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## EXTENDING WORKING LIVES: THE CASE OF DENMARK

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### Abstract

Extending working lives has been a key item on the political agenda in Denmark for at least two decades now. This study details recent and prospective reforms to the voluntary early retirement scheme and the pension age, as well as current policy initiatives to keep older workers in employment. Other aspects central to a long working life, such as health, lifelong learning, age management practices in companies, and elderly workers' motivation are discussed in depth. Overall, Denmark is in a relatively good state when it comes to older workers' labour market participation and related job satisfaction. This impacts positively on the public finance challenge linked to population ageing which, given agreed reforms, should be manageable. Ongoing reform implementation is likely to substantially increase the employment of those aged 60 and over. Nevertheless, surveys point to age discrimination as a potential problem and people who fall into unemployment at a late stage of their careers still face challenges to reemployment.

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# Extending Working Lives: The Case of Denmark

Mikkel Barslund\*

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## 1. Introduction

Over the past two decades there has been a debate in Denmark about extending working lives. The issue has often been framed around the need for reform of the voluntary early retirement scheme, which has generally been considered as too generous, in particular for low-wage older workers, and therefore a threat to the sustainability of public finances.

The scheme was enacted to help primarily low-wage and often low-skilled workers who had had a long and physically demanding career at the age of 60. Depending on the business cycle, the argument that the voluntary early retirement scheme leads to a lack of future labour supply has been made more or less forcefully. With the latest reforms of the voluntary early retirement scheme the projection is that it will become increasingly irrelevant over the next 30 years. These reforms include the indexation of the age of eligibility to changes in life expectancy. The same is the case for the public old age pension, which ensures that the economic incentives to prolong working life are in place. There is a build-up of large labour market pension accounts for the majority of workers; how this will interact with retirement decisions remains to be seen.

While the issue of economic incentives to retire early has mostly occupied public discourse, there have also been several initiatives coming from employers and employee organisations, and public bodies, aimed at raising awareness of age management practices, and the rules and benefits related to a longer working career.

This report looks at the situation in Denmark concerning the main ingredients in successfully extending the working life of all able individuals, namely the pension and retirement system, the general health status of older workers, lifelong learning issues, age management in companies and what conditions are likely to keep older workers longer in the job.<sup>1</sup>

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<sup>1</sup> A flexible approach is taken to the definition of older workers. Generally, but not always, 'older workers' refers to the population of workers aged 50+.

## 2. Retirement and pension systems

### 2.1 Retirement schemes and recent reforms to extend working lives

Since the late 1970s Denmark has had two main retirement pathways (in addition to a disability retirement scheme open to all age groups with disabilities);<sup>2</sup> a voluntary early retirement scheme ('Efterløn' in Danish) available from the age of 60 and the public pensionable retirement age of 65 (the official retirement age was lowered from 67 to 65 by law in 1999; taking effect from 2004).<sup>3</sup> As in many other countries (though not all), the effective average retirement age lies well below the official retirement age (OECD, 2011).

For the last 20 years the most important pathway to retirement has been the early retirement scheme (see below) for all employment groups except for those with a tertiary education. Before 1999 the requirements for entering the early retirement scheme were low and the rather low amount of co-financing was part of the public unemployment insurance scheme. In principle, eligibility depended on reaching age 60 and having contributed to the public unemployment insurance scheme for 20 out of 25 previous years (thus no formal working requirement). There was a limited financial incentive for postponing early retirement until turning 63 years old.

There have been several reforms of the early retirement scheme, most recently in 1999, 2006 (the 'welfare reform') and 2011 in order to limit eligibility and/or incentivise people to stay longer in the labour market.<sup>4</sup>

The 1999 reform lowered the payment in the first period from 60 to 62 years old and deducted private (voluntary and obligatory labour market) pension savings (accrued entitlements even if not paid out) from the voluntary early retirement amount paid out (even if the pension savings were not paid out from age 60 to 62). Postponing retirement to the age of 62 meant a higher early retirement payout and no deduction of private pension savings if it was not paid out in the period between ages 62 to 65. At the same time a tax-free subsidy was earned for each quarter worked beyond the age of 62. This changed the incentive structure for most individuals turning 60, and the gains from working beyond that age increased substantially.

The 2006 'welfare reform' (Velfærdsreformen) and its subsequent modification in 2011 saw the official retirement age increase from 65 to 67 during the period 2019-2022. As from 2014 the early retirement age is increasing gradually from 60 to 62 over a four-year period until 2017. From 2018 to 2023 the number of years early retirement benefit can be claimed will decrease from 5 to 3 years, such that the earliest age at which it is possible to retire and receive government support is 64 (with the general retirement age being 67). Going forward, both the retirement age and the earliest age of entry into early retirement will be indexed to life expectancy. Further means testing has also been built into the voluntary early retirement scheme, making it a less attractive option the more an individual builds up labour market and/or voluntary private pension savings.

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<sup>2</sup> The disability early retirement scheme is open to individuals with a significant decrease in workability that limits the ability to find unemployment in the future. Although there can be some substitutions among pathways to retirement (Jensen and Hjelddgaard, 2002), the pathways into the disability early retirement scheme are distinct from those into the early retirement scheme and is not considered further here (Christensen and Kallestrup-Lamp, 2012).

<sup>3</sup> There have been various other paths to early retirement not described here. For a history of the Danish pension system see Andersen (2008), Green-Pedersen (2003).

<sup>4</sup> See OECD (2012b), DØRS (2013) and DA (2012).

The 2011 reform also limited access to unemployment benefit to two years for all age groups, thus abolishing the previous right to prolonged unemployment benefit for the age group over 55 and closing one path to early retirement.

The 2011 reforms have considerably diminished the importance of the voluntary early retirement scheme for future cohorts. Projections and current enrolments into the scheme suggest that the individual use of the voluntary early retirement scheme will be negligible from around 2040. The reforms also imply that projections considering the likely demographic development and concomitant public expenditures now show that from a public finance sustainability point of view the economic incentives are in place to extend working lives sufficiently to sustain the current Danish welfare system in the long run.

## 2.2 The pension system

The Danish three-pillar pension system interacts in complex ways with the individual retirement decision. The first pillar consists of public pensions – old age pension from the age of 65 (subsequently 67 and rising in line with life expectancy) and the voluntary early retirement scheme described above. Both are means tested with respect to other income, including pension income from labour market and private pension savings. Since 2004 old age pension has been deferrable (conditional on a minimum number of hours worked per year) with the deferred amount fully compensated (given average expected lifetime) in the remaining period of retirement.

The second pillar is the Danish labour market pension system, which now covers the vast majority of employees. Pension contributions are mandatory if the workplace is covered by a collective agreement between an employee and employer's organisation. Contribution rates vary but are substantial and most often of the order of more than 10% of gross earnings (Arnberg and Barslund, 2012). Mandatory labour market pension schemes are either pension by instalments or annuity pension schemes. For most employment groups the labour market pension system dates back to the early 1990s where it was rolled out with much smaller contribution rates. This means that for those who only started to pay into a labour market pension scheme late on in their career, or who had long periods of absence from the labour market, the effective tax rate on further pension savings can be very high due to the means testing of first-pillar schemes (DØRS, 2008 and 2013). This lowers the economic incentive to work beyond a given age.

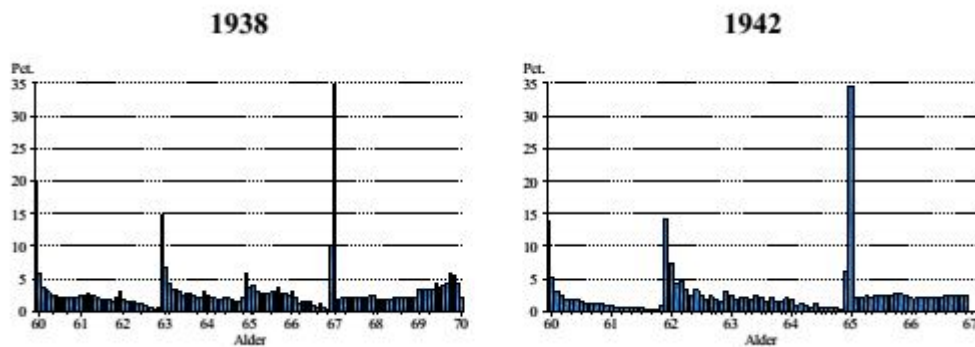
The third pillar is the voluntary private pension savings system. As with labour market pension schemes these are tax-deductible and with deferred taxation. Investment returns are also taxed favourably relative to other returns to savings. For most future pensioners labour market pensions will be their main income during retirement with first-pillar public pensions also playing a prominent role.

## 2.3 Economic incentives and retirement decisions

The 1999 reform of the voluntary early retirement scheme is a good illustration of the effect of economic incentives on the retirement decision. Prior to 1999 economic incentives to retire changed abruptly at the ages of 60, 63 and 67 years. At 60 years old eligibility for early retirement would set in, at 63 the higher rate of early retirement kicks in with eligibility for old age pension beginning at 67 years of age. After 1999, 60 continued to be the age of voluntary early retirement eligibility, but the other abrupt changes in incentives came at ages 62 and 65 (after the reduction of old age pension eligibility age).

The changes were reported and discussed extensively in the media (in part due to the political process surrounding the changes). It is reasonable to assume that most people with a personal interest in the subject were aware of the changes. DØRS (2013) documents how entry into the early retirement scheme changed for the two cohorts born in 1938 (not affected by the change) and in 1942 (affected by the change) (see Figure 1).

Figure 1. Entry into voluntary early and old age retirement schemes for cohorts born in 1938 and 1942 (percentage of cohort)



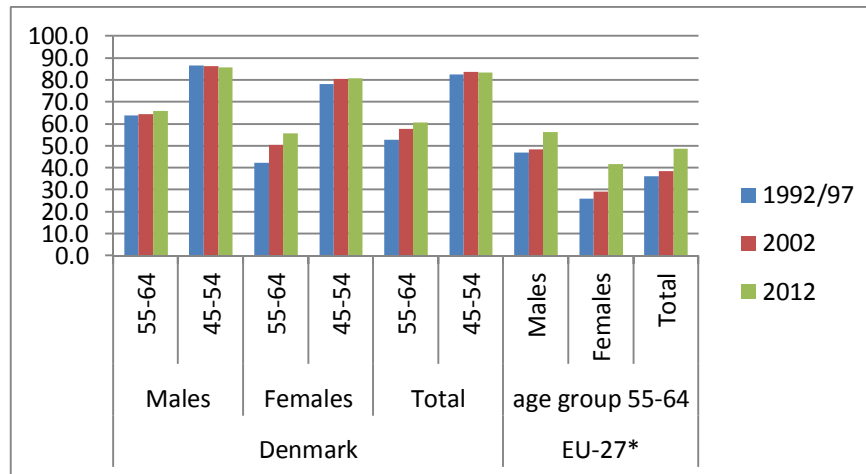
Source: DØRS (2013).

If economic incentives are to promote the largest behavioural response it is important that the level of information given is high and that the rules are sufficiently clear for most individuals to be able to clearly identify what is the most attractive option for them. An example in the Danish context, for which it is far from clear that these two conditions are met, is that of deferred pension. Deferred pension from the age of 65 was made possible in 2004 but with little – or at least not prolonged – media attention. At the same time the rule on deferred pension interacts with a number of other rules on how much pensioners can work before income is deducted, and is ultimately most beneficial if one believes that he or she will live longer than the average lifetime conditional on age. Consequently, very few people have knowledge about this option and relatively few have taken it up (Forsikring&Pension, 2010; Larsen et al., 2011, see also Figure 6 below).

### 3. Older workers and the labour market

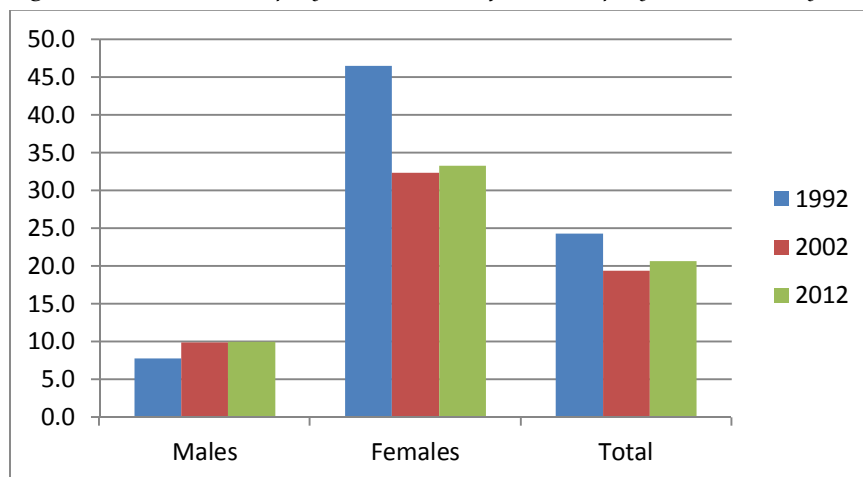
The Danish labour market as a whole held up relatively well during the crisis since 2008. This is also the case for the situation of older workers in the labour force. On a European scale the employment rate of those aged 55-64 is well above the average (Figure 2) and most of this is full-time employment (Figure 3), although part-time work is common for women.

Figure 2. Employment rate of older workers in Denmark (55-64 years old)



Source: Eurostat, own calculations.

Figure 3. Part-time employment as a % of total employment (55-64 years old)



Source: Eurostat, own calculations.

As indicated above, the group of 55-64 year olds is very heterogeneous with respect to retirement options. Voluntary early retirement is available from the age of 60 (prior to 2014, cf. above) and this is evident if the age group is split in two (Table 1). There is a marked drop off in the employment rate for the 60-64 year olds compared with those five years younger. This is particularly evident for women; proof of the fact that women are much more likely to sign up to the voluntary early retirement scheme.

Table 1. Employment rates by age and gender (%), 2010

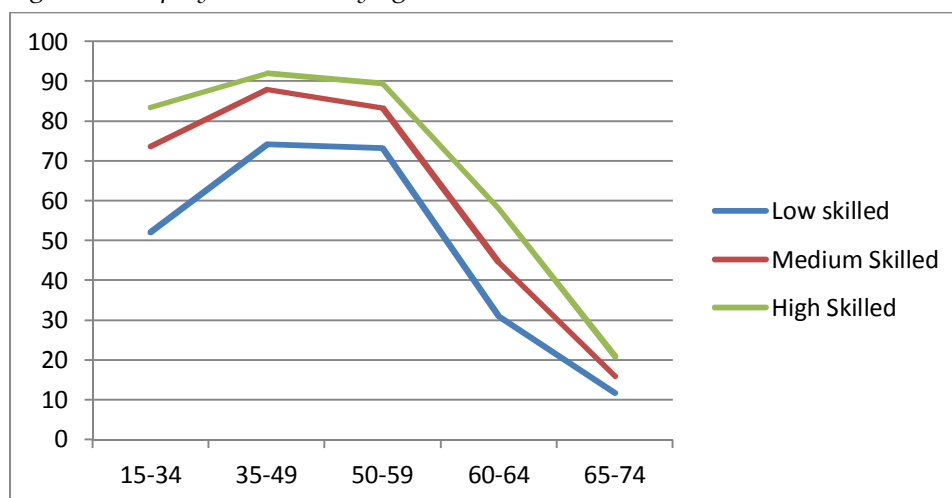
Age group	Males	Females	Total
15-34	62.5	65.2	63.7
35-49	89.2	84.8	86.8
50-59	83.2	82.2	82.7
60-64	52.1	37.8	44.9
65-74	21.9	9.8	15.8

Source: European Labour Force Statistics, 2010. Own calculations.



The take-up of early voluntary retirement also differs among educational levels. Whereas 60% of highly skilled individuals are working in the age bracket 60-64 years, this is only the case for 30% of the low-skilled, with medium-skilled in between (Figure 4).

Figure 4. Employment rates by age and education, 2010



Source: European Labour Force Statistics, 2010. Own calculations.

### 3.1 Unemployment

The unemployment rate for women aged 55 and over was below the country average in 2012 and not much different from the 40 to 50 years old age group. For men the picture was slightly gloomier with the 55 to 59 year olds having an unemployment rate somewhat above both the national average and the one for 40 to 50 year olds (Table 2).

Table 2. Unemployment rate by age (selected years)

Men		Age Groups				
	Total	40-44	45-49	50-54	55-59	60+
2012	6.1	5.3	5.6	5.9	6.9	5.3
2007	2.9	2.7	2.7	2.6	4	3.6
1996	6.6	5.9	5.7	5.5	8	10.6
Women		Age Groups				
	Total	40-44	45-49	50-54	55-59	60+
2012	6.1	5.8	5.3	4.9	5.8	4.4
2007	4.4	4.2	3.4	3.1	5.4	5.2
1996	9.2	7.2	7.2	7.7	11.6	17.3

Note: For 1996 the figures refer to the 4<sup>th</sup> quarter.

Source: Statistics Denmark, Statistikbanken.

This was not always the case. In the 1990s the unemployment rate for older workers was higher than the average rate for the country. This was particularly the situation for women over 60 years old.

Table 3 shows the breakdown of labour market participation for different educational categories for 2010. Again, the marked break in labour market participation at the age of 60 is evident for all educational groups. Part-time work also becomes more common with age for all three educational categories.



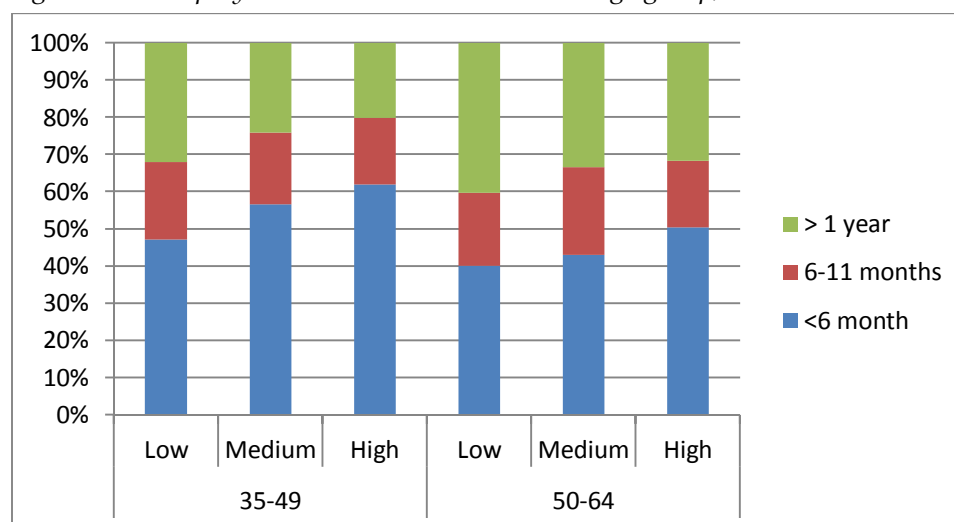
Table 3. Labour market status by age and education

	Age and Education								
	50-59			60-64			65-74		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
<b>Unemployed</b>	7.2	6.8	3.8	1.4	1.7	1.4	0.1	0.1	2.0
<b>Employed</b>	73.2	83.4	89.5	31.1	44.5	58.0	11.8	16.0	21.0
Full-Time	66.9	70.2	72.2	58.0	61.2	62.2	30.4	27.3	29.6
Part-Time	23.3	18	17.6	25.4	24.5	25.5	38.2	44.1	37.7
Family Worker	0.6	0.3	0.2	0.9	0.3	0.2	2.8	1.8	0.5
Self-employed	9.1	11.5	10	15.7	13.8	12.1	27.8	26.9	32.3
<b>Inactive</b>	19.5	9.8	6.6	67.5	53.8	40.6	88.1	83.9	79.0
<b>Total</b>	100	100	100	100	100	100	100	100	100

Source: European Labour Force Statistics, 2010. Own calculations.

Long-term unemployment – defined as having been unemployed for more than a year – is somewhat higher for older workers at all skill levels. The actual extent to which this is the case is likely to be blurred by the data because long-term unemployed workers aged 60 and over, having exhausted their unemployment benefit (unemployed for more than four years in 2010), are likely to take up voluntary early retirement.<sup>5</sup>

Figure 5. Unemployment duration education and age group, 2010



Source: European Labour Force Statistics, 2010. Own calculations.

### 3.2 Working Conditions

Older workers – conditional on being in employment – are equally or more satisfied with their working conditions and conditions related to their work place in general than their younger colleagues (Table 4, Panel A).

<sup>5</sup> Unemployment insurance (available for four years until 2011 and currently for two years) is, in most circumstances, higher than the amount paid out.

Table 4. Satisfaction with working conditions for different age groups, 2010

Panel A				
Share of workers responding “very satisfied” or “satisfied”.	Age groups			
	2010, pct.	Under 30	30-49	50+
General satisfaction with working conditions	92	96	96	96
Well paid	65	65	59	59
Have good friends at work	77	80	84	84
Do useful work	86	97	97	97
Motivated to perform well	92	96	96	96
Average	79	84	84	83

Panel B – “How well do your working hours fit in with family or social commitments outside work”?				
Share of workers responding “very well”.	Age groups			
	Age, pct.	2000	2005	2010
<b>Under 30 years</b>		56.7	55.6	53.6
<b>30-49 years</b>		63.9	53.0	54.1
<b>50+ years</b>		76.8	68.4	67.4

Source: DA (2012) and European Working conditions survey (2010).

In relation to work-family balance in working life, older workers (50+) are more satisfied than their younger peers (Table 4, Panel B). The share of workers affirming that work and family life fit very well has been decreasing since 2000 for all age groups. The share of employers managing the work-life balance very well is also high in a European comparison. For EU27 the respective numbers for 2010 are 31, 28 and 33 for individuals aged under 30, 30-49 and 50+ respectively.

An important aspect representing possible room for improvement in Denmark is that of age discrimination. The OECD (2005) reported age discrimination in Denmark in the year 2000 to be the lowest among the European members. Very few 50+ year olds reported being discriminated against due to age. However, a Eurobarometer survey in 2012 found that 26% had either witnessed discrimination (23%) or had been discriminated against (6%) in the workplace due to age (Eurobarometer, 2012).<sup>6</sup> This is significantly higher than the European average of 20% and places Denmark far down the ranking of European countries. Reinforcing this problematic situation, a study by the National Research Centre for the Working Environment, building on survey data from 2011, documented that age discrimination is related to earlier retirement, at least for men (Thorsen et al., 2012). There is some conflicting evidence coming from other survey material. A survey in 2007 (Ugebrevet A4, 2007) asked public sector employees over the age of 50 a number of questions related to age and work environment. It showed that one-in-ten employees felt their age was a problem for them in relation to their work situation.

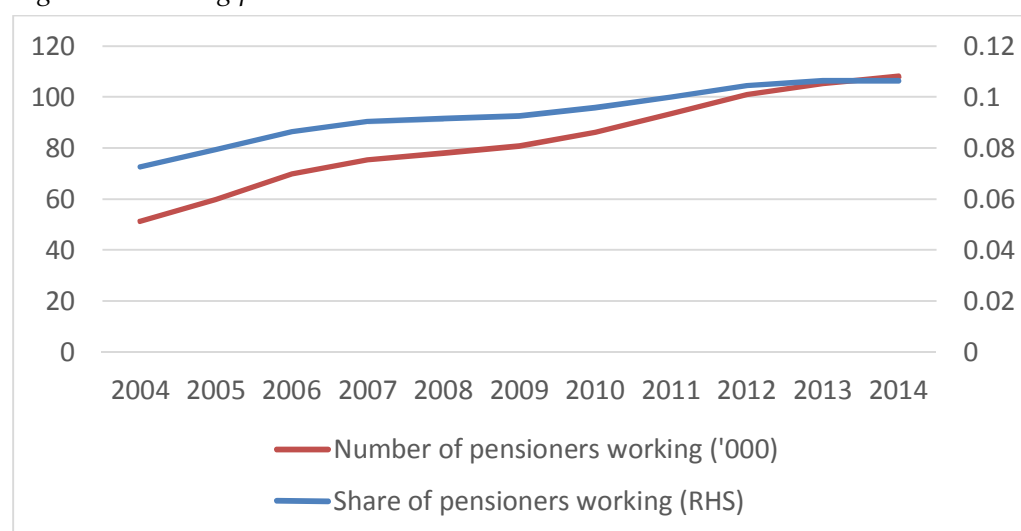
<sup>6</sup> The question asked made clear that the respondent should only consider age discrimination when it related to individuals being perceived as too old.

It is likely that variations in wording and questionnaire design, together with differences in populations surveyed, explain most of the variation in the results, but given the low ranking in the Eurobarometer's cross-national comparative survey, there seems to be scope for improvement in the area of age discrimination in the workplace. It is important, however, to keep in mind that this somewhat contradicts the positive evaluations of the workplace that emerge from the European Working Conditions survey.

### 3.3 Working after retirement

There has been an increase in both the numbers and the share of pensioners working after retirement (Figure 6), but the increase is relatively modest. This is particularly the case if the numbers are adjusted for the increase in educational attainment among the cohort of recent pensioners in this period. Better-educated seniors are more likely to work after retirement.

Figure 6. Working pensioners



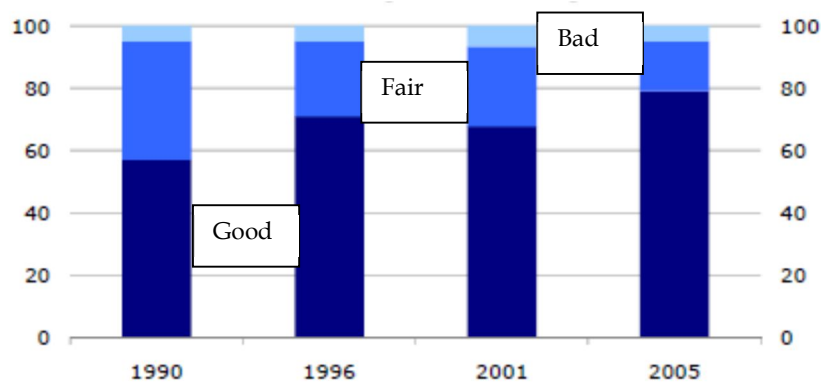
Source: Administrative data, Statistics Denmark.

## 4. Health and the dimension of employability

An important issue is the general health status of older people over the age of 55. Health status is one of the most important barriers to extending the working lives of older individuals. It is also one of the barriers that are most difficult to overcome in the short term.

The health of early retirees (those enrolled in the voluntary early retiree programme) has increased steadily in the last 20 years (Figure 7).

Figure 7. Health of early retirees



Note: Before 1999 early retirees were aged 60-67 years and thereafter 60-65 years (due to the reform of the early and regular retirement systems in 1999), cf. description above.

Source: DA (2012).

In 2005, more than 90% of early retirees reported “good” or “acceptable” health status. In 2010, of the people in the age groups of 55-64 and 65-74, around 80% of respondents reported being in good health; slightly higher for women (Sundhedsstyrelsen, 2011). Early retirees (age group 60-65) reported good or excellent health almost as often as employed individuals of all age groups (87% versus 92%). Unemployed people and those receiving disability pensions report lower levels of self-assessed health, as would be expected. The fact that there seems to be very little, if any, difference in health between people aged 60-65 years old in early retirement and employed people in the same age bracket has been corroborated by analysis of individual medical expenses and use of public health services (Velfærdskommissionen, 2006; Arbejdsmarkedskommissionen, 2009).

However, as pointed out in Friis (2011), the finding that people in the voluntary early retirement programme have on average the same health status as people of a similar age in employment is not necessarily a sign that early retirees would not be constrained by their health if they were employed or seeking employment. For some people, early retirement may be the *cause* of good health. If a person’s health is suffering from heavy physical work, it is likely that he or she will report better health after entering early retirement. On the other hand, it is not inconceivable that some people experience worse self-reported health when leaving the labour market due to loss of self-esteem, contact with colleagues and a network. There is some international empirical evidence that cognitive abilities show a marked drop subsequent to retirement (Bonsang et al., 2012, on data from the US) but the opposite has also been found to be the case (Bingley and Martinello, 2011, on European data).

Studying the probability of death as an exact indicator for health status, Friis (2011) finds that early retirees have a subsequent higher probability of dying than people in employment. At 75, this results in a difference in survival of five percentage points. She argues that the causality runs from being in poor health prior to entering early retirement, but since the probability of dying after the age of 60 has many complex and interacting causes that are difficult to control for, clear causal effects are difficult to maintain. The main drawback in terms of informing current policy is that due to the design of the study, cohorts must be followed over a long time period. Thus, the study is based on the Danish cohort turning 60 in 1990; however, as noted above, self-reported health has increased markedly since 1990.

A more recent survey by the Danish National Centre for Social Research shows that one out of six early retirees leave the labour market only because of poor health (Larsen et al., 2011). This fraction varies with the business cycle, showing a lower percentage leaving the labour

market due to bad health only when labour demand is high. This shows that self-reported health interacts with other factors when individual retirement decisions are taken.

Using the SHARE panel data for Denmark Gerke & Lauridsen (2013) find a small negative effect of measured grip strength on the probability of early retirement. If grip strength is correlated with health (or at least physical health) this indicates that poor health has an effect on the decision to retire early.<sup>7</sup>

The most telling indicator that poor health and (early) retirement are not two sides of the same coin is the fact that around one-third of individuals aged 60 to 70 years partially regret their decision and would like to regain at least some link to the labour market. This suggests that health is not a fundamental barrier to extending working life for many individuals. Of course, policies aimed at extending working life should also cater for individuals who are unable to work for health reasons early on in life.

It is important to keep in mind that health status is not a zero/one indicator with respect to the retirement decision. Health status interacts with other factors related to the workplace and the working environment when the decision on retirement is to be taken.

## 5. Lifelong learning<sup>8</sup>

As in most other EU countries there is a persistent correlation between education level and age of retirement in Denmark. The current association between education and retirement is evident when looking at retirement patterns for the cohort born in 1942 (Figure 8; DØRS, 2013). Around 30% of non-skilled males retire when they reach the age of 62. By contrast, less than 10% of tertiary educated males have retired at this age. The contrast is even starker when looking at unskilled females compared with tertiary educated females. Whereas for the former more than 50% of the cohort has retired by the age of 62, this is only the case for a little more than 10% with a tertiary education.

There are several potential explanations for this. Individuals planning to retire early – or have a greater preference for time spent on non-work (non-formal work) activities – may pursue less education. People with lower education might be more prone to being ‘worn out’ as a consequence of their occupation and are therefore more likely to retire. Low education might be associated with less ability to learn new techniques and/or upgrade skills leading to difficulties in maintaining employment over time.

Some of these explanations are supportive of policies that seek to increase lifelong learning at later stages of working life as a means to extending working lives.

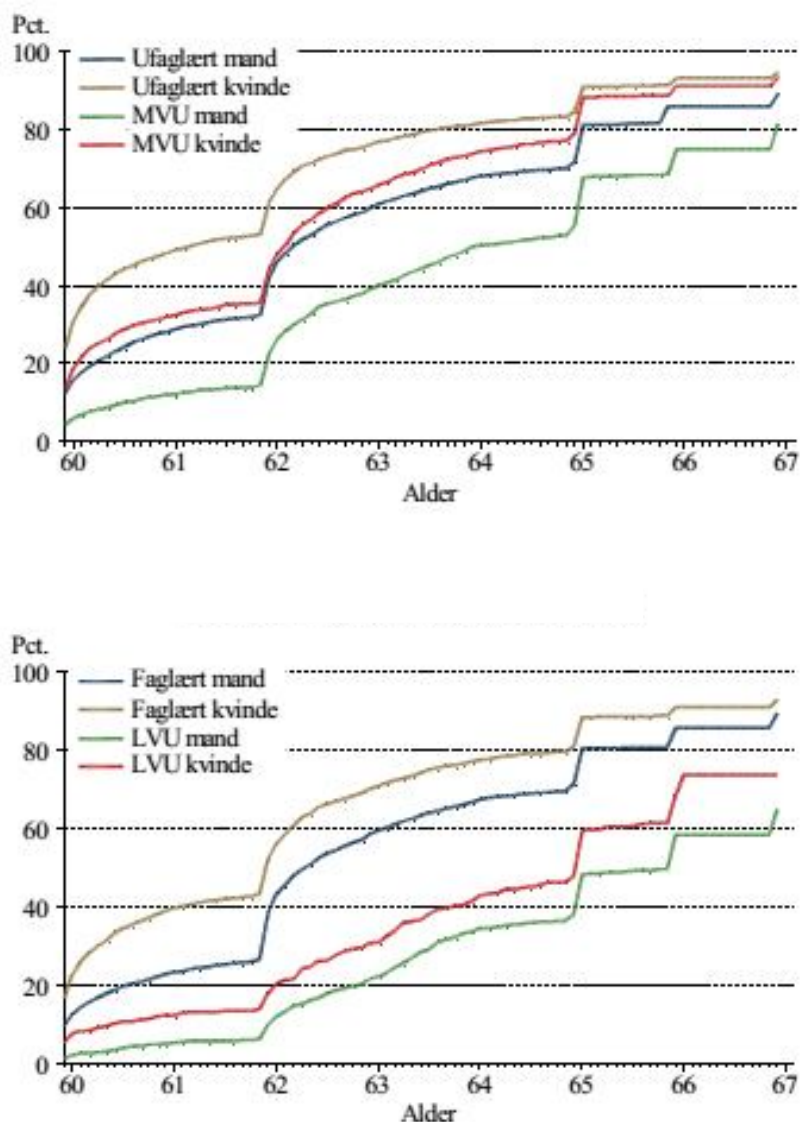
The Danish system for adult training and education spans the range from basic skills normally acquired in lower secondary school or earlier to masters’ level education. The amount of co-financing and the entry requirements vary with the level and nature of the training.

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<sup>7</sup> This line of argument is not pursued in their paper.

<sup>8</sup> Figures and tables in this section build to a large extent on Møberg (2011).

Figure 8. Retirement age by education level and gender, 1942 cohort



Note: The two figures show percentage retirement uptake dependent on age for different educational groups. Top figure: The four lines from top to bottom represent, respectively; low-skilled women, women with bachelor-equivalent degrees, low-skilled men, men with bachelor-equivalent degrees.

Bottom figure: The four lines from top to bottom represent, respectively, women – skilled worker, men – skilled worker, women with master-equivalent degrees and men with master-equivalent degrees.

Source: DØRS (2013).

In an international comparison Denmark has a high level of further education after the completion of the first degree (OECD, 2012; Cedefop, 2006). It is important to note that this is embedded in Figure 7, above. Adult education and training also takes place in all stages of the working life (Table 5).

Even though participation in adult education and training decreases for 55-59 year olds compared to 50-54 year olds, the decrease is not dramatic. The lower number for people aged 60+ is influenced by retirement decisions (i.e. there are fewer people aged 60+ to take adult education and training courses). If further adult education is not purely for consumption, human capital theory also predicts a drop in participation towards the end of working life (Becker, 1962). The drop can also be explained by simultaneous expectations of employer and employees, if, say, employees expect that employers are unwilling to invest in their skills after



a certain age, they might pursue adult education and training less intensively (Fouarge & Schils, 2009). Discrimination against older workers at the firm level may also play a role.

Table 5. Participation in adult education and training, 2009

Age Group	Pct.
30-34	40
35-39	42
40-44	44
45-49	45
50-54	42
55-59	34
60+	19

Source: Møberg (2011).

Early retirees (available from the age of 60, cf. above) are less likely to have received training in the five years *prior* to their retirement than working individuals of same age in the previous five years (Table 6).

Table 6. Participation in adult education and training in the 5 years prior to retirement, 2009

	Age Group	Pct.
Have participated	45	61
Have not participated	54	39
Do not know	1	1
Sample size	1,545	366

Source: Møberg (2011).

The important message from Table 6 is that a substantial share (45%) received adult education and training in the five years prior to their retirement. This is less than their working peers; however, addressing causality – in terms of the effect on the retirement decision of adult education – is difficult. One way to assess the potential of adult education and training/life-long learning as a strategy to extending working lives is to ask retirees if an increase in training opportunities would have changed their decision.<sup>9</sup>

Møberg (2011) reports that only 7% of early retirees report having actively sought adult education and training but have not been offered it. Of this ratio, 33% say that they would have stayed longer in employment had they had increased access to adult training and education. This gives a potential 5% from this group of retirees (of the early retirees) who would have postponed retirement. Some individuals who had access to training might have wanted more. Including this group gives a potential of 12% of all early retirees who respond that they would have stayed longer in employment had they had better access to adult education and training.

Kristensen (2012) also points to the rather minimal effects of adult training and education in Denmark – at least for government co-sponsored formal learning. Building on matched employer-employee data over 30 years he concludes that “...the results also show that formal

<sup>9</sup> Of course, retrospective questions carry well-known risks in terms of recall and response biases.



lifelong learning appears to have only a marginal impact (if any) in postponing retirement.” His estimates point to retirement being postponed on average one month for each full year of formal adult education.

In a survey conducted in 2012 the Danish Chamber of Commerce asked the views of around 1,000 Danes aged 58 to 70 years on six options, which could have affected their decision to retire – or for those working – if it potentially affects when they retire (Dansk Erhverv, 2012). Better adult education was the option that was the least identified as having a potential impact (27% of respondent answered affirmatively). The other options were: reduced working time (42%); being encouraged to stay in the job as long as possible (39%); the possibility of being assigned as a mentor for younger colleagues (30%); change of job function (29%); and special events for older workers within the firm (33%).

There does seem to be a group, however, which is in need of training and for which the current system of adult training and education might not be well-prepared. This group mostly consists of low-skilled males with a career in physically very challenging occupations, mostly in industry (Hansen, 2011; Mploy, 2011; Diccus, 2013). This is combined with different ingredients such as low self-esteem, difficulties in marketing their skills and workability value. There may also be some resistance to further formal education, both due to the size of the initial monetary investment and a general perception of being too old for further education, as well as negative prior experience with the formal education system.

## 6. Age management in companies

The concept of age management in companies can be defined as practices, corporate policies and measures that break down the barriers for employees to work longer or practices that promote age diversity in the workplace (Walker, 1999). The issue of good age management or how to manage an ageing workforce has been on the agenda in Denmark since the late 1980s (from a firm perspective) when the Organisation of Danish Employers launched campaigns to encourage employers to focus on age management (Jensen & Møberg, 2012). Several awareness activities were also carried out by the Ministry of Employment in the 1990s aimed at encouraging employers to hold on to their senior workers. Maybe as a result of this, three out of four Danish companies think that an ageing workforce is a cause for concern in the future (Jensen & Møberg, 2012). However, only 47% of firms say that the ageing labour force plays “some” or a “high” role in the company’s human resource management, whereas 53% say it does not play any role or only a small role (Jensen & Møberg, 2012).<sup>10</sup>

Jensen & Møberg also attempt to identify how many firms have an *active* age management policy. They do this by asking human resource personnel how often within the last two years they have asked older employees to delay retirement (Table 7). The question was only asked to companies with older workers.

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<sup>10</sup> Survey conducted as part of the FP7 project ASPA reported in (Jensen & Møberg, 2012).

Table 7. Share of Danish companies with an active age management policy (%), 2009

Never	71.5
Occasionally	25.9
Often	2.7
<i>Question:</i> "In the last two years, how often did you ask older workers to delay their date of retirement by one or more years?" N = 548.	

Source: Jensen & Møberg (2012).

Around 29% of firms had actively conducted age management – defined as asking older employees to delay their retirement. The survey is interesting, even if the definition is narrow, because it was conducted in mid-2009, and hence the question relates to the period from mid-2007 to 2009. While 2009 and the second-half of 2008 are likely to be periods where many firms were happy to let staff go, the second-half of 2007 had historically low unemployment levels, with many firms having problems recruiting. However, it is still difficult to assess the magnitude of the findings, since one age management policy would be to intensively train and upgrade people until retirement and not interfere with that decision. In this survey the firm would then be deemed as having an inactive age management policy. It is also interesting because surveys have shown that being directly encouraged to stay longer in the job is a powerful motivator for doing so (Aeldresagen, 2010).

It would be interesting to see a survey correlating the response to a question along the lines above with some measure of the difficulties the firm is having recruiting for open positions. This might enable one to sort firms more precisely (i.e. active age management if easy to recruit but still encourage older workers to stay in the job) according to how active their age management policy is, but since age management can take many forms it may still be difficult to operationalise.

Jensen & Møberg also investigated which policy levers are used by Danish companies in their age management (Table 8). The most used age management policies are reduction of working time, decreasing workload, extra time off, ergonomic measures, continuous career development and flexible working hours. A number of studies on age management predating Jensen and Møberg with some years show similar findings.<sup>11</sup>

Larsen (2006), based on a survey of Danish employers, observes that half of the employers say that they do something actively to keep workers over 60 on the job, with a quarter saying that they do a lot. Twenty percent have a written age management policy. Public employers are more likely to focus on the issue, whereas small private companies have much less focus on age management. Flexible working time and continuous career development and training are the most used instruments with less demanding tasks also being important. Larsen reports that more than half of employers think that the policies have helped to a large or at least to some extent to retain workers. These numbers are corroborated by Ellerbaek et al. (2012). Based on survey data they report that 61% of workers above the age of 50 say that their employer wishes to retain workers over the age of 60. However, only 43% reports that their employer actually does something to retain older workers. Regarding the division among public and private companies the perception is that private companies do the most to retain

<sup>11</sup> See Rasmussen (2006) for a concise description of some of these studies.

older workers. This is in contrast to the finding of Larsen et al. (2006), where they asked employers the same question.

Table 8. Instruments applied by Danish companies in their age management policy, 2009

	Already used (%)	Will be considered (%)
Part-time retirement	8.8	23.6
Reduction of working time before retirement	33.8	29.2
Training plans for older workers	7.2	16.8
Early retirement schemes	6.1	21.4
Possibilities of extra leave for older workers	25.9	30.0
Decreasing the workload for older workers	23.9	31.9
Reduction in task and salary (demotion)	9.4	21.1
Ergonomic measures	28.2	18.5
An age limit for irregular work/shift work	5.7	8.4
Promoting internal job mobility	19.7	19.5
Continuous career development	27.2	21.2
Flexible working hours	52.5	21.4

**Question:** "Which of the following measures regarding older workers are currently applied in your establishment? If not, do you expect it to be considered in the near future?" N = 571.

Source: Jensen & Møberg (2012).

A study conducted in 2004 by DIEU (a private provider of adult training and education) showed that around 50% of Danish firms did not have a specific policy for age management that could help to retain older workers in the firm (Poulsen et al., 2006; DIEU, 2005). Another study (reported in Rasmussen, 2006) puts the share of firms with a written policy that is actively communicated to one-third. There is thus some indication that the share of firms with age management policies has stayed consistently at around 50% since the early 2000s, although Larsen (2006) finds that only one in five has a written age-management policy. It is difficult to draw bold conclusions from these surveys since some companies may have excellent life-course policies catering to all age groups without a specific focus on older workers (thus avoiding potential stigmatisation). However, the general perception seems to be that for the moment the issue of age management policies is not a top priority in companies, and that it was easier to draw management's attention to the issue before the crisis, when the labour market outlook was much less positive from an employer perspective.

Another measure of companies' views on older workers is to ask their attitudes towards hiring older workers.<sup>12</sup> Larsen (2006) reports results of this survey and found that less than 15% of managers have a negative attitude towards hiring older workers.

Best practices or examples of good age-management policies have been prepared by the Danish Confederation of Trade Unions, LO (2004). On the basis of this report Rasmussen (2004) sums up the following five characteristics of a modern and future-oriented age management policy:

- Active and focused on continuous development rather than problem orientated. They focus on the carrot not the stick, and lay the foundations for older workers to continue their careers.

<sup>12</sup> One may assert that it is difficult to get a straightforward answer to such a question.

- Integrated in the general HR policy. Life-course oriented, thus not setting in only when turning, say, 55 years old.
- Stimulates career paths other than the traditional vertical promotional track.
- Do not pigeonhole older workers but acknowledge diversity.
- Break with negative rhetoric.

More recently, ASPA (2010) has investigated age management practices in 10 Danish companies with comparative results reported in Frerichs (2011). In comparison with seven other countries (France, Germany, Italy, the Netherlands, Poland, Sweden and the UK) age management practices and policies in Denmark are more likely to cover health promotion and focus on workplace design and trade unions are likely to have been involved in formulating the policy. There is also a greater tendency for elements of continuous career development and reduction in working time to play a role, with possibilities for extra leave and decreasing the workload (and the salary).

In order to spread good practices of age management and assist companies in getting started with age management, the Danish Agency for Labour Retention and International Recruitment under the Ministry of Employment has been running a website with information on age management practices ([seniorpraksis.dk](http://seniorpraksis.dk)), and has awarded a prize to firms with the most innovative/best practice age management policies. There does not seem to be a publicly available evaluation of this initiative.

## 6.1 Perceived skills of older workers

There are a number of Danish studies on the kind of skills and competences managers see in older workers and how they rank relative to perceived competencies of younger workers. The overall conclusion is that the differences in perceived skill sets are not so big across age groups, except for a couple of skill categories (Rasmussen, 2006). Older workers are perceived to be more loyal, reliable, responsible and stress resistant, while also being less creative and change resistant. The Danish Chamber of Commerce found in 2012 that older workers are perceived to be less interested in training and learning and less eager to learn new technologies (DA, 2012). Jensen and Møberg (2012) observed roughly the same in their survey of firms.

A lack of interest in training and learning does not necessarily have anything to do with age per se, even if it is correlated with age (Rasmussen, 2006). He points out that work disengagement is likely to set in if an individual has been in the same position too long and there is no development of content and/or skills. Since older workers are more likely to have been in the same job for longer, this effect will show up as older workers appearing less likely to want skills development and be less flexible etc. Rasmussen (2006) suggests that more research is needed to identify age-related skills and to quantify their total contribution to value creation in companies.

## 7. Entrepreneurship

The issue of the senior entrepreneur is not pertinent in the Danish discourse, and the share of older individuals having income from own businesses has fallen slightly over the last 20 years (Larsen and Pedersen, 2012). One could argue that there is a potential since Denmark has a relatively low ratio of older to prime-age people involved in start-up activities (OECD/Commission, 2012).

## 8. Policy initiatives to extending working lives

In Denmark, policy efforts to increase the workforce by, among other things, extending working lives are coordinated in the Agency for Labour Market and Recruitment under the Ministry of Employment. The agency runs a website ([www.seniorpraksis.dk](http://www.seniorpraksis.dk)) with advice for companies and seniors on how best to approach the issue of age management in practice and un-retirement: combining working and receiving pensions. It also contains examples of good or best practices.

A number of initiatives are placed in the Fund for Better Working Environment and Labour Retention administered by the Agency for Labour Market and Recruitment. These include support for the process of developing age management policies in companies in order to retain older workers ('seniorpakker') and subsidies for 'prevention self-help kits' ('forebyggelsespakker') to improve the working environment in high-risk industries (physically/psychologically hard). The subsidies cover both (part of) the cost for consultancy services in relation to implementation and wage compensation for lost working hours for participants.

### *Subsidised employment*

There are two types of subsidised employment schemes relevant to extending working lives (these schemes are also available to younger workers, however): employment with wage subsidy ('Job med løntilskud') and flexible job ('fleksjob'). Flexible jobs are aimed at persons with permanent reduced workability. Jobs can be both full and part-time, depending on the employment contract between the employer and the employee. The state then compensates the employer in relation to the reduced employability. Close to 40,000 persons over the age of 50 were employed in a flexible job in the first quarter of 2014.

Around 3,000 people aged 50 and over were in employment with a wage subsidy at the beginning of 2014. Jobs with wage subsidies can be both public and private. The aim is to allow unemployed individuals to get back in touch with the labour market, gain experience and show their capabilities on the job, before they are employed on regular terms. For private companies the wage subsidy amounts to close to 10 euro per hour. Employment with a wage subsidy is subject to a number of restrictions to avoid wage subsidy jobs crowding out jobs on regular terms.

### *Collective agreements*

Collective agreements for *public sector* workers contain a number of measures intended to retain older workers (first introduced in 2008 and subsequently modified in 2012, *Rammeaftale om Seniorpolitik*, 2012). They stipulate the right for the employee to a 'senior conversation' (or senior age management consultation) as part of the yearly evaluation of the employee (the exact age at which the 'senior conversation' begins is determined locally at the workplace or city council). The employee has the right to say 'no, thanks' and have the annual evaluation like any other employee.

The 'senior conversation' is the starting point for a dialogue on how the job demands of elderly workers and the workplace leader (if any) can be met to the satisfaction of both parties. Three instruments are available: Senior employment, 'Change in generation' scheme and 'End of employment' scheme.

Senior employment comes in two forms (which can be combined): decreased working time and a change in job content. Common to both is that the employer's pension contribution stays unchanged at the level received prior to going on senior employment. Thus, it is attractive for people who want to prolong their employment career to boost pension savings. Other



elements that can form part of an agreement on senior employment are i) full or part wage compensation (if new senior employment involves fewer hours or less responsibility and therefore less pay), ii) an extra pension contribution and iii) loyalty bonus if the employee leaves his/her job after turning 62. Senior employment can also be temporary, after which the employee continues his/her former job.

The 'change in generation' scheme is aimed at the management layer and includes the possibility of incentivising older managers to stay longer in the job with the following tools: wage increase, loyalty bonus (paid out if the employee stays in the job for x number of years), and increased pension contribution.

'End of employment' can be used for employees in ordinary work (as opposed to senior employment cf. above) whom the council or region want to keep in employment until a given age. Instruments consist of extraordinary pension contributions and a continued salary for a given number of months after ending the employment relationship. For example, a city council can offer an employee two years of additional pension contributions if he/she retires after his/her 62<sup>nd</sup> birthday.

Many *private* collective agreements now include the possibility for the employee to negotiate part-time employment with the employer where the reduction in working time is partly financed by reducing pension contributions. This can happen from five years before the official retirement age (currently 65, but is gradually increasing, cf. section 'Retirement and Pension system' above'). Depending on the agreed labour market pension contribution rate for the workplace up to a 10% reduction in working time can be financed by reducing pension contributions in the period leading up to retirement.

### *Senior network*

Senior network ('Senior Erhverv') is a long-running social innovation that started as a private initiative in 1995. The organisation is driven by volunteers organised in 24 independent networks of seniors spread across Denmark. The network's mission is to create the best job-seeking environment for unemployed seniors aged 50 years or older. While each of the independent networks receives some support from the Agency for Labour Market and Recruitment (around 30,000 euro per independent network) day-to-day management is the responsibility of the unemployed seniors themselves. Activities include visits to companies, training and social activities in addition to a traditional CV database. In recent years the networks have had around 1,600 members, of which 500-600 have found employment and subsequently left the network. By comparison, there were around 37,000 unemployed 50 year olds or older in the first half of 2014.

## **9. What keeps older workers working?**

The elements of age-management policies that are successful in keeping older workers working in the Danish context are relatively well documented. A number of survey and qualitative interview studies have been conducted (Larsen et al., 2011; Breidahl, 2011; ÆldreForum, 2007; Poulsen et al., 2006). Overall, it has to be pleasant to go to work, with the enjoyment coming from the work itself, colleagues, customers and the feeling that one's work is valued and appreciated.

The last point is important; in a survey of older workers Aeldresagen (2010) found that direct communication from management to the individual worker that he or she is welcome to stay as long as possible is a powerful motivator for older workers.

Flexible working time is often mentioned as being important, as is a good atmosphere with colleagues, interesting work tasks and the opportunity to pass on knowledge to younger workers. The feeling that effort is appreciated is equally important. Some gender differences have been reported, i.e. male workers seem to attach more importance to the salary aspect than women. A feeling that it is hard to satisfy the demands of the job is associated with earlier retirement (Larsen, 2008).

An interesting social innovation project that has been running for a couple of years in the city of Århus takes as its starting point the assumption that many senior workers are in fact unprepared for the so-called third career from around the age of 60.<sup>13</sup> Instead, many simply choose some kind of default option of early retirement or part-time work offered by the firm, without properly considering what those choices mean, or whether the retirement option is really what they want to do. Thus, the current paradigm and societal norms reinforce a stereotypical view that retirement is the best thing that can happen because of all the freedom it allows. This is somewhat confirmed by Ellerbaek et al. (2012), which shows that close to 50% of private sector workers over 50 years have the impression that the typical retirement age in their company is 60 (14%) or 62 (33%). Corresponding numbers for public sector workers are lower (8% and 22%, respectively).

The project targets workers around the age of 58-59 who are at the stage where they can choose between early retirement and a continued career. The concept is to bring people together for a talk about their third career. The two-day workshop is moderated/managed by a coach, mixed with experience-sharing among participants. Workshops are not aimed at extending working life per se, but focus on extending active ageing. Participants are encouraged to set goals for their third age. This can be to continue working part-time instead of retiring, but it might also be a decision to join a voluntary organisation or do something else.

It also includes a health component where a fitness test is included to make people pay attention to the value of good health as a prerequisite for an active third age. As part of the project the team has visited companies to make them more aware of age management policies and to seek placement for suitable unemployed candidates.

The workshop model has been evaluated with good results. Around 40% decide to stay longer on the labour market than otherwise planned, 40% are encouraged to improve their health and almost half decide to take up volunteering work. How long and to what extent people follow through on these plans is naturally difficult to assess but the initial results are encouraging.

## 10. Conclusion

There does seem to be potential to extend the working lives of people over 60 in Denmark. Given adequate age-management policies, health does not seem to be the main factor influencing early retirement. In the current context the economic incentive to retire at 62 via the voluntary early-retirement system might limit the effect that other policies would have on retirement age. However, from a prospective analysis, the voluntary early-retirement system will be less generous.

Many Danish companies have an age-management policy, and some have these embedded in a life-course perspective. However, there is room for improvement on this front. The share of firms with an age-management policy does not seem to have changed in recent years – maybe due to the economic crisis. Firms where flexible working time is possible; where there is a good working climate, are likely to be able to hold on to their older workers if they communicate it

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<sup>13</sup> Poul-Erik Tindbæk from en3karriere.dk received EU's social innovation prize in 2012 for this project.



clearly. Managing work and social life does not seem to be a challenge for older workers in a Danish context.

Older workers are generally satisfied with their workplace and working environment – but it is not clear that age discrimination is *not* a problem. There are some indications that economic incentives are not working to their full potential because of a lack of knowledge and transparency about the rules.

Interestingly, there might also be barriers to individual decision making, which shorten working lives relative to what a ‘well-informed’ decision process would have led to. The aforementioned project with workshops to learn about the third career is interesting not only from a working life perspective, but from the perspective of active ageing as well. In line with this, one way to make retirement more flexible may be to work with firms in order to communicate that there is no such thing as a ‘normal’ retirement age.

Finally, it is worth noting that projections show that economic incentives are in place to facilitate working life and period of retirement that ensure the sustainability of the current welfare system and public finances.

## **Annex: List of experts interviewed**

Per H. Jensen, Professor, University of Aalborg

Maria Mølgaard, Founder and CEO of senior-vikar.dk. A company specialised in finding temporary and permanent work to seniors

Villy J. Rasmussen, Management Consultant. Former HR director in leading Danish international companies. Expert member of the Think tank "The ageing Society 2030" under the Ministry of Science, Innovation and higher Education

Poul-Erik Tindbæk, Social Innovator. Project manager in en3karriere.dk. Publicly financed project aimed at extending working lives and active ageing in general

Anne Kristine Høj, Senior Economist, Danish Economic Councils

Helle Krogh Hansen, Head of study programme, University College UCC. Practical and theoretical experience with research on life-long learning

Christian Sølyst, Employment specialist, The Danish Confederation of Trade Unions (LO)

Mona Larsen, Senior Researcher, The Danish National Centre for Social Research (SFI)

Ella Petersen, Senior Consultant, Cabi ([www.cabiweb.dk](http://www.cabiweb.dk))

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**MOPACT is a four year project funded by the European Commission under the Seventh Framework Programme to provide the research and practical evidence upon which Europe can begin to make longevity an asset for social and economic development.**



**T**o achieve this aim, MOPACT concentrates the highest possible quality of scientific analyses into the development of innovative policies and approaches that can assist public authorities and other key actors, at all levels in Europe.

MOPACT starts from the conviction that Europe requires a new paradigm of ageing if it is to respond successfully to the challenges of demographic change. Ageing is currently understood as a time of decline, frailty and dependence and policy responses to it still reflect the historical era when retirement took place for a majority at state pension ages and post-retirement years were relatively short. Changes in the labour market and social behaviour coupled with a remarkable extension in longevity have transformed the experience of later life. The boundaries of frailty are being pushed back and, for a growing number of older Europeans, 70 is the new 50.

A multi-disciplinary team will target the key challenges of ageing:

- The continuing longevity revolution
- A shrinking and ageing labour force
- The fiscal sustainability of pensions, welfare systems and health care
- The structural lag between changes in society and subsequent changes in societal institutions and attitudes
- The rising need for long-term care
- Changing social and political roles

MOPACT brings together 29 partners from 13 countries across Europe in a unique collaboration of leading researchers to address the grand challenge of ageing.

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The MOPACT project aims:

- To conduct the most comprehensive review to date of the social and economic challenges of ageing
- To collect and analyse social innovations and policy initiatives
- To map the steps required to realise active ageing in Europe and to propose innovative ways of doing so
- To involve key end-users and stakeholders, such as policy-makers, practitioners, product producers, designers and older people in all project activities
- To undertake the wide and effective knowledge transfer and dissemination of the work of MOPACT

MOPACT's core theme is focused on realising active and healthy ageing as an asset. This will be supported by eight scientific themes:

- **Economic consequences of ageing:** Understanding and alleviating the economic effects of population ageing
- **Extending working lives:** Raising the employment of older workers, aided by lifelong learning
- **Pension systems, savings and financial education:** Ensuring pension adequacy and pension system sustainability
- **Health and well-being:** Driving healthy life expectancy and the social engagement of older people
- **Biogerontology:** Delaying the onset of frailty, dependence and age related diseases
- **Built and technological environment:** Shaping housing, mobility, transport and ICT to support an ageing population
- **Social support and long term care:** Matching supply and demand for long-term care and social support
- **Enhancing active citizenship:** Enhancing the political participation of senior citizens and improving the capacity for adapting to societal change





## ABOUT CEPS

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- Carry out state-of-the-art policy research leading to innovative solutions to the challenges facing Europe today,
- Maintain the highest standards of academic excellence and unqualified independence
- Act as a forum for discussion among all stakeholders in the European policy process, and
- Provide a regular flow of authoritative publications offering policy analysis and recommendations,

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