



European Foundation for the Improvement of Living and Working Conditions

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This report is available in electronic format only.

The European Union will face a shortage of workers in the future as fertility rates decline. At the same time, there will be a growing strain on social welfare systems as more people enjoy increased life expectancy. With the objective of raising employment rates of older people the EU is promoting policies aimed at abolishing early retirement schemes, setting up more flexible working hours, improving health and safety, and developing access to lifelong learning. This report examines the measures taken by seven countries to target these objectives. It identifies successful elements in terms of quality of work and employment. It draws on a cross-section of experiences and social models representative of European diversity, and from data at European level. Company case examples illustrate these successes.

Introduction

Increased life expectancy and reduced fertility rates in Europe create a tension between social welfare systems and the labour market. According to the Commission's [European Employment Observatory](#) (spring 2003), the 16-29 years age group will decline by 13 million people between 1995 and 2015 in the 15 Member States of the European Union (estimated for the EU before the enlargement to 25 Member States on 1 May 2004). At the same time, the number of 50-64 year olds will increase by 16 million.

This is a vital issue for the future. The EU has set the objective of raising the employment rate of older people. In March 2001, the European Council of Stockholm aimed at a rate of 50% employment for workers aged 55 to 64 by 2010. (It also sets the objective of reaching an employment rate in the EU of 70% for the whole population of working age, and of 60% for women.) The Barcelona European Council in March 2002 agreed on the target of gradually increasing the average retirement age by five years over the same period.

The joint report of the Council and Commission entitled 'Towards an increase in the participation in the labour market and promotion of active ageing' defines the guidelines encouraging Member States to promote policies aimed at abolishing early retirement schemes, setting up more flexible work organisation structures in terms of working hours, and developing access to lifelong learning.

This report examines the measures taken by the [seven countries](#) currently in the European Working Conditions Observatory to target these objectives. It identifies successful elements in terms of quality of work and employment. These elements are gathered from a cross-section of the information from the seven countries, whose experiences, social models and evolutions are representative of European diversity, and from data drawn from Eurostat, the employment survey in 2002, the European working conditions surveys and the OECD. Company case examples will illustrate these successes.

National social models

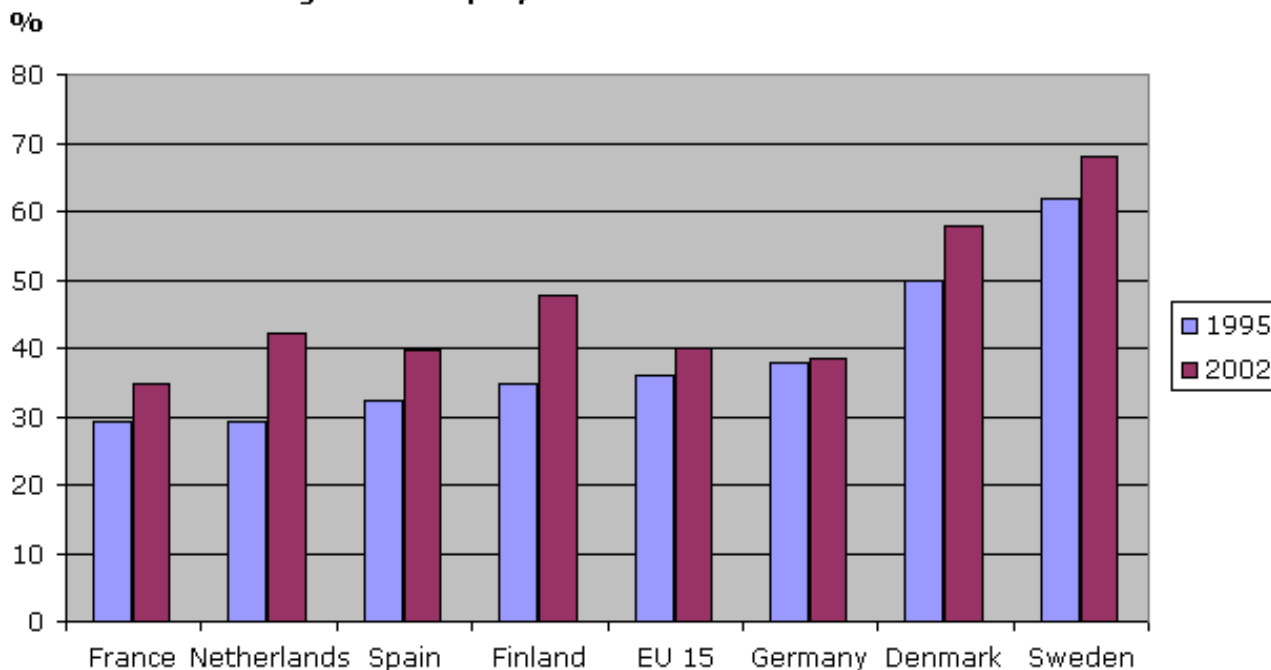
Using the classifications drawn up by Delteil and Redor (2003), three types of country can be identified, taking into account male employment rates of older workers and developments since 1995. Male employment rates are used in their study as, historically, the career paths of men have been more linear, while those for women tend to be more broken and varied.

In Sweden and Denmark, traditionally, there has been a high employment rate among older people.

Finland, the Netherlands and Spain had far lower employment rates among this age group but improvements in this situation mean that they can now look towards the Stockholm objective.

Germany and France have made little progress over the past seven years. Reforms came late and were not well accepted. The labour market was not favourable for anyone, and even less for older workers.

Figure 1 Employment rates for older workers



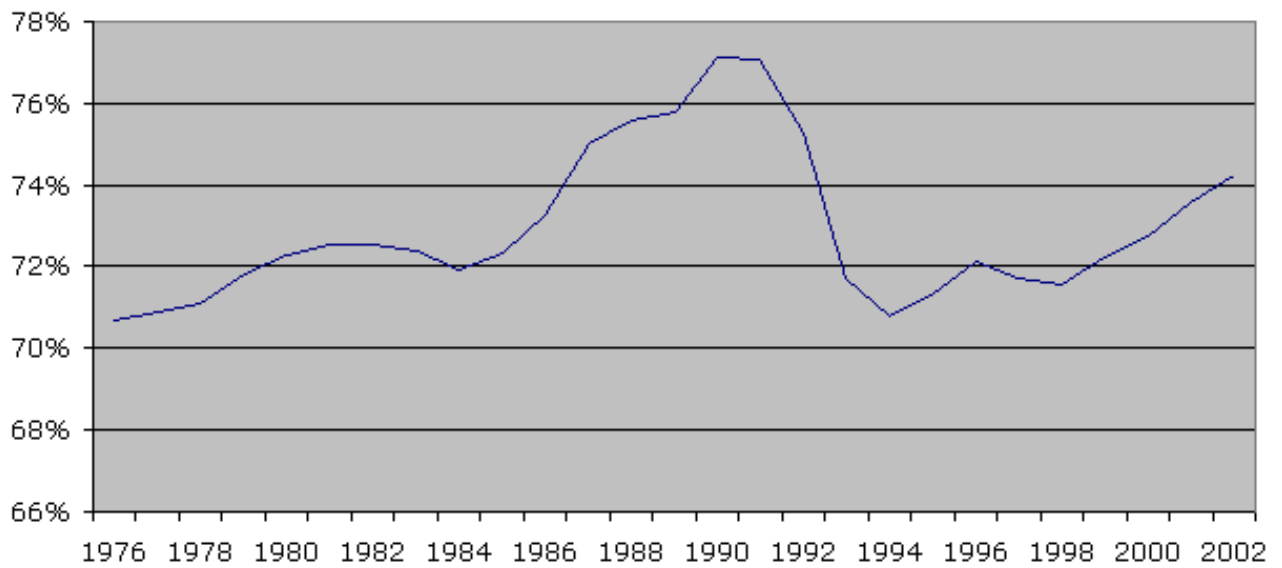
Countries with a large number of older workers

Two countries - Sweden and Denmark - have a high rate of older employees. They already largely exceed the Stockholm objective. It is useful to understand their social context and the measures taken concerning employment and retirement.

Sweden: the old protection system and new reforms

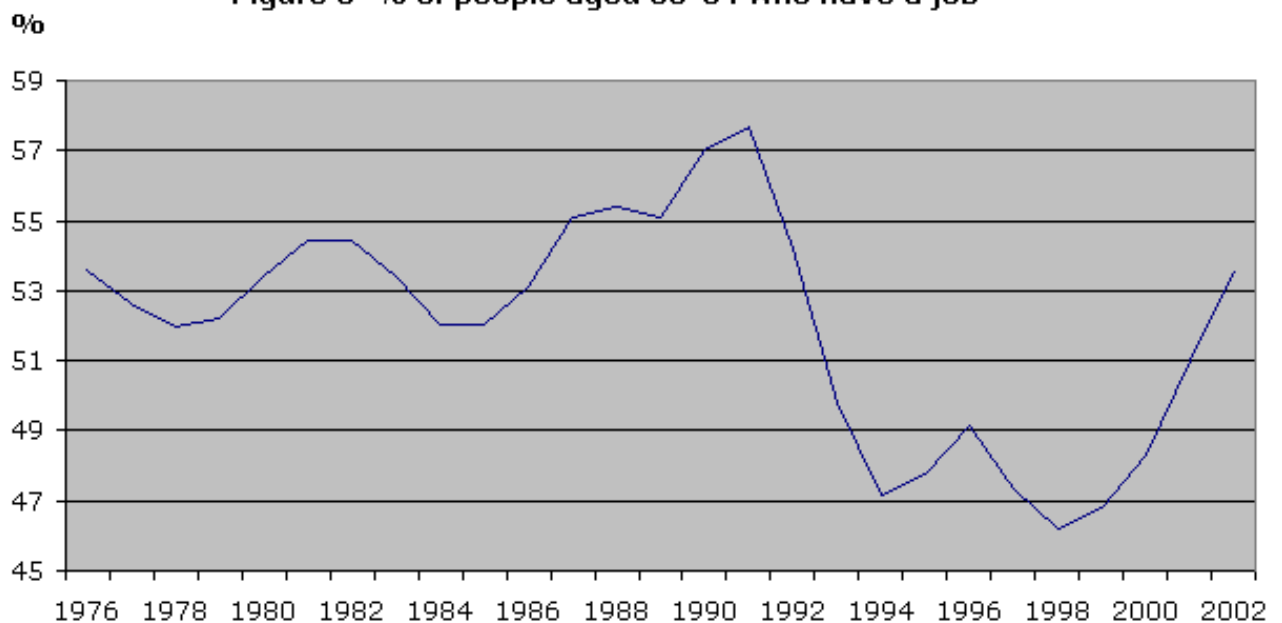
The official retirement age in Sweden is 65 years. As the graphs below indicate, the percentage of people aged between 50 and 64 who are working has remained in excess of 70% since 1976. The economic depression from 1991 to 1994 clearly shows its effect on this age group as on other workers. However, the poor economic situation of the period 2002-2003 did not have a large impact on the employment of older workers, due to the particular sectors affected. The IT and communications sectors who suffered most from that recession, employ many young people.

Figure 2 % of people aged 50-64 who have a job



Source: Swedish National Institute for Working Life

Figure 3 % of people aged 60-64 who have a job



Source: Swedish National Institute for Working Life

Early retirement agreements for certain professional categories (transport, mining, defence, etc) have been abolished in Sweden. Such agreements became more common in other sectors too during the recession in the early 1990s, when there was less work available. All of these incentives have now been removed though it is possible to reach specific retirement agreements on an individual basis. Early retirement for health reasons is common.

Life expectancy in Sweden is one of the highest in the world. The rate of over 65 year olds is estimated to increase from 17% of the overall population to 25% in 2030. In the same period, women's life expectancy will rise from 82.1 to 85.2 years, and men's from 77.1 to 81 years. Furthermore, the birth rate was extremely high in the 1940s,

which will mean a surge in the numbers retiring in the coming decade.

The pension system was recently modified in an effort to avoid excessive strain on public finances. Revolutionising the traditional collective bargaining system, the Swedish state adopted an act in 2001, aimed at establishing a link between contributions paid throughout a lifetime and the level of pension payments. Each person can work beyond the official retirement age of 65 to increase his or her pension.

In 2003, the government published *Policies on ageing for the future . 100 steps to safety and development with an ageing population*. These guidelines focus on disparities between men and women, between the different socio-economic categories, and between immigrants and people born in Sweden. The stated objective is to achieve 75% of active involvement of 50-64 years olds in the labour market by 2010, compared with 73% in 2001. The rate was as high as 77% in the early 1990s.

The guidelines note differences in the nature of work and the need for higher qualifications. They also point to the intensification of work and mobility between different employers. Good quality of work, personal development and pay conditions throughout a career are the main conditions that encourage older workers to want to continue to work, and that enable them to do so. Towards the end of professional life, it is necessary to adapt functions to people's capacities, develop skills and propose flexible working hours.

Case example from Sweden: Older workers at Volvo-Torslandaverken

Staffing was reduced by 60%. At the same time, car production rates increased. In an effort to manage the staff shortage, two departments for older workers were set up in 1994. 60 persons who are older than 50 years or have medical difficulties are employed here. 90% of these have strain injuries. They do not work in cleaning, painting or other heavy tasks. Instead they perform service tasks or preparatory work for the assembly line. At the outset, Volvo's management counted on the older workers handling 75% of commissioned production demands. Today they handle 90%. To recruit a new, younger worker costs around 100,000 SEK. Early retirement for older workers is also costly. Thus, retaining these workers within the senior departments represents considerable cost savings. There is no direct competition with the younger assembly workers who have greater physical strength. The older, experienced workers can conserve their energies in dealing with more specialised tasks. In the beginning, the younger workers on the assembly line tried to find fault with the work of the older workers. However, this strategy was soon abandoned. The more experienced workers clearly knew how to build a car properly. And the younger workers could learn from them. A greater integration of ages in the work teams creates a sense of belonging, safety and well-being. The harmonious work situation strengthens workers' self-esteem and reduces sick leave. Short breaks and varied work schedules are also beneficial, allowing the older workers rest periods. The older workers do not have as high a pace of work as the younger workers but their work is cost effective. The oldest senior worker was offered early retirement on reaching 59 years, but chose to remain at work. The management can be pleased with the success of their initiative.

Denmark: a unique pension and care system for all ages

There is no official retirement age in Denmark. Retirement is, therefore, to a large extent, governed by criteria entitling people to public pensions and the early retirement scheme. Four types of pension exist:

The state pension (*Folkepension*) is paid to all people having a permanent address in Denmark between the ages of 15 and 65. To obtain a full pension, it is necessary to have lived 40 years in Denmark. This pension is not linked to revenue or professional activities, and is paid at the age of 65.

An early retirement scheme (*Efterlon*) was set up in 1979 to allow 'aged and tired' workers to retire before the age of 65. There has been an increasing take-up since its introduction. To benefit from this pension, people should be aged over 60, have contributed to an unemployment fund for 25 of the past 30 years, and paid early retirement contributions.

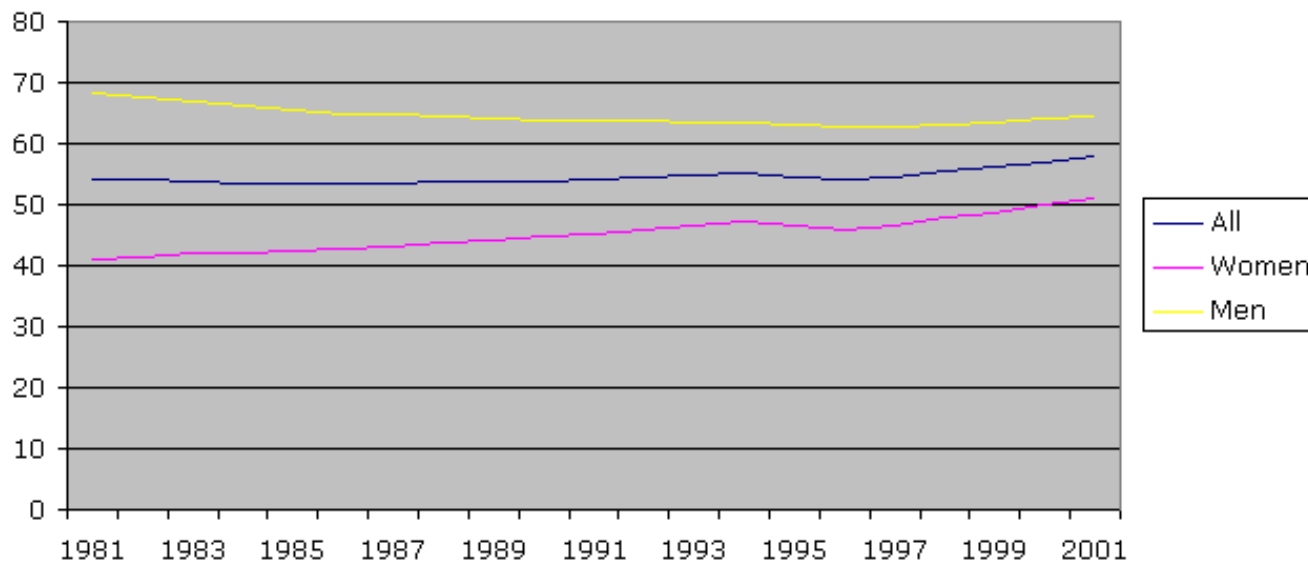
A disability pension (*Fortidspension*) is available for disabled workers aged under 65 years. However, those who are mildly disabled must participate in a programme to encourage their return to work. The pension is intended for

those with more serious disabilities.

Part-time workers can receive a part-time pension (*Delpension*) after the age of 60.

In 2000, 16.2% of 55-59 year olds received one of the four pensions, and 46.9% of 60-66 year olds.

Figure 4 Employment rate of people aged 50-70 (%)



Source: Danish Ministry of Employment et al, 2003, p.18

The temporary allowance (*Overgangsydelse*) was introduced during the 1992 recession. This enables 55-59 year olds, who have been unemployed for 12 months, to retire with a temporary allowance of 80% of unemployment benefit payments.

Since the mid-1990s, the public authorities, management and unions have closely examined possibilities of career extension and the return of older people to the labour market. The main initiative concerns the early retirement scheme (*Efterlon*). The regulatory framework has been modified several times. The latest reform dates back to 1999 and was aimed at encouraging employees to stay longer in the labour market. The age at which one may benefit from the early retirement pension at the full rate was increased from 60 to 62 years. A tax bonus of up to 100,000 DK (€13,500) is possible for those who extend their activity after the age of 62. The government believes that this measure will ensure the financial viability of the early retirement system.

Other initiatives have included:

- 1998: establishment of the senior citizen policy fund. In all, 86 projects have been funded or subsidised, the latest in 2000-2001. These projects were available to active senior citizens and older unemployed people. Several of the undertakings were specifically designed towards meeting information and research needs, including helping organisations to adapt to generational change, training people in IT or craft trades, designing specific corporate policies, and creating ‘senior supermarkets’ in the ‘Netto’ supermarket chain.
- 1999-2002: creation of service sector jobs in national, regional and municipal authorities (public organisations) to employ older unemployed people. This programme has since been abandoned as the objective was not reached.
- 1998-2001: introduction of the Senior Consultant Initiative, offering five hours of consulting to help small and medium-sized companies include older workers in their workforce.

Further initiatives have been taken by social partners within the framework of collective agreements.

Case example from Denmark: Retaining and attracting older workers

The Danish supermarket chain 'Netto' is one of the largest Danish supermarket chains operating in Denmark and the rest of Scandinavia, as well as having a presence in Germany and the UK. The company has been very active in creating ways of retaining and attracting senior employees. Two main initiatives were undertaken: Senior policy: The supermarket chain has created a senior policy in order to attract and retain older employees. Hiring employees who represent each age category is believed to optimise customer satisfaction and profitability. Older customers like to deal with older employees. 'Senior supermarkets': Netto has created three so-called senior supermarkets where at least half of the employees in the supermarket are over 50 years. This contrasts with the normal staffing in Netto's supermarkets where most of the employees are very young. After a period of implementation, the senior supermarkets have proven to fully measure up to the standards and profitability of the best supermarkets in the Netto chain. Personnel expenses are relatively higher in the senior supermarkets due to a greater degree of part-time and special arrangements but costs of sick leave are much lower in the senior supermarkets. Furthermore, the senior supermarkets perform excellently in Netto's customer satisfaction surveys. There are no plans to open more senior supermarkets. Rather, Netto intends to use the experience to create a higher age diversity in all its supermarkets in order to gain the advantages and benefits deriving from retaining older employees.

Rapidly progressing countries

The Netherlands: ending early retirement

The official retirement age in the Netherlands is 65. Even though public debate regularly focuses on lowering the legal retirement age, it is not expected to be modified in the near future, according to the FNV, the largest union in the Netherlands. The union has chosen to work towards an increase in the employment rate of 55-65 year olds, and believes that progress has been made in this regard, with room for further improvements.

The Dutch pension system is based on three pillars (Ministry of social affairs and employment, 2002):

- a pay-as-you-go system accessible to all people living in the Netherlands having paid contributions every year between the ages of 15 and 65. The sum of the pension is directly proportional to the number of years for which the contributions have been paid. The total maximum is reduced by 2% for each missing year;
- a supplementary pension from a company or sector pension fund;
- private capital-funded schemes taken out individually with insurance companies.

The early retirement scheme has been at the centre of structural modifications introduced over the past few years. Early retirement programmes were launched in the 1970s in an effort to reduce unemployment among the younger population. They rapidly became popular and are now considered as a social right. Employment rates among 55-65 year olds have become very low. In 1995, the Netherlands presented one of the lowest rates in Europe, at 26%. This rose to 37% in 2002.

The increase is partly due to policy changes in the early retirement system. The previous scheme (VUT - *Vervroegde Uittreding Early retirement*) was based on collective agreements and employer and employee contributions. It was then reviewed by the government which decided to promote individual pay-as-you-go policies instead. These offer greater flexibility to employees who can move freely between employers, but with less advantageous financial conditions. A recent study by the Labour Inspectorate (2003) shows that there has been a considerable transfer from the VUT to the new system or to a transitory system; only 8% of employees are now covered by the VUT.

The government plans to abolish VUT altogether by removing all tax benefits, though an agreement was signed on 15 October 2003 extending this fiscal benefit for one more year in exchange for a salary freeze for 2004 and 2005.

Specific agreements exist for certain professions, depending on certain situations, e.g. for air traffic controllers and the army. However, the number of agreements is regularly cut back (Labour Inspectorate, 2002).

Government measures for encouraging older employees to remain at or return to work:

- removal of the tax benefit for VUT;
- reintroduction of the requirement for unemployed workers aged over 57.5 years to seek employment;
- prohibition on all age discrimination in work. This should have consequences for collective labour agreements;
- review of the disability system.

Measures found in collective labour agreements for older workers:

possibility of pursuing a career after the legal retirement age;

pre-retirement leave, extra non-working days/holidays;

extra training leave;

adjustment of tasks/reducing work load;

adapting working hours (overtime, working weekends, shift work, etc);

shorter working hours;

career opportunities/career change (limiting the consequences in terms of pension benefit).

The efforts made to ensure that older workers stay longer in the labour market clash, however, with the reality of that currently difficult market. Older employees are no longer on early retirement but are unemployed. While the total number of unemployed people has increased by 15.4% in 2003, the number of those unemployed aged over 57.5 years has increased by 26%.

Case example from the Netherlands: Good practice in personnel management

Encouraging good practice in personnel management in Dutch companies: The Cum L'Oude ('oude' = old) Prize The Dutch Taskforce Older People and Employment awards companies with the best performance with respect to age awareness in personnel management and employment policy. Goals of the taskforce: - To balance the age structure among employees (age diversity management); - To provide older workers with better possibilities to continue their career; - To enhance labour participation of workers over 45 years old; - To encourage and extend good examples/best practices, raise awareness, feed public debate, and educate public opinion towards a new understanding of an older workforce. Winner of the 2003 Award: Environment Service Department of Groningen (Milieudienst Groningen) The Environment Service Department (ESD) is a service branch of the town council of Groningen, employing about 365 people. Activities of the service include: collecting rubbish; cleaning public spaces; and controlling air pollution, excessive noise and soil contamination. More than one half of the employees are over 40 years of age. The employment policy of the service is: 'You are employed on a permanent basis. However, the specific kind of work you do will vary, as will your personal circumstances and development.' Thus, employability of personnel is central. Within a few years, the ESD has built up a staff management system that allows employees to continue to enjoy job satisfaction until the age of 65. Considerable attention is given to the personal capacities, needs and wishes of older colleagues. Sickness absence rates are low and the loss of workers to positions elsewhere is minimal. The ESD uses various instruments to ensure that all workers remain employable, especially older employees: 1) Employees are constantly made aware of the fact that they themselves have great responsibilities for their own development, training, career advancement, etc in order to invest in their own future; 2) Attention is constantly being paid to the individual development, training and education of employees, which enhances the company's performance. It also gives individual employees the opportunity to develop their skills and working abilities. Each year, 2% of the total wage sum is spent on training/educating employees. In any year, about 60 individuals are in training or receiving education; 3) A person who may be temporarily unable to do his/her own job will be given another job that fits his/her individual abilities. There is a supply of temporary work ('odd jobs') within the company. Staff managers facilitate to match the requirements. If necessary, the new job (always an existing position, not an 'artificial job') is found in other branches of the municipal organisation; 4) Individuals who are no longer active in the field organisation are trained to act as a coach to younger employees. They also can become a member of a team that is devoted to

keeping clean the historic town centre ('the living room team'); 5) Employees and the works council are closely involved in staff policies in matters of development and applications/practices.

Finland: campaign for the employment of older citizens

The retirement system in Finland is a combination of a basic entitlement for all residents and a pension linked to professional career.

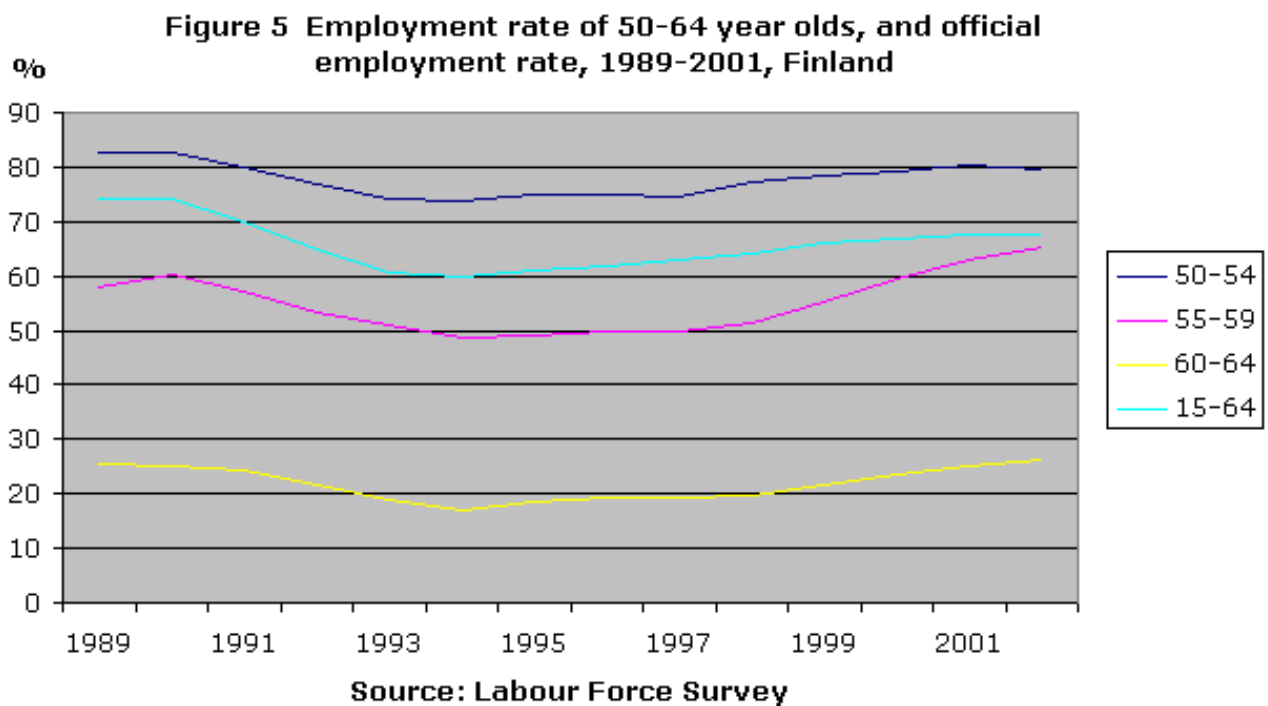
The legal retirement age is 65 years. In the public sectors, a 1993 reform for municipal workers brought the retirement age to 65; and, in 1995, this came into force for state employees. The reform is applied initially to younger and newly recruited employees. The take-up of company pensions differs between the private sector (69% of workers) and public sectors (municipal (24%) and state (7%)).

A reform of the pension system is planned for 2005. It has already been agreed for the private sector, and is still in discussion in the public sector. It is proposed to replace the fixed age of 65 by a five-year bracket of 63 to 68 years in which the employee chooses the exact time to leave. In practice, the employee is financially encouraged to stay after 63 years as the pension increases considerably for those staying on (see table below). After the age of 68, the pension increases by 0.4% per month.

Proportional total of the pension according to the new pension reform in 2005

Age	Total pension (% p/a)
18-52	1.5
53-62	1.9
63-68	4.5

Source: Finnish Pension Alliance, TELA 2003



This graph, based on statistics from the survey of the active population, shows identical trends for the different age categories. The economic depression in the early 1990s affected all age groups, causing widespread job losses. The unemployment rate increased from 3.2% in 1990 to 16.6% in 1994. It is interesting to note a higher increase in employment among 55-59 years olds than any other age group from 1998 onwards. This was when a national campaign (Ikäohjelma 1998-2002) began concerning ageing in the population.

During this programme, the government explained the importance of prolonging professional careers of older employees. It consisted of various studies, organisational programmes and a media campaign. In addition, the public sector insurance organisations and Finnish occupational health institution launched their own campaigns on this subject.

Implemented public policies have had a certain impact on the average retirement age. The government's aim is to extend the average retirement age by two to three years. The main instrument to achieve this will be the 2005 pension reform. As indicated above, this reform includes a major incentive scheme to encourage employees to continue to work after 63 years. It also establishes stricter criteria concerning the disability pension, namely by abolishing the individual disability pension, and by raising the age limit for receiving unemployment benefit (from 55 to 57 years).

The part-time pension is a means of trying to prolong professional careers and slow down the process of people taking full retirement. It was launched in 1987 in the private sector and in 1989 in the public sector, with an age limit of 58 years (between 1998 and 2002, the age limit was 56 years). The idea behind a part-time pension is that the employee can adapt his or her work hours and load according to age. The conditions of part-time pensions are quite good for employees, but these pensions proved to be costly for the state, which remains the main financier. In 2002, there were 39,519 people living in Finland on part-time pensions, according to the statistical director of pensioners in Finland.

The government financed organisational programmes aimed at helping older employees to maintain or acquire professional skills and work capacities. It circulated and promoted examples of best practices applied in companies or specific public institutions to integrate older workers. In addition, the so-called TYKY action was broadly implemented in Finland: it aims at protecting employees' physical and psychological capacities at work.

The possibility of helping older people return to the labour market has also been examined. Since 1998, employment agencies are required to pay particular attention to older unemployed persons. The number of subsidised older jobs has doubled, from 3% to 6% (*Kansallisen ikäohjelman seurantaraportti, 2001*). So far, the efforts made to return older unemployed people to the labour market are not as great as those deployed to encourage people to stay in work.

The state is the major authority concerning the new pension reform. There was, however, a degree of cooperation between government and the social partners (employer organisations and unions). The major agreement between the social partners concerning pension reform was signed in November 2001. As part of this agreement, the social partners accepted the principles and effective changes of pension reform scheduled for 2005. The social partners contributed to the drafting of the reform. Unlike in other countries (for example Italy, France or Austria), there were therefore no demonstrations or other forms of protest organised by unions opposed to the reform. The only point of difference relating to the pension reform concerned the calculation of pensions. Overall, there was a broad consensus as to the need for reform. The changes made to the Finnish pension policy were described as being a transition between policies of 'early retirement as a social right' and the paradigm that highlights the responsibility to work, as well as individual flexibility (Gould and Saurama, 2004).

By the end of 2003, companies and regional councils were preparing to face staffing shortages owing to the imminent retirement of the post-war generation. At the same time, some are negotiating redundancies, due to the economic downturn. In this case, there is still a cultural habit of forcing older workers to leave, and the unemployment benefit system pays a replacement salary to the unemployed person.

Case example from Finland: Changing staff age profile

The retail company in this example employs some 8,000 people and enjoys a good economic situation. The age profile of the company is mainly of young people, with an average age of 35 years. The reason for the low

number of older workers lies in the practice of part-time work. Unless they are on part-time pensions, part-time work is not generally sought by older employees. However, the age profile of the company's customers is of middle-aged or older citizens. In order to provide good customer service, the company is trying to increase the age profile of its personnel to bring it closer to that of its customers. Customers usually prefer sales people around their own age, which therefore makes an impact on sales. To raise the age of its staff, the company applied two strategies. Firstly, in a recruitment campaign, the company recommends its supervisors to favour the older person when there are two equivalent candidates. Secondly, it tries to maintain older employees as long as possible in their jobs. It used the following methods to achieve this: 1) The older employees had the option of changing their position when their work required them to carry heavy items; 2) TYKY actions were set up in conjunction with occupational health measures to maintain and improve professional capacities of staff; 3) The company favoured part-time pensions when people wanted to reduce their hours. In addition, a person can be exempted from night work on medical advice; 4) Special training sessions on 'active ageing' and maintaining professional capacities were organised for employees aged 50+. Through these practices, the company also aimed at reducing the risk of departures on the basis of disability pensions, which are very costly for the company.

Spain: strong financial incentives

The full-rate retirement age is set at 65 but early retirement (*jubilacion anticipada*) can be taken from the age of 61. It is possible to leave before 61; this is known as pre-retirement (*préjubilacion*).

Pensions depend on the number of years for which the person has made contributions and the retirement age. The table below is used to calculate the effect of early retirement on pension rates.

Reductions as % of full-rate pensions

No. of years contributions paid	Reduction as a % per year
30	8
31-34	7.5
35-37	7
38-39	6.5
40+	6

Source: Spanish social security

In this way, a worker having paid 30 years of contributions to the social security who decides to retire at the age of 61, i.e. four years before the legal age, will see his or her pension reduced by 32%.

The industrial restructuring of the 1980s heavily relied on early retirement and thus lowered the employment rate of people aged over 55 years. Financial institutions do the same by providing their personnel with a complement to unemployment benefit. This is not available in smaller companies. Retirement conditions therefore depend on the size of the company, the sector, the financial position of the company and the power of unions in negotiations.

A recent report from the ministry of labour reveals that only 1.6% of people over 65 years were active in the workforce by the end of 2001. That number mainly consists of men with a high level of qualification and responsibility.

Sectors such as coal mining and sea workers benefit from special early retirement schemes with coefficients applied to the number of years of strenuous work to establish the retirement age. Similar reductions are being considered for rail workers and airline staff. The road transport sector also calls for measures in this direction, pointing to the high mortality rate of drivers.

The act voted in July 2002 extended access to early retirement to redundant workers having paid over 30 years of

contributions and having started work before 1967. For those who started work after 1967, the employer is required to pay social security early retirement compensation until the age of 65. The aim is to avoid an abuse of early retirement options by companies that are not in difficulty.

This law encourages employees to retire later. The incentive is financial: for a part-time pension, any extension after 65 means a 2% increase in pension. This part-time pension allows partial accumulation of pension and salary. Partial exemptions from social contributions are possible for companies that employ people aged over 60 years.

In the first year of implementation, 15,000 employees who reached the age of 65, i.e. 7.5% of that age group, continued to work. The debate continues as to whether this legislation will be enough to balance the social accounts.

As far as the private sector is concerned, little seems to have changed. The preference continues to be for early retirement rather than the extension of professional life. IKEI, the Spanish correspondent for the European Working Conditions Observatory, cites examples in the public sector rather, looking at the late retirement of doctors in hospitals of the Basque Country, in the province of Valencia and Barcelona.

Case example from Spain: Retirement age at Barcelona hospital

Hospital Clínic de Barcelona (Clinical Hospital of Barcelona) The hospital of Barcelona is the largest public hospital in Catalonia and has been jointly managed by the Spanish government (Spanish Ministries of Health and Education), the University of Barcelona and the provincial government of Barcelona up to summer 2003. It is expected that the Catalan regional government will also take part in its management in the near future. The hospital is one of the most important in Spain and a leader in research activities. Regarding the employment of older people, the collective agreement of the Clinical Hospital of Barcelona for the period 2002-2004 considered one of the main demands of doctors: the possibility of delaying retirement beyond the legal age of retirement. The agreement stipulates that, in accordance with the current legal framework, doctors are allowed to continue working after the age of 65. A working scheme is to be agreed by both parties, in which a gradual reduction of working hours will take place. Doctors holding positions of responsibility within the hospital, in addition to their ordinary medical duties, will have to forego them when reaching 65. By 31 August 2003, there were 935 doctors working at the hospital, 280 of whom were completing their specialisation internship schemes (MIR, in Spanish). Their average age was 41 (46 excluding the interns) and their seniority was set at 12 years (16 years excluding the interns).

Countries facing great challenges

Germany and France conclude the sample of national social models. For various reasons, these countries have experienced little change in the employment of older people.

Germany: employment challenges

The legal retirement age is 65. People having paid contributions for 35 years can take early retirement at 63. Disabled people fulfilling the same contribution conditions can retire at 60. Women born before 1952 can retire at 60 on condition of having paid contributions for at least 10 years since their fortieth birthday and having paid 15 years of contributions in total since the start of their career. The average retirement age is 60.4 for women and 61 years for men.

A law on partial retirement has replaced early retirement systems established in the 1970s. Employees aged 55 years who have worked a minimum of 1,080 days during the last five years are entitled to reduce their working time by 50%; the law provides for 70% of the net income and 90% of the contributions to pension schemes. Several collective labour agreements have improved the legal income level to bring it up to 85% or more. This system aims to introduce a more flexible transition towards retirement as well as to reduce unemployment in younger age groups. In practice, however, employees continue to work full time at first, and are then let go from their position. This makes it more like taking early retirement than working part time. In the sectors covered by the Eurostat European Structure of Earnings Survey, 7.8% of male employees and 6.4% of female employees who were entitled

to partial retirement took advantage of this opportunity (Statistisches Bundesamt, 2003).

The government claims that it wants to improve the unemployment rate of older people, in liaison with the social partners. This intention is motivated by a demographic forecast that indicates that, in 2020, employees aged over 50 years will represent over a third of the active population. The new initiative on quality of work is mainly focused on two areas:

the skills and experience of older workers are recognised as beneficial;

the working conditions of older workers need to be improved, namely experiencing strenuous or repetitive tasks, temperature extremes, noise pollution, insufficient lighting, and pressure of deadlines.

The aim is to avoid pushing employees to their physical and mental limits. Technical and ergonomic steps need to be taken so that companies may benefit from the potential of their older workers.

The confederation of German employers (BDA), and the Bertelsmann Foundation have launched the ‘[Proage](#)’ project in liaison with Danish, Dutch and Irish employers. It aims at coping with the widening gaps between the different age groups, improving working conditions and increasing the number of older workers.

The DGB, the German confederation of trade unions, believes that the major objective is to increase the average retirement age. Towards that goal, several measures are proposed, such as: investment in training for older workers; the extension of lifetime working time accounts to favour part-time work at the end of people’s careers; the prevention of health problems; and discouraging early retirement.

Collective labour agreements, such as that of the metal industry in Nordwurttemberg/Nordbaden, aim to develop in-service training of older employees through the support of a professional training agency. Other agreements provide specific protection for older workers against redundancy or set out special clauses for part-time work. A study by the Federal Institute of Occupational Safety and Health explores working time models most adapted to older workers.

The act of 1 January 2002 has set up a training incentive scheme for workers aged over 50 years who are employed in small and medium-sized companies (fewer than 100 employees). The scheme is funded by the Federal Employment Service.

According to Delteil and Redor, the economic difficulties of Germany are the major cause of the low rate of progress in the employment of 55-64 year olds between 1992 and 2002. The poor labour market situation has not encouraged companies and employees to prolong their activity. This is reflected in the low take-up of part-time pensions. Companies have not modified their organisation to facilitate part-time work properly, so that employees who agreed to this scheme in fact continued to work full time at first and then were employed for ‘zero time’.

France: recent structural reforms

Since 1982, the legal retirement age is 60 years. At that time, it was necessary to have paid 37.5 years of contributions to receive a full-rate pension. These conditions were applicable to the public and private sector alike.

There were two exceptions to this. In public companies and the civil service, early retirement was common, for instance nurses could leave at the age of 55, train drivers at 50, electricians at 55 years. These early retirements compensated for the strenuous nature of their work.

In the private sector, since the 1970s, industrial restructuring led to an exodus of older workers from the workforce in preference to younger employees.

In July 1993, an act amended the rules for calculating the full-rate pension in the private sector: it increased the number of contribution years from 37.5 to 40 years. In 2003, the same rule was applied to the public sector. The legal age remained at 60 but it was up to employees to decide on the exact time of their retirement. The pension is calculated according to the number of years of paid contributions. Major reductions apply to retirement before 40

years of contributions and incentive increases are applied to late retirements. Employees who have started work at a young age (14 to 16 years) can leave before 60.

Access to early retirement in the private sector has been strongly curtailed. Previously, the system was mainly state-funded and very open when the company proved it was undergoing financial difficulty. However, now the possibility is only open to employees having worked 15 years in successive shifts, who usually work more than 200 nights a year, or who have disabled worker status. Once the sector agreement is in place, a company agreement is required to precisely define the beneficiaries, the workforce of the company in the coming three to five years, professional training programmes, actions aimed at reducing the strenuousness of certain positions, etc. Since 2000, 37 sector agreements have been signed. By mid-2003, 450 companies had used this system for around 8,000 employees (Ministry of Employment, Labour and Solidarity).

National negotiations will begin in 2004 to define the degree of strenuousness and how it can be compensated at retirement. Professional sectors will be asked to define strenuous activities and professions. Already, these negotiations have outlined the concepts of life expectancy without disability and of chronic disability (Struillou Report for the Pension Orientation Committee, 2002). A number of the social partners involved in negotiations take these two notions into account in establishing a relationship between strenuousness and early retirement.

At a time when early retirement possibilities are closing, the labour market is starting to cope with the forthcoming retirement of the baby boom generations (1945 to 1975). Assuming an equivalent economic situation, 7.5 million jobs will have to be filled between 2000 and 2010, compared with 6.2 million in the previous decade (Report by the 'Prospective des Métiers et des Qualifications' group, 2002). With 2.6 million unemployed people, France does not have a shortage of workers but it will have to prepare for the surge in retirement levels by training employees for tomorrow's jobs. The sectors most affected by retirement and the growth of activities are services, retailing, hotels and catering, transport, management and healthcare. The industrial, bank insurance, administration and teaching sectors will be affected to a lesser degree.

By the end of 2003, the question of the future of jobs and skills was largely masked by a difficult economic situation. Companies are more concerned by their markets rather than the pre-emptive management of their labour force. There are, however, certain cases of companies engaged in a review process to build their future. Below, for example, is the case of the agreement signed between the management of Air France and its unions.

Case example from France: Agreement reached at Air France

Air France: an agreement to move forward For the past number of years, a carefully studied contractual policy has been set up at Air France. The last three-year plan was signed in July 2002. It has three main objectives: priority to internal human resources; development of the airline's reaction and adaptation capacities; and adoption of a sustainable development approach. The first point focuses on the high proportion of staff aged over 50 years. The agreement determines to help these workers succeed in their career, and also to remain loyal to all employees throughout their professional lives. It defines priorities in working conditions linked to professions and environments. Each year, 500 employees may take stock of their career, in the light of their experience, their careers and motivation. This complex system should allow greater reorientation and mobility. Every employee in the scheme is allocated a five-day training credit on average. A tutorial system will be set up on a large scale with the aim of facilitating cooperation between generations. This exchange of experience eases the gradual replacement of staff; the company has drawn up a map of positions where prior experience is required. By planning the transfer of responsibilities, the company aims to oversee the transfer of experience. Air France also offers support towards retirement. A preparation module is proposed for each employee in the three years preceding his or her retirement. This should enable them to take up other opportunities and to gradually balance their professional life with other commitments and family/social time, through part-time schemes and time savings accounts. These older employees can, like the rest of the workforce, participate in humanitarian missions outside France in a framework facilitated by the company.

A comparative analysis

Reducing early retirement

Generally speaking, the seven countries in this study have taken a similar approach to the question of extending careers, which is necessary to balance social accounts. The first action has consisted of limiting access to early retirement.

In some cases, such as Sweden or France, the possibilities of access have been simply abolished. In other cases, like Denmark, the Netherlands, Finland and Spain, financial restrictions are applied. In Germany, the possibilities are adapted into a part-time pension (part time at the end of a person's career).

In all cases, systems have had to consider people's real situations: illness, disability, unemployment. This is especially true for the question of unemployment. Sweden has sought to establish back-to-work programmes for older employees, with little success. The Netherlands notes a strong increase in unemployment among older people in 2003 when the economic situation was less favourable. For France, closing access to early retirement has been offset by a system that takes into account the strenuousness of work by allowing employees exposed to night shifts and difficult working hours to retire earlier. The same applies for employees who started work at a young age, who can retire before the age of 60. These employees have often also experienced strenuous work.

Modifying access to retirement

In most countries, the decision to retire is left up to individuals. It is the result of a personal decision often based on the will to work, future replacement revenue and work organisation. It is worth noting that several pieces of national legislation on pension reform introduce the word 'flexible' (e.g. Spain) to describe the new system. The retirement age or the number of years of paid contributions are no longer the only parameters. In most systems, bonuses for career extensions or deductions for an early retirement define the final pension level.

The annual European Labour force survey for 2003 provides some answers concerning reasons for retirement: 15.3% of employees retire owing to illness or disability; 27.6% retire at the standard age; 29.4% take up early retirement schemes.

Quality of work

In addition to taking measures in terms of access conditions to the different pension systems, most of the countries have adopted policies to improve the working life of employees to allow them to work longer. These policies mainly cover three areas: health, skills and work organisation.

Health and well-being

Concerning health and well-being, the Finnish national TYKY campaign is the most far-reaching. It aims at protecting employees' physical and psychological capacities to avoid them deteriorating with age. The German Federal Institute of Occupational Safety and Health has explored different working time organisation models for older workers. Also in Germany, work at a European level has been initiated by the employer organisation BDA in liaison with Danish, Austrian and Irish counterparts concerning, among other things, the improvement of working conditions for older workers. In the Netherlands, several collective labour agreements cover reduction or adaptation of the workload for older workers as well as adapting working hours. The same is true for the two Danish public sectors but it is rarer in the private sector.

Training and skills

Training and skills are often developed in older employee programmes. The aim is to maintain skills until the end of a career and to contest a widely-held belief that older workers no longer have the capacity or motivation to learn.

Initiatives by the state and by social partners can favour the training qualifications of older employees. Germany's AQTIV Act aims to improve qualifications of the over 50s in small and medium-sized companies (employing fewer than 100 employees). In Sweden, the programme '100 steps to safety and development with an ageing

population' offers public study grants and individual skills assessments to help older workers access the labour market. In France, an agreement between social partners in September 2002 has instigated an individual 20 hour per year training entitlement without age limit, which should increase training among older employees. Discussions are ongoing within training organisations to adapt training for older personnel.

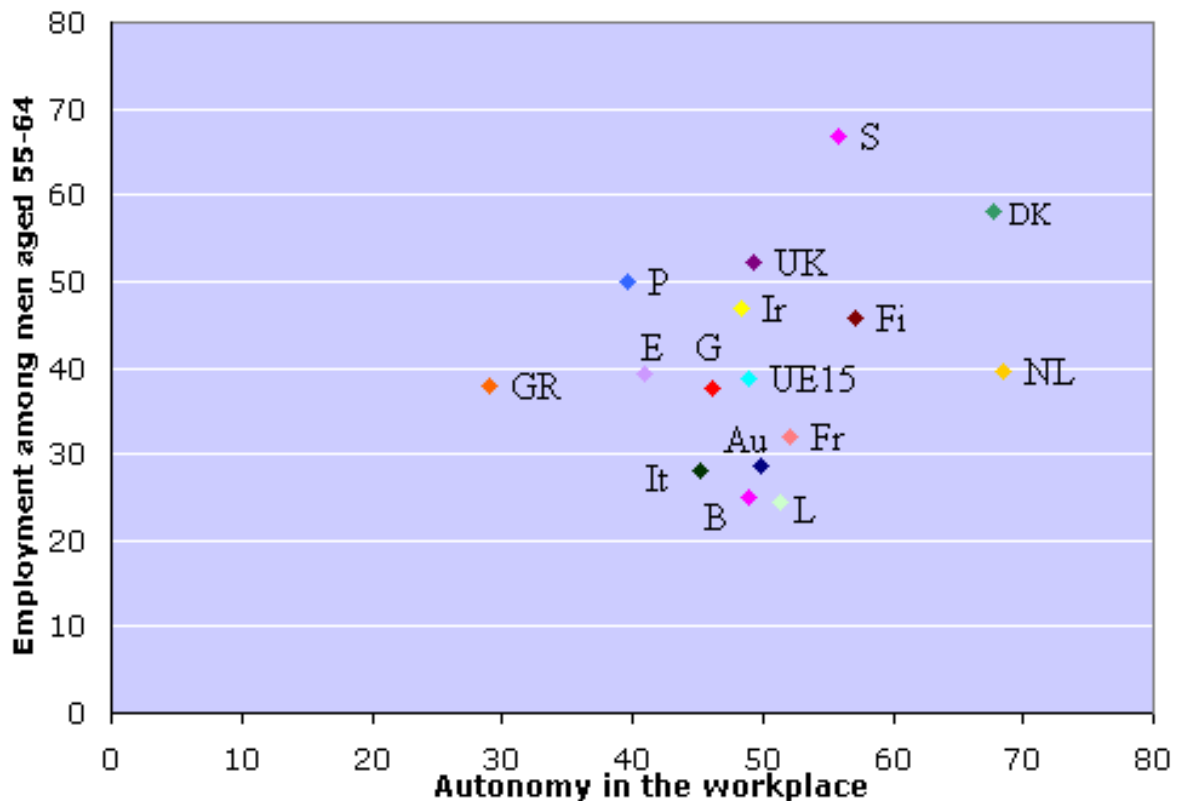
Work organisation

It is important to investigate whether the work organisation in place favours career extension. There is a hypothesis that a work organisation in which employees find satisfaction and personal enrichment makes them want to remain in work longer. The European Working Conditions Survey (2000) confirms this hypothesis. Véronique Doubas Letourneux and Annie Thébaud Mony (2001) have modelled work organisations on the basis of the different work descriptions possible. Four types of work organisation are presented: servile, flexible, automated and autonomous. The 'autonomous' model gives the most satisfaction at work. The European survey produces the following results on work autonomy.

% of people experiencing work autonomy, by country

Country	Men	Women
Denmark	67.8	69.9
Sweden	55.9	66.6
Netherlands	68.4	67.3
Finland	57.1	54.5
France	52.1	53.3
Germany	46.2	50.9
Spain	40.9	43.9

Figure 6 Employment among 55-64 year olds, by work autonomy



Denmark and Sweden, which traditionally have high levels of active older workers, enjoy a largely autonomous work organisation model. The two countries (Netherlands and Finland) that have most progressed in terms of successful ageing policies between 1995 and 2002 also show high levels of autonomy in the workplace. Spain is an exception, despite its progress in the rate of maintaining older employees between 1995 and 2002. Overall, it seems that there is a relationship between work organisations that provide satisfaction to employees and prolonging careers.

Adapting to a new workforce

Although the different countries have, over the past 20 years, resorted to encouraging the departure of older workers to adapt the workforce to the particular labour market situation, there is need now to review this practice. Several countries have set up legislation to combat age discrimination and have made access to early retirement more difficult. The movement will not be an easy one. France and Spain, among others, still have to deal with a strong demand for early retirement.

Change process

Overall, changes have been rather limited in the seven countries, and spread out over time. It is interesting to note the change process in the different countries. The governments have been foremost in taking the initiative to steer through reforms in some countries, while in Spain, much of the reform is taking place at social partner level. Indeed, one agreement sparked strong debate between the two main trade unions.

The northern European countries, despite their strong tradition of social regulation by social partners, have nevertheless proceeded with legislation on these issues. Finland has set out the most determined policy. Its Ikäohjelma 1998-2002 campaign aimed at corporate and individual levels, and has been backed up by the social protection institutions.

In the Netherlands too, the government took the initiative in 2001 of setting up a work group for the employment of older workers. The social partners are also involved in changes by adapting collective labour agreements.

In Germany, the government has launched the INQA initiative, a programme for a new quality of work. The BDA and DGB social partners act separately at national level. Agreements have been signed in certain local sectors.

In France, governments have also been the driving force behind reforms, whether in restricting early retirement or reforming pensions.

Commentary

The European Union's objective is to adapt social protection systems to encourage workers to prolong their career. In most cases, and regardless of national social models, the countries studied have taken initiatives to restrict access to early retirement schemes that were developed in the 1970s and 80s in a period of industrial restructuring. They have then redefined access conditions to pensions by individualising retirement options. The sum of a pension becomes an incentive to continue to work, through a bonus-loaded premium system. The organisation of working hours at the end of a career is another factor for which individual and collective adjustments can be made.

In parallel, programmes are being set up to encourage companies to promote better health and skills. Maintaining the health of employees and avoiding premature fatigue is the general aim of these initiatives. In the case of Finland, the plan includes physical and psychological dimensions aimed at keeping older workers in good health.

Different methods for maintaining skills have been developed. They form part of the EU's general principle of lifelong learning.

Work organisations in which employees enjoy greater autonomy favour an extended career. This is particularly the case in countries where careers have traditionally been the longest and in those which have particularly promoted longer careers in recent years.

With a Eurostat rate of 38.8% of employment among older employees aged 55 to 64 in 2001, the European Union is still far from its objective of 50% for 2010. The adaptation of structures has begun, and a better economic situation should enable countries to approach the target. However, much still remains to be done to convince companies in Europe to establish a sustainable age management policy.

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