Session: Realising the Potential of Active Ageing in Europe (July 24, 2017)
DISCLOSURE

We have no relevant commercial relationships to disclose.
Longer working lives in Europe: The widening gap between financial incentives and enabling strategies

Gerhard Naegele, Jürgen Bauknecht

Institute for Gerontology at TU Dortmund University
1. Mopact Work package 3 (‘Extending Working Lives’)  
2. Employment rates age groups 55-64 (2005-2015)  
3. Macro level: Pension, unemployment, disability policies/reforms  
4. Meso level: Employability measures on company level  
5. Recommendations and conclusions  
6. The downside: rising inequalities in retirement processes
Mopact wp 3: Research partners

- **CASE** – Center for Social and Economic Research (Poland, Warsaw)
- **CEPS** – Centre for European Policy Studies (Belgium, Brussels)
- **EC** – European Centre – Europäisches Zentrum für Wohlfahrtspolitik und Sozialforschung (Austria, Vienna)
- **INRCA** – National Institute of Health & Science on Ageing (Italy, Ancona)
- **NIESCR** – National Institute of Economic and Social Research (UK, London)
- **PRAXIS** – Praxis Center for Policy Studies (Estonia, Tallinn)
- **University of Southampton** (UK)
- **TUD** – Institute of Gerontology at TU Dortmund University (Germany)
• To identify innovative, effective, sustainable and transferable private and public-sector strategies that encourage and enable older workers to stay longer in employment (pre & post-retirement age), aided by lifelong (vocational) learning (LLL)

• To ensure participation of stakeholders and older workers themselves

• To put a special focus on the company/employer level

• To be aware of relevant differences between countries (macro), sectors (meso) and individuals (e.g. occupations, education, gender)

• To be aware of relevant differences between ‘early movers’ (e.g. DE, FI, NL) and ‘late movers’ (e.g. CZ, PL, the Baltics)

Source: Bauknecht/Cebulla 2016
• This positive development can be traced back mainly to
  • Rising demand for qualified workers (e.g. due to skilled labour shortage)
  • Overall improvement in the macro-economic situation (e.g. Germany)
  • Demographic effects
  • Cohort effects (especially in the case of women)
  • Policy reforms on the macro level (see slides 9 – 13)
  • More conducive measures at the company level (age management)
  • Effects of anti-age discrimination legislation far from clear but with norm-setting-functions
• There is no unequivocal assignment of single influence factors
  ➢ Yet, the downside is rising inequality among older workers (see further down)
  ➢ Although employment rates rose, this is also true for unemployment rates among older workers (due to lower re-employment chances; mostly long-term unemployment)
Pension/retirement reforms

• Gradual rise of legal retirement age in all countries, (BE, CZ, DE, DK, EE, ES, IT, LT, LV, NL, PL, UK) partly linked to life expectancy (DK, IT)

• Gradual abolishment of special (lower) retirement ages for women, mostly in CEE (BE private sector, CZ, EE, IT, LT, LV, PL, UK)

• Abolishing and/or complicating early retirement pathways: abolishment, higher entry preconditions, lower benefits (BE, DE, DK, ES, IT, LV)

• Rising number of contribution years necessary for full pensions (CZ, ES, LV)
  ➢ However: No real-life empirical validation, but based on simulations positive effects on later retirement can be expected (DE, NL, ES): Yet mainly for medium/high skilled older workers

• Introduction of part-time, gradual retirement schemes and allowing „silver work“ after retirement (nearly in all countries)
  ➢ However: g.r.s.: with de facto no effects on extending working life, further: work-volume partially reduced; „s.w.“: socially selective take up rates, overrepresentation of high skilled workers (DE)
• Shorter duration of earnings-related unemployment benefits (DE, NL); more contribution years necessary (DE, DK, NL); higher minimum age for long benefits (FI)
• Introduction of means-testing for long-term unemployment benefits (DE)
• Wider definitions of 'suitable work' (DE)
• But conducive active labour market policies e.g. through subsidised jobs (LV), 'early activation' by job centres/‘senior jobs’ (DK), special programmes to promote the long-term unemployed (CZ, DE, PL, UK), deregulation/improvement of job placement (IT, UK)
• Promoting self-employment (B, FI, DE, IT, PL, ES, UK)
• Wage subsidies to promote (re-)integration of older job-seekers (B, IT, NL, DE, ES, NL, CZ, PL, FI)
• Public awareness and counselling programmes
• Nevertheless: More 'sticks than carrots' due to low re-employment probability and rising unemployment (see next slide)
Unemployment rates 2006 - 2014

Rise

Decline

Source: OECD.

Source: Bauknecht/Cebulla 2016
Disability policy reforms

- Abolishment of special (early) disability pathways (FI)
- Higher financial incentives to take up work (NL)
- Higher entry hurdles: stronger limitations in terms of workability necessary (DE), confirmation of disability no more by personal doctor (NL)
- Stricter review of the (possibly improved) health situation of the disabled (ES)
- Stricter control of 'fake invalids‘ (IT, UK)
- Shifting of disability costs to (former) employers (FI, NL)
- Yet also very successful activation based on a life-course perspective, but against with strong pressure on the (potentially) disabled (UK)
- In some countries explicit policy change from promoting early retirement to preventive disability policies (DE, NL, UK)
Promotion of employability measures on company level (1)

- Increase of pro-employability measures through age-management, supported by public awareness/counselling programmes and dissemination of „good practices“ which have generally proven as successful (all countries)

- Main fields of action are health, skills, motivation and the reconciliation of paid work and private life/elderly care

- In most of these fields, circumstances in mid-career (and earlier) affect the situation when people enter the „older worker“ group

- However: Financial incentives for those unable to work bear only restricted potential for increasing/extending employment

  - Such incentives are only financial „punishments“ for those whose health or skills disallow them to work but additional privileges for those being able to work longer

- This is additionally supported by social behaviour-differences in private lives
• **Health**: Due to a generally worse health situation, (preventive) health protection and promotion measures are far more necessary in CEE but de facto less distributed
  - The current health gap between Western Europe and CEE is partly caused by life and working experiences in former communist countries
  - In the next two decades these life and work experiences of older workers in the past in CEE will decline: In 2025 those aged 55 will have spent only 20 years in the old regime

• **Skills**: The same applies to the skill gap between younger and older workers in CEE

• **Motivation**: Also this factor is strongly affected by circumstances in mid-career and horizontal and vertical career pathways
Promotion of employability measures on company level (3)

• (Innovative) pro-employability measures more widespread in Western Europe than in CEE

➢ Reasons: More political incentives and regulations, collective agreements, longer experience, supportive role of research, lack of skilled labour in some regions and sectors of Western Europe (but meanwhile also in CEE)

• A special lack of measures exists in small and medium-sized companies: HR departments are small and have a low degree of professionalisation

• Policies should provide stronger and transparent support for the dissemination of „good practices“

• Policies should support particularly SMEs to assess company-specific costs and benefits of age-management

• Existing collective agreements might lead to deepening of social inequalities among those workers not being covered by their protection
Conclusions and recommendations (1)

- WP3 explicitly disagrees with the demographic “horror scenario” disseminated by many primarily macro-economically based policy analyses
- Demographic change in the labour world can be shaped actively and positively
- Public policies need to be adapted according to new chronological, social, regional, cultural and ethnical diversities and/or social risks in ageing societies
- Early interventions in mid-career are helpful („life-course perspective“): Older worker policies should not just focus on the late working life stages
- Incentivising reforms in national retirement policies are definitely needed but have – as isolated policy approaches – restricted impact and additionally bear the risk of contributing to social inequalities (see further down)
- In all countries involved, but even more in CEE, financial incentives for must be complemented by more efforts to foster and retain employability
• Stronger efforts to increase employability are necessary: Focused on today´s and tomorrow´s older people

• Policy reforms should be evaluated concerning their side effects, for example on inequality in terms of income, wealth and health
  ➢ A new European project is focusing these dimensions: „Social Inequalities in Extending Working Lives of an Ageing Workforce‘ (EXTEND):
    (https://www.researchgate.net/project/EXTEND)

• Primarily in ‘late mover‘ countries of Central and Eastern Europe, gaps between older people´s workability and demands stemming from political history should be assessed more strongly

• The overarching goal for all countries must be a sustainable and socially acceptable extension of working lives „in dignity“
Conclusions and recommendations (3)

• Pension, retirement, unemployment and disability policies must be strategically linked with incentivizing employment and/or pro-employability measures on all levels (macro, meso and micro)

• Policies primarily (or even exclusively) aiming at financial incentives to extend employment and/or working lives are of very limited success

• It is shortsighted to pursue “extending working lives” on a national/political level, whereas on the meso (as well on the micro) level relevant key actor groups are reluctant or not willing/prepared to follow

• Social partners need to be integrated into measures/programmes
• Although rising employment rates of older workers in many WP3 countries can be observed empirical evidence confirms socially selective employment rates and thus (new) social inequalities

• Since primarily low-skilled older workers have insufficient individual resources for work demands, their health is further worsened by longer work, while for the high-skilled the opposite may apply

➤ Low-skilled workers will be increasingly forced to choose between financial disadvantages due to labour exit and health disadvantages due to longer working lives

• Financial incentives show the weakest effects among those objectively bearing the highest financial need to work longer

• Since differences between SES-groups can be expected to persist, sensible reforms should follow the guideline “work for those who can, social security for those who can’t”
• In order to increase reforms with positive effects on low-SES groups, these reforms should aim at both the macro (skills, health status) and, in particular, the meso level (companies, age management focusing on low-SES groups)

• Against this background pension reform approaches linking retirement ages to life expectancy need to be evaluated (e.g. with respect to social inequalities in healthy further life expectancy)

Socio politically it is not acceptable to further privilege those older workers with better and to punish those with worse starting conditions!
“To adjust pension schemes through raising retirement ages and closing/complicating early exit pathways is a far spread recommendation as key measures to meet the demographic challenges in labor world best. However the results are not convincing. Although incentivizing reforms in national pension and retirement policies are needed, they lead – as isolated policy approaches – to restricted impacts. To pursue “extending working lives” on a political level requires corresponding strategies on the meso level of stakeholders and particularly companies and the willingness to do so, also on the micro level of the individual older worker. A prime prerequisite is to have social partners “on board”. Retirement policies must be strategically linked with incentivizing and activating employment policies on all levels. To aim primarily (or even exclusively) at financial incentives is of very limited success if not strategically embedded in work-place related HR-policies in terms of maintaining and/or promoting workability/employability. Both concepts need to be fundamental points of departures also for public/national policy approaches. As isolated measures show financial incentives (“punishments”) the weakest effect particularly among those bearing objectively the highest financial need to work longer. Failing this, the risk of creating and/or deepening social inequalities is even raising”.

THANK YOU!

HOSTED BY

The Gerontological Society of America

CO-HOST ORGANIZATIONS

American Federation for Aging Research

Aging in Higher Education

National Council on Aging