







## Public policy initiatives for older workers

Older workers' employment patterns and their relationship to population ageing and pension systems are of increasing concern to policy-makers. Philip Taylor at the University of Cambridge Interdisciplinary Research Centre on Ageing investigated how policy-making towards older workers is developing in several countries – Australia, Finland, Germany, Japan, the Netherlands and the USA. The project examined a broad range of policy areas: pension reform, equality, social security and labour-market policy. Key findings were that:

-  The issue of the employment of older workers is rising up the policy agendas of the countries studied, although at different speeds.
-  All the countries have policies targeting older workers, including:
  - removing previous incentives to early retirement;
  - encouraging later retirement and flexible retirement;
  - legislation to counter age discrimination;
  - awareness-raising campaigns among employers;
  - guidance and training programmes targeting older workers;
  - advice and guidance for employers;
  - employment placements;
  - support for labour-market intermediaries;
  - employment incentive schemes.
-  Those countries which have ended mandatory retirement have not seen an immediate change in retirement patterns.
-  Employment subsidies have had limited value, but have shown more potential when paid directly to employees.
-  While consistently argued for, there is little evidence as yet of integration of public policies towards older workers, with the notable exception of Finland.
-  The researcher concludes that there is a need for:
  - much greater integration of public policies towards older workers, with better links to other policy areas and greater recognition of the diverse needs of older workers;
  - greater emphasis on removing age barriers from existing initiatives, rather than developing special schemes for older workers;
  - better engagement with business.

## Background

Declining or stable fertility rates and increased life expectancy mean that the populations of the case-study countries will age markedly over the next 50 years. However, in many countries, the age of final withdrawal from the labour market has been declining for many years. The study used a literature review and interviews in the case countries to examine older workers' employment patterns, and the development of policy-making on age and employment.

## Reduced labour-force participation by older workers

Since 1979, in Australia and the European countries, there has been a significant decline in labour-force participation rates among men aged 55 to 64. There has also been a less marked downward trend in the USA, albeit from a higher level. In Japan, which has the highest participation rates of all, there has been a slight decline over the past 20 years. Explanations for higher labour-force participation in Japan include being able to claim a pension while remaining in employment, and less generous pensions.

The decline in labour-force participation among those over 50 has resulted from various economic, political and social factors. Older men have been over-represented in declining industries and under-represented in growth areas, and have been affected by reduced demand for unskilled workers. In periods of economic expansion and contraction, when labour demands have grown and receded, the labour-force participation of older men has fluctuated accordingly. During recessions, older workers have been targeted in early retirement schemes, often to tackle youth unemployment. Early retirement has become an important feature of labour-market dynamics in some countries. Increased prosperity and burgeoning leisure opportunities, together with the growth of occupational pensions, have encouraged a proportion of those who can afford to retire to do so. At the same time, age barriers in labour markets have limited older workers' employment prospects.

However, there is evidence that the decline in labour-force participation among older workers has reversed – notably so in the European case countries, but not in the USA and the UK, where the increase in participation has been slight. By contrast, rates in Japan have remained fairly stable overall in recent years. Labour-force participation among older women is increasing, but as with men, the European countries are some way behind Japan and the USA.

Particularly noticeable is the remarkable increase in unemployment rates for both older men and women in the mid-1990s in several countries (particularly Finland). While declining in recent years, these rates have yet to return to previous levels. Also noticeable are high levels of unemployment among

men, and particularly among women, in Germany. Noteworthy also is that while low compared with some European countries, unemployment rates among older men and women in Japan increased markedly between 1995 and 2000.

Older men in Australia, Finland and the Netherlands experienced sharp increases in employment rates between 1995 and 2000, albeit to levels far below those of 1979. Similarly, older women in Australia, Finland and the Netherlands have experienced marked increases in employment rates since 1995. In the USA and the UK, increases have been less dramatic. In Japan, there was a slight decrease from 1995 to 2000 among older men, while the picture for women was static.

## Emergence of policies towards older workers

In recent years, there has been a marked shift towards proactive labour-market programmes in many countries, and a decline in early retirement schemes since the mid-1980s. Governments are keen to increase the supply of older workers and to stimulate demand by lowering the costs of employing them. They are therefore removing incentives for early retirement, increasing the age of access to state pensions, and introducing incentives to remain in the labour force. They are also undertaking awareness-raising activities among employers, offering guidance and training programmes targeting older workers; providing advice and guidance for employers; offering employment subsidies in order to encourage the employment of older workers; and providing support for labour-market intermediaries.

Policy-making on age and employment is perhaps most developed in Australia, Finland and Japan, and least developed in the USA. However, some countries are more developed in some areas of public policy than others. For example, the USA has had legislation against age discrimination in employment for some time.

Key drivers for policy development have been concerns about labour shortages (Finland, Japan) and funding of public pensions (Japan, USA), and the recognition of age as an equality issue (Australia, the Netherlands, USA). At the same time, other factors have worked against the reintegration of older workers: relatively high unemployment, high levels of work intensity, and a culture of early exit from the labour market in some countries, resulting in pressure for early retirement.

The European Commission and the Organisation for Economic Co-operation and Development both recommend an integrated, comprehensive policy approach to tackle issues arising from the ageing labour force. To date, however, such an approach has only been attempted in Finland, which has considered

the relationship between employment, pensions and learning when formulating policies. Elsewhere, policy responses have been fragmented, although with limited moves towards more integrated approaches.

### Has policy worked?

Little systematic evaluation of public policies has been undertaken in the countries studied. It is therefore not possible to make detailed statements about the effectiveness of some approaches. However, a few broad remarks are possible.

First, the abolition of mandatory retirement appears to have done little so far to change retirement patterns. Early retirement is still popular among older workers, and employers find other ways of dismissing them. Second, despite their popularity with policy-makers, employment subsidies seem to be of limited use, except perhaps where paid directly to workers.

Perversely, initiatives to encourage the employment of older workers may stigmatise them, run the risk of deepening age prejudices still further, and institutionalise age discrimination. Some have argued for schemes to encourage employers to hire older workers on temporary or part-time contracts, but these may simply disadvantage those seeking permanent, full-time positions. Such schemes may also encourage firms to consider reducing the wages of older workers in the expectation of obtaining a subsidy.

The policy evaluations undertaken have been quite limited. They have not tended to consider, for example, whether older workers moving into jobs are simply displacing other workers, or whether the older workers would have moved into jobs anyway without the assistance received. While the success of programmes aimed at older workers is sometimes heralded in the literature, their real effectiveness is often unclear. Certainly, in terms of the actual numbers of older workers offered assistance, it is often difficult to see in policy terms why particular schemes have remained in place for so long. The USA's Senior Community Service Employment Program is a case in point, assisting as it does only a tiny fraction of the eligible older people.

Arguably, policy implementation has been too top-down and government-led.

### Recommendations for public policy

#### *Non-age specific*

Policy-makers have frequently aimed to develop programmes for 'older workers'. This is paradoxical, given that age barriers are being tackled. On occasions, specific support for a particular age cohort may be warranted, but careful consideration needs to be given to how policies are delivered and promoted if stigmatisation is to be avoided.

It is often hard to see that programmes purporting to meet older workers' needs contain much that would

not also be in programmes targeting other groups. Age discrimination is not only experienced by those over 50. If a major component of the disadvantages facing older workers is one they have faced throughout their adult lives, for example, the result of wrong career choices earlier on or resulting from discrimination, it is difficult to argue for labour-market programmes for older workers. Instead, there may be greater value in identifying and removing age barriers within existing initiatives and taking a 'life-course' approach, for example, intervening earlier in an individual's career to reduce the risk of disadvantage later on.

Paradoxically, age-friendly employment requires consideration of the removal of specific employment protection for older workers, and reducing the cost of employing them via the ending of systems that link pay to seniority.

More generally, the current fragmentation of policy responses has often resulted in a range of similar initiatives targeting different so-called 'disadvantaged groups'. This has been inefficient and may have weakened their effectiveness.

#### *Integrated/strategic*

There is a need to integrate policies on age and employment. However, perhaps even the most integrated initiatives have been deficient, in taking chronological age as their starting point. There could be considerable value in policy on age being integrated with other areas of public policy such as lifelong learning and equality more generally, with age issues becoming part of the activities of all of government.

#### *The need for adequate resources for active measures*

Extending working life will not be cost-free. Some older people face multiple barriers that require intensive, costly intervention – for example, those with disabilities, or those who have been out of the labour market for a long period. Encouraging the employment of older workers will result in cost savings in terms of pension and social security benefits and increased tax revenues. However, this will be offset by training costs and the costs of placing older workers with reluctant employers.

#### *Targeted*

Public policies on age diversity ought to consider the various needs of different groups, in particular issues of gender, disability, socio-economic group, occupation and sector of employment. The widely differing needs of various industrial sectors also needs consideration.

#### *Localised/bottom-up*

National government sets the tone for policy towards older workers, but regional and local government, employer groups, trade unions and organisations working on age issues all have a crucial role. To appear

relevant and credible and to have greater 'reach', campaigns should perhaps be specific and local. They could be undertaken in collaboration with groups representing sectors, occupations, trade unions, groups campaigning on age issues, and community-based organisations.

Unemployed and disabled older workers are often among the most difficult groups to reach. This suggests that programmes should primarily be offered on an outreach basis or near to the target group. For companies, this means that ready-made solutions brought in from outside will generally be of less value than solutions that, with support, are identified from within and 'owned' by firms.

### *Flexible*

Policies need to provide older workers with a degree of choice. For example, there is a danger that pension reforms aiming to extend working life may disadvantage the less well off, forcing them to remain economically active, while the better off will continue to retire early. To be successful, policies ought to be capable of meeting the needs of different groups, with an adequate safety net available for those for whom employment is an unrealistic option.

### *Preventive*

A focus on the needs of older workers is almost certainly too late in some cases, although safety nets are essential. In workplaces, preventive support might include grants for implementing ergonomic improvements in order to reduce the risk of disability among workers of all ages, and to make work more attractive to older workers. In addition, more general support is needed, aimed at improving workplace policy on age, particular in smaller firms. A further approach is to increase labour-market flexibility, which would enable workers to move to less demanding jobs.

### *Long-term, consistent and positive*

With evidence of the erosion of the certainty of fixed retirement ages, there is a need for increased support for older workers in managing risk in terms of career and retirement planning. Such planning will be aided by clarity and consistency in social security provision and pensions policy.

There is also a need to get the incentive structure right and link it to employment policy, so that older workers are encouraged and supported to remain economically active.

Consistent, clear and positive messages are essential. After a period when the policy emphasis has often been on early retirement, it is perhaps not

surprising if employers and older workers are sceptical about attempts to promote later retirement. It is therefore important for policies to be long-term and consistent in their messages, and not contradicted by other areas of public policy.

Some attempts to highlight the positive attributes of older workers run the risk of confirming age stereotypes. Messages have often been simplistic and ageist – for example, challenging age stereotypes with age stereotypes, such as 'older workers are more reliable than younger ones'.

## **About the project**

The research comprised a literature review and interviews with key informants in the countries visited. The countries were chosen because policies towards older workers had existed for some time or were emerging rapidly. Each case study involved interviews with academic experts, policy-makers and practitioners, to obtain up-to-date information on policy-making on age and employment. The fieldwork in Finland and Germany took place in July 2001, the USA in September, and Japan and Australia in November and December. It concluded with a visit to the Netherlands in February 2002.

## **How to get further information**

The full report, **New policies for older workers** by Philip Taylor, is published for the Foundation by The Policy Press as part of the Transitions after 50 series (ISBN 1 86134 463 5, price £13.95).