

Meeting the Challenge of Europe's Aging Workforce

The Public Employment Service Response

Annex: Executive summary of the study on 'The Impact of the Crisis on Senior Workers: Challenges and Responses by PES' by the European Commission

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Introduction

In 2008 the Slovenian Presidency called for a European Year on Active Ageing and Intergenerational Solidarity (2012). The Council followed this in 2009 by inviting the Commission to develop awareness-raising activities to promote active ageing including a European Year.

The Commission plans to adopt a Decision by Parliament and Council on designating 2012 as European Year on Active Ageing. This recognises that intergenerational solidarity is an outcome of active ageing presenting a key opportunity for preserving solidarity between generations.

Definition and Policy Context

Active Ageing is defined by the World Health Organisation (WHO) as the process for optimising opportunities for health, participation, and security in order to enhance quality of life as people age. This definition includes continuing activity in the labour force.

In 2007 Council adopted a Resolution on “The Opportunities and challenges of demographic change”¹, this emphasised the need to increase the possibilities for active participation by older people.

A Commission Communication in 2009² outlined views on Europe's ability to tackle the challenge of ageing in view of the economic crisis. It stressed the importance of ageing baby-boomers³ staying in the labour market.

Article 3.3 of The Treaty of Lisbon mentions solidarity between generations as one of the objectives of the European Union.

The Spanish, Belgian, and Hungarian Presidencies announced a focus on supporting initiatives in the context of population ageing.

The Commission emphasises in its Communication on “Europe 2020 – A strategy for smart sustainable and inclusive growth” the importance of the European Union's ability to meet the challenge of promoting a healthy and active ageing population to allow for social cohesion and higher productivity.

¹ Council conclusion 22 February 2007

² COM(2009) 180, 29 April 2009

³ Broadly, those born in the period 1946 to 1964.

The Demographic Context

Europeans are living longer than ever before. A further five year increase in life expectancy is predicted by the middle of this century. From next year (2012) Europe's working age population will start to shrink; the population aged over 60 years will increase by about two million people a year.

The latest prediction from Eurostat is that reducing birth rates and rising life expectancy means that by 2060 the ratio of people of working age (15-64) for every person aged over 65 in the European Union (EU) will halve from one to four to one to two. This ratio is sometimes referred to as the "support ratio" because the tax contributions of the working population support public services for the retired population.

From a macro-economic perspective, when viewing the national economy as a national skills pool, it has often been the case that renewal of this pool came via the exit of ageing workers with older occupational qualifications and the entry of young workers with up-to-date qualifications. Over time, the skills/qualifications pool adjusted itself to economic needs, nationally as well as internationally. The ageing demographic profile of Europe means that this is likely to happen less effectively in the future, and non-EU countries who face less of a demographic challenge will gain a competitive edge. In order to adapt, it will be necessary to continue vocational training later into people's working life, so that their skills remain optimised for the modern labour market.

The Fiscal Challenge

An ageing population increases pressure on public finances and pension systems. If European citizens do not extend their working lives, reductions in the employed population could lead to significant economic contraction. Increases in working life however can foster growth, improve government budget balances, reduce debt stock, and support lower interest rates.

An increased supply of older workers presents Europe with opportunities to deal with these challenges if policies can be adopted which ensure that older workers are able to stay attached to the labour market.

The EU 27 Employment Rate for people aged 55-64 increased from 36.9% to 46% between 2000 and 2009. This still lags behind the overall rate, 64.6% (2009). Initiatives which reduce this gap will improve the position of individual jobseekers as well as improving the functioning of the European Labour Market through facilitating an increased supply of workers.

Policy Changes

A number of policy changes to support longer working lives have been adopted across Europe. Legislation has reformed public and private pension systems, removed mandatory retirement ages, outlawed discrimination on grounds of age, and in certain cases enabled positive discrimination.

Working conditions have been adapted to better suit older workers, including encouragement of flexible working patterns, and measures introduced to combat longer term sick absence.

Provision to update skills, including access to life-long learning, and changes to tax and benefit systems (in some cases removing perverse incentives in unemployment insurance schemes encouraging early retirement), have encouraged people to work longer and enhanced their ability to do so. Crucially Public Employment Service (PES) interventions have been designed to support increased labour market participation from older people.

Impact on young jobseekers

A dilemma is introduced by the prolonging of working life when there is a lack of growth in employment opportunities. Older workers are now more able and encouraged to stay in work whilst there are currently less job opportunities opening up for the young generation. Though there is an apparent paradox here it is important to note that the evidence suggests that the relationship between increasing employment opportunities for elder workers and the employment prospects of the young is not a "zero sum" game.

At an absolute micro level one employee remaining in work may prevent a substitute being hired. This is not true at a macro (economy wide) level, as increasing employment can lead to an increased number of jobs through economic growth. Regulations protecting older workers are a common feature of less flexible labour markets and these however can have the effect of placing non-protected, including younger workers, in precarious situations.

Some policy makers in the 1970s promoted the "lump of labour" theory that there is a fixed amount of work to be done in the economy. Assuming that older and younger workers are substitutes they suggested that early retirements would create opportunities for young jobseekers. There is however little evidence that such initiatives, or approaches to reduce working hours, have increased youth employment.

The main body of recent economic research (especially Layard and Nickell 2003)⁴ supports the "competitive employment approach". This argues that the number of jobs in an economy is dependent on the level of spending and is therefore variable.

Kalwij et al (2009)⁵ argued that older and younger workers are not substitutes but compliment each other, finding that increased employment of older people yielded increases in the employment of both prime age and young workers.

Gruber et al (2009)⁶ examining 12 countries found no evidence that increasing the employment of older persons had reduced the employment opportunities of youth.

Although during the last years some policy changes have been implemented there is still a lot to do many countries. The unemployment spell of older workers is much longer than of younger ones (independent of the skills level) and it is more difficult to re-integrate them to sustainable jobs. In spite of newly implemented legal barriers to early retirement, many older workers are not capable of work for health reasons.

⁴ Layard R and Nickell S "Full employment is not just a dream", CEP Paper No CEPCP 139 (2003)

⁵ Kalwij et al "Early Retirement and Employment of the Young" ,Rand Labour and Population Working Paper Series (2009).

⁶ Gruber et al "Social Security Programmes and Retirement around the World: the Relationship to Youth Employment", NBER Working Paper 14647 (2009).

Remaining challenges include:

- preventing long term sickness
- maintaining employability,
- providing life-long training opportunities
- providing life-long guidance opportunities
- flexible working time according to different stages of life
- age management

What is the PES doing to increase participation of older workers?

The Heads of Public Employment Services (HoPES) recently held a workshop on this very issue. It considered both what role the PES should play, but also the role of the PES compared to the other players, e.g. employers and social partners, who have their own important part to play in increasing the labour market participation of older workers.

The primary role of PES is as a labour market broker or intermediary to secure a balance between supply and demand where self-organising market processes (use of other vacancy sources by jobseekers) fail to achieve this. It also has a preventative role in supporting people in employment, for example by offering continued in-work support, and by working with employers, social partners and employees when redundancies are faced.

When the workforce is ageing the economy can suffer a skills deficit. This means that employers will need to utilise the existing workforce, including ageing workers. PES will have an important role in making older workers aware of the need to upgrade their skills, the opportunities to do so, and the vacancies open to them if they take action to improve their employability. As well as guidance to workers, the PES has a role in offering guidance to employers and social partners, who all must be involved in maintaining and increasing employability, to ensure a consistent message is delivered to all regarding older workers' participation in the labour market.

The scope for PES to succeed in its mission to rebalance the market through supporting an increasing supply of older workers will however be constrained by the general education level of older jobseekers, and the success of preventative measures taken by employers to upskill and retain their existing workforce. Some PES support employers and employees in maintaining skills by life-long training and guidance, and the implementation of active ageing concepts and methods. There could be scope for PES to improve their tools to support integration.

Some PES have appointed specially trained placement officers with particular knowledge of issues encountered by older jobseekers, and suitable labour market opportunities. It would be interesting to see an assessment of the relative effectiveness of this approach.

In order to widen the pool of potential recruits PES marketing teams can promote the benefits of competencies, soft skills, and non-formal learning to employers where qualifications may not be essential requirements.

PES will need to set an example through their own recruitment practices. This will be necessary to ensure the credibility of their messages to employers, and can also demonstrate the advantages of progressive attitudes in this field. The PES should at least

mirror the wider labour market, and strive to go beyond it with its recruitment and employment policies.

In some countries PES offer extra support for older jobseekers through earlier activation, and the offer of specific programmes designed to meet their needs. These include advice and guidance available through PES for people interested in self employment. Of course, prevention is better than cure, and so measures work best when they are targeted at people still active in the labour market to sustain their employment – the preventative approach – which is easier than trying to activate those already some distance from the labour market.

Older workers can experience especial difficulties in finding new jobs if they are made redundant. In order to reduce this risk PES co-operate with employers and trades unions so as to optimise the re-employment prospects of older workers in pre-redundancy situations.

There is evidence that transitions into non-subsidised work are lower for older workers than other groups. Some PES use wage subsidies for employers recruiting older workers and temporary agencies who succeed in placing them. These include payments, allowing enterprises to pay full-time wages to elder employees working reduced hours, or to compensate companies for the cost of work place adjustments. In some member states however there is scepticism about the benefits of subsidies due to concerns regarding deadweight (paying for people who would help themselves in any case), substitution (helping one person into work at the expense of another), displacement (sustaining one job at the expense of another), and minimum longer-term impact. Therefore financial support, including wage subsidies and support for HR policy development, have to be considered carefully and adjusted to different contexts and needs.

The ideal situation is that older workers' employability is increased, rather than having to pay employers to take them on. As discussed elsewhere, this can be done by maximising their skills. There do exist skills issues, however, including skills-mismatches: where an employee or jobseeker is overskilled, underskilled, overqualified or underqualified for a position. Alongside employability we may also consider "workability", which is how able a worker is to do their job with respect to the work demands, health and mental resources.

Perceptions about older workers

The lower employment rate for older workers as opposed to younger cohorts illustrates the difficulties which they encounter. It is not disputed that this can be attributed, at least in part, to prejudicial attitudes held by some employers.

Some PES are working to challenge negative mindsets through information campaigns. These include providing case studies for employers on the benefits of recruiting and training older workers. Expert advice and resources can be available to assist employers HR departments in removing stereotypes that limit older jobseekers employment opportunities.

Some PES which invest in promotion of positive perceptions about older workers avoid any subsidies, training programmes, or direct recruitment support initiatives, aimed specifically at any one age group. In these cases there is a particular emphasis on addressing individuals' barriers to employment (though that is not to say that both individualised services and wide-scale initiatives cannot run in parallel). The role of the PES in these cases being to create an environment within which employers can make rationale recruitment

decisions so labour supply is optimised, and the best person recruited irrespective of their age (or gender/disability).

Individual or cohort approach

Macro-level analysis indicates lower employment levels amongst people over 50, however PES have different perspectives on how this should be addressed. In certain countries there is an assumption that people over 50 will be disadvantaged, which means that their age alone is sufficient to entitle them to specific and extra support. However, it is important to remember that people are not young below a specific age and old above it – ageing is a process, and should be addressed over a time-span rather than suddenly at a certain point in time.

While it is broadly true that many over 50 have worse opportunities to secure sustainable employment, an alternative view is that some people in all age cohorts succeed or have problems with labour market integration. Advocates of this view express concern at the adverse impact on customer behaviour as a result of negative labelling. Treating people as potentially disadvantaged because of their age can have an adverse impact on customer behaviour and employer opinions. While one cohort may typically (or stereotypically) face a different set of problems than another, there will be also be wide variation within cohorts, and a personalised approach encourages *ad hoc* consideration of an individual's specific barriers to employment and therefore accordingly tailored assistance.

PES which advocate an individual personalised approach ensure that integration programmes, including advice on possible self employment, volunteering, and skills development, e.g. in ICT, meet the integration needs of all, including elder workers. The different lifecycles of different professions also leads to a need for a personalised approach, as certain professions will view workers as “old” before others (e.g. manual labour versus office worker).

Conclusion

It will not be possible for Europe to achieve continuing and sustained economic growth unless the skills, knowledge, and potential of older workers are fully utilised.

PES have a key role in brokering the relationships to achieve this desired outcome, ensuring the continued participation, and labour market integration, of this cohort. Of course, employers, social partners and older workers themselves all have their own part to play in ensuring they remain active in the labour market.

The desired outcome is shared across all member states. There are however a range of approaches ranging from programmes specifically aimed at older workers, to an individualised approach focusing on individuals' barriers to integration irrespective of their age, as well as a combination of the two in some cases.

There is also an active debate about whether direct employment subsidies are the best vehicle to encourage recruitment of older workers. Alternative measures include awareness campaigns to challenge negative employer attitudes, and payments to cover initial recruitment overheads (e.g. work place adjustments) which subsequently create a level playing field removing the need for continuing subsidy. In such cases flexible working patterns are viewed as positive benefits which employers will wish to offer to all, not just elder workers. As outlined above, the approaches described are not incompatible and both financial support and awareness campaigns can run in parallel.

Annex:

Executive summary of the study on 'The Impact of the Crisis on Senior Workers: Challenges and Responses by PES' by the European Commission

The aging of the population is one of the main challenges that Europe is facing at present and one that has a multifaceted impact on economic, social and employment policies. European labour markets have for many years been characterised by low levels of employment participation amongst senior workers (55-64 years). In 2010, the employment rate of these seniors stood at 46.3% for the EU with that of the working-age population as a whole (15-64 years) was 64.2%. This development is already having a negative effect on the European economy as it notably reduces the potential for much needed growth while increasing the burden on European welfare systems. Thus, the need for change is evident and clearly identified in the Europe 2020 strategy and more concretely in the European Integrated Guidelines (no. 7 – calling on Member States to promote active ageing strategies).

PES can be important players in contributing to address this situation and help keep senior workers as close as possible to the labour market. In this respect and further to a recent piece of research among European Public Employment Services (PES)⁷, demographic change was identified as one of the principal factors affecting organisational developments among these bodies. In this vein, most European PES regard older workers as a priority target group, however only 5 of them declare having specific services for them⁸. In their attempt to develop more preventative functions through a 'lifelong services' philosophy, addressing the situation of senior workers in the labour market is likely to become a more prominent issue on the agendas of many PES. This will call for a reconsideration of the way in which new and non-traditional client groups are served and the methods used for doing so.

Labour market trends for older workers

Analysis of the labour market situation of older workers and the impact of the crisis shows that:

- Even if older workers were less affected by the crisis in comparison to other age-groups, the employment rates of people aged 55-64 are still relatively low in many European countries, on average the EU (46.3%) is still a long way behind other advanced economies (US 60.3% and Japan 65.2%). Such a situation is not sustainable in the medium to long term against an austerity climate, as it will increase demand for pensions and long-term care while further contributing to the forecasted workforce shortages, thus straining public finances and revenues.
- Although senior workers have fared well during the crisis in comparison to other cohorts, once out of work they are more at risk of falling into long-term unemployment. Equally, the rate of re-employment among seniors is quite low

⁷ PES 2020 - mapping visions and directions for future development; June 2010.

⁸ Preliminary findings from on-going EC study on 'PES Business Models' 2011

with only one in seven individuals finding employment within a year, as compared to one in three for prime-age workers. Consequently activation becomes more expensive, resource intensive and time consuming for already overstretched PES.

- Each year around half of those senior workers registered with PES give up looking for work and become inactive. Although for some this may be part of their planned career path, for a large majority, the low chances of finding work will have discouraged them to the extent that they leave the labour market much earlier than they would like.
- Older workers are more likely than prime-age workers to be in full time employment. Consequently, they are less likely to be employed on a temporary contract which may have offered some protection during the crisis as those on fixed-term contracts were among the first to be dismissed. Senior workers are also more likely to be self-employed.

Easing transitions back to work for senior workers

- The current crisis has shown that senior workers have not suffered from mass redundancy announcements to the extent witnessed in the 80s and 90s. It therefore appears that the culture of early retirement schemes has been largely eradicated and is nowadays only considered as a last resort by many employers.
- Nonetheless, senior workers still encounter many difficulties to return to work after a period of unemployment. Factors hampering their quick reinsertion into a job range from psycho-social (low self-esteem, lack of the necessary social networks and skills) health related (mental or physical) job specific (lack of suitable jobs and working conditions, self marketing, interview & CV writing experience) linked to stigma and stereotyping (regarded as less productive, unreliable and prone to sickness)
- Public Employment Services are well placed to broker moves back into employment by senior workers and to address many of the obstacles outlined above. An important starting point in this respect is the need to develop adequate outreach capacities and to develop an ethos of 'individualised lifelong career guidance' to better accompany workers & jobseekers during their professional *parcours* at different stages of the working life.
- Investment in targeted Active Labour Market Policies and ensuring their uptake by senior workers is an area where PES can provide much valued assistance. This would favour greater labour market participation among older workers, whilst acting to remove constraints in work organisation models, social habits and welfare systems and maximising return on investment of public money.
- PES are also well positioned to establish cooperation and engage in partnerships with relevant labour market actors that have complementary and specialised skills and competences in dealing with senior workers – civil society organisations, senior clubs, social partners, training institutions, employers & trade unions – in an attempt to better service the needs of seniors. This can help bring efficiency gains to the service delivery of PES for senior workers whilst also reducing the costs of launching new measures.

- Being able to reach out to senior workers will be critical for PES in order to avoid missing out on what will be a growing client group as society ages. In order to do this efficiently, PES staff needs to possess the right skills for engaging with senior clients and thus internal training for PES personnel appears important. The future client base of PES is likely to be characterised by a higher average age among jobseekers than the present one and engaging with tomorrow's senior workers need to start today. This approach would also be very much in line with the development of a more preventative work philosophy by PES thus moving away from the purely/traditional curative role.
- Providing advice, guidance and support for entrepreneurial activities and self-employment can be another area where PES may actively help seniors. This would enable senior workers to use their previous work experience and skills in a way that is suited to their interests and capabilities, whilst potentially accommodating their own needs in terms of work load and organisation.
- Finally, the use of subsidised programs targeting employers recruiting senior workers needs to be carefully considered to ensure that it does not prevent access to the labour market for young workers and that it does not artificially distort the labour market by creating deadweight or negatively impacting on other groups of workers.