



European Foundation for the  
Improvement of Living and  
Working Conditions

# Employment trends and policies for older workers in the recession

*'Active ageing is about helping older people to stay in work and share their experience. It is about them continuing to play an active role in society and living as healthy, independent and fulfilling lives as possible.'*

László Andor, EU Commissioner for Employment, Social Affairs and Inclusion, at the opening conference of the European Year for Active Ageing and Solidarity between Generations, Copenhagen, 18 January 2012



## Introduction

This report summarises available data on recent employment trends for older workers in the EU27 as well as the results of organisation case studies and overviews on developments in workplace age management undertaken by Eurofound in 2011. The first section uses Eurostat data to provide a statistical portrait of the main trends in relation to labour market participation of older workers. The second section provides pointers on how age management policy has developed at company and national level before, during and after the Great Recession.

## Key points

- Our societies are ageing. The number of working age individuals (aged 15–64 years) peaked around 2010–2011 and has begun to decline in the 27 EU Member States (EU27). The number of those aged 65 and over is predicted to increase by 20% by 2020.
- The workforce age profile grew sharply during the recession. In all Member States, employment rates of older workers tended to be less affected by the recession than that of core-age and younger workers.
- Nevertheless, older workers tend to be overrepresented in the public administration, health and education sectors and therefore more exposed to the consequences of current and future public spending cuts.
- Employment rates for older workers (aged 55–64) have increased by nearly 10 percentage points in the decade to 2010. However, employment rates for older workers remain very low in many Member States. Only 3 out of 10 of those in the 'pre-retirement' age cohort (60–64) in the EU27 are in employment.

- Older workers are more likely to be on open-ended contracts, but are also more likely to be working part time or to be self-employed than other workers.
- Some 30% of older workers interviewed in 2007 had left employment by 2009. Statistically significant determinants of exit from employment included age, high or low income. Those with higher educational attainment tend to exit later.
- Early retirement schemes have been reduced, dropped or reworked to encourage gradual or phased retirement or, more generally, working time flexibility for older workers. Nonetheless, case studies confirmed that there was recourse to early retirement in 2008–2010 where recessionary pressures made headcount reductions inevitable.
- Incentives are increasingly geared to extending working lives (for example, bonuses for deferred pensions) and to penalising early withdrawal from the labour market. Later retirement ages have been agreed or are being planned in many Member States. Some countries have dropped the default retirement age (as in the United Kingdom) while in others (such as Sweden) pension entitlements are adjusted on the basis of expected life expectancy at the time of retirement.

## Background

Over the past two decades, there have been considerable changes in the age distribution of the population in Europe. An ageing population may induce a variety of social and economic effects. Clearly, a large and growing proportion of older people has implications for social security systems and can lead to changes in the patterns of labour market participation.

In order to foster the labour force participation of older workers, in March 2001 the Stockholm European Council agreed on the aim of increasing the employment rate for the population aged 55–64 to 50% by 2010 (from 37% in 2000). Though the ambitious Stockholm target was not reached, significant progress was made and the employment rate of older workers increased to over 46% in 2010. It has also proven to be much more robust to the effects of the Great Recession than that of core-age or younger workers.

In its Europe 2020 growth strategy, the European Commission has indicated a 75% employment rate target for women and men aged 20–64 by 2020. In part, the decision to omit specific targets for women or older workers in Europe 2020 may be a measure of the relative success in improving labour market participation of women and those aged over 55 in the preceding decade. It is nonetheless the case that achieving the 75% target will necessitate improved labour market integration of underrepresented categories of workers, including women, younger workers, older workers as well as low-skilled workers and legal migrants.

The reason for this is that the main sources of cross-national variation in labour market performance across Europe continue to be differences in the labour market participation of women on the one hand and of younger and older workers on the other. A high percentage of the core-age population (25–49) works in all Member States (78% in 2010), in a comparatively narrow range from 70.2% (Spain) to 84.8% (Sweden). For younger workers (aged 15–24), employment rates range from 18% in Hungary to 58% in Denmark and for older workers (aged 55–64) the range is just as wide, from 30% in Malta to 70% in Sweden. Raising employment rates of younger and older workers in all Member States towards those of the current ‘best performers’ will be one of the main preconditions of meeting the Europe 2020 employment objective.

Given the current relatively high and persistent unemployment and the forecast decrease in the size of the labour force, inclusive labour market participation is the key to addressing the serious concerns about the financial viability of public pension systems. These are predominantly funded on a pay-as-you-go basis. As a result, the rising imbalance between the number of contributors to these systems and their beneficiaries will have significant implications for funding arrangements. The different

initiatives, in place in various countries, which seek to stimulate the labour force participation of older workers, illustrate the importance attached by governments to reversing the trend towards earlier withdrawal from the labour market observed from the 1980s onwards.

## Employment trends for older workers

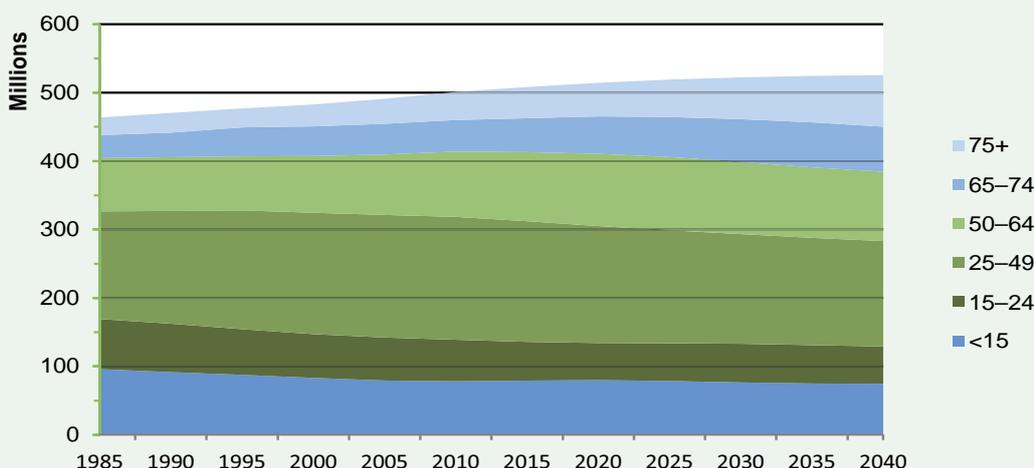
This section provides an overview of trends in terms of labour market participation of older workers as well as an analysis indicating some possible determinants of older workers’ decisions to exit from the labour market. The analysis will focus on the labour market status of men and women aged between 55 and 64 in the EU27 and will use the annual data provided by Eurostat through the Labour Force Survey (LFS) and the European Union Statistics on Income and Living Conditions (EU-SILC) as well as Eurostat population projections.

### Changes in the working age population

Older age cohorts have grown in the last decade and will continue to increase both in absolute terms and as a share of the overall population. In the last 10 years, the share of the population aged 55–64 years increased considerably (from 16.1% to 18.1%) and in 2010, for the first time, it surpassed the share of those aged 15–24 (which declined from 19.7% to 18% over the same period). Core-age individuals, those aged 25 to 54 years, account for the largest share of the overall population, over 60% in all the EU27. Their share of the total EU population decreased slightly over the last decade (from 64.1% to 63.7%).

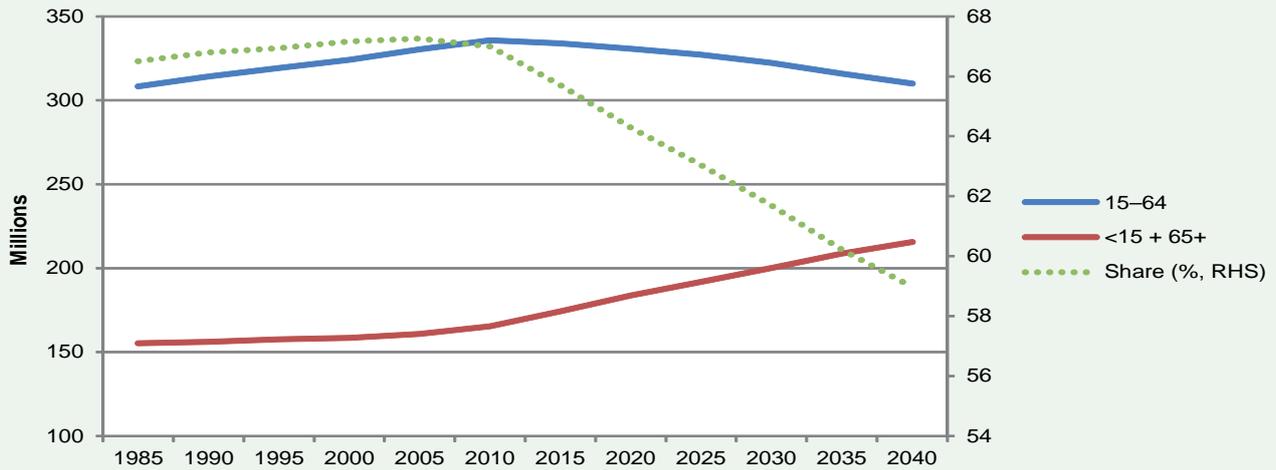
These developments are consistent with longer-term demographic trends which see younger age cohorts (<25 years) continuing to contract while the number of those aged 65 more than doubles by 2040 (Figure 1). The biggest five-year age cohort in 2010 comprised those aged 40–44 due to the ‘second baby boom’ in the 1960s; the smallest five-year age cohort was that of children aged five to nine as fertility rates bottomed out in the early part of the new millennium. Though there has been a modest – and ongoing – improvement of fertility rates in more recent years, it has done little to offset population ageing arising from remarkable increases in longevity. From a positive perspective, Europe’s ageing societies are a testament to the improvement of living conditions in the EU over the last two generations. Sustaining these advances is now the challenge.

Figure 1: EU27 population by age category, 1985–2040 (forecast)



Source: Eurostat

Figure 2: Working vs non-working age population, 1985–2040 (forecast)



Source: Eurostat, Labour Force Survey and Eurostat population projections; authors' calculations

It is important to note that the EU27 population is continuing to grow. It has surpassed half a billion persons in recent years and is forecast to increase (albeit slowly) over the coming generation, adding a further 5% by 2040. Despite declining as a share of the overall population, the number of people of working age (15–64) grew by 3.7% in the past decade in Europe. This trend has now gone into reverse with a decline of 1.5% in the working age population forecast between 2010 and 2020. After plateauing around 2010, the share of those of working age is predicted to decline steadily from 67% to 59% by 2040 (Figure 2). A growing number of dependants, notably of retirees, will be accompanied by a declining number of persons of working age.

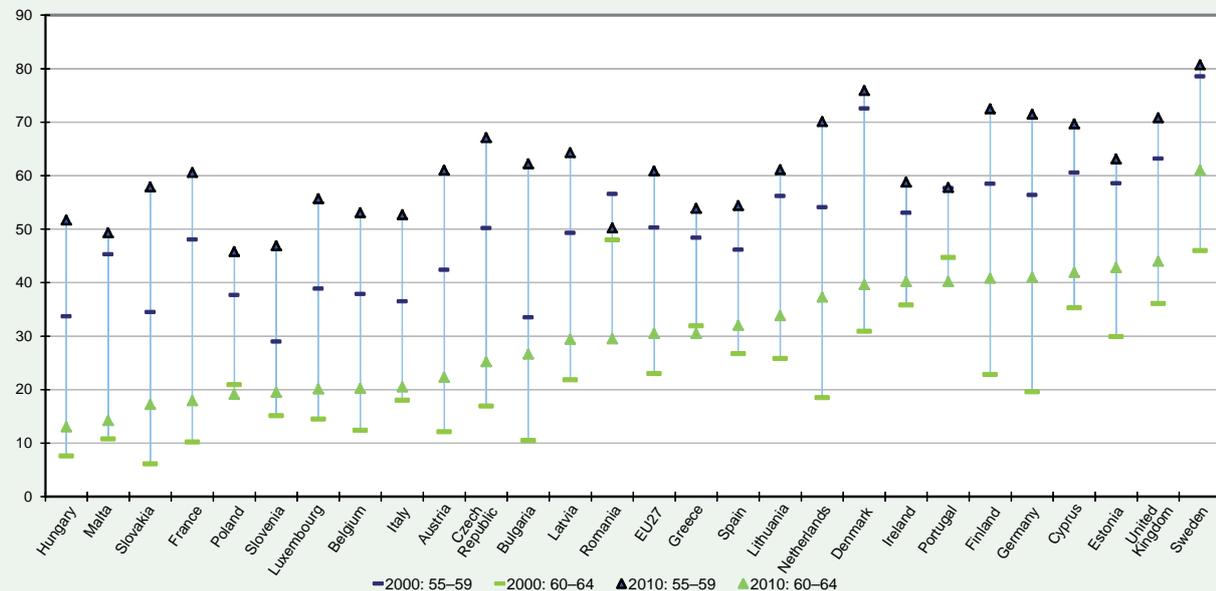
The aggregate trends conceal very different dynamics at the Member State level. In six EU27 Member States – Bulgaria, Estonia, Germany, Latvia, Lithuania and Romania – the working age population had already started to contract between 2000 and 2010, in some cases due to net outward migration. In the remaining countries, however, significant increases in the working age population have been seen, notably in Cyprus and Ireland, which have registered increases of around 20% over the same period. The population aged 55–64 grew by 17% between 2000 and

2010 (EU27) corresponding to an increase of approximately eight million people. As with the overall demographic situation, the situation is highly differentiated by Member State. Countries such as Finland, France, Malta and Poland recorded the highest increase in the population share of the pre-retirement age group.

**Employment and unemployment**

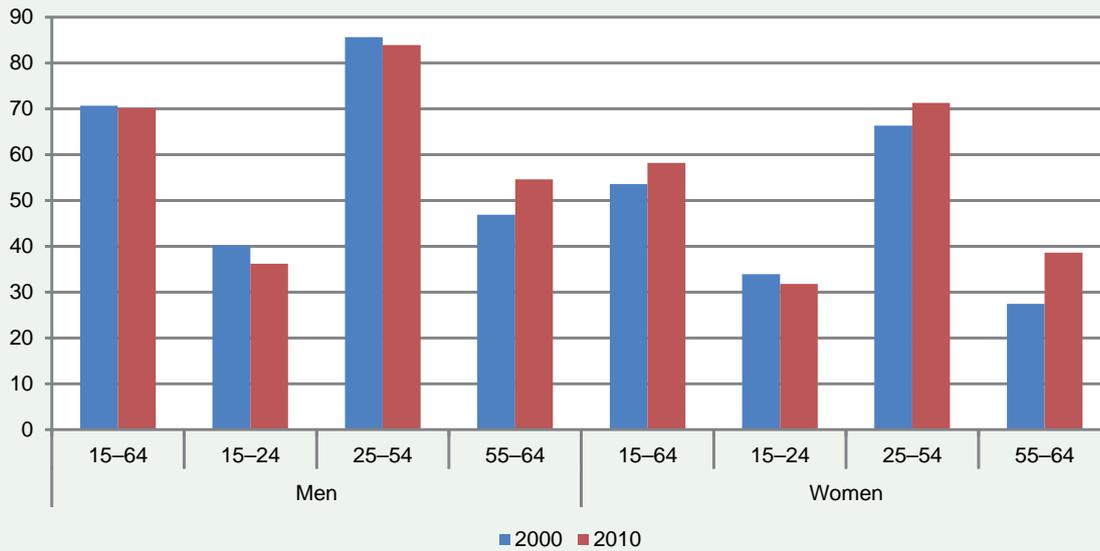
At aggregate EU level, the employment rate of the working age population increased in the first part of the last decade. Starting from 62.1% in 2000, the highest level was recorded in 2008 (65.9%) before declining to 64.2% in 2010 after the financial crisis. The post-2008 decrease affected young people and those in the prime age group but left the older age group relatively unscathed. Indeed, employment rates continued to increase for older persons during the recession after significant gains recorded earlier in the decade. As Figure 3 illustrates, there was a great diversity across Member States with 13% of Hungarians aged 60–64 in employment in 2010 compared to over 60% of Swedes. Six countries saw their employment rates for those aged 55–59 and those aged 60–64 rise by over 10 percentage points between 2000 and 2010 – Austria, Bulgaria, Finland, Germany, the Netherlands

Figure 3: (Generally) rising employment rates of older workers (55–59 and 60–64), 2000–2010 (%)



Source: Eurostat, Labour Force Survey; authors' calculations

Figure 4: Employment rate by age and gender, 2000–2010, EU27 (%)



Source: Eurostat, Labour Force Survey; authors' calculations

and Slovakia. All Member States with the exception of Romania and Portugal recorded an increase in the employment rate of workers aged 55–59 while Greece, Poland, Portugal and Romania were the only countries with declining employment rates for the 60–64 age group.

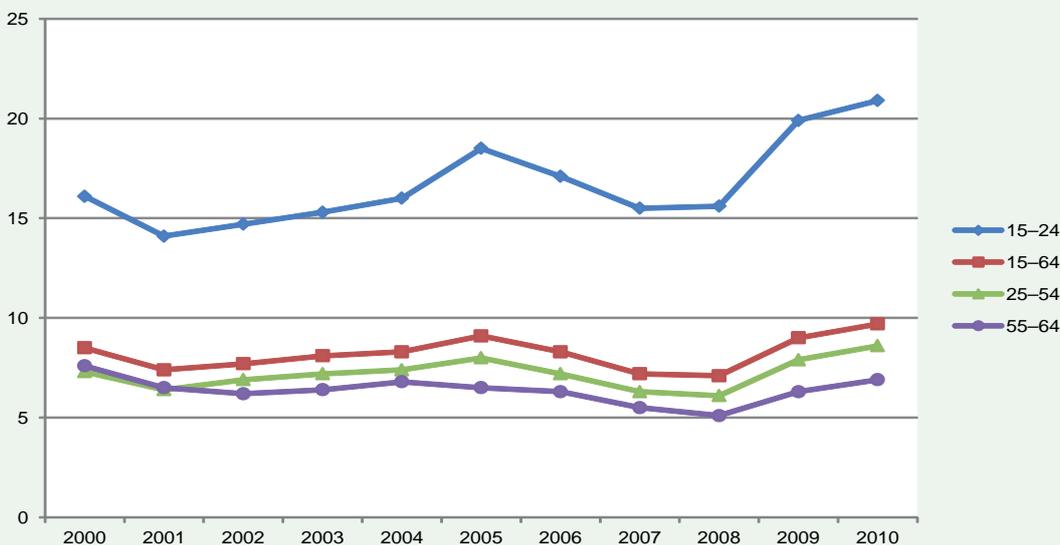
There has also been a narrowing of the gender gaps in older age employment. While in 2000 the employment rate of older women was 27.4% (46.9% for men), in 2010 the rate increased to 38.8% (54.6% for men), corresponding to a total increase of 11.4 percentage points (7.7 percentage points for men). In three countries, the employment rates of older women were higher than those of men in 2010 (Figure 4). This was the case in Estonia, with a rate of 54.9% for women and 52.2% for men in 2010, Finland (56.9% and 55.6%) and Latvia (48.7% and 47.6%), with the lowest gender gap apparent in Latvia. The Member States with the highest gender employment gaps for older workers were Malta, with a rate of 47.9% for men in 2010 and 13% for women, Cyprus (71.2% and 43%) and Greece (56.5% and 28.9%).

Unemployment has risen sharply since the onset of the crisis in 2008 (Figure 5). After reaching its lowest level of the decade in 2008 (7.1%), it has subsequently risen to over

10% at the time of writing. Older workers have been largely spared the impacts of rising unemployment which have fallen disproportionately on younger workers. In the period 2000–2010, the youth unemployment rate increased from 16.1% to 20.9% (corresponding to a relative increase of approximately 30%). Over the same period, the unemployment rate among elderly workers decreased from 7.6% to the 6.9% (corresponding to a relative decrease of 10%). The level of unemployment of the prime age groups has changed very little.

Unemployment among older women was lower than for men (5.9% vs 6.5%) in 2010 and had declined by more over the previous 10 years, another factor in the narrowing gender employment gap. At Member State level, the unemployment rate varies considerably. The country with the highest unemployment rate for this group in 2010 was Estonia (16.2%), followed by Latvia (15.6%), Lithuania (14.5%) and Spain (14.1%). At the opposite end of the spectrum, Austria (2.2%), Romania (3.3%) and Italy (3.6%) are the countries with the lowest unemployment rates. Female unemployment rates were lower than male rates in all Member States except Belgium and Slovakia.

Figure 5: Evolution in unemployment rates by age groups, EU27 (%)



Source: Eurostat, Labour Force Survey; authors' calculations

The changes in unemployment among elderly workers vary considerably by Member State. The unemployment rate decreased by two percentage points in countries such as Bulgaria, Finland, Germany, Slovakia and Slovenia but rose rapidly in those countries whose labour markets were most affected by the 2008–2009 downturn. The unemployment rate of older workers increased more than five percentage points in Estonia, Ireland, Latvia and Portugal between 2000 and 2010.

### Characteristics of older workers

Among the 28.2 million older workers employed in Europe, 76.5% are employees while 21.6% are self-employed and the remaining 1.9% are contributing family workers. The share of employees is above 85% in Bulgaria, Denmark, Estonia, Latvia, Lithuania and Sweden. The share of older self-employed workers is above the EU average in countries such as Cyprus, Greece, Ireland, Italy, Poland, Portugal, Romania and Spain – associated with significant agricultural sectors that tend to employ higher shares of older workers who tend to be predominantly self-employed. The self-employed can be divided into two groups, namely those who work for themselves and those who employ others. A 30% share of older self-employed people are employers and this percentage rises above 40% in Austria, Denmark, France, Germany, Hungary, Latvia and Luxembourg. Compared with an EU average of 1.9%, the share of older people employed as contributing family workers is very high in Slovenia and Romania (11.1% and 17.1% respectively).

Older workers are mainly employed in manufacturing (14%), human health and social work activities (11%), education (9%) and public administration (9%). They tend in particular to be overrepresented in farming and the public sector (education, health and public administration) compared with young and core-age groups.

Some six million older workers work part time in the EU. The share of the population of older workers working part time (22%) is lower than that of younger workers (28%) but is higher than those in the prime age group (16%). As explained further later, there has been a tendency in policy to favour partial or phased retirement – often involving gradual reductions in working time – where early retirement would have been previously encouraged. This does not however appear to have influenced as yet the share of older

workers working part time; the share of part-time workers increased more in the overall working age population between 2000 and 2010 than it did for the older worker category. The Netherlands has the highest percentage of part-time older workers (50%) followed by Belgium and the UK (31%). Conversely, countries with the lowest share of part-time workers are Bulgaria, the Czech Republic, Greece and Slovakia.

The proportion of older workers with a temporary contract is very low (7%) compared with young workers (41.9%) and prime-age workers (8.7%). The rate of older temporary workers is low in all Member States. Only in the Czech Republic, Poland and Spain is this rate more than 10%. Austria and Belgium have the lowest rate of older temporary workers (2.9%).

### Labour market transitions

Longitudinal data are very useful for investigating labour market transitions from one point in time to another, for example helping to identify those who left the labour market in a given period and their reasons for so doing. A second Eurostat dataset, EU-SILC, allows us to perform this type of analysis<sup>1</sup> thereby enriching the portrait of older people at work that has already been presented based on cross-sectional data from the EU-LFS.

This section analyses labour market exits during the period 2007–2009. Specifically, it looks at those older workers who declared themselves as employed in 2007 and investigates their transitions to a different labour market status in 2009.

Table 1 shows that 71% of older persons who were in work at the time of interview in 2007 were still at work in 2009. Of the remainder, 21% had retired, 3% were unemployed and 4% were inactive.

The analysis of transitions disaggregated by gender shows that labour market attachment is slightly more stable among older men than older women. Among the cohort of older men who were at work in 2007, 72% were still at work in 2009 compared with 69% of older women. More men than women became unemployed (3.6% vs 2.4%). Conversely, the proportion of those who left the labour market in order to fulfil domestic responsibilities was higher for older women (2.6% vs 0.3%).

Table 1: Labour market state, by gender 2007–2009 (%)

	Labour market state 2009					
Labour market state 2007	At work	Unemployed	Retired	Disabled	Domestic responsibilities	Other
Total employed	71.1	3.1	21.7	1.8	1.2	0.9
Men employed	72.0	3.6	21.2	1.9	0.3	1.0
Women employed	69.8	2.4	22.5	1.7	2.6	1.0

Note: Longitudinal weights: population aged 55–64; employment status = part/full-time employees and self-employed.

<sup>1</sup> For all EU Member States except Germany and Ireland.

## Determinants of leaving work

In order to identify the determinants of leaving employment for older workers while controlling for other important sociodemographic and job-related variables, a multivariate statistical model has been estimated for this study focusing on those aged 55–64. Following a well-known approach in the general literature<sup>2</sup>, it was possible to run a logistic regression in which the dependent variable took the value 1 if the older worker who was employed in 2007 was still at work in 2009 and took the value 0 if the worker was no longer at work in 2009. Given the difference of the population of employees and of self-employed, in this study the model for these two populations is applied separately as well as for gender. The results are then compared.

While Table 1 suggests that in Europe 29.9% of older workers who were at work in 2007 were not in employment anymore in 2009, in the statistical model used here it is possible to investigate their decision for leaving work including as explanatory variables the various individual sociodemographic and job-related variables such as: gender, age, education, health conditions, marital status, personal income (in deciles), intensity of deprivation, hours worked per week, years spent at work, type of contract (for employees only), presence of employees (self-employed only) and occupation. The analysis also includes controls for country-fixed effects (country dummies).

Focusing on the subgroup of employees, older employees in Austria, Belgium, France, Hungary and Luxembourg seem to be more likely to leave work earlier than those in other Member States. The multivariate analysis indicates that several characteristics influence the probability of leaving work in Europe. Although it is clear that institutional arrangements regarding retirement are fundamental in determining when employees leave employment, as expected age is a major determinant of the decision to leave work. For both women and men, those age 60 were twice as likely to leave work compared with those aged 55. For male employees there is evidence that those who have a tertiary educational level are less likely to leave work. This is consistent with the general literature, suggesting that those who invested more in education in the earlier stage of their career are more likely to remain at work longer. These workers tend in any case to work in less physically demanding jobs that are by their nature easier to continue working in. The effect of income is quite interesting: all else being equal, those male employees who have a low (<3 deciles) or a high (>8 deciles) income are more likely to leave work compared with the rest of the population. This effect is not significant for women. For employees, health conditions are not statistically significant regardless of gender.

Concerning job-related variables, both for men and women, having a non-permanent contract increases the probability of leaving work while longer weekly working hours decreases the likelihood of leaving work. Finally, men who work as professionals, technicians and clerical workers have a lower probability of leaving work, while among women those working as service and sales workers had the lowest probability of exiting employment.

For the self-employed, the determinants of leaving work are somewhat different. There were no significant country effects but age was a major determinant of the decision to leave work but with smoother effect than that observed for employees: those aged 60 are 75% more likely to leave work compared with those aged 55. Unlike for employees, there is no evidence of an education-level effect for men or women. Health however is an important determinant of leaving work for self-employed men. In contrast to employees, the probability of leaving work in the period considered decreases sharply among those who have a high income (>8 deciles). This result holds also among self-employed women.

Finally, among the self-employed there were fewer job-related characteristics that significantly affected the probability of leaving work. Increasing the number of weekly working hours or professional occupational status decreased the probability of leaving work for self-employed men but no job-related characteristics were significant determinants of leaving work for self-employed women.

## Impact of the recession on age management policies

### Increasing employment of older workers

The previous section showed that policy commitments to extending working lives have met with some success over the last decade. Population ageing is likely to require more individuals across Europe to work to an older age to satisfy the demand for labour and to render sustainable social security and pension systems.

It is almost inevitable that in a serious recession some workers never return to the labour force after losing their jobs, and that new entrants are not able to establish a firm foothold in the labour market. A lesson drawn from the previous major recessions of the late 1970s and 1980s was that early pensioning of a significant number of employees was not in the long-term interests of Member States. While previously early pensioning was financially feasible in the short run and relatively attractive to workers as well as social partners, this is no longer the case. Early retirement obviously poses in particular financial sustainability issues in a context of increasing post-retirement life expectancy and fast-growing pre-retirement age cohorts. Over the last decade, public policy has increasingly focused on extending working life.

In a series of company case studies carried out by Eurofound in nine Member States in 2011 (two per country), the research sought to identify the impacts of the sharp 2008–2009 recession on the age profile of employment in companies and organisations undergoing restructuring as well as on their age management strategies. The nine countries were Austria, Belgium, the Czech Republic, Hungary, Latvia, the Netherlands, Spain, Sweden and the UK.

A general finding was that policy moved away from encouraging early retirement in the pre-recession period and tended instead to emphasise various forms of ‘downshifting’ – reduced working time and gradual/phased retirement. The

<sup>2</sup> Rigg, J. and Taylor, M. (2005), ‘Labour market behaviour of older workers’, in Ermisch, J. and Wright, R., *Changing Scotland: Evidence from the British Household Panel Survey*, Policy Press, Bristol.

overall policy objective has been to target higher employment rates of older workers and is reflected in increasing employment rates for each five-year cohort of older workers over the period 2000–2010. Nonetheless, as many individual establishment case examples attest, early retirement remains in the toolkit of employers where restructuring job losses were considered essential during the recession.

A notable difference is that where previous episodes of early retirement were associated with sharp declines in older-age employment rates, a more measured implementation can be inferred from the fact that employment rates of older workers held up much better during the crisis than those of younger or core-age workers. In a number of the countries covered, employment rates for those aged 60–64 were higher in 2011 than they were pre-crisis in 2008 (Austria, Belgium, Hungary, the Netherlands and Sweden) and among those case examples where establishment workforce age breakdowns were available pre- and post-crisis, there were as many where the share of older workers had increased as decreased. In relative terms, the big losers in the labour market during the recession were younger people, the least affected were older workers.

#### National policy developments before the crisis

The direction of policy is important in understanding the differences between Member States and between demographic groups within a state. The findings for the nine selected Member States before the economic and financial crisis of 2008–2009 reveal wide variation in the extent to which they implemented policies specifically targeting older workers, and the degree to which they supported older workers through broader employment policies open to all age groups. Corresponding to this, a variety of policy instruments appeared to be in use among Member States before the crisis (and in many cases continue to be in use) to support or maintain older workers in employment. These include more indirect measures that have wider objectives than just supporting older-aged workers in employment (for example, measures targeting wider groups and initiatives

aimed at reducing social security and pension payments). Such measures include:

- pension system reform (for instance, changes to the benefits pensioners receive and the pension contributions employees and employers make);
- raising the statutory pension age and eliminating male–female pension age differences (see Table 2);
- reducing incentives for early retirement;
- sickness/disability benefit reform;
- anti-discrimination policy;
- incentives to promote lifelong learning and skills development in the workplace.

Then, there are a number of policies that have a direct age management focus, including:

- financial incentives to employers to keep older-aged workers in employment;
- financial incentives to employers to assist the reentry of older workers into the workforce;
- financial incentives to employees to stay in employment longer;
- gradual/phased/partial retirement schemes;
- other options for flexible working for older workers;
- awareness and information campaigns to promote a change of attitude towards older workers including government-sponsored ‘age management best practice’ company prizes.

The use of these instruments in the period 2000–2008 varies across the Member States selected and reflects differences in the policy drivers such as different national priorities, reform trajectories, and starting points in terms of the employment rate as well as pension and social security systems.

Table 2: Overview of pension ages in the EU27

Country	Men	Women	Comments
<b>Austria</b>	65	60	Female retirement age will be increased to 65 between 2024 and 2033. Early pension possible at age 62 (men) or age 57.5 (women) but gradually converging on standard pension age by 2017. Other early pension entitlements for physically demanding labour.
<b>Belgium</b>	65	65	Early retirement possible at 60 or earlier for physically demanding jobs. Conditions have tightened for early retirement. Pension bonus of €2 per day worked for those working beyond 62 ('Generation Pact').
<b>Bulgaria</b>	63	60	Or 65 if insufficient contribution history. Men must reach 100 points, women 94 points where points=contribution years + age.
<b>Cyprus</b>	65	65	63 for miners. 68 if insufficient contribution history.
<b>Czech Republic</b>	62	61	Retirement age will be increased to 63 years for men from 2016 and for women without children from 2019. Women with children will be able to retire between 59 and 62, depending on the number of children they have raised (currently, the retirement age for women is 57 to 61, depending on the number of children).
<b>Denmark</b>	65	65	Retirement age will be raised to 67 between 2024 and 2027.
<b>Estonia</b>	63	60	Female retirement age will be raised to 63 by 2016. Overall retirement age to be increased to 65 by 2025.
<b>Finland</b>	65	65	Early retirement possibilities from 62 onwards.

Table 2: Overview of pension ages in the EU27 (cont'd)

Country	Men	Women	Comments
France	60	60	Retirement age will rise by four months per year to reach age 62 by 2018. A full public pension requires 40 years of contributions.
Germany	65	65	Retirement age will be gradually increased to 67 over next two decades.
Greece	65	60	Retirement on full pension regardless of age with 37 years of contributions. Early retirement possible from 60 (55 for women), with full pension for those with unhealthy or arduous working conditions.
Hungary	62	62	Retirement age will increase to 65 for men from 2018 and for women from 2020. Early retirement possibilities without penalty from 59 given full contribution history (40 years).
Ireland	65	65	65 is the customary retirement age. State pensions may be claimed at 65 (or 66 in case of contributory pensions).
Italy	65	60	Retirement age for women in the public sector to increase to 65 from 2012. Early retirement possibilities based on age and contribution histories. By 2050, the retirement age for all civil servants and for male private-sector workers will rise from 65 to 68 years and 4 months; the retirement age for female private-sector workers will rise from 60 to 63 years and 5 months (Source: National Social Security Institute, INPS).
Latvia	62	62	A gradual increase in the state pension age to 65 by 2021.
Lithuania	62 years 6 months	60	
Luxembourg	65	65	65 is the customary retirement age. Early pension is payable from age 57 with 40 years of contributions.
Malta	61	60	If born before 31 December 1951. Rising incrementally to 65 for both sexes by 2027.
Netherlands	65	65	Social partner agreement with government on raising the retirement age to 66 in 2020 and 67 in 2025.
Poland	65	60	
Portugal	65	65	Early retirement possible from 55 with 30 years of contributions.
Slovakia	62	62	Convergence on the 62 year retirement age will be reached by 2015 for women. Early retirement possible from 60.
Slovenia	65	65	Contributory pension age depends on contribution history; for example, the full pensionable age is 63 (men) or 61 (women) with at least 20 years of contributions.
Spain	65	65	Retirement age to be raised in the period 2013–2027 from 65 to 67.
Sweden	65	65	Retirement age is flexible. Customary pension age is 65. Occupational pensions can be claimed from age 61 but there are built-in incentives to postpone retirement. Pension amount calculated on the basis of contributions and average life expectancy at retirement with a view to the actuarial balance.
Romania	63 years 9 months	58 years 9 months	The pensionable age and contribution periods will rise by 2015 to age 65 (men) and 60 (women) based on 15 years of contributions for the minimum pension, 35 years for a full pension (30 years for women).
United Kingdom	65	60	State pension age for women will rise incrementally to 65 by 2020 starting in 2010. Pension age to rise to 67 between 2034 and 2036 (possibly as soon as 2026–2028 based on November 2011 coalition government proposal) and 68 between 2044 and 2046.

Note: This table is a representation of statutory pension age. Effective retirement age can be lower and higher depending on other ways to enter or delay retirement (for example, early retirement, partial retirement and working beyond retirement schemes).

Sources: Own compilation from national reports, EIRO, OECD Pensions at a Glance 2011, UK DirectGov website (accessed 1 March 2012) and the US Social Security Administration's Social Security Programs Throughout the World: Europe 2010

#### *Policy reform in some Member States*

Some Member States have taken a more comprehensive approach to supporting older workers than others, by beginning policy reforms at an earlier stage in the late 1990s and early 2000s.

In Sweden, a strong consensus exists among social partners that population ageing is a policy priority. Pension reforms in 1999 meant that the pension payable was linked to the difference between the age of retirement and the average unisex life expectancy over the previous five years. The reforms meant workers were able to retire at the age of 61.

However, strong incentives exist for workers to remain in employment up to the age of 65 and beyond and these have been reinforced since 2006 by changes in the tax system that offer more favourable treatment for work-related income compared to pension income. At the same time, the age to which employees could remain in employment was increased to 67 years. Procedures for collective redundancies are based on the 'last in, first out' principles of the Swedish Labour Code. In 2006, a further set of measures focused directly on promoting old-age employment by increasing the working tax credit for older workers, reducing employer contributions for workers aged 65 and over, and

seeking to reform the disability benefit to make it a less attractive option to leave the workforce. Also, employers could avail of supplementary tax breaks for employing workers aged 55 and over who had been unemployed as part of the 'new start jobs' programme.

Similarly, in the UK there was a growing recognition among social partners throughout the past decade of the need to encourage longer working lives. The UK focused particularly on reforms of wider regulatory structures influencing old-age employment such as raising the statutory retirement age in the Pension Act of 2007 and reassessing the requirements to receive incapacity benefit in 2008. In 2011, the government decided to eliminate the default retirement age. Other recent proposals included raising the state pension age to 68 by 2046 and eliminating stepwise the difference between female and male retirement ages by 2018. In addition, reorientation of the extensive private pension system over the past two decades towards a defined contributions model may have reduced the incentive for, and capacities of, employees to retire early.

Some Member States such as Hungary and the Czech Republic mostly focused on integrating younger workers into the labour force, with age management policies often at an earlier stage of development. In both countries, the use of early retirement remained prevalent and attitudes among employers and society in Hungary were considered not wholly supportive of old-age employment. In part, this is the legacy of the heavy emphasis on early retirement as a means of labour market adjustment during the transition to a market economy in the early 1990s. There are positive disincentives in the case of Hungary, for example, to remain in work as pension wealth actually declines after the age of 60.

#### *Early and partial retirement*

Other Member States focused on specific policy areas to support and encourage older workers, in particular on policies to manage and reform early retirement schemes. These reforms aimed at limiting the entitlements under early retirement and encouraging more gradual exits into retirement. The reasons were generally twofold: concern over the sustainability of the social security system and the related objective of increasing employment rates and pre-empting future labour shortages. Hungary tried to limit the use of early retirement schemes by closing some schemes and limiting government compensation in others. In Belgium, the government reformed the pre-pension benefit, raising the age of entitlement from 58 to 60 and the required years of economic activity from 20 to 30. In the Netherlands, the tax treatment of early retirement payments made early retirement schemes less attractive. Some reforms had a more moderate impact on managing gradual transitions. In Spain, the government tried to encourage the use of partial pension systems, whereby an older employee after the age of 60–64 could be transitioned into retirement and remain active for at least 25% of the time and be replaced for the remaining time by a new employee. This programme had a limited uptake as it was not de facto a way to manage the labour force as the number of employees in an organisation remained the same. Nonetheless, the Ford (Spain) case example illustrates that some companies considered this possibility sufficiently attractive.

Austria also placed a lot of emphasis on partial retirement with two options – a partial retirement scheme whereby working time continuously halves over the course of the scheme and a block model whereby the employee works full time in the early phase of the partial retirement scheme and then retires early in the second phase of the scheme. The scheme has become more restrictive with major reforms in 2004 and 2009 foreseeing an increase in the minimum eligible age for men (to rise from 55 to 60 by 2013) and women (to rise from 50 to 55 by 2013) though the stepwise increases in these minimum eligibility ages was temporarily suspended in 2009 as a result of the crisis. The popularity of the block model among employers and employees compared to the continuous model meant that the partial retirement scheme in effect functioned as an early retirement scheme. Reforms to the system in 2009 addressed this by offering higher levels of reimbursement to employers opting for the continuous model. The share of the partially retired on the block model subsequently halved.

#### *Retention of older workers*

In addition to reforming early retirement schemes, several Member States provided direct incentives to employers and employees to stay in employment. Belgium focused particularly on providing financial incentives to employers and employees to encourage the employment and retention of older workers. Furthermore, Belgium focused on activation policies for older workers such as the *cellules d'emploi*, which facilitate transition to other employment for workers who lose their job following restructuring. Such measures also confirm a wider cultural shift away from early retirement schemes as the previous strong association between restructuring and early retirement is broken. In Spain, some incentives are linked to social security payments. The employer's social security contributions are reduced by 50% for older employees starting at 60 years of age, increasing gradually by 10% until reaching 100% when the employee turns 65. Reflecting the seriousness of youth unemployment in this Member State, versions of these incentives were applied to younger age categories during the crisis; for instance, measures originally intended to encourage employers to retain or employ older workers were made more applicable to other risk groups.

#### *Skills development*

Many Member States also placed emphasis on 'employability', which emphasises continuous skills development and training of workers to ensure they have adequate skills for employment. Several Member States such as Austria, Hungary and Latvia provided incentives to employees and employers to ensure lifelong learning. Campaigns focused on occupational health, informing employers on how to accommodate an ageing workforce and raising awareness among the workforce on the need to work longer. Another important aspect of age management initiatives is to see older workers as a distinct category in diversity policy. Member States such as Austria, Latvia, the Netherlands and Sweden see older workers as a distinct group in both targeting of initiatives and regulation. Given population ageing, Member States and companies increasingly consider an age-diverse workforce as inherently more sustainable.

### *Anti-discrimination and diversity policy*

Anti-discrimination and diversity policy is a theme reported throughout the Member State contributions, driven in part by European regulations. In principle, this means that age cannot be a factor in human resources management decisions (recruitment and redundancies), though in some countries there are particular stipulations in the Labour Code that make it more difficult to make older-aged workers redundant. Both the Netherlands and Sweden have a 'last in, first out' provision in collective dismissals. In Latvia, the Labour Code stipulates that those five years from retirement should be a priority when deciding which employees to keep in employment during a collective redundancy. In countries where the default retirement age is to be eliminated, as in the UK, employers have voiced concerns about their vulnerability to age discrimination cases where older employees contest a redundancy. In Hungary, which has the lowest employment rates for older workers of the countries covered, age discrimination has been the subject of much recent research and appears to be as much a general public as an administrative concern.

### *Role of the social partners*

The role of social partners in policy formulation varies. In some Member States, such as in the Czech Republic and Hungary, social partners fulfil largely an advisory function. As such, their influence is relatively limited in policy formulation. In other Member States such as Belgium and the Netherlands, the role of the social partners is central in designing specific policy responses in the overall framework decided on by government. For example, in the Netherlands, social partners have agreed to remove extra days of annual leave linked to seniority as one way of reducing the costs of employing older workers. Other examples of age-related social partner initiatives include the Austrian 'virtual consultancy' – *Arbeit und Alter* – which provides information on all age-related work and social insurance issues as well as a forum for exchange.

## **Recent policy initiatives across Member States**

### *Trends in response to the crisis*

Member States have responded to the current crisis in diverse ways across Europe, partially reflecting differences in the depth of the financial crisis and differences in the perceived need to accelerate reforms. There were some key trends visible after the crisis began.

- Early retirement reemerged as a tool to manage the labour force during the economic crisis in many Member States. Though incentives and options for early retirement were reduced in many Member States, reflecting a policy shift away from its use, early retirement nonetheless offered employers an alternative to compulsory redundancies.
- Partial retirement schemes were reformed and became more extensive. Efforts were taken in some countries to ensure that partial retirement possibilities no longer represented a de facto form of early retirement.
- There is a trend to raise the pension age in many countries, be it plans in progress or under discussion. In Sweden, a concrete linkage between (increasing) average life expectancy and pension age is intended to future-proof the funding of the pension system; other

countries (for example, the Netherlands) are considering similar possibilities.

- Related to the above, some Member States with defined benefit pension schemes have increased the required contributions from workers, mostly by extending the earnings-related period or cutting pension payments.
- There have been moves towards part-privatisation or the introduction of mixed, multi-tier public and private pension systems as well as to defined contribution schemes where private pension provision is predominant (for example, the UK).
- Some Member States expanded or introduced tax and social security incentives for employers and employees to keep older workers in employment. In some countries, pension increments for deferring pension payments for those continuing in work were increased.

### *Policy change at country level*

Member States such as Austria, Belgium and the Netherlands modified existing policies following the financial crisis, to support older workers in working and/or retirement amid financial pressures. The Netherlands has agreed in principle to raise the statutory retirement age and extended incentives for training employees. Austria reformed the partial retirement option further to be a genuine part-time work model for older workers. It introduced a number of mechanisms to: restrict government compensation to the employer; abolish obligations that an establishment had to hire a new worker to compensate for the early exit of an older worker; lower the eligibility threshold from 80% to 60% of regular work time, thus allowing more part-time workers to participate; and induce a shift from the highly used block model to the continuous model by offering greater income replacement rates to employers in the continuous model compared to the block model (90% versus 55%). Hungary, the Netherlands and the UK also rewarded those employees postponing retirement with additional pension accruals for each year worked beyond the retirement age (in the Netherlands, up to the age of 70).

In some Member States, general budgetary motives were the major determinant of changes in policy affecting older workers. In 2011, Spain decided to raise the retirement age from 65 to 67 in the period 2013–2027. In addition, workers will have to contribute more to receive a basic pension. Finally, the minimum age for early retirement eligibility increased from 61 to 63, though in times of crisis those aged 61 could still apply. Partial retirement provisions were unchanged. In Latvia, the crisis resulted in a deep recession. The response was the introduction of a measure to limit the ability to draw a state pension and work at the same time (subsequently annulled upon legal challenge), the withdrawal of early retirement possibilities in 2011 and increased contributions to the basic pension. The two first measures specifically led to a sharp decrease (over 40%) in the numbers of working pensioners, as older workers chose to leave the labour force before the new measures became active. Latvia also introduced a programme of subsidised work places through which a large share of pre-retirement workers (74%) found permanent employment within three months of participation.

## Age management policies at company level

### *Focus of policies*

Age management policies at the company level are affected by overall policy developments in countries. For instance, the focus on age management in Sweden is also reflected in the two case studies at Kiruna Regional Administration and Vattenfall. Both have a dedicated and integrated age management policy focused on general training, skills development, information provision and flexible working. The aim is to develop skills and adaptability among older employees and maintain them in employment.

### *Knowledge transfer*

Several of these case studies also place importance on intergenerational knowledge transfer. This transfer can consist of: succession planning; involving older employees in establishment training; and recording of the, often tacit, knowledge accumulated during their career. Examples are the MOL Group in Hungary and Kiruna Regional Administration in Sweden. Involving older employees as training mentors in some cases was a response to the crisis as training budgets were reduced.

### *Retirement options*

Partial or flexible retirement is another option to manage the transition from work to retirement, one increasingly favoured by policymakers and, as evidenced in the case examples, by employers. An example is the flexible retirement policy in use by Cambridgeshire County Council in the UK. The policy provides eligible employees (aged 55 and over with a minimum of three months' membership of the pension scheme) with the right to request a permanent reduction in working hours (20% or more) or a transition to a role with downgraded duties/responsibilities, while at the same time availing of accumulated pension benefits. In the Ford manufacturing plant in Valencia, Spain, a majority of blue-collar workers aged 61 and over participate in the government-supported partial retirement scheme that allows older workers to reduce their working hours by up to 85%. Even though there is the obligation to employ one younger employee for each partially retired employee, the scheme remains cost-effective from an employer perspective given the significant seniority premiums enjoyed by older staff in the company. Borealis Agrolinz Melamine GmbH in Austria started using the partial retirement scheme more extensively during restructuring after the economic crisis of 2008, coinciding with the reforms to the scheme made by the Austrian government.

### *Needs of small businesses*

The case studies also offer insights into age management policies in small businesses. The examples of Made in Inox in Belgium and Proniks in Latvia show that, given the specific skill set required in the business, the loss of even a single employee can be a substantial problem. These establishments also prefer older experienced employees who tend to have the often rare, specific expertise required to do the work. These employees typically have modest wage demands and have few objections to take up very specific and at times physically demanding jobs. As such, given the shortage of labour, the companies looked at in the case studies have a good business reason to invest in older employees and tailor the work to personal circumstances.

### *Employment share of older workers*

The case studies also reveal that the employment share of older-aged employees decreased during the period 2008–2010 in only a few of the companies covered despite many instances of recourse to early retirement. In Vattenfall in Sweden, notwithstanding its broad range of age management measures, early retirement accounted for 90% of restructuring job losses implemented during the period. The average retirement age however rose as a response to age management initiatives over the decade.

### *Impact of national policy*

Finally, case studies in general did not cite national policy introduced in response to the crisis as particularly influential with regard to the development of the organisation's age management policy, though clearly in many cases companies took advantage of regulatory incentives in relation to early or gradual retirement and recruitment of older unemployed persons. In cases of more fundamental and lasting reform there was an impact. The partial retirement reform in Austria influenced the decision taken by Borealis to move from early retirement to partial retirement options while restructuring. There were also inadvertent impacts. The reform of the pension system in Latvia in 2009 affected Proniks negatively as it caused several older employees to leave the establishment voluntarily to qualify for better pension provision before the reforms took hold.

## Conclusions

In some cases and especially in the recession, older workers were often not seen as priority groups. There was greater concern about the employability of younger workers. Given that the crisis affected younger workers disproportionately compared to other age groups, there were often good reasons to prioritise this group rather than older workers.

In the majority of the countries covered, employment rates increased for older workers while they decreased for all other age groups. In some case studies, such as BT in the UK, the proportion of older workers actually increased. In many Member States and establishments, the financial crisis did not result in fundamental changes to age management policies but there were minor adjustments to existing policies intended to incentivise later retirement. In countries where there was a significant deterioration of government finances, significant age-related policy reform did take place. However, this reform (for example, in Hungary, Latvia and Spain) did not focus explicitly on age management objectives as such but clearly had a cost-cutting rationale. Organisations' increased use of partial retirement and continued use of early retirement schemes were instruments that served to reduce the labour input of older workers in terms of working hours or headcount. Nonetheless, these were only one of a variety of labour market adjustment measures employed and overall employment rates of older workers remained relatively stable.

At establishment level, changes in age management policy generally were more gradual – developing in response to longer-term trends in human resources and employment policies. Older workers are increasingly encouraged to work longer, until and in an increasing number of cases beyond statutory retirement age. The incentives are various:

arrangements for flexible working hours; financial incentives (to employers as well as employees); work organisation interventions such as capacity management assessments and role reassignments.

The value of a mixed-age workforce is increasingly recognised and evident in efforts to ensure intergenerational cohesion and knowledge transfer within companies. These 'soft' changes are addressed in part to current company needs but are also a form of adaptation to a future where demographic ageing may result in potential labour and skills shortages and will result in an older workforce. Workplaces in Europe are adapting to these challenges and a greater share of workers are remaining healthy in work for longer.

## About this study

The two principal sources for this study were analysis of EU-LFS and EU-SILC data carried out by Massimiliano Mascherini (Eurofound) and Irene Riobóo Lestón with assistance from John Hurley (Eurofound) and a summary of the recent Eurofound project *Restructuring in recession: Developments in age management policies* by Chris van Stolk (Rand Europe). This latter project comprised company case studies in nine Member States carried out during 2011: Austria, Belgium, the Czech Republic, Hungary, Latvia, the Netherlands, Spain, Sweden and the United Kingdom. The findings of these case studies were then set in context with national policy overviews covering relevant legislative developments and social partner initiatives prior to and during the 2008–2009 recession.

For more detail, please refer to the project web page: <http://www.eurofound.europa.eu/areas/populationandsociety/agemanagement.htm>. The project is complementary to the earlier Eurofound project on *Employment initiatives for an ageing workforce* and its database of good practice examples, available at <http://www.eurofound.europa.eu/areas/populationandsociety/ageingworkforce.htm>.

### Further information

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