

# DISCUSSION PAPER

## Second Career Labour Markets for Older Workers: Framing the debate on more employment opportunities for older workers

### Background

Across Europe people are living longer, are healthier and are in better shape to actively participate in the labour market far beyond the age of 60. Over the course of the last century, life expectancy has risen considerably in EU Member States due to a number of factors, including advances in healthcare and medicine, reduced rates of infant mortality and improved living standards. In 2009, a newborn female in Europe (EU-27) was expected to live, on average, 82.4 years (76.4 years for males), thus around ten years longer than 50 years ago. Not only do people live longer, but they also spend more years living in good health, free of limitations due to illness or disabilities. At the same time, fewer children are being born and, in the future, the respective labour force will shrink significantly - as will the number of taxpayers to support a steadily faster 'greying' population. Over the past decade, the European Commission has partnered with national governments to develop policies to prolong working lives, create better job opportunities and working conditions and tackle age discrimination for a growing number of older workers. With the Europe 2020 strategy for smart, sustainable and inclusive growth, the need to increase the labour market participation of older workers (amongst other groups) has been further highlighted, but concrete measures must now be put forward to facilitate the creation of second career opportunities.

### A case for change: older workers in Europe today

#### 1. "People can work longer and they want to as well"

***With increasing life expectancy and people enjoying a longer life in good health, a successful working life well beyond the age of 60 is achievable for workers across Europe, especially as work generally has a positive effect on people's well-being.***

Over the last five years, working after retirement has become more common in Europe, albeit starting from a fairly low level and with strong variations across the EU Member States. Currently, around 10% of people aged 65-69 years in the EU-27 are in employment, compared to 8.7% five years ago (Eurofound 2012). There are various reasons why pensioners across Europe are becoming increasingly involved in paid work. One important development is that many workers want to stay active beyond the retirement age and view work as a way to make contact with others and contribute to society. Overall improved health has helped this group to grow in number and has ensured that not only do these pensioners want to work longer, but they also can. Furthermore, there is evidence that staying active in the labour market has positive health-related effects on people and well-being, and research suggests that work has a positive impact on people's well-being, regardless of motivation.

#### 2. "People need to work longer, both from a pension system and from an individual perspective"

***With the impact that demographic change has on the viability of European social systems, an increasing number of workers in the future need to continue to work in order to maintain a quality standard of living throughout their full retirement without the risk of old-age poverty.***

The increasing life expectancy in Europe results in fiscal consequences and burdens for retirees and social security systems. Due to longevity, social security systems will face more demands in the future and, even if the retirement age remains stable, European countries cannot afford to pay pensions like they did before. The pressure of pension reforms accounting for demographic developments is still high in many European countries. Moreover, in order to prevent old-age poverty, a rising number of older workers will have to stay in paid employment in the future, not because they want to, but simply because they need to do so. The income after retirement accumulated from state and occupational pensions, savings and other resources will be too low for many people to afford an adequate standard of living. This need to work can stem from low income and high expenses, which may be caused by multiple factors. For example, many pensioners experienced long periods of unemployment or part-time work due to care commitments, which translated into limited contribution to occupational pension schemes and left them with low pension entitlements. Other pensioners suffer from high costs they need to cover, often caused by healthcare expenditure.

### 3. "Adequate job opportunities and employment models are needed to reflect seniors' heterogeneity"

***Older workers often face bleak employment prospects, especially when already close to retirement age. While being applicable to all occupational groups, this is particularly the case for less skilled workers and workers who are engaged in hazardous and arduous work, both in a physical and mental sense. Adequate job opportunities and models for second career or redeployment, especially for these groups, should be created across Europe.***

Although the willingness to work beyond the retirement age has risen in the past as workers grow older, for many it becomes increasingly difficult to stay in their current occupation. Primarily because of health conditions or structural change, older workers are often forced to change jobs when close to retirement age or even to retire involuntarily. Addressing these issues, it must be acknowledged that older workers and employees are by no means a homogeneous group. Their employment opportunities in age largely differ with their respective levels of qualifications. The highest employment risks in terms of an early exit of the labour market concern low-qualified employees and employees who are frequently exposed to high levels of ergonomic and psychosocial risks. These groups are less likely to work in their occupation until an older age and suffer from severe labour market exclusion. On the other hand, for pensioners with a tertiary education, the employment rate is twice as high as the average in the age group of 65-74-years (Eurofound 2012).

### 4. "Europe needs the skills of older workers"

***High numbers of older workers who exit the labour market at an early stage mean the loss of a valuable skill and experience base for companies and societies. These developments run contrary to the long term trend of an increasing shortage of skilled workers in the future.***

Notwithstanding the current distortions due to the crises, labour markets are undergoing significant long-term structural changes that lead towards higher and medium-level qualification requirements (CEDEFOP, 2010). Companies in some European countries are already struggling to ensure that their skill needs are met and their vacancies are filled by qualified workers - a process that will continue and expand in the future. On the other hand older workers exit the labour market early or go through long periods of unemployment, which translates into the under-utilisation of existing skills and competences. Growth and economic success of companies all over Europe depend on a qualified workforce. Therefore, it is unavoidable to make use of the skills and knowledge that potentially older workers present to companies and societies.

Over the last few years, a number of European countries have managed to double their employment rate in the age group of 60-64 year olds. However, on the downside, around half of EU Member States still have employment rates of well below 30% in that age bracket. Regarding this issue, a substantial heterogeneity between EU Member States exists.

## First reflections on better employability of the elderly in Europe

### 5. "Europe needs to improve employability of all groups of society, both in terms of health and skills formation"

***Improvements in working conditions and employment opportunities for older workers must be visible in the life cycle, both in terms of health and training. Efforts to improve working environments should not only focus on the group of older employees but also on the young to foster the employability of future older workers. Improving the working environment of one age group does not impede opportunities for other age groups.***

High-quality working conditions such as training opportunities, employment security, work-life balance and working conditions that safeguard health are of high importance in order to keep workers productive and engaged throughout the course of their life. By adapting the career path to the needs of workers at various stages in their lives, companies contribute to maintaining the health, motivation and skills of their workers.

Based on the current high unemployment rate in Europe, especially among the younger age group, lump-of-labour theories might rise again, essentially stating that improving the employability of older workers would come at the expense of the younger age cohorts' work opportunities. However, a look at comparative data indicates that this is not an inevitable fate. Contrasting the employment rates of older workers in the EU Member States with the respective indicator for young adults shows no negative relation, indicating that labour market opportunities for one group do not dampen the prospects of the other (Eurostat, 2010). To the contrary, it should be noted that increasing labour participation of older workers automatically eases the burden on the younger generation to finance early retirement schemes and lower retirement age in general.

## 6. "Workers themselves have to take more responsibility for lifelong learning"

***Employees also have to take responsibilities to enhance their employability until a higher age. This includes taking up training and lifelong learning opportunities to build up personal competence.***

Employees themselves are an important link in the chain for successful 'active ageing at the workplace'. With skill and health deficits often considered the highest employment risks associated with older workers, the personal responsibility of workers to gain and maintain their skill base must be emphasised. Skills and competences can be regarded as investments in personal employability. They deteriorate as technical and organisational progress occurs over time, and might even become obsolete when large-scale structural change takes place, such as the computerisation of the workplace or a bursting housing bubble. Thus, continuous investments to keep existing qualifications up-to-date and to acquire new skills and knowledge are imperative.

Studies have shown that older workers, and among them especially less skilled and part-time employees, are engaged in training opportunities at very low levels. This is also a result of insufficient participation in continuous training in earlier stages of life (German Expert Commission on Life Long Learning, 2004). In addition, findings based on the German IAB Establishment Panel show that companies with a relatively high average age (50+ years) among their workers offer significantly fewer training opportunities to their employees than enterprises with other age structures. Given the long-term implications of a working market that demands more higher and medium-level qualifications, these groups will face an even higher employment risk in the future. To tackle this problem, a two-handed approach is required. On the one hand, a comprehensive strategy with all stakeholders involved is needed to ensure that adequate lifelong learning opportunities are offered to workers; on the other hand, there is the individual responsibility of the employees to extend their qualification level and build upon their skills. Ultimately, by extending the working life of older workers, there is also a higher return on any investment in training. Keeping older people in employment increases the likelihood of investment and can create a mutually reinforcing effect.

## 7. "Public institutions can facilitate second careers"

***In addition to training possibilities offered by companies to educate their own personnel, there is the need to promote a broader range of support mechanism for older workers. Lifelong learning opportunities, health systems which are geared towards keeping people in employment and pension systems which reward working longer enable older workers to remain successful in their job or start a second career later in life. Governments and public employment agencies should play an active role in providing more training opportunities outside of the workplace.***

Age management measures, such as training opportunities offered to older workers, are often implemented at company level and reflect underlying business needs. In most cases, employers introduce active ageing policies in order to ensure that their skill needs are met and/or to resolve existing labour market shortages of adequate personnel. However, if it is about enabling older workers to climb the career ladder by switching the occupation and/or becoming self-employed, company-based training opportunities have proven to be less effective (Eurofound 2010). Due to their 'in house' oriented approach, age management measures offered at company level do not provide the key competences required to start a 'second career'. Furthermore the range of vocational training also corresponds with the age structure of the work force. To create good labour market opportunities for workers above the average retirement age and to encourage entrepreneurial attitudes, more diversified education proposals must be made accessible to older workers and funding for them provided by governments and public employment agencies. Ultimately, this prevents older workers from becoming the losers of structural change.

## 8. "Companies benefit from age diversity"

***Implementing age diversity amongst the workforce is beneficial for employers. Companies benefit from employing different age groups, with each bringing a different set of experiences, skills and perspectives to the workplace. Employers and social partners therefore need to promote age diversity and ensure that it is implemented on all organisational levels.***

Companies with a balanced workforce, in terms of age and other aspects like gender and ethnicity, are regarded as being best able to respond to the fast-changing circumstances associated with globalisation. By recruiting older workers employers emphasise greater diversity while, at the same time, fostering the knowledge transfer between employees. Moreover, empirical studies also show that employers may well benefit from older workers in many respects. Firstly, older workers are especially productive in tasks where experience is an important factor, including teaching and coaching. Secondly, older workers tend to demonstrate greater loyalty towards company goals and higher work ethos. Thirdly, depending on qualification and earning levels, older workers may offer and also demand greater flexibility in working hours and compensation. Finally, depending on qualification and earning levels, older workers may demonstrate entrepreneurial attitudes more often, making self-employment a viable option. Creating greater age diversity can thus increase productivity and even increase sales revenues. Furthermore, the logic behind that thinking is that a diverse staff profile appeals to a more diverse market and, for instance, opens up new opportunities and market places for companies to sell their products. Taking advantage of age diversity furthermore helps to improve intergenerational solidarity between age groups and increases work motivation in general. Changing attitudes within companies, organisations and societies towards more age diversity in the workplace will therefore help to overcome age discrimination and should be further developed. By restricting recruitments to so called 'prime agers' companies will prevent themselves from fully tapping into their human resource potential.

## 9. "Reconciliation of work and family life is essential for older workers"

***Retirement decisions are complex and multi-factored. Alongside financial aspects linked to retirement schemes and social benefits, family-related issues come to the forefront. Against the backdrop of a growing number of people who might be in need of care in the future and a shrinking number of potential caregivers, the ability to remain active and part of the labour market will also depend on the reconcilability of work and care responsibilities for elderly family members. Employment models for older workers should be reshaped to take these developments into account.***

The goal to increase employment rates of older workers and to extend the working life creates new challenges for work-life balance in the future. As the number of dependent older people in need of care will increase, the question of how to reconcile work and caring for family members is a key issue for all ageing workers. In the past, due to the double burden, shouldering care responsibilities often led to early exits from the labour market. This applies especially to women and caregivers close to the retirement age. In order to make it possible for people to work while caring, sustainable strategies in the workplace, lifelong access to training and formal care measures must be provided. Allowing more flexibility and enabling workers to choose between working and non-working periods due to family responsibilities is an important factor for adjusting working life to the needs of workers today. At the same time the care sector must be further developed in order to meet the demands of a steadily growing number of people in need of care, thus easing the burden for the caring family members. Flexible working time practices alone do not solve the problem, and an adequate context involving all relevant stakeholders must be established to retain older workers with care responsibilities in employment.

## 10. "Self-employment as a perspective for older workers should be improved"

***Older workers are entitled to be active and participate in the labour market. Adequate contextual conditions and policy settings should be provided to enable older workers to have successful careers as self-employed in order to foster entrepreneurship and job creation.***

Of all working men over the age of 65 in Europe, one third are currently self-employed (European Social Fund, 2012). Self-employment is therefore an important dimension of employment amongst older workers and is an important driver of entrepreneurship and job creation across Europe. The share of older self-employed workers varies strongly across the EU Member States and is largest in southern Member States. Compared to prime agers, older workers demonstrate entrepreneurial attitudes more often, making self-employment a viable option. Due to the lack of alternative employment opportunities, caused by the recession, the move to self-employment is often seen as the last option for older workers to get back to or stay in the working force. However, for some older employers, being self-employed opens up the possibility to build their income through establishing a small activity earning. For sure, the promotion of self-employment is no panacea for improving the labour market situation for older workers. It is just one approach that needs to be accompanied by others.