

# The Ageing European Workforce

## Introduction

After decades of early retirement which has led to a sharp reduction in labour force participation rates among older workers, there is an emerging consensus that if the European Union is to remain competitive, then the working lives of Europeans need to be extended.

The employment of older workers has only recently become an issue for European policymakers. The European Council of Stockholm in 2001 set a target rate of 50 per cent employment for older workers. At the Barcelona European Council meeting in 2002, an increase of about five years in the effective retirement age was advocated for the EU by 2010. In 2003, the European Equal Treatment Directive made discrimination on the basis of age (age discrimination) effectively illegal in all aspects of employment practice. Member states have until 2006 to transpose the directive into national legislation.

These are bold policy measures and ambitious targets. But implementation within national labour markets has been challenging. Transposition of the Equal Treatment Directive as it pertains to age has been piecemeal and 'patchy at best' across member states.<sup>1</sup> Only a handful of countries are likely to reach the target employment rates for older workers within the mandated time frame.

Nonetheless, this European policy steer has galvanised national governments to explore policies which may help meet the challenges presented by their ageing populations. The main focus has been on reforming pensions and delaying the age of retirement, but actions to tackle age-related barriers within the labour market have also been advanced in several countries.

This issue brief presents an overview of the situation of older workers across Europe. Drawing mostly on national examples from eight case countries, it aims to help policymakers identify actions that may lead to more equal participation of older workers in our labour markets.<sup>2</sup>

# The Ageing European Workforce

By Philip Taylor

## An Ageing Population, an Ageing Workforce

One may postulate that increased longevity has automatically translated into longer working lives. From the figures below, it is apparent that this is not necessarily the case in Europe. For example, the French have amongst the highest longevity in Europe, yet they retire much earlier than many of their fellow Europeans (Table 1).

At the Barcelona European Council meeting in 2002, it was stated that “a progressive increase of about five years in the effective average age at which people stop working in the European Union should be sought by 2010” (European Council 2002). Trends over the past few years suggest that this goal remains ambitious, particularly in the newer EU member states. Across the EU in 2002, Poland had the lowest average retirement age and Sweden the highest.

**Table 1** Life expectancy at the age of 60 and average age of retirement, EU-25, by gender

	Life Expectancy at 60 (2000)		Average Age of Retirement (2002)		
	MEN	WOMEN	TOTAL	MEN	WOMEN
Belgium	19.3	23.8	58.5	58.6	58.4
Denmark	18.9	22.3	60.9	61.9	59.8
Germany	19.2	23.4	60.7	61.1	60.3
Greece	20.1	23.1			
Spain	19.8	24.5	61.5	61.5	61.5
France	20.2	25.3	58.8	58.9	58.7
Ireland	18.3	21.9	62.4	62.0	62.8
Italy	19.7	24.1	59.9	60.2	59.7
Luxembourg	19.3	24.1	59.3		
Netherlands	19.1	23.4	62.2	62.9	61.6
Austria	20.0	23.9	59.3	59.4	59.3
Portugal	18.5	22.6	62.9	62.8	63.0
Finland	19.2	23.6	60.5	60.6	60.4
Sweden	20.7	24.3	63.2	63.4	63.1
United Kingdom	19.4	23.0	62.3	62.7	61.9
Cyprus	19.5	22.7	61.4		
Czech Republic	17.0	21.2	60.2	62.2	58.4
Estonia	15.4	20.9	61.6		
Hungary	15.3	20.2	59.2	59.6	58.8
Latvia	15.3	20.8	62.4*		
Lithuania	16.8	21.9	58.9*		
Poland	16.7	21.4	56.9	58.1	55.8
Slovenia	17.6	22.7	61.5*		
Slovak Republic	15.9	20.6	57.5	59.6	55.7
EU-15	19.3	23.7	60.8	61.0	60.5
EU-25			60.4	60.8	60.0

Cited in: Increasing the employment of older workers and delaying the exit from the labour market. Commission of the European Communities. Brussels 3.3.2004. COM (2004) 146 final.

## Labour Force Participation of Older Workers

*Economic activity rates*, also referred to as labour force participation rates, refer to the proportion of people who are either employed or unemployed. The *employment rate* is thus equivalent to the economic activity rate minus the rate of *unemployment*.

Economic activity and employment rates vary significantly across the EU. Data are presented for the eight case countries in Table 2 below. Overall, the new member states have an average activity rate some 10 percentage points lower than EU-15 countries. The employment rate among older Italian women is the lowest, at less than 20 per cent—the corresponding UK figure is more than twice this. Only the UK, Denmark, Sweden, Portugal, and Estonia had employment rates above 50 per cent in 2002, thereby meeting the Stockholm targets.

**Table 2** Economic activity and employment rates of older workers in the EU (2002)

	Economic Activity Rates (% population aged 55-64)			Employment Rates (% population aged 55-64)		
	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
EU-15	42.8	53.4	32.5	40.1	50.1	30.5
EU-10	33.1	45.0	23.0	30.5	41.2	21.4
EU-25	41.4	52.3	31.1	38.7	48.9	29.1
Germany	43.0	52.3	33.9	38.4	47.1	29.9
Spain	42.7	62.2	24.4	39.7	58.6	22.0
France	36.7	41.8	31.9	34.8	39.3	30.6
Italy	30.2	43.0	18.1	28.9	41.3	17.3
Poland	52.9	63.5	43.5	50.9	61.2	41.9
United Kingdom	55.4	65.4	45.7	53.5	62.6	44.7
Czech Republic	42.5	59.4	27.3	40.8	57.3	26.0
Hungary	27.5	38.2	18.9	26.6	36.7	18.5
Poland	29.1	38.7	20.9	26.1	34.5	18.9

Source: Annual averages based on LFS, Eurostat.  
Cited in Employment in Europe: Trends and Prospects, EURES.

## Lagging Labour Force Participation in Europe

It is interesting to put these figures into an international perspective. Average employment rates among older workers are more than 20 per cent lower in Europe than in

Japan or the United States. The average employment rate for workers aged 55–64 is approximately 50 per cent across OECD countries; in Europe it is around 40 per cent.

Different trends are also occurring across different countries. Between 1997 and 2002, Europe closed the gap slightly with the United States, with overall activity rates for older people increasing slightly, while employment among older workers in Japan fell over this period. Trends also differ by gender: Economic activity of older women has increased, yet activity among older men fell markedly in the 1990s and has only recently recovered. In some EU countries, it remains at below 1990 levels.

### Unemployment Rates

Table 3 presents unemployment rates for the 55–64 age group in the eight case countries. One might expect that unemployment would largely be a phenomenon affecting older men. However, this is not the case. In fact, rates of unemployment among older women have exceeded those of older men in some countries. A particular example is Spain, where in 2003 unemployment among women aged 55–64 stood at 9.3 per cent, compared to 5.8 per cent among men.

These rates might seem relatively low, but they need to be interpreted with caution; unemployment rates are a notoriously poor indicator of the labour market status of older workers. Much unemployment is disguised in disability and retirement statistics, for example, which have often provided convenient mechanisms for disposing of older labour in an attempt to reduce youth unemployment.

**Table 3** Unemployment rates among workers aged 55–64

	All	Men	Women
Czech Republic	4.4	4.0	5.2
France	5.8	6.0	5.5
Germany	9.7	9.4	10.1
Hungary	2.8	2.9	2.7
Italy	3.8	3.6	4.3
Poland	11.2	12.0	10.2
Spain	6.9	5.8	9.3
United Kingdom	3.3	4.3	2.0
OECD	4.7	5.2	4.1

Source: OECD Employment Outlook 2004

What conclusions can be drawn from these statistics? *They reflect the compounded result of early retirement and pensions policies, disability benefit schemes, societal mores with respect to work, and the working conditions for older people within individual labour markets. The variation in*

*rates across countries is indicative of the different pressures facing member states due to demographic ageing.*

### Policy Responses

EU policymakers have taken proactive steps to encourage productive engagement of older citizens in recent years. But the issue of delaying the end of working life is presenting governments, employers, and society in general with particular challenges.

What follows is a brief overview of some of the main policy measures that have been adopted by different national governments.<sup>3</sup>

### The Shift Away From Early Exit

While the attention of policymakers is currently on dealing with problems associated with the ageing of the labour force, it is important not to lose sight of the fact that it was not so long ago that the focus was on *encouraging* early retirement. Arguably, the present situation resembles that of the 1980s and 1990s in reverse. Then, older workers were presented as burdens on society, blocking the ascendancy of younger workers. Early retirement was viewed as the solution. Now, along with an incessant rhetoric around dependency ratios, *older workers have again been presented as a burden, though this time the conclusion is that they must once again take their place in the labour market.*

In many countries, a culture of early retirement has been cultivated over decades, with generous benefits packages to match. France, Germany, and the Netherlands are examples of extreme ‘early exit’ countries, though a shift has been under way in the latter. Sweden is a later exit country with the UK somewhere in between. Early exit is not just a phenomenon of the EU-15. For example, in Poland approximately 70 per cent of all new retirees in the early 1990s were cases of early retirement. Women could retire at the age of 41 and men at the age of 46. Now early retirement is restricted to persons living in regions with above average unemployment. In the Czech Republic and Hungary, early retirement is still common—with early retirement benefits accounting for 58 per cent of new retirement pensions in the former (2001 data). Additionally, these countries have had the practice of granting generous disability pensions. Reversing these policies, and these habits, is not likely to take place overnight. In many countries, there remains a persistent view that early retirement schemes may be an effective means to counter youth unemployment—even though this tactic has not proven to be effective.

### ***Joined-Up Policies: Toward Whole Citizenship for Older People***

The year 2000 was the seventh consecutive year in which the death rate exceeded the birth rate in the Czech Republic. Against this backdrop, the Czech government launched the National Programme of Preparation for Ageing in 2002 to ensure full participation of older people in political, economic, and social life—the notion of ‘whole citizenship’. This policy agenda is *aimed at society as a whole* and not only at older people. It aims to create a favourable social climate to tackle the “problems of ageing” and to change attitudes and approaches at all levels.

This policy initiative represents a bold attempt to adopt a joined-up policy on ageing. Its impact remains to be measured. Another encouraging example is the recent creation of the Ageing all-party committee within the UK government, with cabinet-level representation from several ministries.

### ***Safeguarding Financial Security in Older Age***

*Increasing employment rates amongst older people should not be seen as a blanket solution to the insufficiency of current pension schemes. Indeed, there is a risk that older workers are being pushed into the labour market, with age barriers left largely intact. Thus, some may only find employment on the margins of the labour market—in low income, low security work—with few opportunities for career development or advancement. Others would, in effect, be retired, yet they would not have access to the income and relative security that formal (early) retirement would have provided. Yet more would spend periods in and out of employment in low security and low status employment. There is growing evidence across Europe that precarious employment is a real risk for older people. Ensuring the financial security of older people, regardless of their employment status, remains a key concern with the ageing of the population.*

## **Fiscal Motives, Fiscal Measures**

Much of the current policy interest in the employment of older people is driven by financial concerns—namely the sustainability of pension systems. It is essential that labour policies be linked to policies affecting pension and social security in order to create a system which allows older people to participate in the workforce without compromising their financial security. The challenge will be to create policies that remove financial disincentives and system barriers for older people to seek employment while protecting the vulnerable—no easy task.

Examples of measures taken to encourage later retirement and discourage early exit include:

- allowing for the combination of pension and employment income after a certain age;
- raising the minimum age at which a pension can be claimed;
- part-time flexible retirement;
- ending privileged retirement schemes and closing off early retirement pathways;
- closing off the use of sickness benefits as a route out of employment.

In Spain, for example, it is now possible for older workers to receive (reduced) unemployment benefits while working. They may also retire gradually by receiving a pension while working part-time.

## **Age Barriers to Productive Engagement**

The EU Equal Treatment Directive has obliged national governments and employers alike to assess how ready labour markets are to embrace an ageing workforce. In France, for example, the embedded early-exit culture means that very few firms have developed policies around the employment of older workers. Companies, trade unions, and employees have colluded in the perpetuation of a system where, according to Anne-Marie Guillemard, a leading French academic, age 55 has become “the normal age for definitively leaving the labour market”. Such a situation has not only had a profoundly negative effect on how such workers are viewed by managers and supervisors, but, moreover, workers in their forties are now viewed as nearly old and find their career prospects severely curtailed.

There is evidence from a number of countries that employers hold negative attitudes toward older workers. Likewise, older unemployed people may be skeptical about their reemployment prospects, and officials in public employment offices often hold negative attitudes toward the placement of older workers.

Thus, the challenge for European policymakers will be to support the development of labour markets that provide real opportunities for older workers willing and able to make a contribution and to encourage those who can to do so, while at the same time to ensure that those with skills deficits or other barriers limiting their employability have the opportunity to retire sooner or more flexibly.

### *Examples of Incentives to Employers and Employees*

**Germany** has introduced a ‘pay guarantee for older employees’ measure. Unemployed people aged 50 or over receive 50 per cent of the net difference in pay between the job they had before becoming unemployed and their new job if the latter is of lower pay. This subsidy is not subject to social security or tax contributions. Also, employers who recruit workers aged 55 or over are exempted from paying their share of the costs of employee development.

**Spain** has introduced reductions in the employer’s contribution to the social security system of those aged 45 or older. The older the person, the greater the reduction, and there is a further reduction if a woman is employed.

### *Vectorat: A French Initiative to Change Working Practices*

The French project Vectorat has the focus of inclusivity. It is part of the TRED (Training Responses to Address Equality and Diversity) European partnership, set up to tackle discrimination through creating a national resource of expertise and tools to support the implementation of inclusive work practices and diversity management. Vectorat develops individual training courses and motivational schemes and creates a network of exchange and dissemination of good practices between human resources professionals, trade unions, employers’ associations, work specialists, experts, and company medical officers.

### *35,000 Unemployed Engineers*

Despite mass unemployment, Germany faces shortages of skilled labour in certain economic sectors such as IT and engineering. In 2000, the Federal Employment Agency decided to make use of the 35,000 engineers aged 50 and over who were unemployed. It set out an administrative order which aimed to:

- change attitudes of employers towards older workers and to challenge age stereotypes;
- increase the motivation and ability of older unemployed people to apply for new jobs, and;
- improve the job-placement initiatives of regional employment agencies.

It solved its skilled labour shortage.

## **Ridding Labour Markets of Age Discrimination**

The above examples are promising, but much remains to be done. *With early retirement avenues being closed off, sustained action on age discrimination will be required if older workers are to be able to access employment opportunities on the same terms as younger workers.*

The issue of age discrimination in the labour market and tackling age barriers more widely has not been prioritised in the case countries until recently. Age discrimination remains a poorly recognised phenomenon among people of all ages.<sup>4</sup> While there are emerging policy debates, other areas of public policy have been given greater priority. This may be due to high rates of youth unemployment which have focused public attention elsewhere (e.g., Poland), a continued emphasis on early retirement (e.g., France), or the relative newness of the issue (e.g., Germany). While, to some extent, the UK can be contrasted with this generally gloomy picture, it should be noted that even here expenditure on older-worker-related programmes is far less than, for example, in Germany.

### *Taking Ownership of the Issue*

France, Germany, Spain, and the UK have all gone down the route of developing public awareness campaigns, the aim being to *transfer solutions for an ageing workforce to the public via the media*. The education campaigns Fifty-Plus, They Know What to Do (in Germany), and Age Positive (in the UK) are models for other member states. The German campaign entitled Demographic Change–Public Relations and Marketing Strategy, aims to increase public awareness of the impact of demographic change on employment and to distribute knowledge on how to:

- achieve balanced age structures and sustain companies’ innovative abilities;
- achieve age-appropriate work and personnel policy, and;
- sustain employment and create new fields of occupation for older workers.

Evidence of only modest engagement from British employers suggests that campaigns need to be comprehensive and sustained if real progress is to be made.

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## Education versus Legislation?

With the deadline for the transposition of the EU directive rapidly approaching, there is debate about the value of legislation in encouraging age diversity within the workplace. In some countries like the Czech Republic, where legislative measures have been taken, the impact remains minimal in practice. The UK has gone to significant strides to evaluate the impact of educational campaigns. The Labour government introduced a Code of Practice on Age Diversity in 1999, setting out principles of non-age-biased employment practices. A year later, it found that although half of employers surveyed were aware of the code, only 9 per cent were using it. Engagement was particularly low among small and medium-sized firms. *Most employers still require a considerable amount of convincing before they begin to implement age-aware human resource management policies.* This points to the need for even greater efforts and novel approaches which engage a greater range of employers.

## The Way Forward

Within EU member states, delaying the end of working life is presenting governments, employers, and society in general with major challenges, not least changing people's expectations regarding early retirement.

Simplistic approaches are not the answer, as the singular failure of early retirement to deal with youth unemployment clearly testifies. Certainly, later retirement will benefit many older workers. Yet while some may be rewarded by greater access to employment, financially and in other ways, others may find themselves at risk of long-term unemployment or precarious employment if they lack the skills or health or opportunities to engage fully in the labour market. It is important, therefore, to recognise that encouraging the working of older populations brings risks. Exposing greater numbers of older workers to the labour market may create social problems if age barriers cannot be overcome at the same time. If the primary alternative to early retirement is long-term unemployment, then policymakers may simply be exchanging one set of social problems for another.

The ultimate aim must be to develop policies that encourage greater age diversity in our labour markets and enable people to exercise choice regarding continued working, retirement, or a mixture of both.

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## Afterword

*By Charlotte Muller, Ph.D.*

Philip Taylor uses demographic and labour force statistics to place in perspective the key problem in labour economics associated with the great social advance brought by longevity. His study of eight European countries that differ in many respects gives substance to the caution that policy responses and practice initiatives now promoted by the European Union (to delay age of eligibility for full retirement benefits and to reduce pension-related incentives to retire) must be adapted to each environment. Nevertheless, as he notes, the different economies share in the need to reduce age-related obstacles to employment so that aging workers who are now expected to depend on earnings for a longer period find job opportunities that make this possible. Otherwise, poverty and vulnerability to financial and health risks, on the individual side, and enlarged public assistance rolls along with loss of human capital and production, on the social side, are threats that lie ahead.

The shift in social attitudes and institutions required to generate a vibrant, purposeful, and well-prepared older labour force must operate both incrementally and conceptually. In the incremental area, established labour market practices and government pension provisions, tax policy, and other programs come under review. For example, firms in a position to experiment, and conscious of the implications of their treatment of older workers for the economy and the family support system, can serve social change by specific policy initiatives.

The larger firm is often in a better position to initiate human resource policies that will help older workers stay in the workforce—cross-training of middle-aged workers in different jobs, transfers to less demanding positions if appropriate, investment in training, and workplace adaptations. This suggests that one avenue of action is for government to fund and develop ideas and arrangements, perhaps in partnership with industrial groups, that could overcome limitations of smaller firms in this regard.

The parallel conceptual changes involved in the adaptation to population ageing are wide-ranging. Concepts of career development belonging to the last half of the twentieth century tended to be arc shaped—with a rise and a fall, based on long service with a particular firm and permanent exit from the labour force by 65 or earlier. But now the search for alternative

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possibilities for personal careers is on the agenda since work-life extension is seen more widely as a necessity in the demographic and financial context. The loosening of the tie of workers to a single employer places more weight on the worker's ability to satisfy diverse employers and/or function well in a range of occupations and industries. Changes in markets, corporate ownership, and technology emphasize the need for workers to have the capacity for independence. The loosening of the identity of "old" with "retired" suggests that a fixed progression across conventional dividing lines (age-appropriate roles) is not given by nature and varies between individuals.

While the last comments emphasize individual capacity and choice within the older work force, at the same time recognition of converging interests may stimulate partnerships among stakeholders. This is a form of risk pooling that makes larger efforts feasible and dissolves the inertia of those who neither have all the resources for, nor reap all the benefits of, active involvement in training, placement, and use of older workers.

The training of older workers is more frequently mentioned in policy discussions today than it used to be, but the details are less often addressed. These need particular attention because of the possible persistence of low expectations about older workers' capacity to learn, of teaching methods that need to be adapted to current skill requirements of many jobs, and of orientation of programs to full-time employment.

The division of life into conventional phases beyond childhood—completion of education, regular work, and retirement—is embodied in social institutions such as the educational system, the labour market, leisure industries, and retirement communities. With the discovery of lifelong learning as a valuable goal, changes in this pattern may be rewarding in diverse ways, including more opportunities for development of second or third careers. This, plus the prospect of "sabbaticals"—intervals of time out from work earlier in one's work life—could make less likely the anticipation of retirement as release from continuous work efforts under stressful conditions.

*Charlotte Muller, Ph.D., professor emerita of economics at the Graduate Center of the City University of New York, is director of research at the ILC-USA and senior investigator at the Alliance for Health & the Future.*

## Notes

1. The reader is referred to the work of the European Older People's Platform (AGE), available on <http://www.age-platform.org>, for recent analyses of the state of transposition of the EU directive in member states.
2. This issue brief is based on an analysis of the status of age discrimination and efforts to promote age equality in labour markets in eight European markets: the Czech Republic, France, Germany, Hungary, Italy, Poland, Spain, and the United Kingdom. The report for this work is available on the Alliance for Health & the Future website ([www.healthandfuture.org](http://www.healthandfuture.org)).
3. A more in-depth discussion of measures taken by each of the eight case countries is available in the research report. Moreover, AGE has done significant work in the area of legislation against age discrimination (visit <http://www.age-platform.org>). Therefore this issue brief does not go over this aspect of legislation in any great detail.
4. The Eurobarometer 2002 survey on discrimination, the European Working Conditions Survey, and the European Social Survey all asked respondents whether they felt they were subject to discrimination on the basis of age and other factors. In all these surveys, important country differences emerge. For example, in the European Social Survey, 14 per cent of respondents perceived themselves to be subject to some sort of discrimination (age, race, gender, etc), as compared to 2 per cent of respondents in Italy. These figures merit cautious interpretation, as the country differences may represent different cultural perceptions and levels of awareness of discrimination, as opposed to the actual prevalence of discrimination within these societies.

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### **The Alliance for Health & the Future**

was organized in 2003 to combine research, education, and policy efforts to promote good health and productivity throughout the life course. The Alliance operates as a division of the International Longevity Center-USA. Its aim is to advance knowledge and provide training, skills, and systems to help individuals and society realize a healthy future.

Alliance publications are available online at [www.healthandfuture.org](http://www.healthandfuture.org).

### **The International Longevity Center-USA (ILC-USA)**

is a not-for-profit, nonpartisan research, education, and policy organization whose mission is to help individuals and societies address longevity and population aging in positive and productive ways, and highlight older people's productivity and contributions to their families and society as a whole.

The organization is part of a multinational research and education consortium, which includes centers in the United States, Japan, Great Britain, France, the Dominican Republic, India, South Africa, and Argentina. These centers work both autonomously and collaboratively to study how greater life expectancy and increased proportions of older people impact nations around the world.

ILC issue briefs and other publications are available online at [www.ilcusa.org](http://www.ilcusa.org).

*ILC-USA is an affiliate of Mount Sinai School of Medicine.*

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