

# Creating Second Career Labour Markets.

Towards more Employment Opportunities for Older Workers





# Introduction

On the brink of the looming crisis in summer 2008, labour markets in Europe seemed to be in a relatively good condition. Governments were able to take on a longer term perspective, focusing on seminal trends that would shape labour markets over the coming decades. Demographic change was perceived as an important issue that required new strategies to enable older workers to remain gainfully employed up until statutory retirement ages or even beyond. “Active ageing” became the catchword for those strategies.

In the wake of the crisis things changed dramatically. Soaring unemployment in many EU Member States, especially among younger persons, shifted the focus to very acute measures that were designed to prevent the worst. Never the less, a few years down the line, European unemployment levels have risen to unprecedented heights and structural deficits in labour markets have proven to be much more persistent than previously thought. To make things worse, financial resources have become extremely scarce, so policy makers cannot resort to the option of buying their way out of unemployment with expansionary macro policies. And finally, demographic trends continue virtually unimpressed by the crisis. Thus, in essence, existing challenges on labour markets have been exacerbated by new problems with enormously restricted financial leeway to address these issues.

This is especially true for “active ageing”. Policy-makers might be tempted to neglect the issue of older workers in favour of focusing exclusively on youth employment issues, which is the paramount challenge throughout many Member States right now. Some may even be tempted to revive the old idea of driving older workers out of the labour

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market in order to free up jobs for young aspirants. Besides being strongly at odds with empirical data, such an approach would hardly be a sensible strategy. In order to overcome the crisis, ailing economies need growth. Abandoning productive potential by moving older workers out of the labour force reduces growth prospects and bears the danger of entering a vicious circle. Therefore, finding ways for better labour market integration of older workers is imperative, not in spite of, but rather because of the current situation.

Up to this point, only necessary measures have been mentioned. Of course, desirable measures should not be neglected either. On average, health and life expectancy have increased quite considerably and at a remarkably stable trend. Thus, increasing proportions of European populations are in a physically and mentally appropriate condition to continue to work well into their 60s and perhaps also their 70s. In addition, increasing numbers of older workers recognise that staying in the labour market is a means of continued social inclusion and individual fulfilment.

Thus, the basis for increasing employment opportunities for older workers is threefold: the need for active ageing, the capacity to stay in the labour market and the will to remain active. The European Policy Centre and the Bertelsmann

Stiftung have taken the opportunity of the “European Year of Active Ageing and Solidarity between Generations 2012” to work together on these issues. Building upon the most recent research findings and the expertise of a task force of renowned experts from academia, social partners, private sector and administration on the obstacles to pervasive labour market integration of older workers, we have compiled a set of policy recommendations. These are intended to identify measures needed to better equip older workers against economic inactivity and to ensure longer working life is not associated with social vulnerability. The here presented policy recommendations are complemented by selected “good practice” examples from across Europe and aim to stimulate the debate in Europe as well as providing an outlook on avenues for further activities in this area.

In this connection, this paper does not attempt to propose a one-size-fits-all strategy for all EU Member States. The country-specific differences in long-term developments and current situations clearly have to be taken into account. Consequently, the assessments and proposals found herein are to be taken as general principles that observers and policy-makers should adapt to the challenges predominant in their respective Member States.

# Barriers to employment for older workers

Before presenting the policy recommendations and “good practice” examples a brief overview of the problematic aspects of labour market integration of older workers is intended to set out the field of action. The main areas addressed here consist of: Labour market and social security regulations that either promote or hamper active ageing at the workplace, public perceptions of older workers’ ability to work, life-long learning opportunities, maintaining good health, and other aspects of the economic and social framework having an impact on active ageing.

## Labour market and social security regulations

By now most academics agree that early retirement of older workers has proven to be a bane rather than a boon for labour markets and pension systems. Productive workers are driven out of employment and prematurely change from being net contributors to net recipients of social security benefits. Meanwhile, the hopes of doing so in order to provide new employment opportunities for younger workers largely fail to materialise. Early retirement comes in many different guises, e.g. longer-term entitlements to unemployment benefits in association with reduced activation efforts by public employment services, long-term sickness or disability and of course formalised early retirement schemes in public pension systems that may also be supplemented by collective agreements.

Age-related seniority wages and non-wage labour costs can be another reason for older workers to be driven out of the labour force early. These factors may create an incentive to lay off older workers more prematurely and a disincentive to offer them new jobs.

## Perception of older workers

An important issue is the perception of the strengths and weaknesses of older workers when compared to younger ones, both regarding employers’ attitudes as well as the workers’ self-image. It is still a common perception that older workers are less productive because of more frequent absence due to sickness, generally diminished ability to work under pressure and less flexible ways of thinking. While a number of counter-arguments can be put forward, such as the advantages of experience and stability, it is generally considered that these do not outweigh the disadvantages. However, according to recent research, older workers are not per se less productive than younger ones. Productivity at the workplace does not seem to be closely related to age but rather to the quality of the working conditions and to the time over which an individual is employed at the same tasks. This is especially true for types of work with hazardous and arduous working conditions, both in a physical and mental sense, as well as types of work with a large proportion of routine tasks. So in that respect, it is not age but quality of work and monotony that makes workers less productive, even at younger ages. Providing workers with good and healthy working conditions and a variety of different tasks thus prevents declining productivity with rising age. In this sense, older workers experiencing that they are able to adapt to new challenges will also improve their self-image and so develop a higher self-esteem enabling them to successfully stay active.

Older workers may also provide qualities that are desirable to employers. Depending on their personal background, they may actually be more flexible with respect to the location of the workplace, working

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times or wages because of less family obligations and other sources of income. In addition, older workers often offer skills and work experience the younger generation can benefit from.

### **Training and life-long learning**

Bleak employment prospects for older workers are especially concentrated among less-skilled individuals whereas highly qualified older workers display quite comparable employment rates vis-à-vis their younger colleagues. Very often, the root of the problem in being retained in employment or finding a new job after being laid off is less linked to old-age and more to a low level of qualifications. Cohort effects come into play because four or five decades ago the proportion of persons with only basic schooling was much higher than it is today. Also, awareness about the importance of life-long learning has become widespread only over the last ten years. Never the less older workers are often offered significant fewer training opportunities giving them an even greater disadvantages to their younger counterparts. Low qualifications of older workers also interact with structural change because less skilled persons find it much harder to obtain a new job within their former occupations or with a comparable remuneration.

### **Health**

Health is the very basic prerequisite to enable workers to remain active on the labour market. And general health has steadily improved over past

decades. With the decline of physically stressful or even hazardous work the incidence of many diseases has been reduced. At the same time people have adopted healthier lifestyles that can be seen in declining proportions of smokers or less consumption of fat. However, improvements in healthy lifestyles and health itself are unevenly distributed among the populace. For a number of professions physically exhaustive tasks are still an important issue. Concerning work-related sickness, the decline in physical problems has been partly offset by a rise in mental illness that on average lead to longer absences than physical ones. Thus, improving health remains a very important issue.

### **Social framework**

The reconciliation of work and family life does not only apply to younger but also to older workers. Often, the latter have care responsibilities for their parents and sometimes also for their grandchildren. However, social support systems are typically geared towards young families.

In a similar vein, support in the form of career guidance by employment services or employers is also virtually always designed to help younger workers. After the phase of labour market entry the majority of workers are being left alone with further decisions on career paths. This also extends to attempts of pursuing a completely different career, for example becoming self-employed. Older workers find it difficult to identify the whole range of opportunities in taking a different route.

# Policy Recommendations

Driven by demographical trends and accelerated by globalisation, technological innovations as well as the recent crisis national economies, labour markets and working lives have been undergoing major transitions in the past. This presents immense challenges to political actors all over Europe when aiming for a better labour market inclusion of older workers. Concrete measures, that reflect on these developments and pay tribute to older workers heterogeneity, must be put forward in a concerted effort of all relevant stakeholders.

The here presented policy recommendations are structured alongside the relevant stakeholders responsible at EU member-state level for creating job opportunities for older workers, including governments, social partners, companies as well as individuals. They are headed by a series of general observations which have to be taken into account by political actors when putting the recommended policies into action.

## General Observations

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Need to acknowledge the needs and challenges faced by different occupational groups. This diversity must be factored in for any policy action taken

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Need to look at the most vulnerable segments of society, in particular women, the less-skilled and older workers with a migrant background

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Need to adopt a life course approach in order to equip people against the risk of unemployment and acknowledge that different life phases need different supporting systems

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Some countries perform much better than others. Strong need to learn from the successful reforms implemented in some Member States

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The objective is to create employment not to favour employment of one or another category of people to the detriment of others and to aim at having a human resources pattern in firms similar to the pattern of their customers

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Bear in mind that measures favourable to older employees will also be profitable to other categories of workers. Such measures include flexible working times for young parents, workers with elderly parents or for people with volunteering engagements, better equipped occupational places for disabled workers

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Agree on a more flexible working contract that allows flexible working conditions and facilitates fluidity in the labour market

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# At Government Level

National, regional and local governments are key players in creating appropriate frameworks for active ageing at work. For example structural reforms are needed to improve the functioning of pension, health and labour market systems according to the specificities of EU Member States. Such actions can include:

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Restriction of early retirement policies and postponement or even abolition of the statutory retirement age

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Allowing a transition phase between work and retirement with incentive-compatible part-time work/part-time pensions

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Revising pension systems where benefits are based on the final salaries

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Abolition of the distinction made in the private and public sector. In some countries, people working in the public sector are not allowed to work beyond retirement age

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Establishment and institutionalisation of adult education programs to enable career mobility and create incentives for lifelong learning

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Promotion and enforcement of occupational health and safety principles starting at the early stages of working life in order to establish a healthy lifestyle

and to thus foster the health-related employability of workers throughout their working lives

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Creation of financial incentives (direct subsidies or tax deductions), both on the employers' and employees' side that make retention in the labour market profitable (demand side)

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Promotion of policies that ensure work-life balance and the compatibility of work and care responsibilities

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Taking action through public education and information campaigns to counteract negative images of older workers at the level of public opinion, among employers and even older workers themselves

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Adjusting existing labour market policies and institutions in EU Member States where the specific needs of older workers are not on the agenda yet

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Involving actors on local and regional level in order to network and deal with the comparatively low spatial mobility of older workers

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Giving guidance and support to older workers who are thinking about entering into self-employment in order to lower entry barriers and to prevent precarious work or failure early on

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Supporting stronger collaboration between private and public employment agencies and encouraging programmes assisting both the re-entry and the staying on of older workers in the workforce.

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## Good Practice Example

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**Sven Otto Littorin,**  
former Swedish Minister for Employment (2006 – 2010)

“I think it really starts with telling older workers that we need them. [...] That would be my recommendation, to be quite clear on the fact that we really do need every single hand on deck. [...] the way that you follow up on that would be through incentivising people to stay on, to come back or to get in. [...] We have to start with a big carrot rather than sticks.”

If governments want and need older workers to stay in the labour market the political agenda has to ensure that all the labour market related systems are compatible with this idea. In Sweden a comprehensive approach to dismantle obstacles and find positive incentives has proved to be effective. With the perspective of making it easy and worthwhile for older workers to stay in the

labour market, more than 15 years ago the pension system was reformed, followed by the tax system, the unemployment insurance system as well as the social insurance system. The aim was to remove potential barriers and set financial incentives, both for workers and employers, to hire older workers. These efforts created an environment that nowadays makes it highly attractive for older workers to remain in the labour force, while making timely or early retirement comparatively unappealing.

“So that meant there was [...] sort of a hidden stick and lots of carrots, and the hidden stick was that you can [...] make the choice not to work, but you would not get all these benefits if you retire at 63.”

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# At Social Partners Level

Social Partners can take a leading role in bringing together the different stakeholders in order to form one comprehensive strategy and to achieve compromise in hotly debated topics. Actions that can be taken by social partners include:

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Promoting age awareness and information about best practice examples in their respective industries and branches

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Developing collective agreements that contribute to demographic challenges and ensure age neutrality

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Working on the adjustment of existing job profiles to better fit an ageing workforce

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Promoting the use of flexible working and employment policies that reconcile the demands from employers and employees in a balanced way

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Developing awareness of the special needs of employers with care responsibilities

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## Good Practice Example

**Beatrix Behrens, Head of Division  
HR Policies/HR Development  
at the Bundesagentur für Arbeit**

The Federal Employment Agency (Bundesagentur für Arbeit – BA), with more than 700 agencies and branch offices nationwide, is the largest provider of labour market services in Germany. Employees at the BA benefit from a life course oriented personnel policy with a variety of initiatives. All employees regardless of their age are offered flexible work arrangements, age-appropriate working conditions, health promotion and career development. Furthermore, retired workers with specific skills are sometimes re-employed on a temporary base to assist with projects.

“We had good experience with re-employing retired workers, especially when we were dealing with extending the short-time working scheme [...] as a direct result of the crisis. The younger workers weren’t familiar with this procedure, as it hadn’t occurred in recent times and they welcomed the experience of the retirees. It was the best that we could have done. The younger workers were enthusiastic, the older workers were enthusiastic.”

In addition, the newly introduced organisational service for children and care “OKiP” provides information as well as an emergency care service for employees with care responsibilities. By taking demographic development into account, such initiatives ensure that nursing or caring duties are not a disadvantage for a worker’s career development.

“As care responsibilities often occur ‘over night’ and unexpected, we offer support for our employees in order to help them manage this new situation.”

## At Employers Level

Employers, both public and private, are crucial actors when adapting the workplace to demographic challenges. Nevertheless employers also need support to reach their full potential in the transition process.

Employers' action can include:

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Developing age awareness within the company and the management – especially at the level of recruitment and HR managers to ensure that workers are not discriminated against on the basis of age

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Creating a demography-sensitive in-company culture, acknowledging the potential of older workers and actively promoting age diversity within the company

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Adjusting work organisation – not only in terms of time arrangements but also with regard to solutions such as teleworking – to the needs of an ageing workforce; this process needs to be backed up with external support in particular from business organisations, chambers of commerce, unions and other actors to address needs better and develop

tailor-made age management strategies; this is especially important for small and medium-sized enterprises

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Motivating and rewarding older workers to stay actively engaged by implementing good and healthy working conditions that prevent physical and mental exhaustion

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Promoting career planning throughout the working life, especially in later stages of life and including the development of new working models that enable work after retirement

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Establishing stronger communication channels between employers and employees to facilitate the dialogue about available employment opportunities for older workers, especially in areas with skill shortages and high replacement demands

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Looking actively for possibilities to retain and improve older workers skills, for example through mutual training between people with different competencies and knowledge's

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Abolition of seniority wages and non-wage costs that are solely connected to age as this increases total labour costs of older workers and hampers their employment prospects

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## Good Practice Example

Penelope Young,  
68 years old, Brighton / UK

"I think you either look at it [ageing] as 'oh my goodness, nobody needs me anymore and I'm feeling lonely', but I look at it as this is a liberating time of life that's exciting and is giving me the space to do what I always wanted to do."

Penelope Young pursued several career changes in her (still ongoing) professional career. After retiring from her latest occupation in the health sector, she decided to settle in Brighton where she now works as a writer and offers consulting services for older people. Young has a very positive approach towards working at an advanced age, highlighting its advantages and the opportunity for self-determined activities "at a certain age [when] you are going to leave your [...] paid employment [...], that's the time to change direction."

Older workers need to look at the future optimistically and with ambition. They should see and accept their responsibility of educating themselves and following up on developments "[...] you have a responsibility as an older person to keep up to date with new skills and new ideas and new concepts – you have to engage openly with an open mind".

On the other hand society needs to rethink their view of older workers as being not useful and at the end of their productive lives. "[...] I think the whole word retirement, it stigmatises you, it puts a label on your forehead which says [...]: I'm past it now!"

## At Employees Level

Employees themselves have to take on responsibility and to develop ideas on how to remain active in their working lives while being better equipped against the risks of unemployment and poverty.

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Taking advantage of lifelong learning opportunities, especially to improve the development of "mobile competencies", i.e. competencies that are not directly related to the current job

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Making use of incentives designed to prolong working lives

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Developing a healthy lifestyle, as far as possible

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Acknowledging the responsibility to actively plan the own career in relation to the prospect of a prolonged working life

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Assessing actively acquired pension entitlements, for better career planning and more transparency about the income level when older

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