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GENEVA ASSOCIATION PUBLISHES NEW STUDY ON WORK AFTER 60

Working beyond 60: Key Policies and Practices in Europe, by Geneviève Reday-Mulvey, with foreword by Professor Alan Walker
March 2005; 240 pages; ISBN 1-4039-4796-1; Palgrave Macmillan

1. The demographic trend of population ageing – and the strain it puts on the future financing of pensions and social welfare – has recently prompted all EU Member States to adopt important pension reforms. These reforms generally include a rise in the retirement age (or an increase in the number of contribution years), greater flexibility in the age of retirement and promotion of a lengthening of the contribution period to qualify for full benefits. Briefly put, they encourage later and more flexible retirement and the combination of pensions with income from work. Policymakers and the European Commission have also realized that increasing the participation rate of 'older' workers is crucial to implementing these reforms and to finding real solutions to the demographic challenge. While the answer to why working beyond 60 has now become obvious, the how and for whom questions require more subtle responses and are the real topic of this new study by one of the best European specialists on this subject.

2. In the context of its Four Pillars Programme, The Geneva Association, conscious already 15 years ago of the need to define global policies to face the crisis of our social protection systems, proposed a flexible extension of work life (a 'fourth' pillar) as one of the key solutions for the future financing of pensions. But extension of work life, if it is to be feasible and sufficiently widespread, has to be on a part-time basis to meet the wishes and needs of workers and companies. Indeed part-time and flexible work corresponds to recent changes affecting labour markets, service employment and emerging social patterns in the life cycle. Part-time and flexible work after 60, accompanied by other age management measures (e.g., continuing training and lifelong education), must go hand in hand with a diversity of end-of-career patterns, allowing some categories of worker to leave earlier than most other workers employed in mental abilities-based employment.

3. This book provides an in-depth analysis of the growing importance of working beyond 60 in European countries and a comparative discussion of new policies and measures adopted both by policymakers and by some companies in several countries (Finland, Denmark, the Netherlands, the United Kingdom, Germany, France, Italy, Switzerland among others) as well as of examples of best practice.

THE GENEVA ASSOCIATION

The International Association for the Study of Insurance Economics, or for short "The Geneva Association", is the world's leading private insurance think-tank. It is a non-profit organisation whose main goal is to research the growing importance of worldwide insurance activities in all sectors of the economy. Its research team identifies fundamental trends and strategic areas where insurance plays a substantial role or which themselves influence the insurance sector. In parallel, The Geneva Association encourages various initiatives concerning the evolution – in economic and cultural terms – of risk management and the notion of uncertainty in the modern economy. Throughout the year, it organizes or supports about a dozen conferences and seminars, gathering experts from all sectors and backgrounds to combine their knowledge.

The Geneva Association thus serves as a catalyst for progress in this unprecedented period of change in the insurance industry. It seeks to clarify the key role that insurance will play in the future development of the modern economy.

The Geneva Association publishes leading insurance journals, newsletters, books and monographs. The main ones are:

- **The Geneva Papers on Risk and Insurance - Issues and Practice** (four times per year) for insurance professionals and researchers/consultants, published by Palgrave Macmillan
- **The Geneva Risk and Insurance Review** (twice yearly) for insurance academics
- **"Etudes et Dossiers"**, an internal working paper series (ten-fifteen per year)
- **Eight Geneva Association Information Newsletters** based on its research programmes: The Four Pillars (Social Security, Insurance and Retirement), Risk Management, Insurance and Finance, Insurance Economics, Regulation and Legal Issues, Health and Ageing, World Fire Statistics, and General Information, usually published twice a year.

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KEY ISSUES AND RESULTS

Working Beyond 60 – Key Policies and Practice in Europe
by author Geneviève Reday-Mulvey, foreword by Professor Alan Walker
Palgrave Macmillan – March 2005

Part 1. Working beyond 60 – WHY? Constraints and Opportunities

1. Demographic and pension constraints can constitute a positive challenge

- Rising retirement expectancy. A lengthening of life was probably the most remarkable feat of the twentieth century: not only has life lengthened but the health of people in their 60s, 70s and 80s has improved considerably. By comparison with fifty years ago, life has been extended by one or even two decades in good health. Not only does old age last longer, but adult life has also gained in length, and young people now benefit from a greater number of years devoted to study. Meanwhile, the extended time of retirement has given rise in richer countries to a whole new phase in the life cycle, a 'golden' age, according to some, of rest, leisure and non-remunerated activity within the family or voluntary sector. Retirement, then, commences before the onset of old age, with the result that old age itself needs to be redefined as it is no longer coterminous with retirement and even less with the age of withdrawal from active life. Therefore, the main question is: how are we going to be able to finance a retirement of 20 years for men and 25 years for women (averages for the EU 15 Member States)?
- Meanwhile early retirement has become widespread over the last twenty years and has constituted often a difficult experience for workers and companies due respectively to the absence of any proper transition between full-time employment and entire retirement and to a loss of expertise. The social paradox of the relatively early age of exit from the labour market became increasingly evident as life and health expectancies continued to rise and as more and more sixty-year olds remained active and in good health and yet almost entirely absent from the labour market. In several countries (e.g. Germany, France, Italy, the Netherlands, Austria) and in many companies, especially large ones, early retirement became and continues to be for many a sort of 'new social right'.
- Demographic prospects and budgetary constraints have forced OECD states to rethink and update their social welfare systems and more particularly their pension arrangements. Reforms have raised the pension age of workers, especially of women, and have reduced benefits relatively under the first-pillar pension and promoted the development of occupational pension schemes (the second pillar) and personal assets (the third pillar). They have led to greater flexibility regarding the age of retirement, to an increase in the years of contributory service and to the possibility of combining a pension with an occupational income. But the main question remains: how to work beyond 60? How to encourage employees and companies find a positive approach, respectively to continuing work and to offering employment later than they do today?

2. New social and employment patterns constitute real opportunities for extension of work life

- The life cycle of the great majority of us has radically altered in recent years: the organisation of life into three age-based vertical periods (training, work, retirement) is gradually giving way to a horizontal arrangement where we train, work, bring up families, spend our leisure time and retire differently than we did in the past. Continuing training and

lifelong education are becoming an accepted part of life and work, part-time and flexible work have developed considerably; most people are no longer 'old' at 60 or 65 (Orio Giarini has coined the term 'counter-ageing' to describe this phenomenon) and many 'age actively', performing voluntary and family activities that are essential for our communities. Overnight or *guillotine* retirement has been negative for generations of workers and surveys show that there is a strong need for a transition between full-time work and full-time retirement. A significant cohort effect means that people retiring today (and even more so in the coming decades) are and will continue to be very different from current retirees who started their work life very young, often in difficult physical circumstances.

- New major employment trends are favourable factors for working beyond 60 or even 65. If we consider not only tertiary sector activities per se but also service functions in manufacturing and agriculture (such as research, planning, marketing, maintenance, storage, quality control, occupational safety and health, and distribution), we find that well over 80 percent of jobs in our economies are now in services, and this trend is set to continue in the years to come. Not only is part-time and flexible employment more developed in services but most jobs in this sector involve primarily mental and social abilities. The latter hardly deteriorate over time and in some cases even improve with age. Not only have workforces become more feminised and older, but there still exist substantial untapped workforce reserves of women and older persons. These two categories of worker, moreover, who are frequently found in part-time service functions, declare themselves ready to work later than 60/65 if offered flexible work opportunities. Therefore, policies which seek to help women and older workers reconcile work with family and health constraints and improve their pension rights will be making a very real contribution to meeting the challenge of 'ageing'. Improvements in the work environment and organisation will help senior workers stay active longer.

Part 2. Working beyond 60 – HOW? Reduction of Working Time and Promotion of Age Management

1. The reduction of working time has a number of advantages and benefits for employers and employees

- Work-time reduction is essential to facilitating and encouraging work beyond 60. Scientific studies have shown that workers over 60 are no less effective or productive than their younger counterparts. They often have different typical strengths and weaknesses: physical abilities decrease with age, but mental and social abilities can improve, especially if the stress level is contained. However, working full time after 60 will prove positive only for a minority of workers, the highly motivated who are often self-employed or able to work flexibly. The benefits of part-time work and of gradual retirement are important for employers (e.g., reduction of costs, increased productivity, lower absenteeism) as company practices show (e.g., Arcelor, Laboratoire Boiron), and also for employees (e.g., reduction of stress and improved health, enhanced job satisfaction, transition between full-time work and complete retirement) and even for the community (e.g., increased contribution receipts, reduced black market employment, promotion of voluntary work).
- Part-time work can be an excellent bridge between effective exit ages (e.g., 60) and legal pension ages (e.g., 65) and is sometimes called partial early retirement. Countries such as Finland, France and Germany have had significant successful practice.
- In the longer term part-time work will constitute an ideal extension of work life beyond 65 for various reasons: the need to increase the number of contribution years and improve pensions (especially for women), the desire to remain active, useful and integrated in one's company, and the benefits of exercising one's mental, social and physical abilities.

2. Recent key public policies in EU countries have encouraged the practice of working beyond 60

- Supra-national organisations and the social partners have had an important role in helping states define and adopt objectives/policies to reverse early retirement trends. In particular the European Commission has set up two main objectives for 2010: (1) a 50 per cent employment rate for workers aged 55-64, (2) an increase of the age at which people stop working (effective exit age) by five years.

- A number of EU countries mentioned below have over recent years adopted a global policy or an holistic approach and can serve as an example to others: their pension reforms have been complemented by reforms of disability and unemployment systems, by employment incentives and measures which in practice have already had positive results, such as:

- the exit age has increased by 2 years in Finland and the Netherlands;
- recourse to disability has decreased in Finland, Denmark and the Netherlands;
- 60 per cent of Danish firms have adopted one or several incentive-based age management measures;
- the UK authorities have convinced many employers to set up flexible retirement and to adopt a code of practice, and financial incentives have helped older workers go back to work;
- the Netherlands have encouraged atypical work, especially part-time at end of career.

Other EU countries, most of them marked by a very early exit culture, have tried to reverse the trend and adopted specific policies with so far insufficient results:

- Germany and France have passed pension and social security reforms, for example replacing full early by partial retirement, and are in the process of adopting fuller-scale measures;
- Italy has adopted a drastic pension reform but has now to address the employment question;
- Switzerland is a special case of a high employment rate after 60 without official policies (but not very generous social security) and with only recently a trend towards early exit;
- Hungary has taken a drastic change of direction for pensions but no employment results yet.

3. Recent key age-management measures have promoted the practice of working beyond 60 in EU companies

Recent key age-management measures have included:

- Reduction of work time, gradual/flexible retirement and part-time work: these measures are often relatively easy to set up, and British or other European firms have experienced benefits in retaining corporate experience and culture, improving employee satisfaction, meeting consumers' age needs, reducing absenteeism (e.g., French firms), and improving the employer image.
- Career planning: positive examples are to be found in German, Norwegian and French firms (e.g., Axa France where career planning encourages mobility of functions inside the firm).
- Continuing vocational training and lifelong education, crucially important and becoming frequent in large firms in most countries, with statistics and/or examples in Sweden, Germany, France, the Netherlands and the UK.
- Ergonomics and mobility are being improved in a number of firms, especially in Finland, France, Germany and the UK.
- Seniority wages are being modified, an important measure if discrimination against older workers is to be avoided.
- Pension regulations often in the past based on final salary (e.g., the Netherlands, the UK) are more and more calculated on a best 10 or 20 year basis.
- Anti-age discrimination: all EU15 member states have to pass legislation before 2006 and most have already done so, some countries having passed wider legislation (e.g., the Netherlands) than others.

- Codes of practice containing guidelines for employers and employees have been prepared by governments and adopted by companies in several countries: the UK Code of practice is one of the best; there also exists a European code of practice on age and employment.

Part 3. Working beyond 60 – FOR WHOM ? Who can and would wish to work beyond 60

1. The need for diversity and the importance of fairness must be accepted

Workers enter the labour market at different ages, in different work circumstances and with a wide range of different life expectancies (e.g., in France where the range in life expectancies between men in different categories of work is almost 10 years). The retirement age should therefore be in part a function of the arduousness of work and job mobility needs to be developed in particular for workers performing difficult physical or stressful work.

2. The need for flexibility and informed choice must also be understood and accepted

If working longer will soon become an unavoidable obligation and if flexibility towards a higher retirement age is to be encouraged by all means, then flexibility on earlier exit must also remain a possibility, especially for manual workers or those performing psychologically demanding tasks. Finally and most importantly, retirement should become more a process rather than the mere event it mostly remains at present.

Part 4. Working beyond 60 – Key Policies and Recommendations

1. Key policies and recommendations

There are four crucial policy issues:

1. *the need for an holistic approach.* Countries which have been so far successful in flexibly extending work life such as Finland, Denmark, the UK and the Netherlands are countries which have adopted a global approach to healthy and active ageing and to end-of-career management;
2. *the need for coordinated social and economic policies.* Public social and economic policies (e.g., pension reform and employment) need to be integrated into and coordinated with company measures and strategies. Any restrictive measures must be accompanied by simple and strong incentives;
3. *the need for a lively and well-informed debate.* At all levels - media, trade unions, employer organisations - a broad debate is essential if the trend towards early retirement is to be reversed;
4. *the need for an effective and rapid plan of action.* Acceptance by, and implementation within, the community of the global strategy on ageing and work will take time.

2. The following additional policy issues need to be addressed:

1. Increasing employment participation overall (in particular of women) and management of controlled immigration.
2. Reinforcement of family policies, essential to increasing fertility rates. Countries such as Norway, Sweden and France have relatively high fertility and employment rates, but they also have good family policies.
3. Improving the quality of work. Well-trained workers retire later than less qualified ones; the cohort effect means that in future more qualified workers will be working in service activities flexibly and benefiting from continuing training and lifelong education. They will retire later than today.

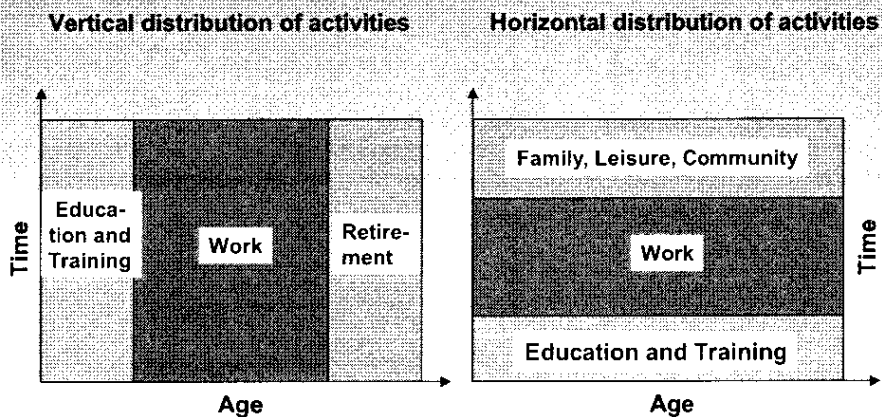
A few graphs from
 “Working beyond 60 – Key policies and Practices in Europe”

Retirement expectancy

	Average age of exit from work		Life expectancy at 65		Retirement expectancy	
	Men	Women	Men	Wom.	Men	Women
Denmark	61.9	59.8	15.4	18.3	18.5	23.5
<u>France</u>	<u>58.9</u>	<u>58.8</u>	16.9	21.3	<u>23.0</u>	<u>27.6</u>
Germany	61.1	60.3	16.0	19.6	19.9	24.3
Italy	60.2	59.7	16.5	20.4	21.3	25.7
Netherlands	62.9	61.6	15.6	19.3	17.7	22.7
<u>Sweden</u>	<u>63.4</u>	<u>63.1</u>	16.9	20.0	<u>18.5</u>	<u>21.9</u>
<u>UK</u>	<u>62.7</u>	<u>61.9</u>	<u>15.7</u>	<u>18.9</u>	<u>18.0</u>	<u>22.0</u>

Source : OCDE, 2004, and own calculations

Age-Based Distribution of Activities



G Reday-Mulvey, Geneva Association, 1999

