment	Unemployed	Retired	Working in the home	Pupil or student	Other
15-19	21443	5555	400	-	205	15175	108
20-24	28059	19881	658	-	1511	5712	297
25-29	33296	26521	587	-	4698	1128	362
30-34	33121	25099	496	-	6936	177	413
35-39	30365	22914	393	-	6554	30	474
40-44	28149	20896	313	-	6298	3	639
45-49	23653	16430	234	-	6041	-	948
50-54	22486	13298	129	2064	6806	-	189
55-59	21207	7811	67	5836	7361	-	132
60-64	21391	2987	19	10369	7869	-	147
65 and over	50298	638	1	27089	22084	-	486
Age not indicated	4748	1898	20	435	858	1257	280
Total	318216	163298	3317	45793	77221	23482	4475

<sup>1</sup> Panel Socio-Economique “Liewen zu Lëtzebuerg”.

<sup>2</sup> Centre d’Études de Populations, de Pauvreté et de Politiques Socio-Economiques/International Networks for Studies in Technology, Environment, Alternatives, Development.

<sup>3</sup> Annuaire statistique de Luxembourg 2001 (Luxembourg: STATEC, December 2001).

<sup>4</sup> Programme PSELL, CEPS/INSTEAD, Differdange, 1998.

## 2. Statistical Data<sup>5</sup>

### Number of pensions

The number of pensions being paid in December 2001 stood at 110,401 units, a rise of 1.9% over the previous year. This growth rate is the overall product of a 3.8% increase in the number of retirement and early-retirement pensions, a 1.3% rise in widows/widowers' pensions, a 0.2% increase of orphans' pensions and a 2.1% fall in the number of invalidity pensions.

There are many reasons for the renewed rise in the growth rate of pensions which began in 1987 after a period of very moderate growth in the early 1980s. We must first note that the low growth in the number of pensions in the early 1980s is the product of the trough in the age structure affecting the generations born between 1915 and 1925 as a result of the low birth rate during the First World War and the high number of casualties in the Second. As a result, the number of retirement and early-retirement pensions stagnated between 1980 and 1985, oscillating between 31,300 and 31,600 units,

before increasing then to 49,272 units in 1996, which represents a rise of more than 50% in fifteen years. This trend was amplified by the law of 27 July 1987, which repealed the qualifying condition for the granting of an old-age pension and which provided, over a five-year transitional period, for the granting of a pension with a five-year insurance period rather than the normal ten-year period. This measure brought a substantial rise in the awarding of old-age pensions to women who would not otherwise have received them.

A second factor was the continuous rise in invalidity pensions. This growth had already been regarded as normally high since 1975 by virtue of the extremely favourable conditions laid down by the law of 26 March 1974, setting the level of pension supplements in case of invalidity or early death for persons who were victims of illegal acts on the part of the occupying forces.

We can see from Table 3 that, between 1990 and 2001, old-age pensions were rising, though more for men than for women. Invalidity pensions are rising also, but to a higher degree for women.

**Table 3:** Trends in the numbers of old-age and invalidity pensions

		1980	1985	1990	1995	1999	2000	2001	Rates of variation 2000/2001	Average variation 1990/2001
<b>Old-age pensions</b>	Men	20800	20788	25766	34253	39294	40534	41958	3.5%	4.5%
	Women	10740	10753	11784	13430	14497	14970	15639	4.5%	2.6%
<b>Invalidity Pensions</b>	Men	8754	10138	12010	13901	14105	13590	13193	-2.9%	0.9%
	Women	3001	3584	4470	6088	6876	6797	6762	-0.5%	3.8%

**Table 4:** The distribution of jobseekers by sex and by age in October 2002 and November 2001 and 2002

	Age	Under 26	26-30	31-40	41-50	51-60	Over 60	Total	%
<b>October 2002</b>	<b>Total</b>	1,453	886	1,863	1,445	774	34	6,455	
	%	22.5	13.7	28.9	22.4	12.0	0.5	100	
<b>November 2002</b>	Men	751	432	1,023	835	494	22	3,557	53.7
	Women	719	474	897	661	301	16	3,068	46.3
	<b>Total</b>	1,470	906	1,920	1,496	795	38	6,625	100
	%	22.2	13.7	29.0	22.6	12.0	0.5	100	
<b>November 2001</b>	<b>Total</b>	1,037	686	1,540	1,370	705	30	5,368	
	%	19.3	12.8	28.7	25.5	13.1	0.6	100	

**Table 5:** The distribution of jobseekers by age and length of registration in November 2002

November 2002	Under 1 months	1-3 months	3-6 months	6-9 months	9-12 months	More than 12 months	Total
Under 26	482	535	149	63	52	189	1,470
26-30	185	279	161	104	64	113	906
31-40	331	497	337	231	161	363	1,920
41-50	206	329	217	175	135	434	1,496
50-60	67	119	103	99	84	323	795
Over 60	3	1	4	3	10	17	38
<b>Total</b>	1,274	1,760	971	675	506	1,439	6,625
%	19.2	26.6	14.7	10.2	7.6	21.7	100

<sup>5</sup> Inspection Générale de la Sécurité Sociale, *Rapport général sur la sécurité sociale 2001* (Luxembourg: Ministère de la sécurité sociale, November 2002).

### 3. The situation of older workers on the labour market<sup>6</sup>

These few figures in Table 4 show us that the oldest persons – that is to say, those in the 51-60 and over-60 categories are poorly represented among jobseekers. And, by comparison with November 2001, their numbers are even in decline.

So far as the older unemployed are concerned – that is to say, persons in the 51-60 and over-60 categories – we must note that many of them remain for a long time on the job-seekers' register, by contrast with the youngest categories. Greater age, then, is a factor that plays a role in long-term unemployment.

## 4. Policies relating to older workers

### 4.1. Retirement and pensions<sup>7</sup>

The aim of the old-age pension scheme is to grant a pension to insured persons who have reached retirement age. The contributions paid and the periods of insurance fulfilled are registered in a personal file: the "contributions record". All those who pay social security contributions annually receive a statement of their "contributions record", giving detailed figures relating to the past year. A distinction is made between the periods occasioning payment of contributions, such as periods of professional activity or periods with a replacement income subject to the payment of contributions (sickness, maternity, unemployment) and those where no contributions are payable, such as periods of study or vocational training between 18 and 27 years. These latter serve mainly to complete an incomplete contributions record in the case, for example, of early retirement.

The normal retirement age is set by law at 65. However, since 1991, the principle of the "flexibility of retirement age" has been in force in the Grand Duchy of Luxembourg.

We must, then, distinguish between three types of old-age pension:

- a) The normal old-age pension (granted at 65), which is granted on the following conditions:
  - having reached the age of sixty-five;
  - having contributed for at least 120 months to the obligatory old-age pensions scheme, either continuously or by a retroactive purchase.
- b) The early retirement pension, which can be granted either at 57 or 60 years of age, on the following conditions:
  - having reached the age of 57 and having contributed for 480 months to the compulsory old-age pension scheme; or
  - having reached the age of 60 and having contributed for 480 months to the insurance scheme, at least 120 months of this being to the obligatory insurance scheme.

"Assimilated" periods, for which no contributions have been paid, may also be counted. In the case of early retirement pensions, the insured person can pursue only negligible or occasional paid activity – that is to say, an activity bringing in an income which, over the year, does not exceed one third of the minimum social wage, which, at 01/01/2002 stood at 430.07 euro. If the person's income from employment exceeds this ceiling, the pension is automatically reduced by half.

- c) The deferred old-age pension (granted between 65 and 68) is granted at age 65 on condition of having contributed for at least 120 months to the obligatory old-age insurance scheme. Since the insured person declines his/her right to a pension at 65, the amount is recalculated each month between the 65<sup>th</sup> and 68<sup>th</sup> years, using a co-efficient set by government regulation.

The calculation of the amount of the pension is made to the index rating 100 of the cost of living, with 1984 as a base year. The sum is then revised upwards to current living standards by a factor of adjustment of 1.301 on 1 June 2002 and adapted to the cost of living by the rate of indexation set by the government Government (index rating 605.60 since 1 June 2002).

The old -age pension is made up of two elements: a flat-rate part, granted as a function of the period of insurance and an income-related component, granted as a function of the occupational income on which contributions were payable.

The amount for a normal contributions record of 40 years stands at:

	1984	January 2003
Index rating	100	605.60
Per year (euro?)	489.98	3,860.44

For each missing year, 1/40 of this sum is deducted from the annual pension amount.

For the calculation, Luxembourg takes account of insurance contribution years in the countries from which many cross-border workers come, namely Belgium, France or Germany.

The income-related part of the pension is calculated as a function of the total occupational income of the insured. This sum is set as index rating 100, adjusted to the base year 1984 and multiplied by 1.85%.

**Deductions:** Sickness insurance contributions are payable by those in receipt of pensions and by pensions funds. Currently, for insured persons and for pension funds, the rate stands at 2.6% of the gross pension.

**Dependency insurance:** Since 1 January 1999, all insured persons contribute 1% of their gross pension for dependency insurance. However, an allowance of one quarter of the minimum social wage or €342.19 is to be taken into consideration in determining the basis on which social security contributions are assessed. For example, for a gross monthly pension of €1,500, the basis on which social security contributions are assessed will be €1,500 minus €342.19, which is to say 1,157.81, and the amount of the contribution will be €115.78.

**Taxation:** A sliding scale of tax deductions from pensions is published annually. Tax is calculated using this scale and as a function of the type of tax payable by the insured person, that is, depending upon their personal situation (isolated, married, with dependants etc...).

**Minimum and maximum amounts:** The pension may not be lower than 90% of the reference amount when the insured has made at least 40 years' worth of insurance contributions or, in other words, it may not be less than €1,232.08 per month, reduced by 1/40 per missing year between the 20<sup>th</sup> and 39<sup>th</sup> year. The maximum amount is equal to 5/6 of five times the reference amount or, in other words, €5,704.06.

<sup>6</sup> Le Bulletin luxembourgeois de l'emploi, no. 11 (Luxembourg: Administration de l'emploi, November 2002).

<sup>7</sup> J. de Marneffe, *Guide des pensions du travailleur frontalier au Luxembourg*. Vol. I: *la pension de retraite*. (Differdange: EURES, February 2002).

## 4.2 Measures to encourage older workers back into the labour market<sup>8</sup>

### 4.2.1 National Action Plan for Employment<sup>9</sup>

Luxembourg has attempted to respond to the recommendations made to it within the framework of the National Action Plan for Employment, with regard to reinforcing the measures intended substantially to increase rates of participation in the labour market of workers aged 55 and over, by revising its early retirement and invalidity schemes. Luxembourg has, for example, set up a study which will be discussed in Section 5 of this document. This study should make it possible to assess the quantitative nature of the problem by statistical data, as well as its qualitative nature by targeting employees, employers and those who are, as of now, in the passive benefit programmes. The conclusions of this study will then be discussed in more restricted forums, such as the Observatoire des relations professionnelles et de l'emploi and the Comité permanent de l'emploi, two tripartite institutions. The ultimate aim is to be able to ensure a fit between labour law and the social legislation relating to the problem posed by the need to extend the active lives of workers.

#### 4.2.1.1. The law changing the provisions of pension regimes

Up to the present, pension insurance has enabled the insured to delay the start date of their old-age pensions from 65 to 68 years. Insured persons who reached the age of 65 were permitted to continue working until the age of 68. In recognition of this, the level of the pension involved was increased, which allowed the beneficiaries concerned to draw a higher pension when they reached 68. Unfortunately, this measure had very little practical effect, as the persons who might have benefited from it preferred in the end to combine the benefit of a professional activity with their pension. As a result, these provisions were rescinded.

As we shall see, a bill which ultimately became law made changes to both the general and the special pensions regimes. It introduced the principle of staged increments according to the beneficiary's age and contributions record. This measure should encourage people to extend their professional activity.

The system of staged income-related pension increments applies to future recipients of old-age or invalidity pensions, on condition that they are at least 55-years-old and have at that point an insurance contributions record of at least 38 years. Let us point out here that a similar provision was already to be found in the modified law of 26 May 1954 governing civil servants' pensions.

Consequently, all insured persons who fulfil these two conditions concomitantly will be able to benefit from this double increment for the years in which they are still working. This consists of a supplementary unit of 0.01% per year of age and a supplementary unit of 0.01% per year of insurance. The total of these units must not, however, exceed a maximum of 2.05%.

This measure, which should encourage people to extend their professional activity, was concretely embodied in the Law of 28 June 2002, changing the provisions of the general and special pensions regimes; creating a monthly allowance to compensate for unpaid pension contributions in child-rearing years; modifying the

modified law of 29 April 1999, creating a right to a guaranteed minimum income.<sup>10</sup> The provisions of this new law came into force retrospectively, in part on 1 March 2002 and in part on 1 July 2002.

#### 4.2.1.2. Wage agreements in the public sector

By the terms of a civil service wage agreement concluded on 29 May 2000, which passed into legislation in the law of 28 July of the same year, a civil servant may be kept in his/her job for a complementary period of a maximum of three years beyond his/her normal age limit, full-time or part-time (on a 25%, 50% or 75% basis). This can only happen, however, if it does not run counter to the interests of the service, a matter to be assessed in each case by the Government meeting in council. The modalities of the practical implementation of this measure were laid down in a draft law on the general reform of the status of civil servants presented to the Chamber of Deputies late in 2001.

A new wage agreement, dating from 21 March 2002, specifies further that, in order to respond to the increased needs in human resources in the civil service and in education and to make up for the shortage of qualified personnel, retired civil servants will be able to continue to serve in their respective disciplines up to the age of 68 if they so wish, although the remuneration due to them – including their pension – will not be allowed to exceed their final working income by more than 10%.

The two measures were written into the general conditions of civil servants through the Parliamentary Bill reforming those same conditions. This Bill was passed as part of the law of 22 July 2002 modifying and complementing: a) the modified law of 22 June 1963 setting the numerical values for the remuneration of state functionaries, together with the modalities for the implementation of the law of 22 June 1963 establishing the regime for the remuneration of state functionaries; b) the law of 21 December 2001 relating to the State Budget for receipts and expenditure for the financial year 2002.<sup>11</sup> The provisions of the law came into force on 1 September 2002.

#### 4.2.1.3. The new law on incapacity for work and re-employment

In its session of 16 November 2001, the Government, meeting in council, approved a draft Bill relating to incapacity for work and re-employment, which had already been announced in the National Action Plan for Employment in 2001.

This system of protection is provided for workers who, without being invalids in the legal sense, are incapable of performing the tasks inherent in their latest post. The employee on sickness leave is called for an examination by the social security medical service at the latest in the fourth month after he becomes incapable of work. If, in the assessment of the request for an invalidity pension, the conclusion is reached that the person concerned is not disabled, the medical service refers the file to the company doctor to assess whether there is indeed incapacity to perform the duties associated with his/her latest post.

If the tripartite joint commission authorised to make that decision finds workers incapable of performing the duties involved in their latest post, it is the duty of that commission to decide on their redeployment, either internally within the company or externally on

<sup>8</sup> Ministère du travail et de l'emploi, *Rapport d'activité 2001* (Luxembourg, April 2002).

<sup>9</sup> Ministère du travail et de l'emploi, *Plan d'action national pour l'emploi. Rapport national 2002*, (Luxembourg, 30 April 2002).

<sup>10</sup> Doc. Parl. 4887, sess.ord. 2001-2002./Mémorial A 2002-066-0002.

<sup>11</sup> Doc. Parl. 4948, sess.ord. 2001-2002./Mémorial A-2002-071-0001.

the labour market. Redeployment then consists either in transfer to another post or to another work regime. Where internal redeployment is concerned, all companies with more than 25 employees, who have not yet fulfilled their legal obligations in terms of the employment of disabled workers, have to carry out compulsory redeployment. Where there is internal redeployment, the worker is entitled to a compensatory benefit payment representing the loss of earnings that results from the difference between his/her old and new levels of pay. However, a maximum ceiling of five times the minimum social wage is set on the level of remuneration used in determining this benefit payment. The employer who carries out internal redeployment is entitled to the assistance provided for the recruitment of disabled workers and to tax relief.

If the worker cannot be redeployed internally, the joint commission decides on external redeployment. He/she is then automatically registered as seeking work and receives unemployment benefit. He/she is then entitled to the compensatory benefit payment on the same terms as in the case of internal redeployment and the employer is also entitled to assistance and tax relief.

If it does not prove possible to redeploy the worker during the legal period of entitlement to unemployment benefit, he/she is entitled to a waiting allowance equal in amount to invalidity benefit. Throughout the period of receiving this waiting allowance, the worker must remain available for employment, and the payment is only made until such time as appropriate employment is found for him/her. The waiting allowance is subject to the same conditions of withdrawal and the same regulations on the non-combination of benefits as the invalidity pension.

All these new provisions were put on the statute book by *the law of 25 July 2002 relating to incapacity for work and re-employment*.<sup>12</sup> The provisions of this law came into force on 1 October 2002.

#### 4.2.2. Other measures<sup>13</sup>

Alongside the new measures proposed by the National Action Plan for Employment, we must also point out the existence of older measures in force in Luxembourg providing support for older workers.

##### 4.2.2.1 Re-employment assistance

Re-employment assistance, even though it does not relate exclusively to workers over 55, operates as follows. The employment fund grants re-employment assistance to employees who are made redundant on economic grounds, employees transferred to another company on economic grounds by the terms of a collective labour agreement, and the insured unemployed, on condition that they accept being redeployed to a job at a pay level lower than their previous remuneration. The Grand-Ducal regulation of 17 June 1994, modified on 31 July 1995, lays down the modalities and conditions for the granting of re-employment assistance. The number of beneficiaries of this measure has indeed been constantly increasing since 1989, as is shown in Table 6.

We should also point out that a temporary re-employment benefit for employees in the steel industry has also existed since the crises in the national steel sector. This benefit is, however, payable to a decreasing number of persons.

**Table 6:** The development of re-employment assistance

Year	Beneficiaries
1989	123
1990	60
1991	154
1992	117
1993	129
1994	87
1995	206
1996	323
1997	747
1998	669
1999	852
2000	1012
2001	1100

##### 4.2.2.2 Financial assistance for the recruitment of the older and the long-term unemployed

Financial assistance for the recruitment of the older and the long-term unemployed, established by the law of 23 July 1993, operates as follows. The employment fund reimburses employers in the private sector for employers' and employees' social security contributions, on condition that they employ older or long-term unemployed workers, whether or not they are in receipt of unemployment benefit. During 2001, 156 requests for such aid were made. At 31 December 2001 there were in total 296 beneficiaries representing overall 1,398,170.96 euro.

## 5. An example of good practice<sup>14</sup>

In the field of good practice, we shall cite here the approach of the Luxembourg government of examining the efficacy of the measures implemented in favour of older workers in Luxembourg by commissioning a specific study on the subject. In June 2002, CEPS/INSTEAD did in fact propose to the Luxembourg Ministry of Labour and Employment that it carry out a study on keeping older workers in work. This took the form, largely, of an analysis of the effects of the ageing of the working population. This study began in January 2003.

The study has five strands to it. The first consists in analysing the effects of the ageing of the working population, the second in assessing the supply of work for older workers, while the third examines the demand for work on their part. As for the fourth and fifth strands, their aim is to analyse the positions of the social actors concerned in relation to this issue, and also to look at the aspects of the institutional and regulatory framework requiring adaptation as a consequence.

Results in these five strands are drawn from a set of existing databases, particularly the PSELL programme, to which we referred above, and also from new surveys carried out directly with the target group concerned.

<sup>12</sup> Doc. Parl. 4872, sess.ord. 2001-2002./Mémorial A-2002-076-001.

<sup>13</sup> Ministère du travail et de l'emploi, *Rapport d'activité 2001* (Luxembourg, April 2002).

<sup>14</sup> "Le maintien en activité des travailleurs âgés. Analyse des effets du vieillissement de la population active", submission to the Ministry of Labour and Employment by CEPS/INSTEAD, 14 June 2002

## 6. Conclusions

With regard to keeping older workers in work, three recent legislative measures have been taken in Luxembourg.

The law of 28 June 2002, changing the provisions of the general and special pension regimes; creating an allowance to offset missing pension contributions during child-rearing years; and modifying the modified law of 29 April 1999 creating a right to a guaranteed minimum income;

The law of 22 July 2002 modifying and complementing (a) the modified law of 22 June 1963 setting the numerical value of civil

servants' remuneration, together with the modalities of implementation of the law of 22 June 1963 determining the payment regime for civil servants, and (b) the law of 21 December 2001 relating to the State Budget for Receipts and Expenditure in the year 2002;

The law of 25 July 2002 relating to incapacity for work and re-employment.

We should also point out, as another significant advance, the study carried out by CEPS/INSTEAD on the theme of older workers.

Franz Clement

# Netherlands

## 1. Introduction

Older workers have become a very important issue in the Netherlands over the past decade. The main concern lies with the labour market participation and employability of these workers. It is generally acknowledged that in our ageing society labour market participation rates of the elderly need to increase further in view of the significant ageing of the Dutch population, due to rising life expectancies and the relatively large size of post-war cohorts (so-called baby boomers) and lower fertility rates. Now 22 out of every 100 persons of the population are 65 years or older. The figure for 2040 will be 43. After 2040 the share of older persons will slightly decrease towards 40 out of 100 in 2050. The process of ageing results in growing claims on social benefits and facilities. In order to guarantee the preservation of the welfare state, and also in order to cope with the tightness of the labour market, increased labour market participation rates are deemed essential. This conclusion was only recently confirmed in a report (*Zorgen voor morgen*<sup>1</sup>) by the Committee on the National Pension Debate which also stresses that the Dutch pension system is solid, seen from a comparative perspective.

As reported in the Dutch NAP 2002, Dutch efforts to increase labour market participation rates have not been unsuccessful. The net participation rate is 73%, which places the Netherlands among the best performing Member States. The targets agreed in Lisbon have already been met (using EU indicators), with the exception of the targets for the elderly. Although progress can be observed over the years (i.e. since 1993)<sup>2</sup>, participation rates among persons between 55 and 65 are still lagging behind: about a third of this group is in employment. The (long term) goal set by the Government is to have 50% of the older workers in employment (in line with the Stockholm target). The Government aims at increasing participation rates in this group by 3.4% per annum. For this purpose a number of policy measures have been developed and announced. These will be discussed in section 3 of this article. Indications from Statistics Netherlands (CBS) show that the figures for 2001 fell 2 percentage point short of the Government's objective.

Generally it is acknowledged that low participation rates among older persons are generation-dependant, i.e. it is assumed that

**Table 1**

Total employment rate — Employed persons aged 15-64 as a share of the total population of the same age group

	1990	1995	2000	2001
EU-15	62.2*	60.1	63.4	64.1
NL	61.5	64.7	72.9	74.1

Employment rate — Employed women aged 15-64 as a share of the total female population of the same age group

	1990	1995	2000	2001
EU-15	50.2*	60.1	63.4	64.1
NL	61.5	64.7	72.9	74.1

Total employment rate of older workers — Employed persons aged 55-64 as a share of the total population of the same age group

	1990	1995	2000	2001
EU-15	37*	36	37.8	38.8
NL	29.6	29.3	38.2	39.6

Employment rate of older workers — Employed women aged 55-64 as a share of the total female population of the same age group

	1990	1995	2000	2001
EU-15	23.9*	25.3	28	29.1
NL	15.6	18.4	26.1	28

Source: Eurostat, Labour Force Survey

<sup>1</sup> Published 18 December 2002

<sup>2</sup> The increase of labour market participation by older persons is also observed in OSA's 2001 *Labour Supply Trend Report* (based on panel data). The increase was most significant within the category 55-65 years of age. In 2000 half of this group was in employment, as compared to 44% two years earlier. Labour market participation also increased within the group of 60-65 years old: from 11% in 1998 to 16% in 2000.

**Table 2**

Total unemployment rate — age:15 years and over

	1990	1995	2000	2001
EU-15	:	10.7	8.4	7.3
NL	7.7	7.2	2.7	2.1

Unemployment rate — Women, age:15 years and over

	1990	1995	2000	2001
EU-15	:	12.4	9.9	8.5
NL	10.9	8.7	3.5	2.5

Total unemployment rate — age:55-64

	1990	1995	2000	2001
EU-15	:	8.3	7.6	6.5
NL	3.8	3.5	1.9	1.5

Unemployment rate — Women, age:55-64

	1990	1995	2000	2001
EU-15	:	8	7.8	29.1
LU	:	:	:	:
NL	6.3	3.2	2.1	1.1

Source: Eurostat, Labour Force Survey

**Table 3: Life-long learning**

Percentage of the population aged 25-64,55-64 participating in education and training over the four weeks prior to the survey

Aged	1992		1995		2000		2001	
	25-64	55-64	25-64	55-64	25-64	55-64	25-64	55-64
EU-15	:	:	:	:	8.5	3	8.4	3
NL	15.1	4.9	13.1	4.2	15.6	6.4	16.3	6.5

Source: Eurostat, Labour Force Survey

**Table 4: Educational Attainment**

Percentage of the population aged 25-64, 55-64 having achieved at least upper secondary education

Aged	1992		1995		2000		2001	
	25-64	55-64	25-64	55-64	25-64	55-64	25-64	55-64
EU-15	:	:	55.4	38.6	63.5	48.4	63.8	48.4
NL	:	:	:	:	66.1	53.5	66.9	52.5

Source: Eurostat, Labour Force Survey

future generations of older people will display higher participation rates. Furthermore, the ageing of the population is slowed down by the strong growth of the non-western nationals' population (currently 10% of the population). On average, non-western nationals have more children than the native population and tend to come to the Netherlands at a relatively young age.<sup>3</sup>

## 2. Trends and developments on the labour market

The following tables, based on Eurostat tables, show the development of older workers' (55-64 years old) and other age groups' employment, unemployment, educational attainment and lifelong learning between 1990 (or 1992) and 2000 (or 2001). In each table the Dutch figures are included together with the EU-15 average. These tables show that:

- in all areas the Netherlands perform above-average (notably with respect to unemployment rates), with the exception of older female workers' employment rates;
- in the employment and unemployment area the Netherlands have made a major leap forward between 1990 and 1995;
- in all areas, except for unemployment rates, older workers have less favourable rates than younger workers.

Another table, produced by the European Commission<sup>4</sup>, on expected employment growth and employment rates shows that the Stockholm target – an employment rate of 50% for older workers – is not likely to be met by the end of 2010 across the EU as a whole. Yet, more than half of the individual Member States, including the Netherlands, are expected to meet the target. The Commission contends that the table also confirms that for older workers, the continuation of past trends would not be sufficient to reach the Stockholm target (also due to a strong increase in the population in this group of about 1.4% per annum over 2001-2010), highlighting the need for significant labour market reform if their employment rate is to reach 50% by 2010.

## 3. The policy framework

### 3.1 State and additional pensions

Every resident of the Netherlands is entitled to a State pension from the age of 65 (first pillar or tier). This pension is based on the Old Age Pensions Act (*Algemene ouderdomswet, AOW*). Workers (i.e. those in paid work) usually also have a supplementary pension from a sector or company pension fund (second tier) and they themselves can also provide for additional private pension, if they so wish and can afford it (third tier). The State-provided old age pension is not limited to current residents of the country but also covers those persons that have paid taxes on wages or salaries in the Netherlands. Beyond the age of 65 entitlement to (the continuation of) other social security benefits is fairly limited.

As indicated, many, but certainly not all workers are entitled to a supplementary pension paid by a company/sector pension fund. These entitlements are part of the working conditions, negotiated by employers, employees and their representatives. For an individual employer it is not mandatory to provide a company pension scheme, except when a pension fund exists in his or her sector of business. Usually both the employer and the worker contribute to the pension fund (pension premium) – sometimes the worker is exempted from contributions or only has to contribute beyond a certain income

<sup>3</sup> Statistics Netherland, *Foreigners in the Netherlands* (Allochtonen in Nederland), 2002.

<sup>4</sup> Employment rate scenarios up to 2005 and 2010.

level. No taxes and social premiums have to be paid with respect to pension premiums. Increasingly, flexible pension and pre-pension schemes are established that enable a worker – on the basis of a saving scheme - to retire before the age of 65 and/or retire part-time first and full-time later. These flexible schemes tend to replace the existing early retirement schemes, *VUT* (*vervroegde uitkering*), which are no longer supported fiscally by the Government, see section 3.

One of the main problems regarding the second tier pension has been the so-called “breach of pension” (*pensioenbreuk*) which occurs when participation in a company or sector pension funds stops. This can happen, for example, when a worker changes jobs, becomes unemployed or disabled. Workers who temporarily leave paid employment to take care of their children can also suffer from loss of pension. Legal measures have been (and are being) taken to reduce this problem. For example, regulations exist for the transfer of pensions, thus enabling workers to transfer their pension entitlements to the company fund of their new employer without suffering a loss of entitlements.

A fairly recent innovation concerns the main collective agreement for temporary work agencies (*ABU-CAO*). This collective agreement stipulates that temporary agency workers at the age of 21 and over who have worked for 26 weeks for the same temporary work agency have a right to be included in a pension scheme. If the worker starts working for another temporary work agency he or she will continue to participate in the pension scheme. However, if he interrupts work for one year or more, this participation ends and he or she will have to “build up” another 26 weeks before participation can be resumed. The pension entitlements that were already obtained are maintained. Participation in the pension scheme is mandatory for the temporary agency worker. The premium rate is 3.5% of the gross wage. The worker himself or herself pays a maximum of one third of the premium. To give an example:

Randstad, one of the major temporary work agencies, has created a pension scheme for its workers called “Flexicurity”.

Certain categories of workers, notably the self-employed, are depending on private pension schemes to create supplementary pension payments (besides the general old age pension provided by the State). Annuity insurance represents the most common example of private pension schemes: the worker pays a premium to the insurance company (tax-deductible to a certain extent, also depending on an individual’s – calculated – pension gap) and in return receives a certain fixed benefit at a certain age.

The Dutch Confederation of Trade Unions *FNV* has estimated in the past that some half a million workers lack a supplementary pension scheme. This is referred to as the “blind spot” in pension schemes. Partly this pertains to companies and sectors that have not created any provision at all and partly to categories of workers that are being excluded from existing schemes, such as some groups of flexible workers. As far as women are concerned, this could represent cases of unequal treatment and a violation of European treaties and guidelines.

The old age pension ends at the death of the recipient. The rate of the pension is derived from the minimum wage and the recipient’s private situation. A distinction is made between:

- unmarried single persons: 70% of the minimum wage;
- unmarried single persons with a child below the age of 18: 90% of the minimum wage;
- married persons: each 50% of the minimum wage;
- unmarried persons living together: each 50% of the minimum wage.

Recipients with a partner below the age of 65 receive a pension of 50% of the minimum wage and may be entitled to an extra allowance, depending on the younger partner’s income and on the

**Table 5: Projected employment growth and employment rates 2001-2010**

	Average employment growth 2001-2010			Projected employment rate 2010		
	Total	Women	Older workers	Total	Women	Older workers
B	1.2%	1.7%	7.7%	65.2	57.6	38.7
DK	1.1%	1.4%	1.7%	82.7	80.7	56.9
D	0.7%	1.0%	1.8%	71.0	65.4	47.8
EL	0.4%	0.8%	2.2%	57.6	44.3	42.7
E	2.2%	3.8%	4.8%	68.5	58.9	51.4
F	1.3%	1.7%	6.4%	68.5	62.9	37.7
IRL	3.0%	4.0%	5.6%	78.6	71.8	56.9
I	1.6%	3.0%	2.7%	65.0	55.3	31.7
L	3.4%	5.1%	6.7%	79.0	74.6	35.9
NL	2.1%	3.1%	6.7%	86.0	82.6	52.5
A	0.3%	0.7%	1.8%	70.2	63.7	30.7
P	0.4%	0.6%	2.4%	71.1	64.5	56.1
FIN	1.7%	1.9%	6.8%	78.1	75.9	59.4
S	0.7%	0.6%	1.1%	73.8	71.8	63.5
UK	1.1%	1.2%	2.2%	76.5	70.2	53.0
F	1.3%	1.7%	6.4%	68.5	62.9	37.7
<b>EU</b>	<b>1.2%</b>	<b>1.8%</b>	<b>3.3%</b>	<b>70.8</b>	<b>64.0</b>	<b>45.2</b>



**Table 6:** Old age pension rates at 1 January 2003

	Gross per month	Gross holiday allowance per month
Married person	€ 622.26	€ 31.86
Married person, maximum extra allowance (partner <65)	€ 1244.52	€ 63.72
Married person, without extra allowance, partner < 65 (Old age pension before 1 February 1994)	€ 906.14	€ 44.61
Unmarried persons	€ 906.14	€ 44.61
Unmarried persons with a child < age of 18	€ 1122.90	€ 57.35

date on which the pension has been granted, i.e. before or after 1 February 1994 (this provision expires for persons becoming 65 as of January 1 2015). As of 1 January 2003 the following rates apply (see table 6):

Concerning supplementary company pension benefits, the standard pension age is 65. Full company pension benefits are normally obtained over a period of 40 years. The most commonly used standard of a full pension (including the State-provided old age pension) amounts to 70% of last earned income. That means that per year 1.75% of the pension is being “built up” (1.75% x 40 = 70%).

### 3.2 Other pathways to labour market withdrawal

Two main pathways to labour market withdrawal exist in the Netherlands besides (voluntary) early retirement: unemployment benefit schemes and, particularly relevant for this country given the large number of claimants (over 900,000), disability benefit schemes. Of all persons that are *insured* for the so-called employees insurances (*werknemersverzekeringen*: unemployment, disability, sickness absenteeism and health insurance) 8.3% fall into the category 55-65 years old. However, persons in this age group represent the largest group - 37.5% - of the total number of persons that have been granted unemployment benefit. A similar over-representation can be found with respect to the disability benefit scheme: 41.2% of the beneficiaries fall into the category 55-65 years old.<sup>5</sup>

### 3.3 Policies to stimulate active ageing

#### 3.3.1 Ban on age discrimination

In the autumn of 1997 a first proposal for a legal ban on age discrimination was issued by the Government. This proposal only pertained to the recruitment of employees. The proposed regulation was referred to as an open system: distinguishing directly or indirectly among people on the basis of age is forbidden, unless there is objective justification (Dutch law uses the term “distinction” rather than “discrimination”). After a wave of criticism, on both the limited scope of the proposal and its open nature, a second proposal was presented in November 1999. This proposal also covered training and promotion and outlined a closed system, i.e. characterised by a few grounds of exception where age limits are permitted. Despite the evident improvements this proposal also met with much criticism. The ban on age discrimination was deemed unclear by the Second Chamber of Parliament (Lower House). Furthermore, at that time an EU-Directive on equal treatment in employment and occupation was being prepared – to be issued on 27 November 2000 – with strong implications for age discrimination. As a result, parliamentary debate on the proposal

halted. On 19 December 2001 the Government submitted a third proposal for a law on age discrimination to the Second Chamber of Parliament. Implementing the EU Directive, the scope of the new proposal is again broader than that of the previous proposals, also covering dismissal, the work environment and working conditions. Age limits may still be authorised in some cases, e.g. in the case of dismissal of an employee who has reached the age (65 years) that entitles him or her to a State pension (AOW). Another exception is the case of labour market policies that are specifically aimed at enhancing labour market participation of young persons. For example, the specific minimum wage for young employees will be preserved, because it is aimed at providing young people with better chances of finding work. To date, the political debate on the new proposal has not been concluded, among other things because of an amendment by the Liberal Party stating that involuntary dismissal before the age of 65 years should be authorised if there is a good reason. In the meantime, on 1 November 2002, the Dutch Supreme Court ruled that involuntary dismissal at the age of 65 does not constitute a case of age discrimination.

#### 3.3.2. Actively seeking a job

Persons who have reached the age of 57.5 years after 1 May 1999 are obliged to register at the Centre for Work and Income (CWI) and are also obliged to accept a “suitable” job. However, these persons are exempt from the obligation to apply for jobs. Persons who already reached the age of 57.5 year before 1 May 1999 do not have to register at the CWI. The current Government (to be replaced now that new elections have taken place in January 2003) intended to stipulate that unemployed persons of 57.5 years of age and over must (again) actively seek work, starting with those persons with recent work experience. It is argued that research shows that the chances of finding a job are relatively high among this group and, moreover, that persons who are no longer obliged to seek work take longer to do so or do not find a job at all. The Dutch Trade Union Confederation has criticised this proposal. Recently the decision has been taken by the current Minister of Social Affairs to postpone the new stipulation that was due to come into force on 1 January 2003 and it is now expected to be enacted in 2004. First, the Minister wishes to conclude an agreement with employers on an increase in the unemployment premium in case older workers are made redundant (see below).

#### 3.3.3. Incentives for employers to retain older workers

Another proposal is to have employers who make employees aged over 57.5 redundant contribute to the costs of unemployment insurance. For this purpose, the employment benefit premium paid by employers would be raised. In this way the Government wishes to counteract the use of the Unemployment Benefit scheme as a

<sup>5</sup> Statistics last quarter of 2001, published by *UWV*, the national implementation institute for employees insurance.

redundancy scheme by employers. The starting date for this measure, which has been debated for some time, is July 2003, but much will depend on the plans of the new Government.

### 3.3.4. Limited duration of unemployment benefits

The duration of receipt of unemployment benefit will possibly be limited to one year. The intention was that this reform be enacted by April 2003, but the fall of the Government caused a delay. After the expiration of the wage-related benefit scheme a person may be eligible for a continued benefit. This benefit represents 70% of the legal minimum wage instead of 70% of the person's own (last earned) wages. For persons younger than 57.5 years on the first day of unemployment this benefit is currently limited to 2 years, whereas persons over the age of 57.5 are entitled to a benefit for a maximum period of 3.5 years.

### 3.3.5. Continued employment after the age of 65

The intention is to offer workers more leeway to continue working beyond the age of 65, e.g. part-time. One method of achieving this goal is tax deduction. Since 1 April 2002 workers aged 57 and up get an extra tax deduction on their wages, resulting in higher net wages. The deduction increases with age and also applies to workers over 65 years. The maximum deduction is obtained if the worker earns 100% of the legal minimum wage.

### 3.3.6. Raising the age of entitlement to a State pension

So far no clear plans exist in the Netherlands to raise the age for entitlement to a State pension (AOW), but every now and then this debate takes place (e.g. with reference to Sweden where the age of retirement is related to the life expectancy rates of one's age cohort). According to the Trade Union Confederation, high officials in the Government are currently promoting the increase of the pension age in view of the current negotiations on a new Government coalition (after the elections on 22 January 2003). The FNV strongly opposes the initiative and states that policies for older workers are starting to work now and that there is still much to gain among the age group of 55-65 year olds. These persons should be facilitated to extend their participation in the labour market in a healthy way.

### 3.3.7. Promoting the transformation of early retirement schemes into flexible pension schemes

The Government has already been promoting this changeover by withdrawing the fiscal advantages of early retirement schemes. It is expected that replacing early retirement schemes with flexible pension schemes will result in a 10% increase in labour market participation rates among older workers in the coming years.

### 3.3.8. Optimising pension schemes

The Government aims at submitting a new, modernised Pension Act to Parliament in the spring of 2003. Moreover, consultations and negotiations have started between the Government, the social partners and representatives of interest organisations of older people. The issue at stake is to guarantee "future proof" pension schemes without endangering a moderate development of wage costs. The Government is fairly positive on the finance structure of the Dutch pension scheme (though 138 of the 1000 pension funds

have been said to show insufficient margins). A further reduction of the national debt is to be used to create budget surplus which can be used to cover a part of the increasing costs of the State pension scheme. As well as a State pension, 91% of employees are "building up" a so-called additional pension (in 1985 the figure was 85%). Government and social partners insist that as many people as possible acquire an additional pension scheme. The Government intends to include a provision in the new Pension Act that prevents people from being excluded from these additional schemes (the actual enforcement of this clause will depend on the extent to which social partners manage to achieve this goal). An important point concerns the decreasing returns of the (sectoral and company) pension funds due to the unfavourable developments within the stock market. Between 1995 and 1999 returns were very high (exceeding 11%), but in 2000 returns were limited and in 2001 slightly negative. As a result pension premiums, which have been very low in the past, tended to increase again. Organisations of older persons have repeatedly demanded a say in the management of pension funds and they insist on being involved in new legislation in this area. On 12 February 2003 the employers' associations and trade union confederations united in the Labour Foundation<sup>6</sup> on the one hand and the Co-ordination Institution of Joint Organisations for the Elderly (Coördinatieorgaan Samenwerkende Ouderenorganisaties or CSO) on the other hand have concluded an agreement on further improvement of pensioners' co-determination concerning the implementation of pension schemes.

### 3.3.9. Lifelong learning and life-course-friendly policies

OSA concludes in its 2001 *Labour Supply Trend Report* that older employees still participate less frequently in training and courses than younger employees, though their participation is growing. In 1993, 18.4% of the group aged 45-54 years old took a course, compared to 33.6% in 2000. Positive figures are also reported for the group employees 55-64 years old: 5% participated in a course in 1993, compared to 23.8% in 2000.

The Dutch Government and the social partners put a strong emphasis on promoting lifelong learning and employability of workers. These topics have been addressed in central-level consultations and recommendations within the Foundation of Labour. Examples are the Foundation's recommendations on "Working on your job" ("Werken aan je werkkring", 1996), "Lifelong learning at work" ("Een leven lang lerend werken", 1998) and "Making employability policy work" ("Werk maken van employabilitybeleid, 2001). Employability is also strongly advocated within the recommendations on employment terms laid down in "More is Needed" ("Er is meer nodig", 2001). The Foundation has disseminated a Dutch translation of the Framework of Actions on lifelong learning drafted at the European level by the social partners (6 May 2002) and stresses the points of relevance for the Dutch situation.

A central issue in the Netherlands concerns the establishment of so-called Personal Development Accounts (Persoonlijke ontwikkelingsrekening or POR) in order to stimulate and (financially) facilitate employees' investments in training and education. In the "More is Needed" recommendations, the Foundation argues that career development plans should be established at the company level for every employee. Each employee

<sup>6</sup> Established on 17 May 1945, the Labour Foundation is a national consultative body organised under private law. Its members are the three peak trade union federations and three peak employers' associations in the Netherlands. The Foundation provides a forum in which its members discuss relevant issues in the field of labour and industrial relations. Some of these discussions result in memorandums, statements or other documents in which the Foundation recommends courses of action for the employers and trade unions that negotiate collective bargaining agreements in industry or within individual companies. Upon request, the Foundation also advises the Government on labour-related topics. The Foundation is generally seen as one of the key institutions within the Dutch "Polder model" of socio-economic governance.

and job seeker should be entitled to a personal development plan, accompanied by a budget, including the possibility of getting advice and guidance from third parties. The enhancing of competencies could also be oriented towards work outside the employee's sector of business. According to the Foundation, the Education and Development funds that exist in many branches of business can play in an import role in the implementation and financing of these facilities.

The debate on lifelong learning has become part of a broader debate on life-course-friendly or life-course-oriented policies and facilities. The argument here is that a further reform and adjustment of the social security, pension and tax system is required to accommodate individuals choices and preferences, e.g. in combining work and care responsibilities, or in saving money and time for various leaves of absence or working beyond the age of 65. Many influential reports have been published, among other things, by the Ministry of Social Affairs<sup>7</sup> and the Socio-Economic Council.<sup>8</sup>

### 3.3.10. Education and publicity

A number of initiatives can be observed to promote the importance of older persons' participation in the labour market and to stress the necessary preconditions that are required to reach this goal, including the fight against prejudices in society. Among the initiatives taken are the instalment of a "Taskforce for elderly people and work", consisting of well-known representatives of business and trade unions, former politicians and scientists (see <http://www.ouderenenarbeid.nl/>) and the launch of a website "Older people at work" (<http://www.ouderenaandeslag.nl/>) that contains numerous facts, figures and opinions.

## 3.4. Stipulations and developments in collective labour agreements

The Labour Inspectorate, part of the Ministry of Social Affairs and Employment, has recently published a study of provisions and agreements with respect to policies for older workers in 126 collective labour agreements (CLAs) in the year 2001. This concerns a follow up study to a 1998 survey. The 126 CLAs include the Government sector and cover some 80% of all workers being covered by a CLA. This study provides insights concerning the implementation, effects and prospects of the policy initiatives reported in section 3.3. The main results of the study are as follows:

### 3.4.1. Stipulations on policies for older workers in general

Agreements and stipulations with respect to older workers can be included in a specific section of the CLA or can be located across the agreement. No CLA explicitly defines the concept of the older worker. Various age limits are being used in referring to older workers. These limits vary between 40 and 60 years of age.

- 6% of the CLAs include agreements on the promotion of older workers' inflow;
- 41% of the CLAs include agreements on research into policies for older workers (these stipulations apply to 40% of the workers, this was 36% in 1998);
- 13% of the CLAs include agreements on the role of the staff association or the works council with respect to policies for older workers.

### 3.4.2. Stipulations that exclude older workers from certain entitlements of facilities

None of the CLAs studied contain stipulations concerning the hiring and selection of employees that exclude older workers from certain jobs. The same goes for stipulations on medical examinations (in case of recruitment). Neither are older workers excluded from stipulations on career opportunities, labour market bonuses, performance pay, training or training leave.

### 3.4.3. Stipulations that offer something extra to older employees

- 35% of the CLAs include agreements stipulating that older employees are entitled to pre-retirement leave and 3% of the CLAs include agreements on career break absences that exclusively apply to older workers. A large majority of the CLAs, 90%, contains stipulations on extra holidays for older workers, notably in the industry (94%) and trade (94%) sectors of the economy. In 2001 provisions on extra holidays applied to 80% of the workers compared to 84% in 1998.
- 76% of the CLAs contain stipulations on the adaptation of working hours for older workers in order to make their job less burdensome. These stipulations pertain to overtime (64%), working the weekend (14%), odd hours (34%) and shift work (27%). Stipulations on working hours apply to 76% of the workers, compared to 60% in 1998.
- 67% of the CLAs include stipulations on shorter working hours for older workers. These stipulations are most common within the Government sector (88%) and least common in the industry sector (57%). Stipulations on shorter working hours apply to 63% of the workers, compared to 60% in 1998.
- 25% of the CLAs contain stipulations on career opportunities specifically aimed at older workers. These stipulations are most common within the Government sector (63%) and least common in the trade sector (11%). These stipulations can refer to either career change (6%) or allocation to a less senior job (21%). With respect to both modalities, no changes occurred in 2001 compared to 1998 (the first type of stipulation applies to 8% of the workers and the second type to 22% of the workers).
- 5% of the CLAs contain stipulations on extra training leave for older workers. These stipulations apply to 8% of the workers, which represents an increase of 1% compared to 1998.
- 10% of the CLAs contain age-related agreements on dismissal from employment. In most cases these agreements offer older workers a prolonged term of notification in case of dismissal.
- all but two CLAs do not distinguish between older and younger workers in the area of working conditions. Yet 6 CLAs contain implicit references to working conditions for older workers.
- 18% of the CLAs include age-related stipulations on medical examinations. Two types of stipulations can be noticed. The first type of stipulations (16%) offer the worker the possibility of a medical examination, at a certain age, to be paid by the employer. The second type of stipulations represent an obligation for the workers to have a medical examination (2%). Stipulations on medical examinations apply to 17% of the workers, compared to 23% in the 1998 survey.

### 3.4.4. Stipulations with respect to retirement

There are many pathways into early retirement available to workers. One main pathway concerns the so-called VUT (*vervroegde*

<sup>7</sup> SZW (2002), *Verkenning Levensloop. Beleidsopties voor leren, werken, zorgen en wonen*. Den Haag: Ministerie van Sociale Zaken en Werkgelegenheid.

<sup>8</sup> Socio-Economic Council, *Levensloopbanen : gevolgen van veranderende arbeidspatronen*. The Hague, September 2001.

*uittrekking*: early retirement) schemes in which the benefit rate, usually 80% of the last earned income, does not depend on the retirement age. The second main pathway is through flexible pension schemes that usually offer 70% of the last earned income, but in which case the benefit depends on the actual retirement age (workers save money until the moment of retiring). As already indicated in the article, the Dutch Government promotes the transformation of VUT schemes into flexible pension schemes because these schemes offer more security.

- 26% of the CLAs only contain a VUT-scheme, 64% contain a flexible pension scheme, whether or not in combination with a VUT scheme and 10% does not include either of these schemes. The trade sector has the highest percentage of CLAs with merely a VUT scheme and the lowest percentage of flexible pension schemes (either combined with a VUT scheme or not). Both in 2001 and 1998 VUT schemes applied to 83% of the workers.
- 44% of the CLAs offer the possibility of part-time retirement. These arrangements apply to 45% of the workers, compared to 15% in 1998.
- Within 44% of the CLAs the retirement age is fixed at 65 years. Within the Government sector the numbers are higher (62%) than in other sectors
- 21% of the CLAs contain clauses that allow the worker to continue working beyond the age of 65. These clauses apply to 32% of the workers, compared to 20% in 1998.
- 11% of the CLAs (i.e. 14 CLAs) deviate from the standard retirement age of 65, notably in the military services and the police in demanding jobs (in this case the age for retirement is lower, 55 or 60 years; this is called “functional age-related retirement”). 11% of the workers are covered by stipulations that contain a “deviating” retirement age; this was 16% in the 1998 overview.

- Workers beyond the age of 65 are not covered by a CLA. 7% of the CLAs include stipulations on a different contract for these workers. Changes in the contract can pertain to the period of notification required in the termination of employment or to the expiration of the obligation to pay certain premiums, for example.

#### 4. Evaluation and conclusion

Many policies and measures to enhance older workers’ labour market participation have only been implemented recently and many more are still in the stage of proposals and discussions (e.g. the law against age discrimination). Yet the statistics available, including those on stipulations in collective labour agreements, clearly indicate an increasing trend both in labour market participation rates for older workers and in the attention and efforts devoted to the issue of older workers. Notwithstanding this, the growth of participation rates may also bear, to a significant degree, an autonomous character, which reminds us of the way women’s labour market participation has developed over the past years. All in all, a certain optimism seems to be legitimate in the Netherlands with respect to meeting the Stockholm targets but the possible effects of a further economic downturn should and cannot be ignored. Moreover, a balance will have to be struck in the years to come between, on the one hand, further activating policies for older workers and, on the other hand, the protection of the rights, entitlements and health of older persons. Life-course-oriented policies that take into account both the potentials and limits of older workers seem a very promising avenue.

*Ton Wilthagen*

# Portugal

## 1. Introduction

The Lisbon European Council defined an ambitious strategic goal to be achieved by 2010: to make the European Union “*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.*”<sup>1</sup> Taking into account the phenomenon of an ageing population, which is affecting almost all European Union countries, the participation in the labour market of older workers is essential in order to achieve this objective.

Portugal has one of the highest employment rates of older workers<sup>2</sup> in the European Union, having already reached the target rate of 50% defined in the Stockholm Council for 2010. Nonetheless, the demographic evolution in the last decade shows a progressively ageing population, which points to new challenges. Indeed, the

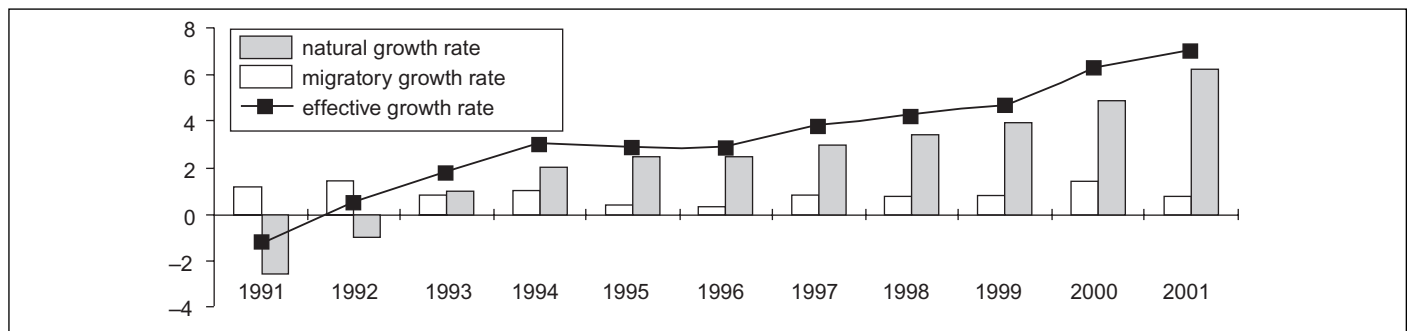
ageing of the population has an impact not only on the labour market, but also on the financial sustainability of the pension system, and therefore on one of the main pillars of the so-called European social model. As a result, the question of the activation of older workers has gradually become an important issue of political debate in Portugal. Recent governments have taken some important measures, in order to provide incentives to retain older workers in the labour market.

## 2. The demographic framework

The trend of the last decade (1991-2001) shows an acceleration in the growth of the Portuguese population, which has been especially significant in recent years. Despite the demographic transition

<sup>1</sup> Source: Lisbon European Council (2000) – Presidency Conclusions, European Commission

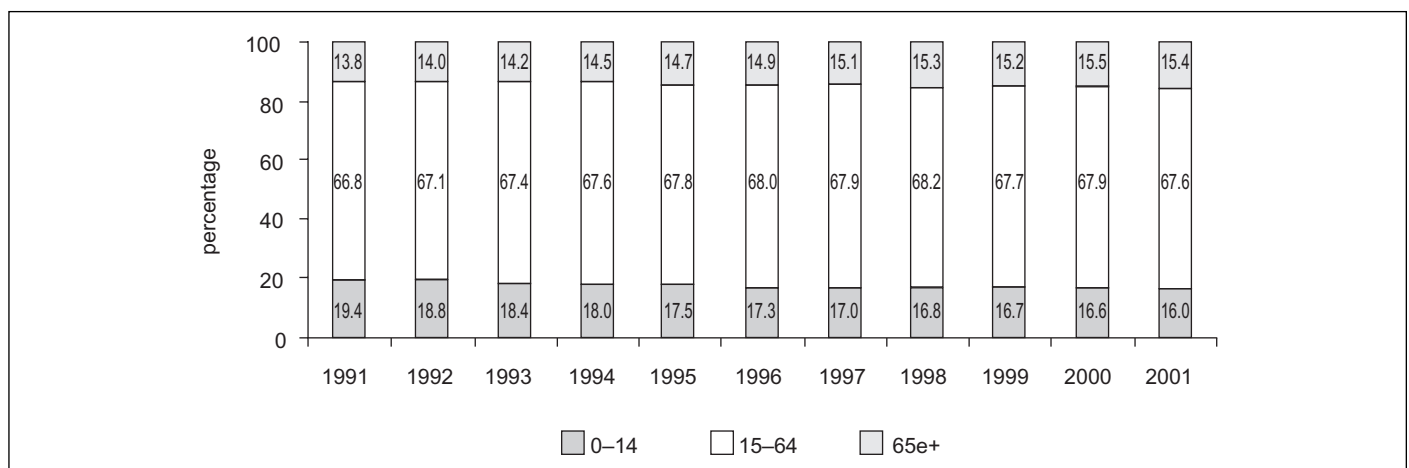
<sup>2</sup> In this text, the concept of older workers that will be considered in respect to the individuals with ages between 55 and 64 years old. However, currently, the traditional model of lifecycle, divided into three distinct phases: education, work and reform, do not correspond entirely to the reality. By the way, it was in this context that the World Health Organisation created the concept of active ageing in 1997. In its spirit is implicit that the older individuals must remain, as long as they can, integrated into the labour and social life of the communities in which they live. On the other hand, there is an age group that is frequently not considered nor in the group of the young workers, nor in the one of the oldest: those between 45 and 55 years old. These individuals are sometimes in a hybrid situation, in the sense that, being considered still very young for retirement, they are also already too much old to be considered “normal” workers. However, these workers will be the future workers of 55 and 64 years old and so, when the statistical data allow, they will also be focused in this article.

**Figure 1: Growth rates of the population**

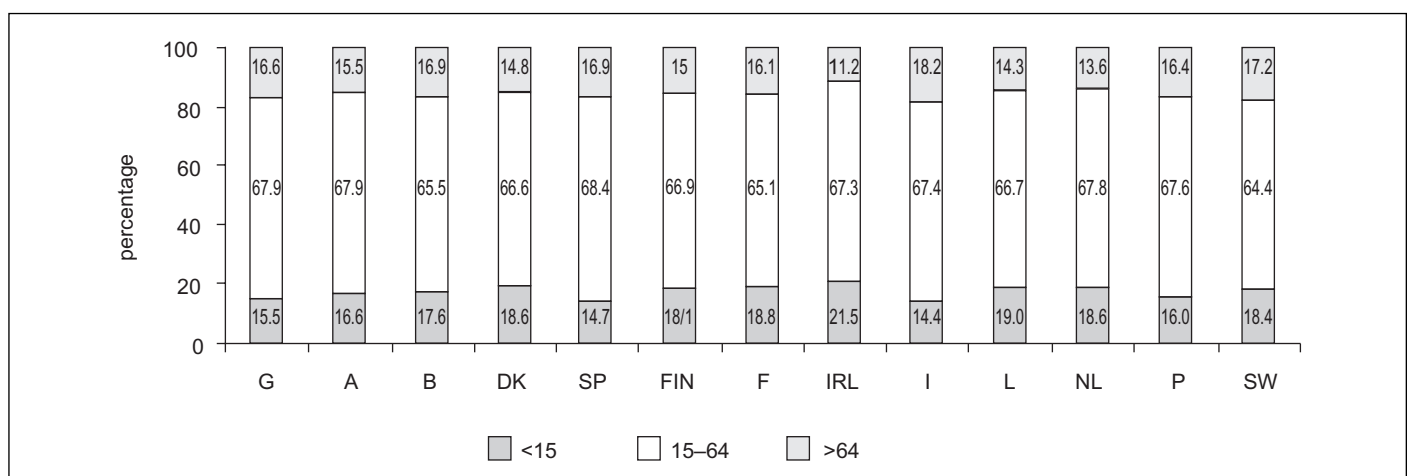
Source:

INE, New Estimates Inter Census 1991-2001

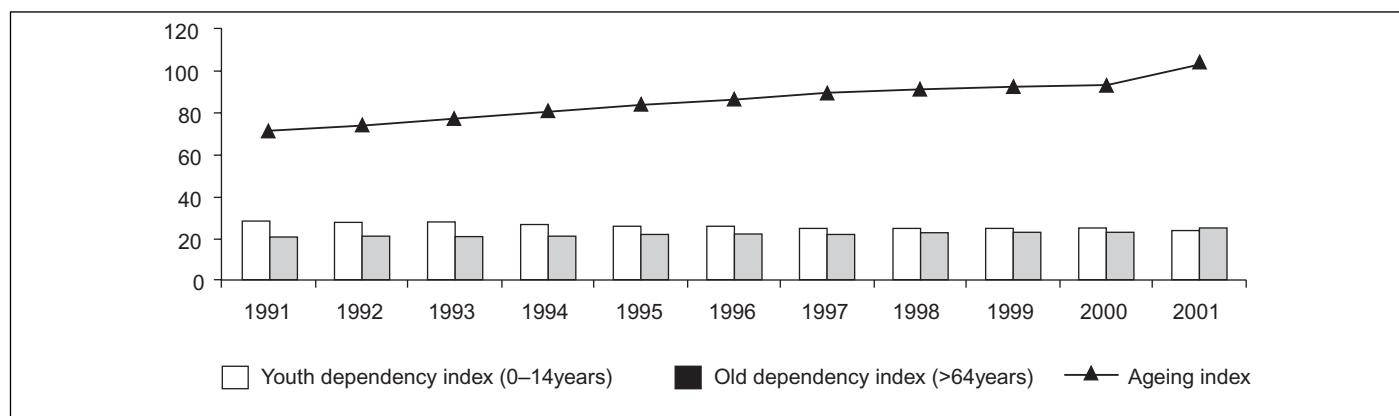
INE, Estimates of the Resident Population 2001

**Figure 2: Age structure of the Portuguese population**

Source: INE, Estimates of the resident population

**Figure 3: Age structure of the population of European Union countries population (2001)**

Source: Eurostat, Newcronos

**Figure 4: Dependency and ageing indices**

Source: INE, Estimates of the resident population

moving from a model of high birth rates and mortality rates to a model of low ones, the effective growth rate of the population has continued to be positive, due in particular to the migratory flows which have become the main component of population growth in Portugal. In fact, since 1993, the migratory growth rate is higher than the natural growth rate of the population (Figure 1).

The younger population has suffered a significant decline in the last decade. Between 1991 and 2001, the population aged between 0-14 years old fell by 14.5%. At the same time the over 65 age group rose by 23.9%, passing from 13.8% of the total population in 1991 to 16.4% in 2001 (Figure 2).

According to Eurostat data, which compares the structure of the Portuguese population with that of the other countries of the European Union, it is possible to conclude that Portugal is the country with the third lowest percentage of young people (16.0%) and the fourth highest percentage of individuals over 64 years of age (16.4%), (Figure 3).

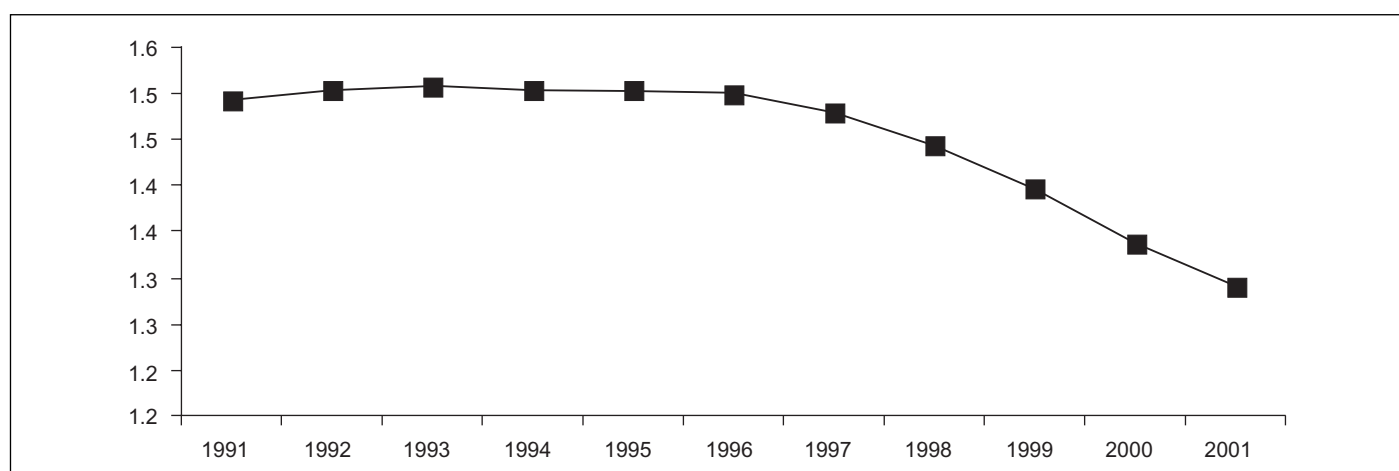
The changes in the relative importance of each of these age groups

in relation to the total of the population are even more significant when dependency ratios are analysed. Indeed, in 2001, and for the first time since 1991, the old age dependency ratio was higher (24.5) than that for the young (23.6), which means that for every 100 individuals in the active population there were, on average, 24.5 old individuals, and 23.6 young persons. Simultaneously, the ageing index<sup>3</sup> increased throughout the whole decade and this trend was also especially significant in 2001 (Figure 4).

Although the active population growth has remained positive since 1991, the renewal ratio of the active population<sup>4</sup> has registered a slow downward trend since 1996 (Figure 5).

The evolution of this indicator suggests that, over the years, the increase of the active population has been much more dependent on an increase in the participation of the people over the age of 55 than that of young people.

The population growth projections for the next decade point to a continuation of the trends outlined above. According to a study published by the Department of Planning and Prospective of the

**Figure 5: Renewal ratio of the active population**

Source: INE, Estimates of the resident population

<sup>3</sup> Number of old people for each 100 young.

<sup>4</sup> Ratio of the populations with ages between 15 and 24 years old and between 55 and 64 years old.

Planning Ministry and by the National Commission to the International Year of Older People in 1999, the demographic evolution in Portugal will, over the next 10 years, continue to be marked by a gradual reduction on the base of the demographic pyramid, constituted by the young individuals up to 14 years old, and by a widening at the top of the pyramid, due to the increase in life expectancy.

### 3. Trends and developments for older workers on the labour market

Over the last few years, Portugal has presented a good performance in relation to the main labour market indicators. Since 1996, the employment rate has been one of the highest among the countries of the European Union, reaching 68.7% in 2001, having already exceeded the quantitative goal defined in the Stockholm Council for 2005 (67%). The unemployment rate has also remained relatively low, when compared to some countries of the European Union (4.2% in 2001). However, a closer analysis shows some structural problems. Among them is the integration of the older workers in the

labour market.

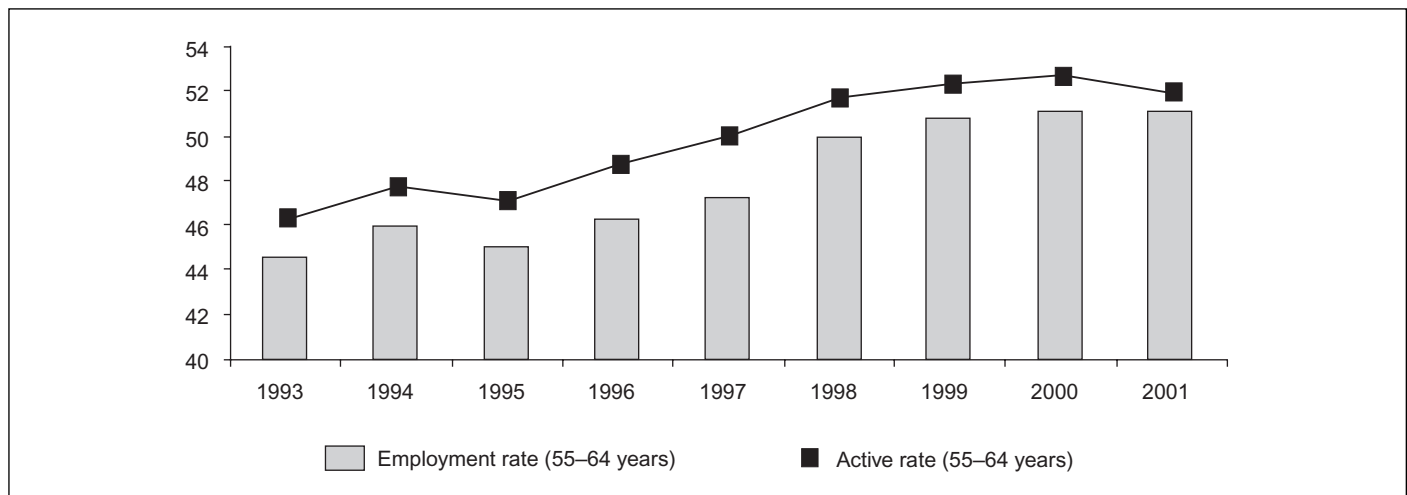
Since 1993, the activity rate of the older workers has presented a positive evolution, having only diminished slightly in 2001 (Figure 6).

Regarding the employment rate of the older workers, since 1993 the trend has always been of positive growth, reaching 51% in 2001, thus exceeding already the European goal defined for 2010 (50%) (Figure 7).

Indeed, Portugal has the third highest employment rate of the European Union in relation to the older age group, followed by Sweden and Denmark. According to the European Commission, the most recent projections for the employment rate of the Portuguese older workers point to a value of about 56.1% by 2010<sup>5</sup>.

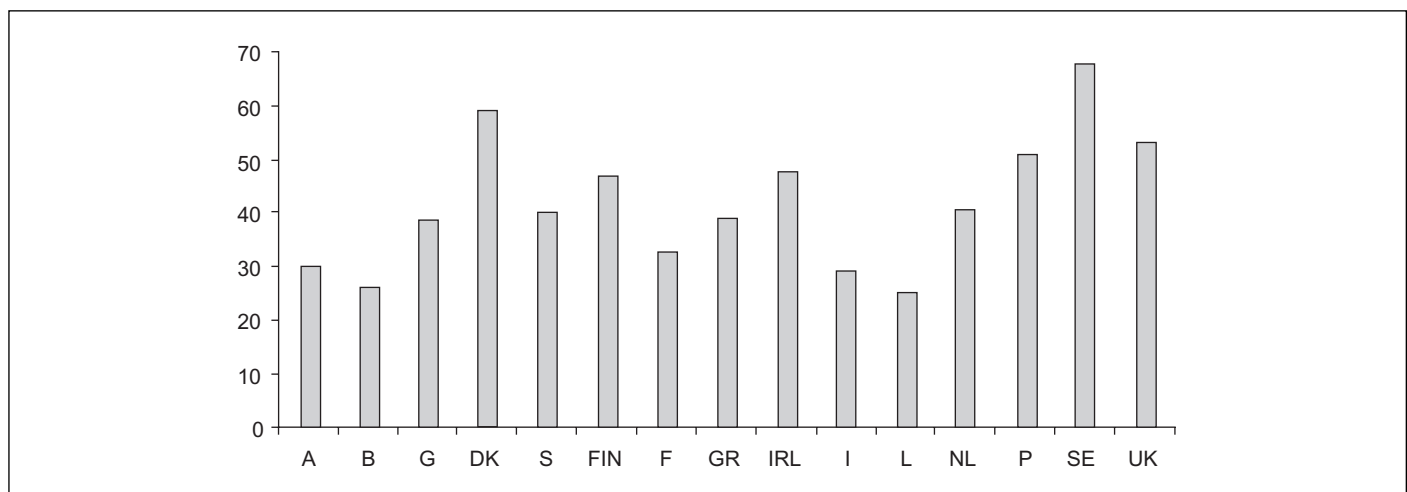
However, a closer analysis of the characteristics of the Portuguese older workers suggests some caution, mainly due to the low level of employability that they demonstrate. Portugal is the one country of the European Union where the percentage of the working population between 55 and 64 years old, having achieved at least

**Figure 6: Activity and employment rates (55-64 years old)**



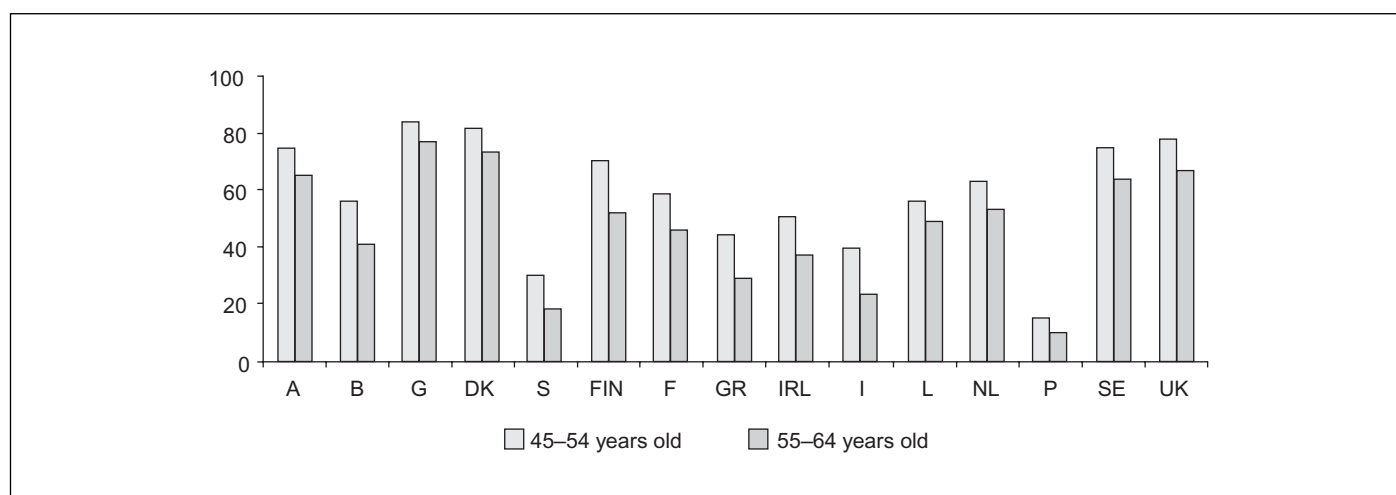
Source: INE, Labour Force Survey  
Eurostat, Statistics

**Figure 7: Employment rates (55-64 years old) in the European Union countries**

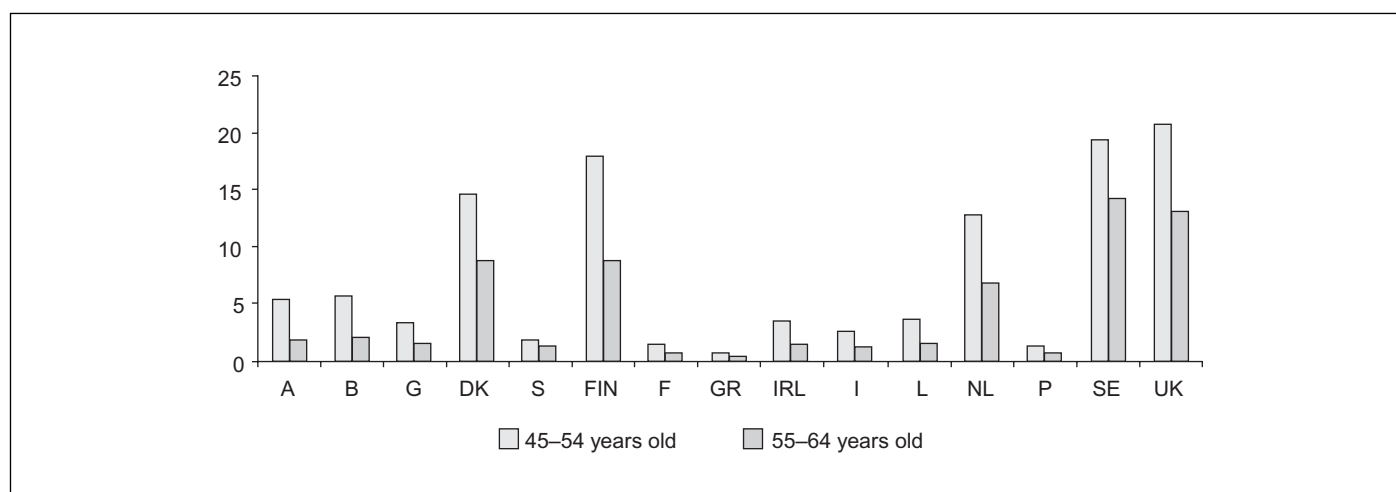


Source: Eurostat, Labour Force Survey

<sup>5</sup> European Commission – Employment rate scenarios up to 2005 and 2010.

**Figure 8:** Percentage of working age population having achieved at least upper secondary education

Source: Joint Employment Report (Statistical Annexes), 2002

**Figure 9:** Participation rate in education and training actions

Source: Joint Employment Report (Statistical Annexes), 2002

upper secondary education, is the lowest (8.8%). Also analysing the values for the individuals that currently are between 45 and 54 years old, the situation is also not very different (13.7%) (Figure 8).

Despite this, the participation rate of these individuals in training and education actions is very low, 0.3% for the individuals between 55 and 64 years old and 0.9% for the individuals between 45 and 54 years old (Figure 9).

Nonetheless, the unemployment rate of individuals between 55 and 64 years old has traditionally been relatively low in Portugal, reaching 2.2% in 2001. It is therefore below the overall unemployment rate of 4.2% and significantly below the unemployment rate of the young (9.4%). Despite this, the number of individuals above 55 years old in total unemployment is still very high (Table 1).

Workers over 55 years old represent 36.3% of the total long-term

**Table 1:** Registered unemployment by time and age group (2001)

	< 12 months	%	>= 12 months	%	>= 24 months	%	Total	%
Total	190.713	100	125.727	100	71.219	100	316.440	100
< 20 years old	11.711	6.1	619	0.5	63	0.1	12.330	3.9
20-24 years old	33.310	17.5	6.080	4.8	1.526	2.1	39.390	12.4
25-34 years old	56.952	29.9	18.129	14.4	6.661	9.4	75.081	23.7
35-54 years old	66.796	35.0	55.302	44.0	32.048	45.0	122.098	38.6
+ 55 years old	21.944	11.5	45.597	36.3	30.921	43.4	67.541	21.3

Source: IEFP



unemployment ( $\geq 12$  months), and this percentage increases to 43.4% among the very long term unemployed ( $\geq 24$  months). It is important to note that unemployment above 12 months is also high among the individuals aged between 35 and 54.

However, this situation is different regarding the short-term unemployment ( $<12$  months). In fact, individuals aged under 34 become the majority of the registered unemployed, representing about 53.5%. In this context, it is important to know the level of qualifications of the unemployed registered in Job Centres by age groups (Figure 10).

The previous Figure shows that the vast majority of unemployed who are registered in the Portuguese Job Centres have a low level of education and the number of those who have not received a basic level of education is still significant among the individuals aged over 55 years (21.1%).

Taking into account the objective defined in the Barcelona Council of increasing by five years the effective average age at which people leave the labour market by 2010, it is important to note that, according to data of the European Commission, the real average exit age of the labour market in Portugal is the highest in the European Union. Indeed, on average, Portuguese workers leave the labour market at 64.5 years old, compared with, for instance, 57.5 years old of the workers of Luxembourg.

#### 4. The policy framework

In Portugal, the concern to keep the older workers in the labour market is not always shared by companies as a result of restructuring and the requirement to shed labour. Enterprises have, in general, preferred to take measures such as early retirement rather than seeking to retrain their workers. A national study carried out among small and medium enterprises (SMEs) has shown that more than half of the enterprises questioned (52%) had reduced their workforce primarily by means of early retirement. However, as a complementary measure, many of the same enterprises had recruited younger workers (Stoleroff, 1995).

This policy of releasing older workers is directly related to two main factors: the change in human resource management practices since the 1980s and the lack of social partner involvement in the reorganisation process.

In fact, many enterprises have abandoned the principle of last in first out in favour of the inverse system, where the older workers are

the first ones to be made redundant or offered early retirement.

Private companies and public authorities have opted to develop mechanisms of early exit for older workers from the labour market, which allowed, on one hand, protecting the employment for the youngest and, on the other hand, to reduce the wage costs (Centeno, 2000).

Indeed, in the beginning of the 90s it became possible to access early retirement schemes for workers in particularly demanding manual jobs, for companies affected by downsizing and for long-term unemployed older individuals. In order to be eligible, workers had to fulfil a set of minimum conditions related with their age and their tax-paying career.

In relation to the second factor mentioned above, it must be understood that it is still not very common for all social partners to participate in negotiated solutions to restructuring at company level.

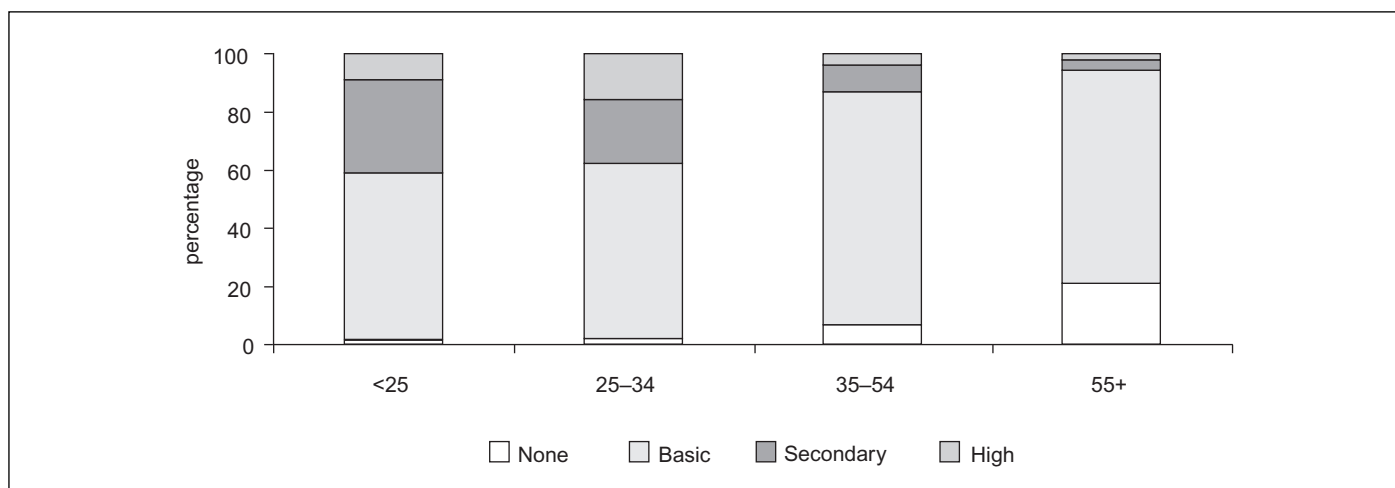
In recent years, the government has been seeking to reverse the trend towards early retirement. During the first phase of the European Employment Strategy (EES), a number of measures were introduced seeking to encourage the retention or re-integration of older workers into the labour market. These include:

- the reduction of social security contributions for employees recruiting a worker receiving an old age or invalidity pension;
- the promotion of a social partner initiative to remove all barriers to the continued employment of older workers from collective agreements;
- the introduction of flexible access to the pension system.

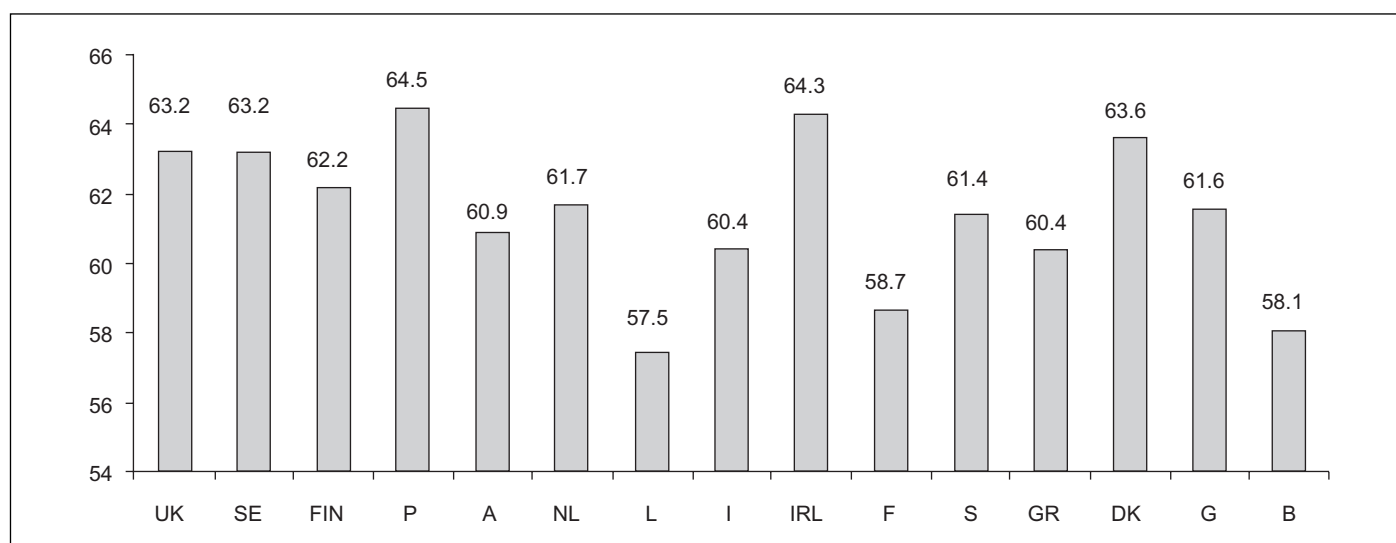
The latter measure was implemented in 1999 and had already been foreseen within the scope of the Tripartite Strategic Agreement signed in 1996. Since 1999, it has been possible for workers under the age of 65 to apply for their pension early as long as they have at least 30 years of taxable income. However, for every year that the pension is claimed early, a deduction is applied. Similarly, the reform foresaw additional benefits to be paid to those working beyond the legal retirement age and who have a taxable career in employment of over 40 years.

Meanwhile, because of the increasing phenomenon of relocation away from Portugal, the present Government has decided to implement a new measure in order to combat increasing unemployment, particularly among older workers. This measure

**Figure 10:** Registered unemployment by age group and educational levels (2001)



Source: IEFP

**Figure 11: Average age of workers leaving the labour market**

Source: European Commission

consists of a reduction of the legal age of retirement to 58 to enable those who have been unemployed since the age of 55 and have a tax-paying career of 30 years to retire without deduction. (This measure will be introduced from March 2003).

The new Social Security Law, approved in January 2002, foresees the implementation of a partial retirement scheme allowing for a gradual staging of the retirement process.

In addition, the first stage of the EES saw the implementation of various training measures aimed to increase the overall standard of education of the Portuguese population. These are also seen to contribute towards active ageing. As mentioned above, many Portuguese workers do not have formal qualifications, but have skills acquired over the course of their working life. The accreditation of such learning is the role of the ANEFA (Agência Nacional para a Educação e Formação de Adultos). In relation to lifelong learning and assistance for restructuring, programmes are also available targeted at unemployed workers and those threatened by restructuring. These measures are equally open to older and younger workers.

## 5. Evaluation

The evaluation of the implementation of the EES in Portugal shows that there are few indicators, which allows for the evaluation of the measures set out above. The figures quoted in the table below provide information on the number of individuals taking up the various options under the reform of the pension system. From these figures, it is clear that the number of older workers who have opted to leave the labour market over the legal retirement age is significantly lower than that of those who have chosen to retire early, thus showing an adverse effect on the behaviour of older workers from that intended (Table 2).

**Table 2: Number of workers who chose early retirement**

Pensioners	1999	2000	2001
With reduction	6389	16252	21969
With benefits	14	157	280

\* Values until September

Source: CNP

## 6. Conclusions

The threshold of the third millennium is marked by greater longevity and the extension of active careers. There is no doubt that older workers will play an important role in the labour market in years to come in order to make up for declining birth rates. However, in order to achieve this, the employability of older workers, who possess, on average, only a low level of education, needs to be significantly improved. At the same time, the potential and value presented by older workers in the workplace needs to be better recognised across the European Union.

Older workers possess many important skills which younger workers do not have, such as strategic and holistic thinking, capacity of reflection, commitment and loyalty. Despite this, the majority of enterprises continue not to involve the workers in the processes of reorganisation. The policies of early exit from the labour market cannot continue to be seen as a long-term solution, due mainly to the demographic restrictions that Portugal will have to deal with in the coming years. What is required is a more holistic view of employment across the lifecycle to allow for early intervention to ensure a limited reduction of capacity due to health and safety issues and training to combat low productivity. The involvement of the social partner in these processes is vital, particularly if the current trend towards relocation to countries with cheaper production costs is to be stopped. Portugal must begin to compete on the basis of quality and a well-educated and skilled workforce rather than on the basis of price if its economy is to prosper.

Finally, it may also be desirable for Portugal to implement more effective anti-age discrimination legislation to ensure recruitment is based on ability rather than age. Currently, the vast majority of vacancy announcements define the age of admissible candidates, which is usually fixed at around 35 years.

Helena Miranda &amp; António Caetano

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# Spain

## 1. Introduction

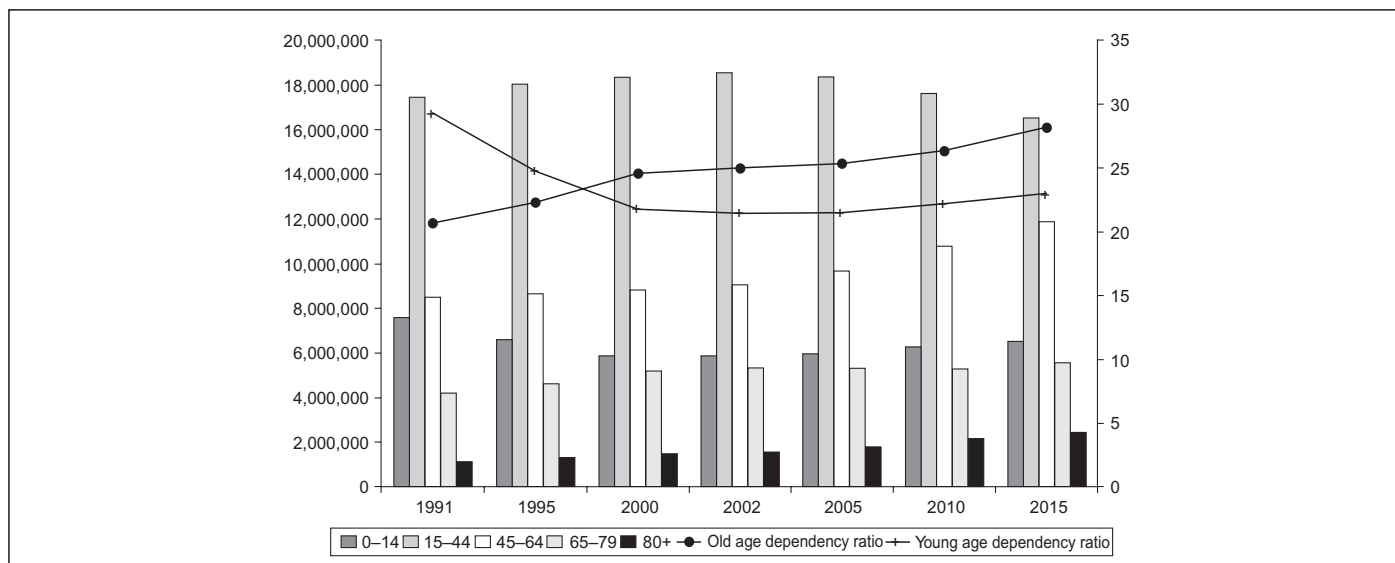
### 1.1 General description and perceptions

Over the last thirty years, the decline in fertility rates, together with the increase in life expectancy at birth, has resulted in the phenomenon of an ageing population. Dependency ratios are rising and are expected to reach levels which could endanger the sustainability of current labour market structures and pension systems. According to population projections by the Spanish Statistics Institute (INE) published in 1995, the Spanish population in the year 2025 would have declined slightly compared to 1998.

Eurostat foresees that the population will start to shrink from 2014, and the labour force will start to decline by 2008<sup>1</sup>. Moreover, the population over 64s would increase by 75% up to the year 2050, which could trigger pension expenditure to have to rise to 17.3% of GDP in this year, compared with 9.4% in 2000<sup>2</sup>.

However, the latest revisions of these projections by the INE dating from August 2001, which include corrections affecting fertility rates and, particularly, immigration figures, do not support this statement. Not only will total population not decline by 2050 but, according to these new data, it will increase by 3.4%<sup>3</sup>.

Figure 1



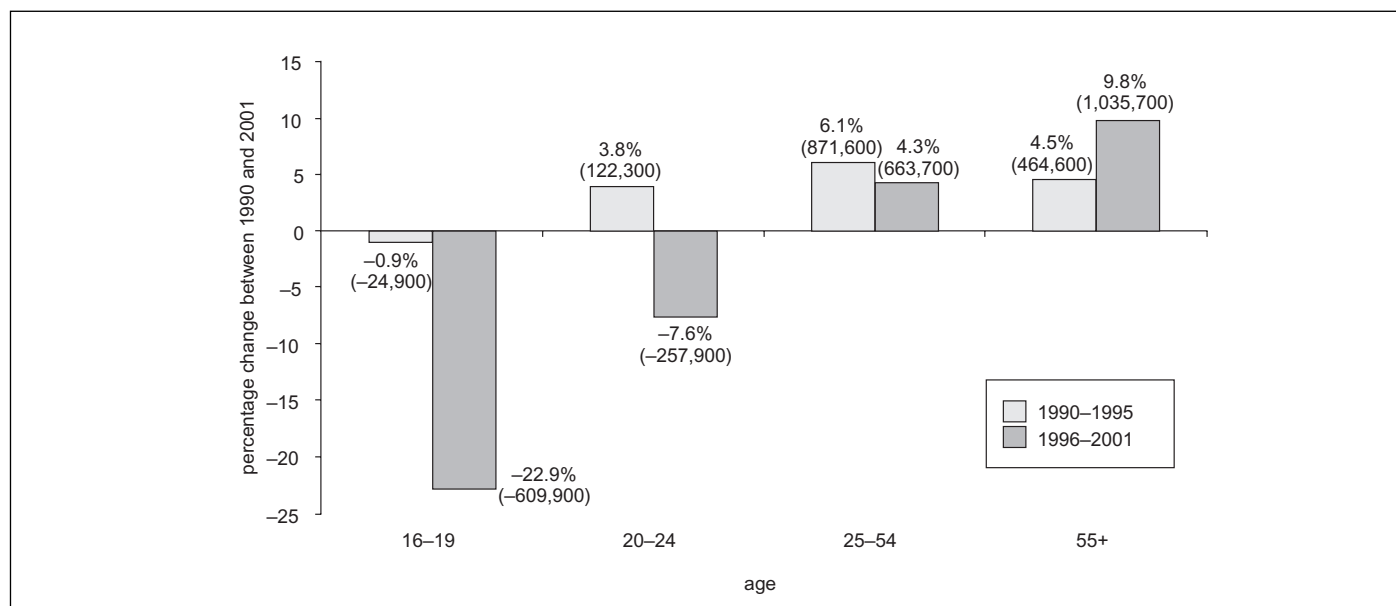
Source: INE, Population projections, revision 2001

<sup>1</sup> Eurostat, Statistics in Focus, Theme 1-2/2001

<sup>2</sup> "Impact of ageing populations on public expenditure". Country Fiche (document for the European Commission). Spain. October 2001

<sup>3</sup> Source: INE, Population projections for 1990-2050 based on administrative data 1991. Revised version. Electronic version

Figure 2:



Important changes have taken place in Spain which have led the INE to revise its 1995 projections. The average number of children per woman has increased<sup>4</sup>, and Spain is currently witnessing a rapid inflow of immigrant population from third countries. Moreover, the immigrant population is younger than the national average, and their employment rates are higher than the national average. The size of the immigrant population from third countries has multiplied six fold between 1990 and 2001<sup>5</sup> and the number of foreign workers registered with the social security system increased in 2002 (up to November) by 239,149 workers, which means 48% of those newly affiliated in these months. In the context of an ageing population, it should be taken into account that an immigrant labour force could help solve the problem of future labour shortages, at least temporarily.

In any case, in spite of these changes which make projections somewhat unreliable, there is no doubt that the Spanish population is ageing. The resulting old age dependency ratios show an increasing tendency up to the year 2015, when it is forecast to reach 28% of working age population. A comparison with the EU average suggests a slightly more favourable situation in Spain by the year 2010, where the Spanish ratio would be 26.8% compared to an EU15 ratio of 27.3%<sup>6</sup>.

## 2. Trends and developments in the labour market

### 2.1. Participation rates

Participation rates have always been much lower in Spain than the EU average. The EU activity rate currently exceeds that of Spain by 4.5 percentage points (in 2001, the respective ratios were 69.2% and 64.7%<sup>7</sup>), though the gap has steadily diminished over recent years.

Table one shows participation rates in Spain, detailed by age and gender, from 1990 to 2001. It can be seen that, whereas male participation declines sharply from the age of 50 onwards, the pattern of female participation is one of gradual decline from the age group 35-39.

As for the evolution over time, participation in the labour market has increased notably since 1995, though at very different rates if age and gender are considered. Whereas it has decreased among the under 25s, as a result of longer periods spent in full time education, and among the over 65s, it has increased well above average among workers aged 45-64. This has been due, to a great extent, to the greater participation of women in the labour market, which is particularly marked among women between 40 and 59. However, the growth experienced by those aged 60-64 has been mostly due to the increase in male rather than female participation; and the decreasing rate among those younger than 25 has been exclusively due to the decrease in young female participation rates.

As result of these movements, the gender gap in participation rates has considerably diminished over the decade from 34.1 points in 1990 to 25.1 points in year 2001. This gap is still, however, the second largest one among the EU-countries<sup>8</sup>. Moreover, as shown in the graph below, the size of this gap increases steadily from the age group 30-34 (5 points) to the age group 55-59, where it reaches 23 points. The differences among women over the age of 60 are less pronounced.

This analysis shows firstly that there is scope for increasing participation rates among older workers, particularly among women. The sharp drop in male participation rates from age 50 suggest that some factors are preventing these men from staying in the labour market. The low female rates are more likely to point to difficulties in entering/staying in the labour market at much earlier ages: the

<sup>4</sup> The average number of children in Spain reached a minimum in 1996 with 1.166 children per woman, and has since risen to 1.242 in 2001. This rise has been mainly due to immigrant women, for the number of births of Spanish mothers even decreased by 2000 with respect to previous year. (Source: observed data by INE).

<sup>5</sup> Source: Home office Ministry, Anuario Estadístico de Extranjería (several years).

<sup>6</sup> Source: Eurostat – Demographic statistics

<sup>7</sup> European Commission (2002), Employment in Europe 2002. The ratios used in the comparison refer to active population aged 15-64 over total population in the same age group. The data reflected in the table below, however, refer to population aged 16+, reason why the ratios in the table are inferior to the ones referring to the comparison.

<sup>8</sup> Source: Eurostat, LFS, in *Increasing Labour Force participation and promoting active ageing*.

**Table 1:** Participation rates 1990, 1995, 2000 and 2001 by age and sex

	1990			1995			2000			2001			Increase 1995-2001 (percentage points)		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Total</b>	<b>50.7</b>	<b>68.3</b>	<b>34.2</b>	<b>50.8</b>	<b>64.9</b>	<b>37.5</b>	<b>53.4</b>	<b>66.3</b>	<b>41.2</b>	<b>52.6</b>	<b>66.0</b>	<b>40.0</b>	<b>1.8</b>	<b>1.1</b>	<b>2.5</b>
16 - 19	31.7	32.1	31.4	24.9	26.7	23.0	25.7	28.9	22.3	24.6	29.2	19.8	-0.3	2.5	-3.2
20 - 24	67.1	72.6	61.3	60.7	63.6	57.8	60.1	63.5	56.6	59.0	64.3	53.5	-1.8	0.7	-4.3
25 - 29	77.9	92.0	63.5	79.8	89.4	70.0	82.7	88.3	76.9	80.7	87.6	73.6	0.9	-1.8	3.6
30 - 34	75.9	96.5	55.2	79.3	94.6	63.8	82.8	95.8	69.5	80.7	93.8	67.1	1.4	-0.8	3.4
35 - 39	72.3	96.7	47.8	77.0	95.4	58.6	80.5	95.6	65.2	78.5	94.0	62.8	1.5	-1.4	4.2
40 - 44	67.8	95.3	40.3	74.6	95.0	54.2	78.8	95.2	62.4	77.0	93.6	60.5	2.4	-1.4	6.3
45 - 49	64.1	94.4	31.4	68.6	93.5	44.0	73.3	93.2	53.5	72.1	91.8	52.7	3.5	-1.8	8.7
50 - 54	58.4	89.2	28.7	60.6	87.9	33.9	64.0	88.4	40.3	64.2	87.9	41.1	3.7	0.0	7.2
55 - 59	49.0	76.4	23.2	47.3	71.4	24.7	51.6	76.0	28.3	50.9	74.3	28.4	3.6	2.9	3.8
60 - 64	30.4	46.8	15.5	26.9	39.8	15.1	29.3	43.5	16.4	31.0	46.1	17.4	4.2	6.3	2.2
65 - 69	5.5	7.6	3.7	4.3	5.8	3.1	4.0	5.5	2.7	4.0	5.9	2.4	-0.3	0.1	-0.7
70+	1.0	1.4	0.8	1.0	1.4	0.7	0.6	1.0	0.3	0.5	1.0	0.3	-0.5	-0.5	-0.5

Source: INE, LFS, 2nd quarters

reduction is already experienced by women aged 35-39. Efforts to increase participation rates do not have to aim only at older women, but they also have to deal with younger cohorts. Apart from cultural and educational reasons, policies aimed at reconciling work and family life are necessary in Spain as activity rates among women with children under six years of age are the lowest in the EU15<sup>9</sup>. The large gender gaps among older women might also be influenced by the need to care for elderly dependants within the family framework.

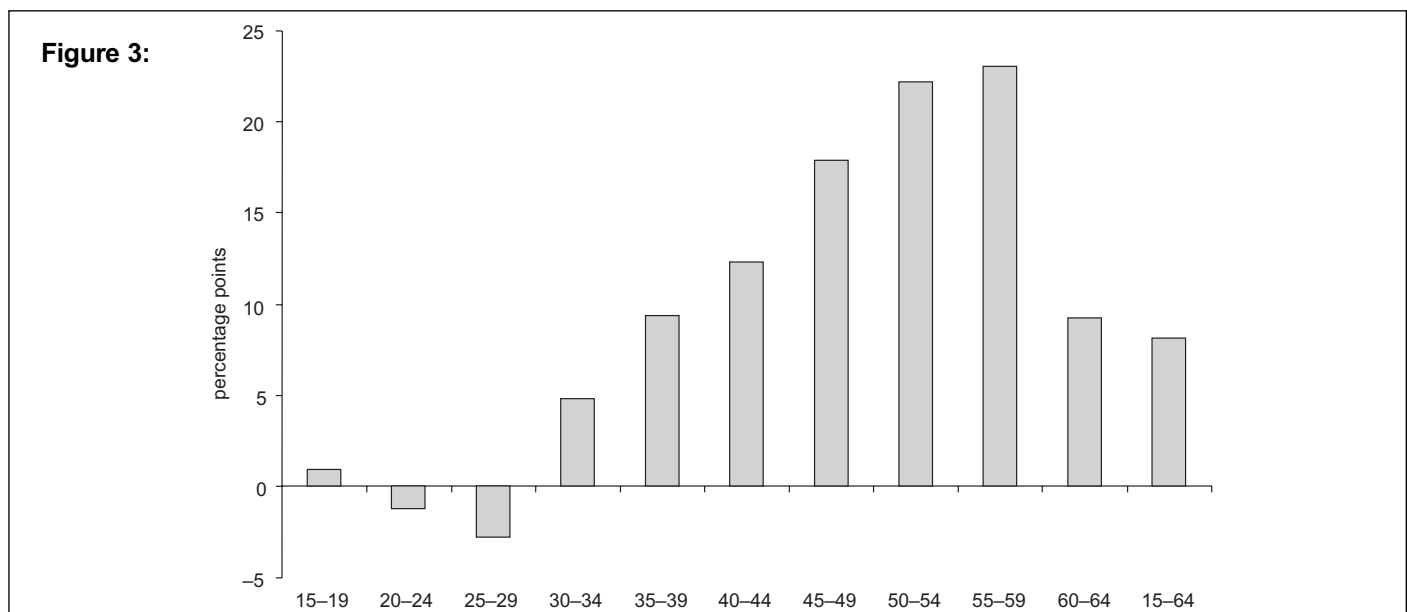
## 2.2. Employment rates

The Spanish employment rate has always been well below the European average in all age groups. In 2001, according to Eurostat data, the difference amounted to 6.4 percentage points (64.1% and

57.7% of population aged 15-64 respectively). However, this difference is due mostly to the big difference among women, for the difference among men was only 2.1 points, compared to 13.0 points for the women.

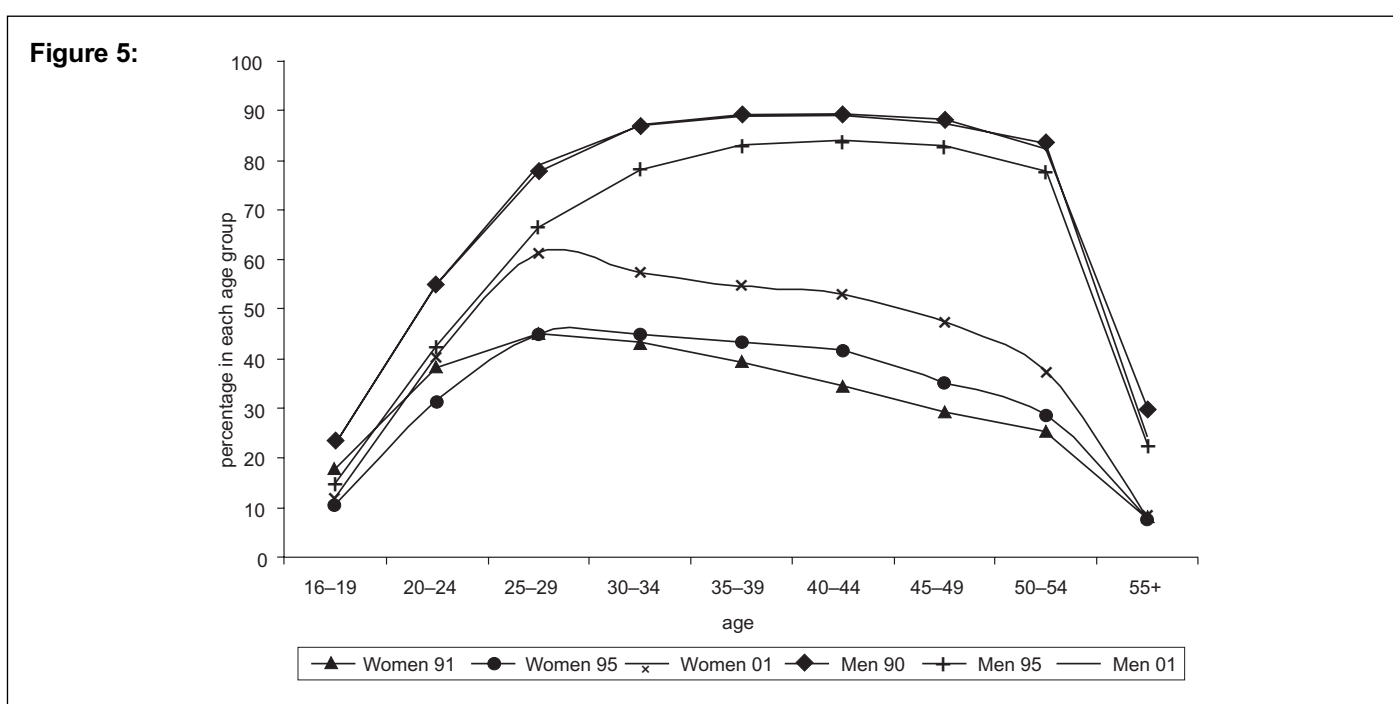
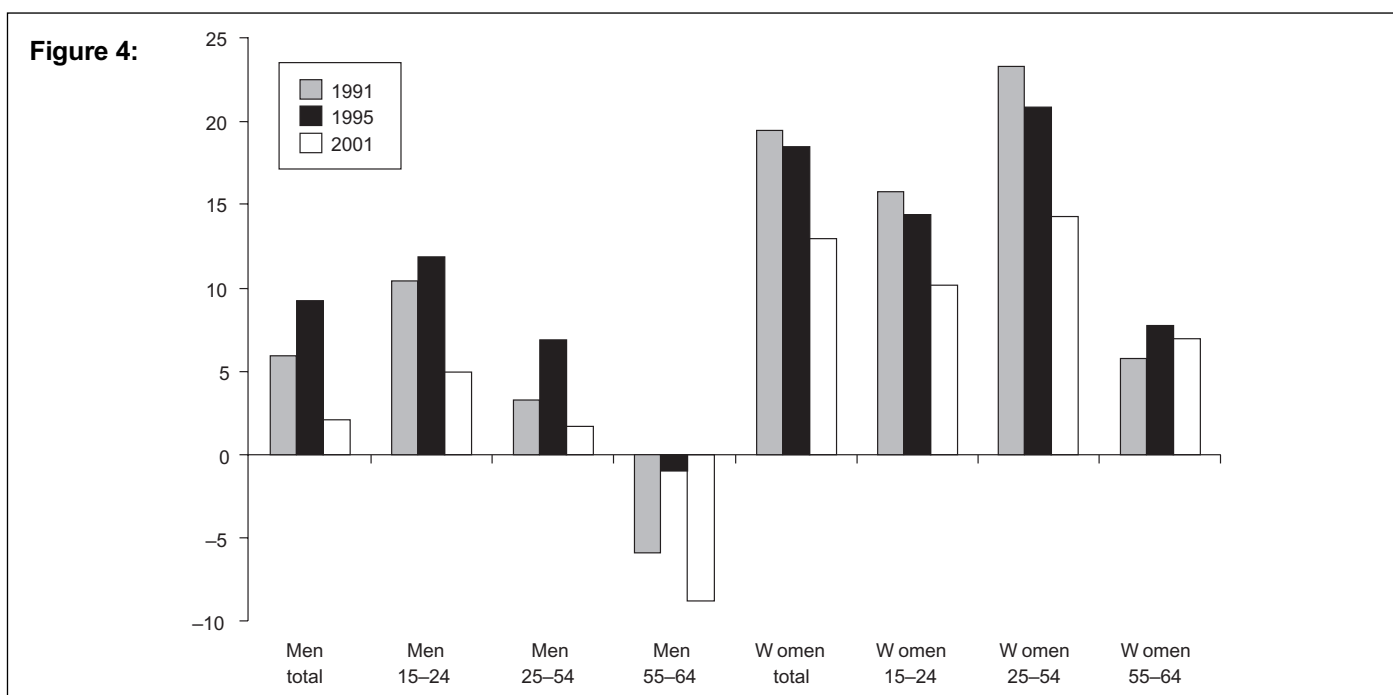
As the graph shows, this important difference in aggregate terms is significantly reduced in the group of workers aged 55-64, where in 2001 the employment rate among older workers in Spain was slightly higher than in the EU as a whole (39.2% and 38.8% respectively). The analysis by gender shows, again, that this difference is exclusively due to a higher older male employment rate, as employment among Spanish older women is considerably below the European average. Moreover, the difference over these ten years has increased slightly<sup>10</sup>.

The following graph again reflects the sharp decline in male



<sup>9</sup> Source: Eurostat, LFS, in *Increasing Labour Force participation and promoting active ageing*.

<sup>10</sup> At the beginning of the period, the difference amounted to 5.8 points and in 2001 increased up to 7.0 points.



employment rates at 55+ and the slow gradual decline in female employment rates from 30-34. Since 1990, employment rates have increased practically in all age groups, except for individuals under 19 and for those older than 55. This fact points to longer periods spent in education among young people; but the fact that employment rates have not recovered their initial levels among the 55+ may be a reflection of the consequences of resorting to early retirement as a path to reducing employment in enterprises.

The Lisbon and Barcelona targets call for employment rate among the EU15 to reach 70% by the year 2010 (67% in 2005), while female employment rates should reach 60% by that date (57% in 2005). The Stockholm target for older workers (55-64) is to increase their employment rate to 50% by 2010.

The employment rate projections for 2005 and 2010 based on the Commission's Spring Forecasts state that the EU employment rate is likely to lie between 65.5% and 66.3% in 2005, in any case below the intermediate target. For Spain, these estimates foresee that the employment rate could lie between 59.7% and 60.8%, i.e. between 3.4 and 4.5 points higher than the 2001 level<sup>11</sup>, depending on the optimism of the scenario adopted. The Economic Forecast in Autumn 2002 by the Commission reviews the Spring Forecasts, reducing the initial GDP and employment growth rates. However, for the Spanish case, the new revised data does not point to the more likely "slow recovery scenario" presented in the document, so that the objective of an increase of the employment rate equal to 3.4 points by 2005 could be feasible.

<sup>11</sup> The document "Employment rate Scenarios up to 2005 and 2010" states that the employment rate for Spain in 2001 equals 56.3%.

According to the estimates, in order to reach the 2010 employment rate target at EU level, Spain needs to increase its employment rate to at least 68.5% by 2010. The main driver behind the success of a strategy to achieve this target lies mainly in increasing female employment rates. The projected female employment rate for year 2010 in Spain is 58.9%, although the underlying assumptions, particularly in relation to GDP growth<sup>12</sup>, seem very optimistic. The achievement of this ratio implies an annual average female employment growth of 3.8%, which is also very challenging.

Finally, concerning employment among older workers, the most optimistic projections in Spain foresee an average annual growth of 4.8% up to 2010. Still, this would not be enough at EU level to reach the 50% target. This highlights the need for significant reforms if the Stockholm target is to be reached, as the growth rates required are again very challenging.

### 2.3. Unemployment rates

Unemployment rates among older workers have always been below the average. The notable increase in the participation of older workers over the last years has been accompanied by a steady decline

of their unemployment rate among this age group up to 2001. However, the latter declined at a slower pace than total unemployment rate. As a result, in 2002, the unemployment rate among older women has already caught up with the total unemployment rate<sup>13</sup>.

The next two graphs show that the age group which appears to have less difficulties is the oldest one, 60-64. They also depict different patterns for men and women: it seems that, except for the 60-64 group, the older the men are, the greater difficulties they have, i.e. the higher the unemployment rates; in contrast, the younger the women are, the higher are their unemployment rates.

### 2.4. Participation and educational attainment

According to data provided by the Eurostat Labour Force Survey, educational attainment in the Spanish population is well below the EU15 average, although the gap is slowly narrowing. Still, the difference in 2001 between Spain and EU15 in the percentage of the population aged 25-64 having achieved at least upper secondary education reaches 23.8 points (40.0% and 63.8% respectively). This difference is still greater if the population over 55 is considered;

Figure 6:

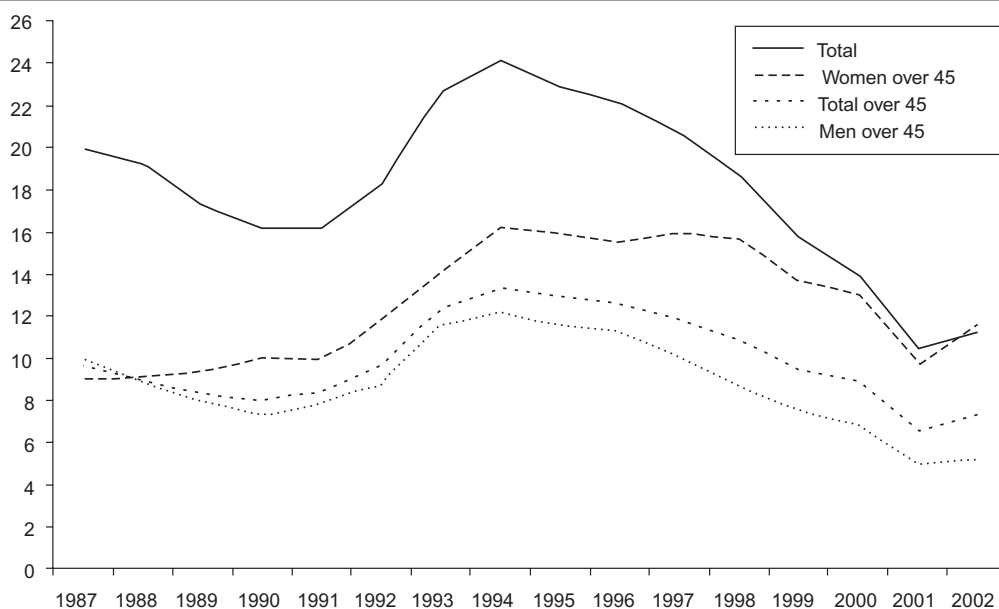
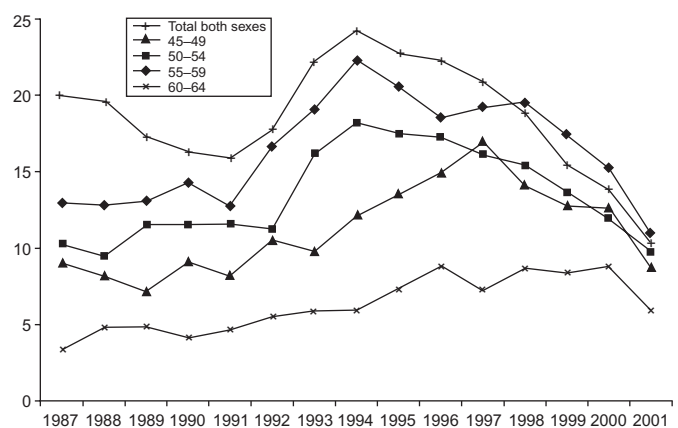
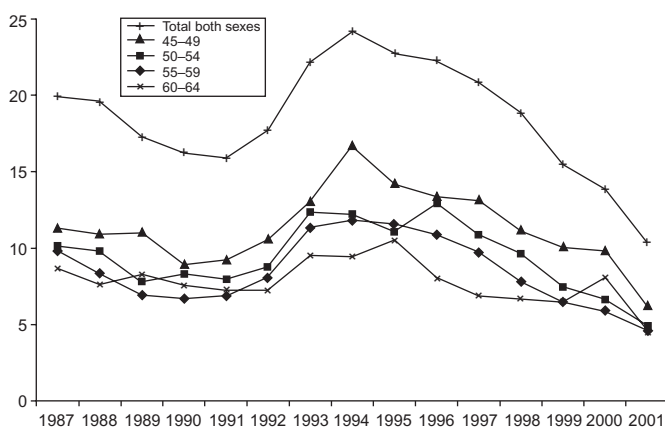
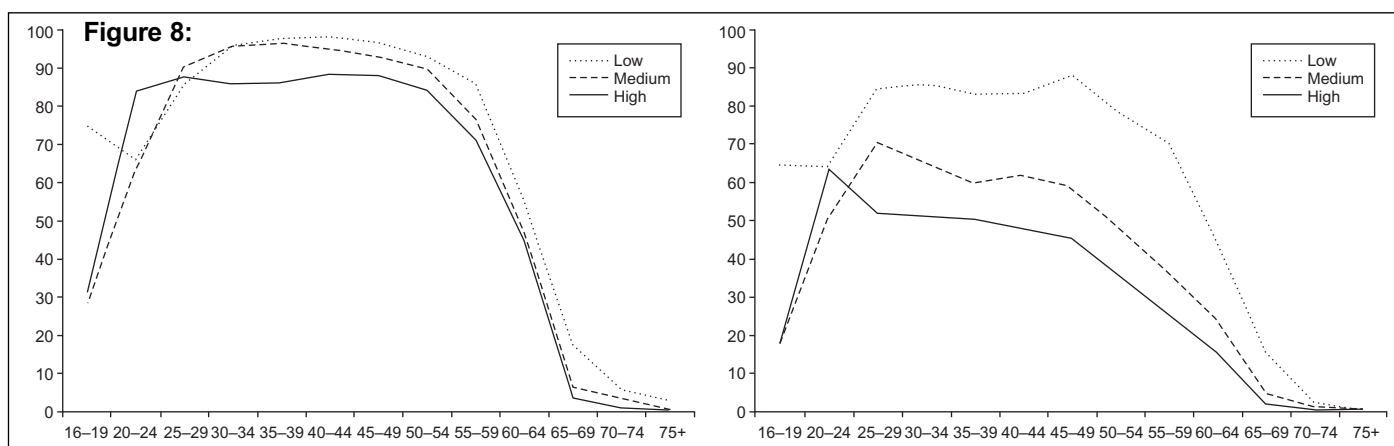


Figure 7:



<sup>12</sup> GDP growth equal to 2.1% in 2002 and 3.1% afterwards.

<sup>13</sup> Due to methodological changes introduced in the Spanish Labour Force Survey in 2001, the data for 2002 is not directly comparable with the previous years. The comparison can be made just in terms of age and gender for 2002.



whereas in the EU15 this percentage is 48.4% of the population, in Spain it is only 17.3%.

Whereas no big differences exist in Spain in the activity levels of men depending on their educational level, important differences exist between the educational groups for women. This fact points to an “automatic” future increase in female activity rates, providing older women leave the labour market and the aggregate female educational level increases. Moreover, in the longer run, and taking into account the much higher educational level of younger cohorts (25-37), participation is expected to increase further.<sup>14</sup>

### 3. Pathways to early exit from the labour market

Several pathways have traditionally been used to early retirement. A significant number of individuals effectively enter early retirement through the unemployment benefit system and through invalidity pensions. In 2002, a total of 119,500 workers over 55 were unemployed in Spain, i.e. 5.9% of total unemployed; the number of those between 55 and 65 accessing a retirement pension in 2001 was 281,000; and the number of those over 55 with an invalidity pension reached 447,500 in 2001, by far the largest figure.

The need to increase participation of older workers, especially women, has already been stressed and clearly this must be linked to a reduction in unemployment among this age group by generating real employment opportunities for those otherwise forced to retire early. The exit pathway through invalidity pensions was more commonly used until changes in eligibility conditions were introduced. However, two groups of workers remain which continue to make use of this possibility, primarily because of the precarious nature of their employment.

### 4. Activation policies for older workers

Over the last few years, important changes have taken place in Spain relating to policies for the activation of older workers. One of the two main trade unions and the Government signed the Agreement for the Improvement and Development of social security system on 9 April 2001 in the framework of the recommendations issued in the Toledo Agreement in 1997 to guarantee the viability of the social security system. This agreement maintains the statutory retirement age at 65,

but agrees on the development of measures aiming at increasing employment among older workers. However, this agreement was not signed by the other main trade union because its view, the agreement constituted a breach of a worker’s right to retire early. This trade union also claimed that pre-retirement agreements between employers and workers have been regulated, but only for redundancy procedures, which represents just 10% of the total number of dismissals, leaving the rest of the workers with little protection in such a situation.

In spite of the absence of a consensus among all social actors, the Agreement has been implemented through the Government Decree 16/2001 of 27 December, which was later replaced by the Law 35/2002 of 12 July for the Establishment of a Flexible and Gradual Retirement System. This was in turn developed by the Royal Decree 1131/2002 on Social Security Regulation of part-time workers and part-time retirement and the Royal Decree 1132/2002 on Development of the Law 35/2002. The following sections analyse the main changes introduced by these legislative changes.

#### 4.1. Leaving the labour market early or staying longer: a perspective on flexibility

The Law 35/2002 has considered the term flexibility in two ways. On the one hand, it includes measures to prolong working life, benefiting both employers and workers; on the other hand, access to early retirement has been tightened. Both Decrees mentioned above include legislative changes which, together with other pre-existing regulations, will determine the Spanish retirement system. Three aspects will be specifically taken into account: a) the promotion of permanence at work through measures to prolong it; b) the tightening up of early retirement and pre-retirement conditions; c) the promotion of access to employment of older workers.

##### 4.1.a. Measures to prolong permanence at work

The development of a system of flexible retirement is based on the “positive effects and undoubted advantages for society of taking advantage of the experience and knowledge of older workers”<sup>15</sup> The statutory retirement age is still set at 65, but the Royal Decrees 1131 and 1132/2002 have set out alternatives to favour workers’ permanence at work beyond that age.

<sup>14</sup> Boldrin M et al (2002), ed BBVA *Sistema de pensiones y mercado de trabajo en España* carry out an interesting simulation based on population projections by INE (1995) and the LFS 93-97. *Ceteris paribus*. The educational composition effect alone would increase participation rates among male older workers by between 0.6 and 3.3 percentage points in 2020. The results for females are more impressive: activity rate for the group 45-54 would increase by 12.7 points, 55-59 by 8 points and 60-64 by 4.7 points.

<sup>15</sup> Law 35/2002 of 12 July



### *Increase in retirement pensions*

Until the last legal reform dating from 2001, a worker who was keen to stay on in employment after the age of 65 and having contributed to the social security for 35 years would not have been eligible to an increase in his retirement pension. Royal Decree 1132/2002 has changed this, allowing workers with a contribution record of 35 years to add 2% increase per year worked after the age of 65 to the 100% basis for benefits, with a maximum increase set at 10% (five years). If the worker has contributed for less than 35 years, this additional percentage will be added from the moment the 35 years have been reached.

Some experts consider this measure insufficient to encourage workers over 65 to stay at work, especially those who already have access to 100% of their pension benefits. They consider that it is rather oriented towards reducing State expenditure on pension benefits.

### *Partial retirement*

Royal Decree 1131/2002 also developed new aspects of partial retirement. The previous regulations allowed workers aged 65 who had accrued a full set of contributions, to access partial retirement without the need for simultaneously being replaced by another worker. However, for workers between 60 and 64 who wish to have access to partial retirement, a replacement contract is necessary either with an unemployed worker or a worker employed on temporary basis in the same company. Moreover, partial retirement allows the receipt of partial pension benefits to be complemented with part-time work. The reduction of pension benefits is proportional to the reduced working time.

RD 1131/2002 eases the replacement contract conditions that prevented widespread use of these provisions. Under the new regulations the replacement worker neither has to fulfil the same position nor work the same number of hours, as was the case before. Partially retired workers are considered as pensioners and are therefore entitled to particular medical and other benefits. In heavy industry, partial retirement and replacement contracts are being used, to the satisfaction of some trade unions, who see this combination as way to preserve employment instead of destroying it.<sup>16</sup>

### *Flexible retirement*

The X. Recommendation of the Toledo Pact has already established that “retirement should be flexible, gradual and progressive”. Both the Agreement of 9 April 2001 and its legal development through Law 35/2002 set out the possibility for workers over 60 who already have access to pension benefits (15 year contributions) to receive pension benefits while working part time. Flexible retirement differs from partial retirement in that no replacement contract is needed for workers between the ages of 60 and 64.

When such a worker decides to stop working, the new calculation basis for benefits will incorporate the contributions made in this period of part-time work. This last aspect contributes to counterbalancing the reducing effect on pension benefits of part or flexible retirement and thus to keep older workers active in the labour market.

#### *4.1.b. Tightening up early retirement and pre-retirement conditions*

Possibilities to extend working life after 65 are combined in the Spanish retirement system with the possibility of leaving the labour

market before reaching 65. The use of early retirement or pre-retirement has been considered by social actors as a more socially acceptable way of achieving restructuring in times of economic slowdown.

### *Early retirement*

Early retirement has been regulated through the Law on Social Security, which allowed workers over 60 who had contributed to social security before January 1967 and with 15 years of contributions to have access to early retirement, with a reduction of 8% on pension benefits per year until reaching 65 (7% with 40 years of contributions). At present and with the new regulation in Law 35/2002, article 3, early retirement is also possible for workers who contributed to the social security system after January 1967, not aged 60, but aged 61. To have access to early retirement, the worker has to fulfil the following conditions: a) having registered as unemployed for at least six months; b) having contributed for thirty years to the social security system; c) having terminated work because of the employer’s decision. This new access to early retirement applies to workers in the general regime and also in the special social security regimes of mining and sea workers, but not to workers under the special regimes for self-employed or domestic workers.

The reductions suffered from the full pension as a result of early retirement have been reduced slightly, and depend on the number of years of contributory record. The following reductions now apply: 8% for those having contributed for 30 years; 7.5% for 31-35 years; 7% for 35-37; 6.5% for 38/39; and 6% for 40 years. The minimum period of contribution required to have access to early retirement is 30 years, double that for workers contributing before 1 January 1967.

This new legal regulation on early retirement increases the number of those who have access to it, but it is no longer an individual worker’s right. It depends now on the employer, who has to end the employment relationship in order for the worker to be eligible.

### *Pre-retirement*

There is no legal regulation of pre-retirement practices in Spanish legislation. Pre-retirement is used by many enterprises to make workers redundant in the course of restructuring. Guarantees and benefits received depend on each individual employer. Of the approximately 60,000 to 70,000 workers going into pre-retirement in Spain every year, only 20,000 have access to sufficient income until they reach retirement age.<sup>17</sup>

Pre-retired workers in big corporations, in sectors with strong trade union presence (metal industries) or in the banking sector, are usually protected. A pre-retirement plan guarantees a level of income and payment to social security contributions until retirement age. Workers dismissed from small or medium-sized companies – the majority in Spain – often face significant difficulties as most leave the labour market with redundancy pay and access to unemployment benefits for a maximum period of two years. Afterwards, they can claim a subsidy worth 75% of the minimum wage.

Trying to correct these negative effects, the Law 35/2002 of 12 July includes a new provision that compels employers to set up an agreement with the social security treasury in cases of mass lay-offs, if some of the workers affected are over 55 and not contributed to the national social security before 1 January 1967. Employers continue to contribute for the dismissed workers until age 61, if the enterprise is not in a process of suspension of payments or bankruptcy. This measure will be applied only to procedures initiated after the 1 January 2002, with no retrospective effect.

<sup>16</sup> *Cincuentones no, gracias*, El País, 26 Enero 2003

<sup>17</sup> *Ibid.* 3

However, this measure does not cover workers in the most unfavourable situations mentioned before, as enterprises in suspension of payments or bankruptcy are not included in the measure and it only applies to mass lay-offs. Trade unions are uncertain whether this measure will help to prevent pre-retirement. Although the main employers' association CEOE considers this new measure places an additional burden on employers, it also considers that pre-retirement will continue to be used as long as it is needed as a measure for employment reduction.

In terms of financing, pre-retirement is mainly financed by the National Institute of Employment (INEM) through unemployment benefits, and only a part of the cost is carried by the employer. In some cases though, the employer agrees to supplement these unemployment benefits up to an agreed percentage of the workers' salary. This is a generalised practice in the banking sector.

#### *Extension of unemployment subsidy for workers over 52*

A new provision from Law 35/2002 sets out the extension of the subsidy for unemployed workers over 52 until reaching retirement age, which was not possible before this regulation. This measure protects workers that have been dismissed without the guarantees provided by a plan.

#### *4.1.c. Promoting older workers' access to employment*

Measures to promote older workers' access to employment have mainly consisted of reductions in the employers' contributions to the social security system. Article 1.7 of the Law 12/2001 on Urgent Measures for the Labour Market Reform and for Increasing Employment and Quality at Work foresees different reductions to the employer's contribution to the social security, for employers concluding an open-ended contract of employment with a worker over the age of 45. The older the worker is, the higher the reduction: a) for workers between 45-55, there is a 50% reduction in the employer's contribution for the first year and 45% reduction for the rest of the years; b) for workers between 55-65, 50% reduction the first year and 50% for the rest of the years of contract; c) for workers over 65, a 100% reduction.

# Sweden

## **1. Introduction**

Sweden has an excellent record of participation of elderly workers on the labour market and has by far the highest employment rates for older workers in the European Union. This is particularly the case for women. A central and long-standing principle of Swedish policy is "the employment principle". This principle permeates the social insurance system and is the guiding light in the extensive active labour market policy. Older members of the labour force work part-time and participate in active labour market policy measures to a relatively large extent compared to other workers. Currently the major policy concerns are the high rate of absence from work due to sickness, which is particularly high for older workers, and the demographic development pointing to higher dependency ratios.

In November 2002, Statistics Sweden released their latest estimates of population by age and sex up to 2050. From Figure 1 we note that

## **5. Active ageing: a pending issue**

Flexible and gradual retirement focus mainly on a period of time close to retirement or on protecting those who leave the labour market early. However, measures to manage age in enterprises and throughout the working life do not exist as such. In this respect, the main employers' association CEOE has asserted that it is the Government's responsibility to push these measures within enterprises, helping them to manage age in a preventive approach. Trade unions agree that active ageing has no political or legal support.

Efforts have to be made in preventing the depreciation of the valuable human capital older workers have accumulated in their labour lives, through stimulating access to vocational training throughout the working life. In this last respect, Spain should make a great effort of increasing participation of older workers in education and training and trying to catch up at least with the EU15 average. As for 2001, according to LFS Eurostat data, only 0.9% of the population aged 55-64 in Spain had participated in education and training activities, as compared to 3% in EU15. Although the evolution since 1992 reveals that great efforts have been made since then, there is still a long way to go.

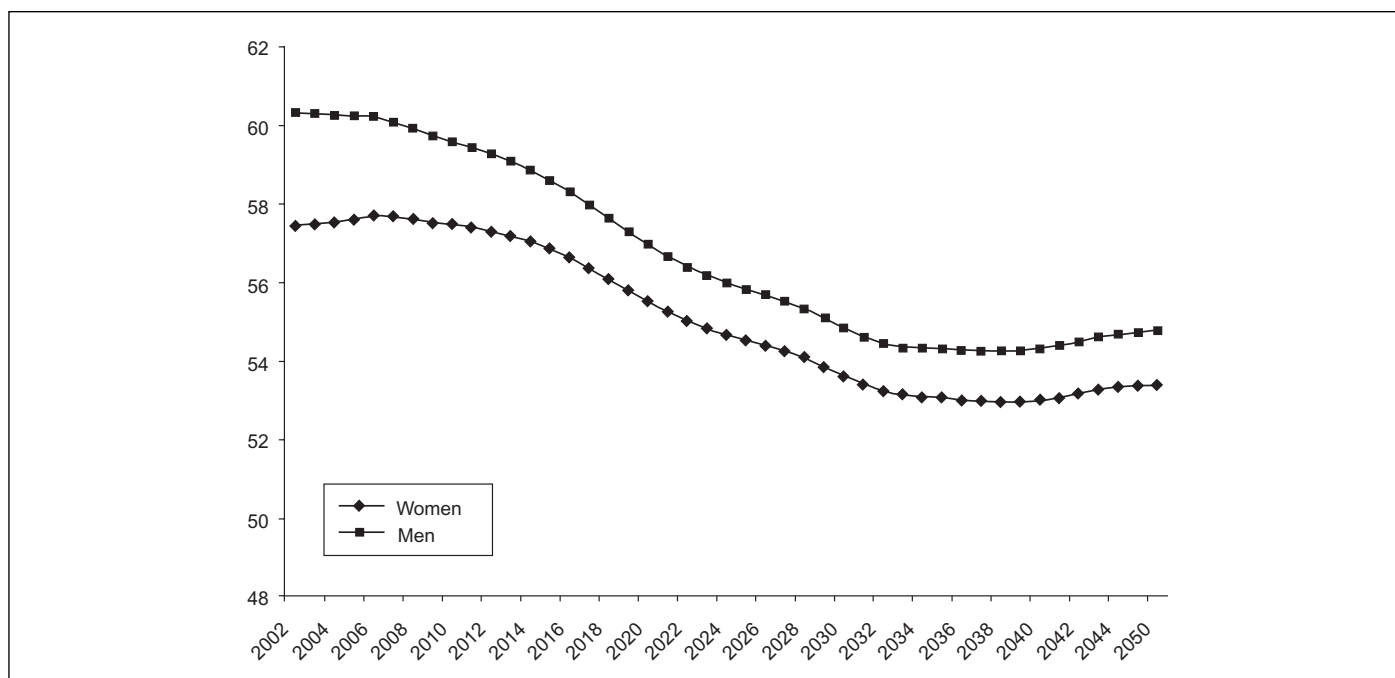
The recent legislative changes reveal an attitude change with respect to the issue of older workers and that awareness has risen among agents, though complete consensus is absent. Efforts are therefore still needed to raise awareness among the population, both workers and employers, who still see these new changes as threatening, not as new opportunities. In this context, measures related to increasing quality at work of older workers should be considered as a way to increase motivation of older workers and also its productivity, which would in turn raise employers' interest in keeping them active at the workplace. Flexible working formulas framed in a preventive approach have proved in other countries to be useful in prolonging working life and to meet both workers' and employers' wishes.

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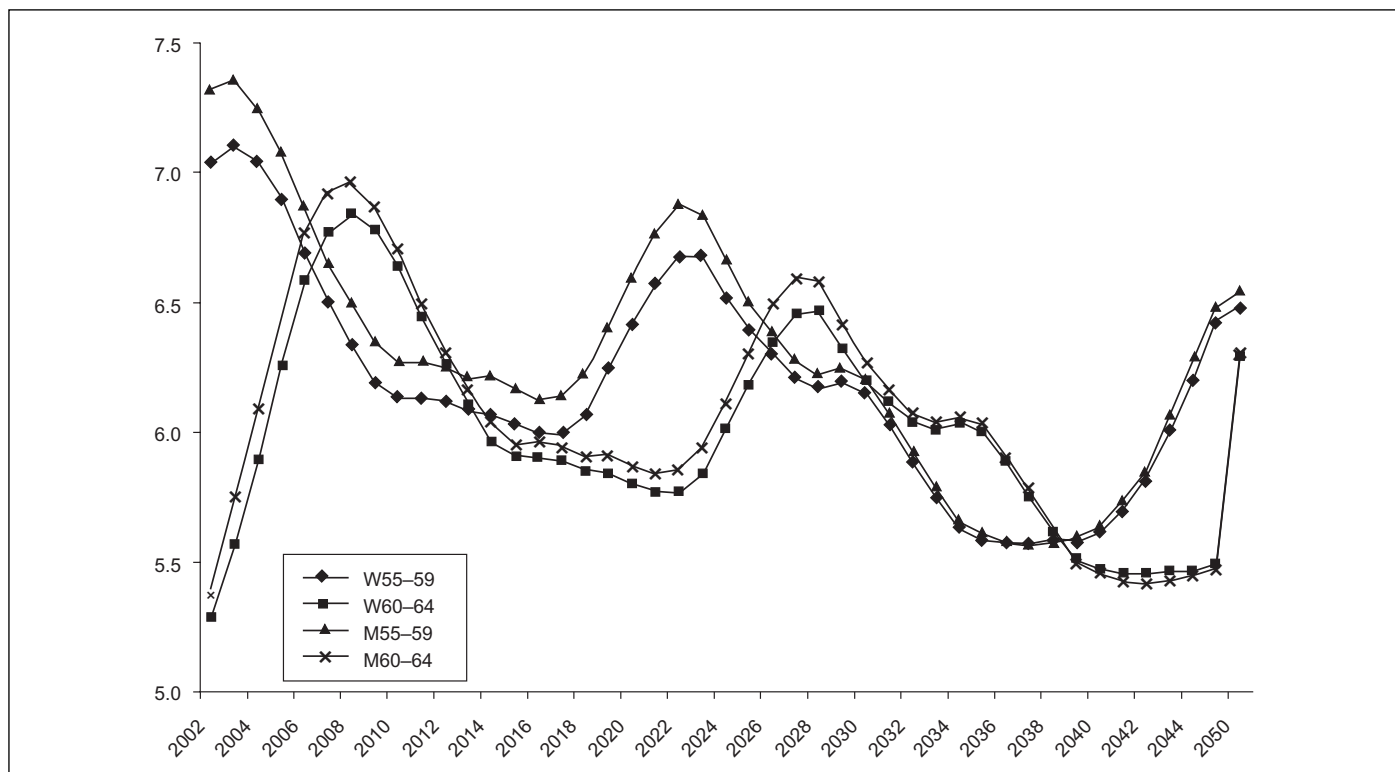
the share of the population of active age, i.e. aged 20-64, is expected to decline up 2036 and then to increase somewhat after that year. Sixteen to 19-year-olds have a very low participation rate and are likely to have an even lower rate in the future.

Figure 2 presents the projected population share of those between 55 and 64. The number of people over 65 is expected to increase by 880,000 up to 2050. This corresponds to an increase of 57%. Roughly half of this increase will occur for those older than 80. Around 2030 this will set serious strain on the care and pension system.

Neither Statistics Sweden, nor any other organisation, provides projections of employment and unemployment by age. Thus, the next section on labour market trends focuses on the labour market trends for those over 55 years of age from 1990 to 2002. The third section describes the social insurance context and Section 4 examines measures to promote the employment of the older people.

**Figure 1:** Estimated share of total population, by sex and aged 20-64, 2002-2050

Source: Statistics Sweden

**Figure 2:** Estimated share of total population, by sex and aged 55-59 and 60-64, 2002-2050

Source: Statistics Sweden

## 2. Trends in the labour market

In terms of employment rates, Sweden has the most active elderly labour force in the European Union. Sixty seven per cent of 55-64 year-olds were employed in 2001. Denmark with 58% is ranked second and the EU average is 38.8%.<sup>1</sup>

Tables 1(a) and 1(b) show the development of employment rates for older men and women in Sweden between 1990 and 2002.

For all age groups there was a sharp decline in employment at the beginning of the 1990s, due to the severe labour market crisis that commenced in 1991. Around the turn of the century there was a clear tendency for employment rates to increase. However, by 2002

<sup>1</sup> These figures are from the European Labour Force Survey.

**Table 1(a):** Employment rate, men, 55-64, Sweden, 1990-2002 (%)

Age	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
55-59	86.3	84.4	82.5	77.8	76.4	76.1	77.2	76.2	78.1	79.4	79.7	80.3	81.0
60	73.1	74.0	67.8	65.0	65.1	64.9	63.9	63.0	63.6	66.1	67.3	70.1	70.3
61	70.0	69.1	66.1	57.4	56.8	59.5	60.0	55.7	56.7	56.5	61.1	63.9	63.2
62	65.3	64.4	61.5	54.4	51.0	50.0	53.4	48.3	51.5	49.1	52.8	55.7	57.7
63	55.1	58.1	51.2	49.1	44.0	44.1	47.6	44.9	40.6	45.4	40.4	46.8	47.0
64	48.5	48.1	45.3	40.6	39.4	36.7	38.3	38.4	36.5	35.1	34.8	35.0	40.5

Source: Swedish Labour Force Surveys

**Table 1(b):** Employment rate, women, 55-64, Sweden, 1990-2002 (%)

Age	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
55-59	78.1	78.0	77.0	74.7	74.7	73.0	74.2	74.7	75.2	75.8	76.2	77.0	77.1
60	67.3	67.1	67.1	61.0	61.8	61.5	59.8	57.6	59.4	60.8	64.2	64.6	68.6
61	59.7	61.5	59.5	57.1	50.0	54.7	54.3	52.2	49.8	55.6	54.4	59.4	61.3
62	52.8	56.4	50.9	49.7	44.5	47.1	50.1	45.6	43.9	44.2	48.8	49.8	52.8
63	44.4	41.3	42.7	34.6	35.2	34.1	35.9	37.6	29.9	27.5	32.1	33.6	39.8
64	36.1	38.5	32.5	32.0	27.0	27.0	27.5	28.0	25.2	22.4	22.4	26.1	28.0

Source: Swedish Labour Force Surveys

**Table 2(a):** Unemployment rate, men 55-64, Sweden, 1990-2002 (%)

Age	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
55-59	1.2	2.1	3.4	6.1	6.9	7.4	7.1	7.4	6.6	5.7	5.0	3.4	3.5
60	1.3	1.9	6.0	8.0	8.1	9.3	9.4	7.8	8.1	8.3	8.7	5.2	4.5
61	2.0	2.4	2.6	7.1	8.8	9.1	11.8	12.4	6.1	10.3	8.2	6.3	6.1
62	1.1	2.3	3.9	7.7	9.3	10.0	9.9	10.0	6.6	7.8	8.0	7.3	4.7
63	0.9	2.9	5.2	7.2	8.9	12.8	9.1	10.5	10.0	5.6	7.5	8.1	8.3
64	1.5	2.0	3.6	8.4	12.1	10.8	16.5	14.0	8.6	7.7	8.5	9.3	7.4

Source: Swedish Labour Force Surveys

**Table 2(b):** Unemployment rate, women 55-64, Sweden, 1990-2002 (%)

Age	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
55-59	1.0	1.7	2.3	3.3	3.8	5.6	5.4	4.5	4.1	3.9	3.8	3.0	2.5
60	2.6	1.3	1.4	5.4	5.9	6.3	9.2	6.7	4.9	6.9	4.2	3.9	2.5
61	3.3	2.9	3.3	3.3	6.5	7.5	7.3	8.1	7.2	7.0	7.2	4.1	2.7
62	1.7	2.4	4.7	4.4	5.2	3.4	5.7	7.6	5.0	7.3	6.4	5.7	4.6
63	2.5	3.7	3.6	8.5	10.1	9.1	9.4	9.5	5.6	10.7	8.7	9.3	6.1
64	2.9	2.8	3.4	9.2	9.8	14.0	12.9	15.0	9.4	11.0	11.3	8.3	11.7

Source: Swedish Labour Force Surveys

employment rates for men were still clearly below the figures for 1990. For women between the ages of 55 and 61, on the other hand, employment rates in 2002 were higher than in 1990. This implies that the employment rate gap between the sexes of this age group has narrowed quite significantly during this period.

The trends in unemployment rates (see Tables 2(a) and 2(b)) exhibit roughly the same picture as employment rates, i.e. a significant increase up to the middle of the decade and a decrease since then. However, it is striking that, particularly for the oldest people,

unemployment has remained appreciably higher than it was before the crisis of the early 1990s.

Figures for participation rates for these years are available in the Appendix – Tables A1(a) and A1(b).

As can be seen from Table 1, a large proportion of those over 55 do not earn their living on the labour market. Figures 3(a) and 3(b) show the main source of income for the entire Swedish population. This data is based on the tax returns of every individual of working age in 1999 and can provide a picture of various non-wage incomes,

emanating from a single statistical source, for the older age groups of the population.<sup>2</sup>

Before the age of 55, unemployment benefit is the most important source of income for those not working. For men older than 55, the number of unemployed increases and after old-age pensions unemployment benefit is the largest category of income. For women, unemployment remains at roughly the same level. Perhaps the most striking feature of these figures is the large number of elderly people whose main source of non-wage income is sickness benefit. Among 40-year-olds only 500 to 1,000 people per age class receive sickness benefit, with a similar pattern for both men and women. However, after the age of 50 the number of women on sickness benefit increases dramatically. Indeed this is the main source of income for women between the ages of 55 and 61. For practically all ages between 55 and 64 more people receive their main income from sickness benefit than they do from disability pensions.

Thus, it is relatively uncommon that an individual leaves work directly to a disability pension. The most common path is via either unemployment or sick benefit. Among all those who do not work in these age groups, 256,000 received their main income in 1999 from a disability pension.

The category "pension" includes the state pension, private pensions and those regulated by collective agreements. From the age of 59 and onwards the pension is the most important source of income for those not working. Men take up pensions slightly earlier than women.

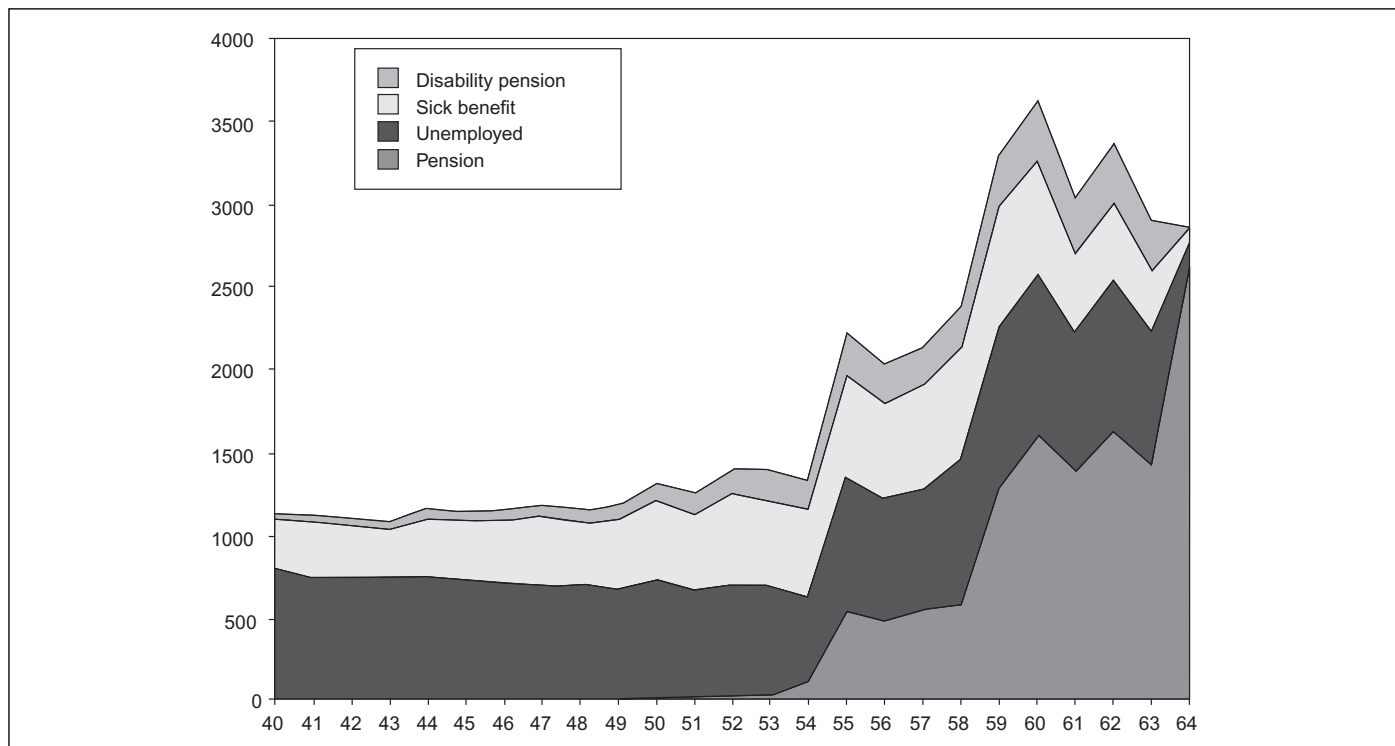
While the cross-sectional data presented in Figures 3(a) and 3(b) could be interpreted in a life-cycle perspective, it is of course of interest to observe how the various categories in these figures have varied during the last decade.

The total number of newly-awarded disability pensions is at roughly the same level in 2000 as in 1990, but the number has almost halved for the 60 to 64-year-olds (see Figure 4). Moreover, there was considerable variation during the 1990s for 55 to 59-year-olds. Numbers increased up to 1993, in the wake of the severe recession of the early 1990s, but subsequently declined up to the end of the 1990s only to increase rather rapidly in 2000. Indeed the recent increase contributes largely to the total figure.

We noted from the Figures 3(a) and 3(b) above that sickness benefit is an important main source of income for many older workers and particularly women in their mid-fifties. The increase in sickness benefit is probably the single most prominent labour market issue currently in Sweden and has increased dramatically since the mid 1990s. From Table 3 one can observe that even during the last four year period for which there is compatible data (1998–2001), the number of days of sickness benefit has almost doubled. The highest number of days of sickness benefit is for women in the age class 55–59. For men, the age groups 55–59 and 60–64 show roughly the same levels. One can note appreciably higher figures for women in all the age groups presented. It can also be noted that women work predominately in the public sector.

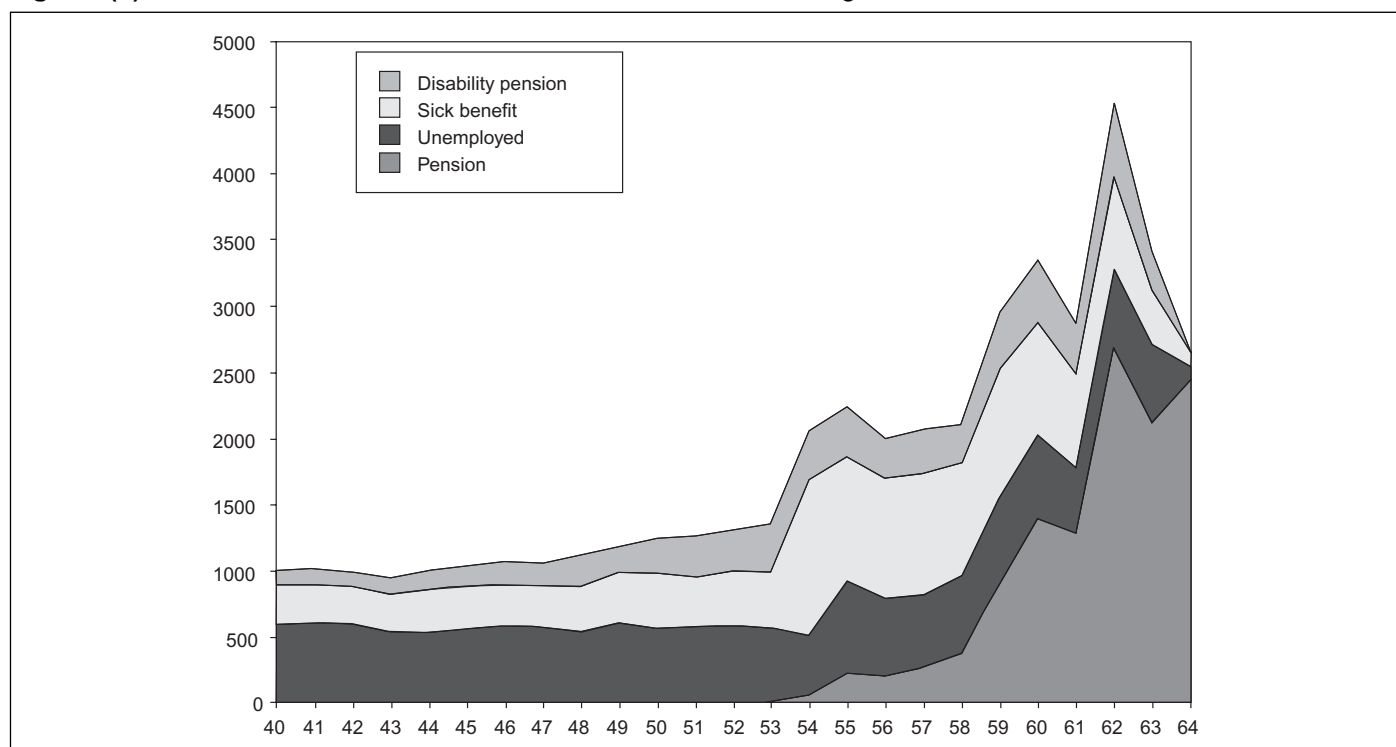
One should note that the data in Table 4 does not include the first 14 days of sickness, which is paid by the employer. As most sick periods are shorter than 14 days, the figures are appreciably higher than presented above. Statistics from the Employers Federation for Industry show a monotonic increase in the length of sickness benefit as age increases. Thus, the duration of the period of sickness benefit explains a major part of the high figures for older workers. A comparison of the declining disability pension figures and the increasing sickness benefit figures may suggest some degree of substitution from disability pensions to sickness benefit in the last decade.

**Figure 3(a):** Main source of income outside the labour market, men aged 40-64 in 1999.<sup>3</sup>



<sup>2</sup> This data comes from RAMS at Statistics Sweden and was kindly provided by Martin Lagnerö.

<sup>3</sup> The category of unemployed also includes social assistance recipients and those in active labour market policy measures. Sickness benefit includes also those with income from work injury benefit and other payments due to illness. There are other main sources of income, such as parental leave, education grants and capital income, but these are relatively few and are not included in the figure.

**Figure 3(b):** Main Source of income outside the labour market, women age 40-64 in 1999.

The other major sources of income for those not employed (shown in Figures 3(a) and 3(b)) are unemployment benefit and income from active labour market policy measures. The data on these measures are presented in Section 4 – policies to stimulate active ageing.

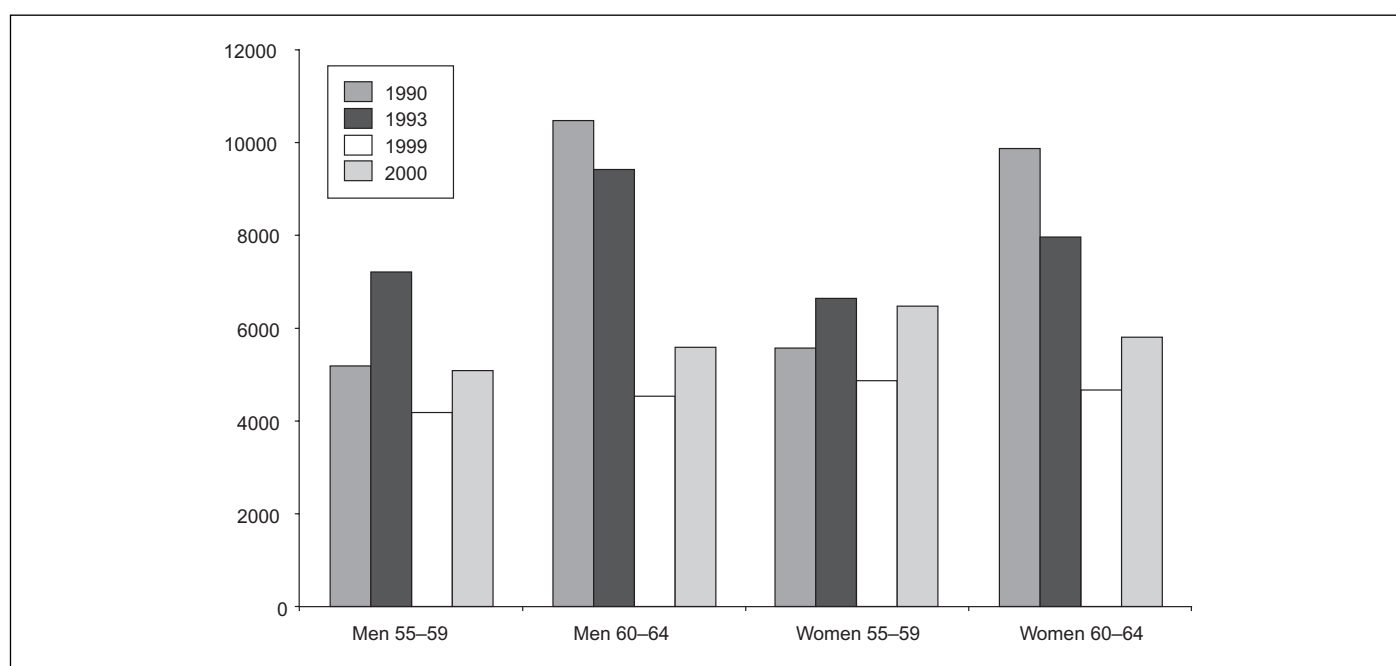
### 3. The policy framework

There have been a number of very recent changes in both the social

insurance system and labour market policy that may impact on the participation of older workers.

#### *Old-age pensions*

The Swedish public pension system was completely reformed in stages between 1995 and 2000. Currently there are transition arrangements and today's pensioners are largely subject to the old system. This means that pensions will vary for various cohorts as they reach retirement age for many years to come. This article deals

**Figure 4:** The number of newly awarded disability pensions for selected years in the last decade for the 55 to 64-year-olds by sex

Source: The National Insurance Board

**Table 3:** The number of days with sickness benefit per insured by age and sex 1998-2001

	Year	40-44	45-49	50-54	55-59	60-64	All ages
Women	1998	15.1	18.2	22.3	26.9	20.1	13.7
	1999	18.8	22.6	27.6	33.5	27.0	17.3
	2000	23.8	28.0	33.4	39.8	33.6	21.4
	2001	28.3	32.2	37.9	44.0	39.9	25.0
Men	1998	9.1	11.1	14.1	19.3	17.7	8.7
	1999	10.8	13.2	16.6	22.7	22.3	10.5
	2000	12.9	15.8	19.4	25.6	26.8	12.5
	2001	14.9	17.9	21.7	27.8	30.4	14.2

Source: The National Insurance Board

only with the new system. The most important change is that pensions are to be more closely linked to contributions, i.e. wage income. Another important aspect of the pension system with relevance to the financial burden due to increases in life expectancy is that, at the time of pensioning, the pension sum is divided by the number of expected remaining years of life.

In the public pension system, one may choose to be pensioned (full-time or part-time) from the age of 61. One is free to work after 65. Until 2003 there was no stipulation in law on the right to work until a given age, even if 65 was considered to be the norm and was the upper age limit in the Employment Protection Law. In January 2003 an amendment to the Employment Protection Law gave employees the right to work until the age of 67. In 2001 the rather favourable system of part-time pensions was abolished. As pensions in the new system are more closely related to contributions, one should conclude that the economic incentive to take early part-time pension has now diminished substantially. Both these recent changes in the pension system attempt to induce a greater participation in the labour market. However, it is pointed out by Wadensjö (2002) that much work among the elderly is part-time. In 2000 part-time work accounted for 9% of employed men and 35% of employed women aged 55-59. For the age group 60-64 the corresponding percentages were 24% for men and 48% for women. These are large figures both compared to other countries and other age groups in Sweden. Thus, it is far from clear that the changes in part-time pension will result in an increase of the employment rates.

There have been considerable changes in three of the four main occupational pension schemes (schemes for white and blue-collar private employees and employees of central and local government). Palmer and Wadensjö (2003) interpret the new occupational pension schemes as following the tendency of the public pension system to more closely link benefits to contributions. There has been no change in the employment requirements for full occupation pension. This remains at 30 years to be counted after the age of 28.

### *Disability Pension*

Since January 2003 there is a new system for disability pensions that will apply even to those who were pensioned earlier. The new measures involve a change of name where the word "pension" is removed and "sickness benefit" and "activity benefit" are the terms in the new dual system. This reflects the change in emphasis and the administration of the new system is removed from the Pension Unit to the Sickness Unit at the National Insurance Board. It is only persons between the ages of 30 and 64 who may receive "sickness benefit". Those between 19 and 29 may receive "activity benefit" which is always limited in time. In the previous system one could, in

principle, receive disability pension from the age of 18. The criteria for granting the benefit are the same as before and since January 1997, only medical, not labour market, criteria are valid.

In both cases the benefit is increased but is now subject to tax and, according to the National Insurance Board, the net amounts will remain roughly the same, though this is a matter of some controversy. The level of benefit is income related but with a guaranteed basic amount for those on low incomes.

### *Sickness benefit*

On 21 January 2003, the Minister of Employment presented new measures in an attempt to curtail the very high levels of sickness benefit outlined above. The number of people on sickness benefit has increased rapidly in the last decade and this is currently the most prominent issue of debate in the Swedish labour market. As was seen in Table 3, those over 55 years of age are clearly over-represented in the sickness benefit data. The Government has set a target of reducing the number of people on sickness benefit by 50% by 2008. The new proposals are expected to become law in August 2003.

Currently all employers pay the first two weeks of benefit, and the Government intends to eventually place the entire costs for sickness benefit on the employer. The current proposal, however, will apply to public employers only. The impact will be considerable as the public sector accounts for just under 30% of employment and employees in the public sector have higher rates of sickness. The motive behind this proposal is to place incentives on employers to improve the environment at work and so reduce sickness absence. In return payroll taxes for public employers will be reduced. This proposal has met with very strong opposition from employers. Shortly before the proposal was made public, the private employer federation withdrew from the tripartite body set up to discuss the issue of reform of the sickness benefit system.

Other aspects of the proposal include a new institutional framework for rehabilitation measures where the National Insurance Board is to co-operate more closely with the National Labour Board. There is also to be a closer medical control of sickness claims and the authorities are to more actively examine whether sickness absence could be part-time instead of full-time. The proposals have met with widespread opposition.

#### 4. Policies to stimulate active ageing

##### Active labour market policy

Active labour market policy plays a prominent role in Swedish economic policy and the elderly are a group to be awarded special priority. During the crisis years of the 1990s, several temporary measures were targeted at the elderly on the labour market (see Wadensjö (2002)). These measures are no longer in operation. After the reforms of the late 1990s, the main measure exclusively targeted to the over 55s is the Special Employment Support measure (*särskilt anställningsstöd*), which was introduced in August 2000. This may be used for those over the age of 56 who have been unemployed (or in active policy measures) and participated in the Activity Guarantee for at least three months. The support is comprised of 75% of labour costs (maximum SEK 525) for 24 months. However, possibly of most importance is the generally high take-up rate of older people of those labour market programmes which are not exclusively designed for the elderly. This point is clearly illustrated in Figure 5. There are more over 55-year-olds in active policy measures and the activity guarantee than there are openly unemployed. The number of unemployed per week in 2002 was 29,591 people and the corresponding figure for these two groups of policy measures was 34,080 people. The labour market status of these individuals in the labour force survey varies between different measures. The majority are, however, probably defined as being out of the labour force.

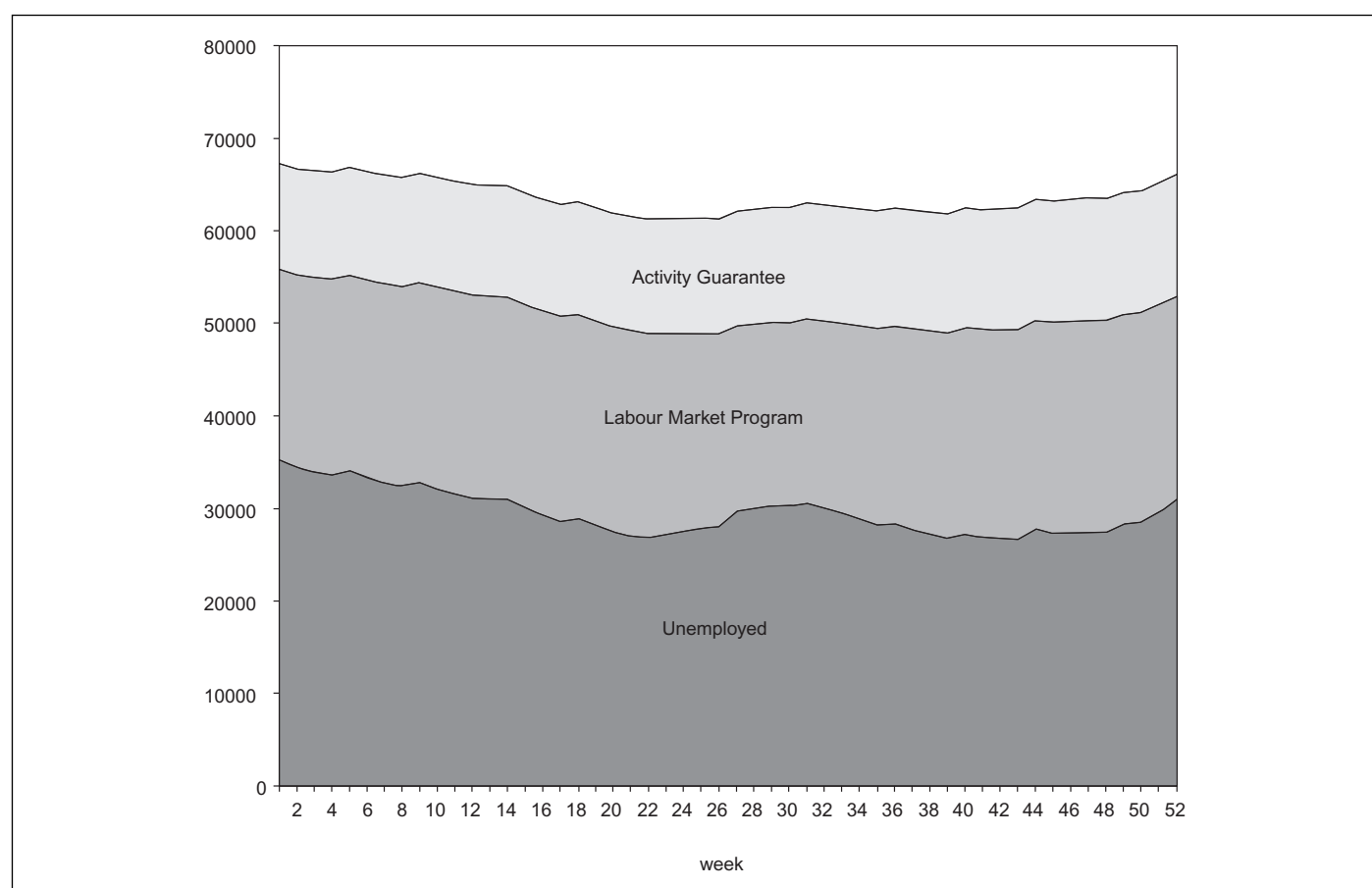
Thus, while one would expect the large extent of labour market policy measures for the elderly to reduce the open unemployment rate, they are unlikely to have a major impact on the employment rate.<sup>5</sup>

A report by the Parliamentary Auditors (in turn based on Wadensjö and Sjögren (2000)) questions whether the employment principle is in fact applied in practice for the elderly unemployed. They claim that often the Employment Office does not insist that the elderly actively search for work when receiving unemployment benefit and that unemployment benefit is simply a means of income support until reaching the pension age. However, the reform of the unemployment insurance in the late 1990s attempts to tighten up observance of such issues and other aspects of the reform may tend to limit very long-term benefit periods.

There is a clear age profile in the population's attitudes towards the importance of work. Wadensjö and Sjögren (2002) cite figures that show the percentage of the population answering "yes" to the question "Is it important to have a job" increases up to the age class 45-49 (100%). The figure drops to 87.1% for the group 50-54, 85.5% for 55-59 year olds and 76.2% for 60-64 year-olds.

The state-financed unemployment system (reformed in 1998) awards those over the age of 57 450 initial days of benefit compared to 300 for other unemployed persons.

**Figure 5:** Registered unemployed, in active labour market policies and activity guarantee, over 55 year olds per week in 2002



<sup>5</sup> However, one should note that older workers are also over-represented in the various handicap programmes run by the National Labour Market Board. They are usually classified as being employed by labour force surveys.



### Labour law

One of the most distinctive features of Swedish labour law is that redundancies occur according to seniority (last-in-first-out, LIFO)<sup>6</sup>. Seniority is obviously correlated with age. When faced with redundancies, the unions may agree to surrender their right to LIFO and it may be used to secure special measures for the older workforce. Periods of notice previously depended upon age but since 1997 they vary with seniority. The maximum period according to law is 6 months and applies for more than 10 years' seniority. However, many collective agreements still have an age criteria and for older private white-collars, one year is the norm. The law does not stipulate redundancy payments. Collective agreements covering most of the labour market allow for redundancy payments that, in combination with unemployment benefit, guarantee roughly 80% of previous wage for a limited period. There are various age criteria in these schemes. Generally speaking, one may be eligible after the age of 40 and larger payments may be made for even older workers.

### Education and training

According to the European Labour Force Survey, 10.2% of the 55-64 year-olds received some form of training in the four-week period prior to the ELFS interview. Only the UK had a higher figure. There are no formal restrictions for older workers to participate in education or training programmes. However, according to Wadensjö and Sjögren (2000), it may be difficult for the elderly to obtain the funding to participate. In particular they point out that one can only obtain student loans for 12 terms. Roughly 7% of those studying at university level were over 45 years of age. The corresponding figure for the over 55-year-olds was 1%.

One of the major policy initiatives of the 1990s was the Adult Education Initiative, which gave basic schooling. Participation in adult education more than doubled during the 1990s. However, at the end of the decade, only 0.6% of the population between 55 and 64 participated.

### Company best practice

There is no systematic account of company practices to maintain an active elderly workforce. However, the FöreningsSparbanken 55+ programme could be considered an example of best practice. In the wake of financial de-regulation there has been considerable structural change in the banking sector. FöreningsSparbanken is one of the major Swedish banks and, by 2003, 26% of their employees were older than 55. In January 2003 the bank introduced the 55+ programme to keep and develop their older workers. The programme is summarised in Table 4.

**Table 4:** FöreningsSparbanken 55+ programme

AGE		
55+	<b>Medical care</b> - Exercise during work - Health examinations	<b>On-the-job training</b> - Individual development plan
58+	<b>Reduction in working time</b> 80% of working time for 90% of wage	<b>Extra days</b> 3 days free from work

The medical care programme entails an annual health control and the exercise at work measures are broadly defined and can be, for example, walking or weight training. One hour per week is allowed for these activities. The option to reduce working time does not affect occupational pension rights. The extra days are not to be used in combination with holidays. The idea is to be able to take a day off from work now and then to recuperate.

### 5. Evaluation and conclusions

There can be little doubt that Sweden, comparatively speaking, is very successful in maintaining participation in the labour force for workers over the age of 55 as the employment rate for this category is, by far, the highest in the European Union. It would appear difficult to attribute this success to any particular single policy. However, one theme permeates practically every strand of Swedish labour policy, namely the employment principle. Priority is always to be given to measures that will place (or keep) people in employment. Though difficult to document, it would appear that the employment principle is rooted in society and labour force generally.

Disability pensioning is low compared to many other countries. Before the crisis of the early 1990s, unemployment among the elderly was also relatively low. However, it increased rapidly up to the mid-1990s and has remained rather high and, taken together with the large number of active labour market policy measures, is not significantly lower than in many other countries. The major current problem is the massive increase in the number of recipients of sickness benefit who are over-represented among the elderly. A further concern may be the impact of the pension reform. By making part-time early pension a less attractive option, it may become more difficult for workers to work part-time with a part-time pension. Whether this will induce elderly employees to work full time is an open question.

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<sup>6</sup> Moreover, an employer who is to rehire up to one year after a redundancy, must first offer the job to the workers previously made redundant, in accordance with seniority.

## Appendix

**Table A1(a):** Participation rate, men, 55-64, Sweden, 1990-2002

Age	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
55-59	87.3	86.2	85.4	82.8	82.0	82.2	83.1	82.3	83.6	84.2	83.9	83.1	83.9
60	74.0	75.4	72.2	70.7	70.9	71.5	70.5	68.4	69.2	72.0	73.8	74.0	73.6
61	71.4	70.8	67.9	61.8	62.3	65.5	68.0	63.5	60.3	63.0	66.5	68.2	67.3
62	66.0	65.8	64.0	59.0	56.2	55.5	59.3	53.7	55.1	53.3	57.3	60.1	60.6
63	55.6	59.8	54.0	52.9	48.2	50.6	52.4	50.1	45.1	48.1	43.7	50.9	51.2
64	49.3	49.1	47.0	44.3	44.8	41.2	45.8	44.7	39.9	38.1	38.1	38.6	43.7

Source: Swedish Labour Force Surveys

**Table A1(b):** Participation rate, women, 55-64, Sweden, 1990-2002

Age	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
55-59	78.8	79.3	78.8	77.2	77.6	77.3	78.4	78.3	78.4	78.9	79.1	79.4	79.1
60	69.1	68.0	68.1	64.5	65.6	65.6	65.8	61.8	62.4	65.3	67.0	67.2	70.4
61	61.7	63.3	61.5	59.0	53.4	59.2	58.5	56.8	53.6	59.8	58.7	62.0	63.0
62	53.7	57.7	53.5	52.0	46.9	48.8	53.1	49.4	46.2	47.7	52.1	52.8	55.3
63	45.6	42.9	44.3	37.8	39.2	37.5	39.6	41.6	31.7	30.8	35.1	37.1	42.4
64	37.2	39.6	33.6	35.2	29.9	31.3	31.6	32.9	27.8	25.1	25.2	28.4	31.7

Source: Swedish Labour Force Surveys

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