

Municipality of Rome

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**ACTIVE AGE**

**AGEING AND EMPLOYMENT:**

**OLD AND NEW CHALLENGES IN A GLOBAL CRISIS SCENARIO**

*Annamaria Simonazzi*

*ABSTRACT*

Are older people discriminated against in the labour market? And if so, why? And what can national and local policies do to promote inclusion and favour active ageing? The paper aims at answering these questions. The first part provides an overview of the main factors behind the low employment rate of older people, highlighting the new threats entailed by the current global crisis. It will then outline the policy reforms that have been devised and implemented, at both the national and the local level, to increase the employment rate of elderly people, drawing also attention on the possible trade-offs. The final section will present the approach adopted by the Urbact "Active age" project, and its aim of promoting a more comprehensive, sustainable and integrated life-course approach to active ageing.



## **ACTIVE AGE**

### **1. Population ageing and employment**

Population ageing is both a challenge and an opportunity. A *challenge* to the various welfare regimes, an *opportunity* to move towards a more comprehensive, sustainable and integrated life-course approach to active ageing.

Radical changes in the age structure will have significant labour market impacts. Under present conditions, longer life expectancy leads to a sharp decrease in the employed/pensioner ratio. However, employment is the principal means by which citizens of all ages can meet their needs and socioeconomic aspirations. At the same time, a high employment rate is the only way to secure long-term sustainability for any welfare system. That is why the EU has set two targets to be met by 2010: to have at least 50% of the EU population aged 55-64 in employment (defined in the Stockholm European Council in 2001) and to raise by 5 years the effective average age at which people stop working (agreed in the 2002 Barcelona European Council).

If older workers remain in employment longer and increase their labour supply, the demand for these workers will need to keep up. To ensure that demand meets supply, the Member States should pursue actions aiming at removing disincentives at the micro-level - for workers to retire later and for employers to hire and retain older workers -, as well as at the macro-level.

In many countries, the lack of job opportunities remains a problem cutting across generations due to structural features of the economy: policies designed to extend working lives are more likely to affect the younger generations' prospects (young in - old out, or viceversa). The current economic crisis has sharpened the risk of crowding out, making of stagnating demand the main challenge faced by European labour markets. Macroeconomic policies should ensure that total labour demand is such as to prevent inter-generational competition for jobs.



## **ACTIVE AGE**

Local labour market policies targeting individuals (active labour market policies) must not be implemented in isolation: they should take into consideration the possible effects on other generations, and be complemented by labour market reforms aiming at increasing demand.

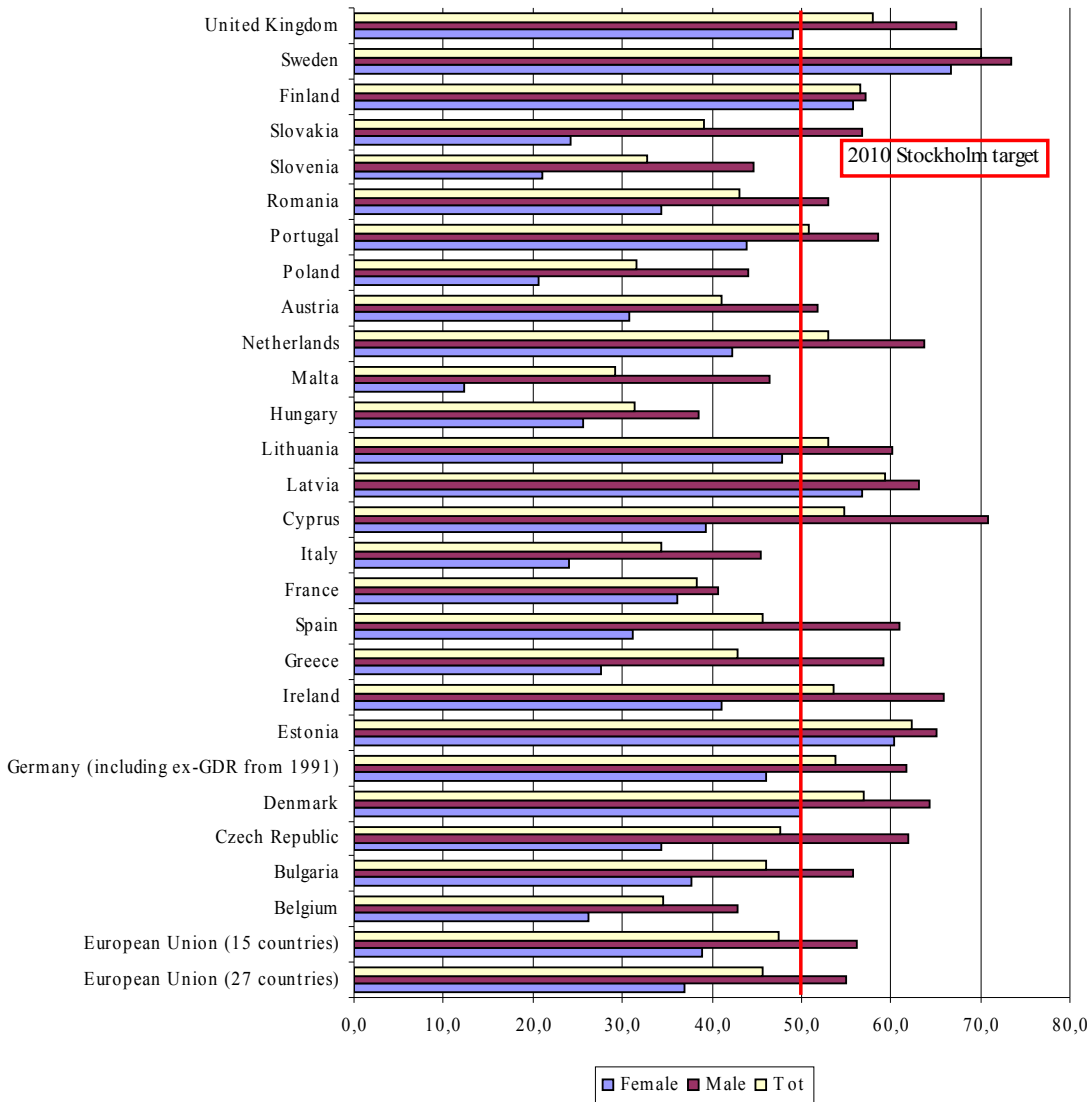
This paper focuses on active age and employment. Section 2 provides an overview of the main factors behind the low employment rate of older people and whether and why older people are discriminated against in the labour market; and section 3 outlines the policy reforms that have been devised and implemented, at both the national and the local level, to increase the employment rate of elderly people, highlighting the possible trade-offs. The final section will present the approach adopted by the Urbact "Active age" project.

## **2. The age divide**

On average, the employment rate of people aged 55-64 is half that of the prime working age (25-54). With few notable exceptions, the European countries are still far from the Stockholm objective (figure 1). Gender is one single important factor in cross-country differences: in a number of countries, women have a much lower participation rate at all ages, and a more discontinuous working career. (However, due to economic and social change, inactivity rates have been rising for men and decreasing for women.) Although 65 is the official age of retirement in most countries, the main reason for inactivity among 55-64-year-olds is retirement. Once again, gender matters, since personal or family responsibilities which hardly make any showing among the reasons for men's inactivity loom large for women. Dismissal or redundancy (9.5% of all reasons) and own illness or disability (11.5%) come after retirement (46%) and early retirement (19.2%) as the main reasons for older workers aged 55-64 to leave their jobs or businesses.



**Fig. 1 - Employment rates across EU Member States for older workers (55-64) by gender, 2008**



Source: Eurostat, EU LFS, 2008

Early retirement can cover up discriminatory practices (Casey and Laczko 1989). Lack of incentives on the part of employers to hire older workers (the demand side), and lack of incentives – indeed, often, disincentives – for older workers to remain at work (supply side)



## **ACTIVE AGE**

are the main reasons for the low employment rate of mature workers. To increase this rate thus means addressing the factors affecting the problematic transitions in a working career - financial disincentives, employers' attitudes, and attractiveness of work - in order to ensure employability, continuity of employment, and re-entry.

*Policy disincentives.* Research by the OECD (2005) suggests that there are, embedded in public policies, strong disincentives to remain in the labour market on ageing. High replacement rates may negatively affect the attractiveness of working longer.<sup>1</sup> Early retirement institutions may also negatively affect elderly participation in more indirect ways: by negatively affecting the expected return to training, generous (as opposed to flexible) early retirement schemes may discourage training participation by older workers (Fouarge and Schils 2009). Pension reforms have been carried out in many member states with the primary aim of increasing the retirement age (and/or tightening conditions and reducing entitlements by switching to funded schemes). A number of countries are introducing more flexibility in the age of retirement and in the possibility to combine pensions and earnings.

*Age-related discrimination.* Employers seem to prefer investing in young workers, whose longer time horizon allows the firm to recover the cost of new technologies (Langot and Moreno-Galbis 2008: 26). Stereotypes and prejudice may affect both employers' willingness to hire and elderly workers' self-confidence, and hence their active search for a new job in case of redundancy (O'Connell 2005; Gosheh Jr. et al 2006).

*More expensive.* Elderly workers are generally considered to be more expensive and less productive. Seniority-based wage systems can entail increasing labour costs at older ages (OECD 2006). More flexible pay systems (and in particular moving away from seniority-based wage systems) might enhance the job security and employability of older workers by

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<sup>1</sup> The OECD study finds a strong negative correlation between employment rates of workers aged 55-64 and the replacement rate (that is, the ratio of annual benefits to earnings before retirement), with Mediterranean countries at the higher end.



## **ACTIVE AGE**

reducing their relative cost.<sup>2</sup> The EC thus seems to advocate finally bringing in more flexibility throughout the whole life-cycle. One should, however, consider the negative income effects of these reforms, whose effects may be aggravated by more precarious working careers during the life cycle.

*Less productive?* Empirical research indicates that productivity increases with age; supervisors, conversely, point to a negative relation (Taylor 2001). Experience, stability and reliability seem to go under-rated, as is the possibility to reduce depletion or obsolescence of skills by training and work organisation. Age-related discrimination is especially severe for unskilled workers and for women. Results from the LFS (Labour Force Survey) confirm that older people are on average less educated than younger age groups, with large differences across countries. "Indeed in many Member States the low employment rate for the age group 55–64 is due to the combination of the high share of older people with lower levels of education and the tendency for the less skilled to have lower employment rates." (EC 2007: 95).

*Training.* Far from being narrowed, the skill gap is usually widened by training. It is fairly well established that older workers receive less training than younger categories, and the less skilled older workers receive less training than the more skilled. Poor education and lack of human capital lead to exclusion from learning paths in a vicious circle of discrimination in the workplace. Mature people who lose their jobs after decades of repetitive tasks are often unable to adapt their skills to the new demands. Thus, firm-level employment practices often prevent older workers from remaining in or rejoining the labour market.

*Reconciliation.* Elderly women face even more serious barriers than men. Lack of adequate policies for work-life balance leads to spells of inactivity during working life (Simonazzi 2008). Data disaggregated by gender and age show that mature women are the most

<sup>2</sup> It should be noted that, by introducing "flexibility at the margin", which falls mostly upon young people and new entrants in the labour market, labour market de-regulation has created a competitive advantage for younger, more precarious and expendable workers vis-à-vis older workers, usually on "typical" contractual arrangements, and therefore 'burdened' with wage and tax wedges (Bassanini and Duval 2006).



## **ACTIVE AGE**

penalized in the labour market (figure 1). Moreover, there are fewer learning opportunities for women in general, and for mature women in particular, making adaptation to labour demand extremely difficult. When they succeed in re-entering the labour market, it is often at the cost of discrimination, segregation and poor job quality, in terms of wages and job security (Daubas-Letourneux and Thébaud-Mony, 2003).

*Health and working conditions.* Physical strain, poor health and disability, job quality, flexible work organisation and working times arrangements can affect elderly people's attachment to the labour market. The available data signal the importance of work-related health problems for older workers. Reorganisation at the work place can adjust the distribution of tasks in accordance with the older workers' capabilities. Arrangements to withdraw gradually, part time or reduced working hours (possibly supplemented by income support measures) can help in retaining older workers in employment.

*Economic crisis.* Higher labour costs relative to productivity make the elderly, and especially the low-skilled elderly, extremely vulnerable in downturns, when they are often encouraged to exit the labour market through redundancy or early retirement schemes. By making young people cheaper and more expendable, labour market deregulation has increased the relative cost of elderly workers, who are usually on open-ended, regular employment contracts, with wage and non-wage costs fixed by national contracts. Thus, older workers tend to be more vulnerable in times of recession.<sup>3</sup> While the current global crisis is sharpening the trade off between young and old workers in the labour market, in the case of older workers transition into inactivity is often a path of no return (EC 2007:77). The effects of the crisis on the older workers' activity rate risk stretching out to the longer run and seriously impairing the results achieved in times of relatively higher growth.

### **3. Setting the incentives right: An overview of macro and micro policies**

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<sup>3</sup> There seems to be a positive correlation between the employment rate of older workers (both male and female) and the rate of growth of the economy.



## **ACTIVE AGE**

A wide range of policies within the active age approach have been devised to address the various factors making for older worker discrimination at the workplace.<sup>4</sup> These policies have been targeted to the economic system - e.g. deregulation of the labour market, flexibility measures, pension reforms<sup>5</sup> - and to individuals - e.g. implementation of policies targeting training, life-long learning, employment (through employment centre reform), healthy working conditions, adaptation of the workplace and work organization to the needs of older workers, curbing age discrimination while fostering reconciliation and entrepreneurship.

Greater flexibility in retirement, gradual retirement, combinations of retirement and work, but also improvement of job quality, may help defer retirement.<sup>6</sup> Strategies to encourage intergenerational solidarity and the exchange of skills between young and elderly people - by enabling interactions among groups to share experience and recognize tacit knowledge<sup>7</sup>, learning platforms<sup>8</sup>, coaching<sup>9</sup>, tutoring and mentoring models<sup>10</sup>, new communication channels and partnerships<sup>11</sup> - may help improve retention by firms. Projects have been

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<sup>4</sup> COM (2006) 571 final of 12/10/2006, The demographic future of Europe – from challenge to opportunity

<sup>5</sup> For more details, see [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives)

<sup>6</sup> European Commission 2008, *Joint Report on Social Protection and Social Inclusion*

<sup>7</sup> Project “Moderniser sans exclure les seniors”, France.

[http://ec.europa.eu/employment\\_social/equal/practical-examples/adapt-skills-audio-visual\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/adapt-skills-audio-visual_en.cfm)

<sup>8</sup> <http://webu2.upmf-grenoble.fr/partage>

<sup>9</sup> [http://ec.europa.eu/employment\\_social/equal/practical-examples/adapt-finnish-companies-change\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/adapt-finnish-companies-change_en.cfm),  
Managing age groups and seniors: conclusions from comparative research programs,  
[http://latts.cnrs.fr/siteuk/op\\_fiche.php?IdOperation=249&Id=2](http://latts.cnrs.fr/siteuk/op_fiche.php?IdOperation=249&Id=2)

<sup>10</sup> <https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=FR&national=FRC-2001-10386>,  
[http://ec.europa.eu/employment\\_social/equal/data/document/age-dk-tut\\_en.pdf](http://ec.europa.eu/employment_social/equal/data/document/age-dk-tut_en.pdf)

<sup>11</sup> [http://ec.europa.eu/employment\\_social/equal/data/document/age-o-zur\\_en.pdf](http://ec.europa.eu/employment_social/equal/data/document/age-o-zur_en.pdf),  
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## **ACTIVE AGE**

launched to search for new solutions for workers made redundant by firms downsizing or re-locating, in declining<sup>12</sup> and rural areas<sup>13</sup>.

These various measures need to be harmonized in a mainstreamed (integrated) strategy in order to avoid trade-offs;<sup>14</sup> moreover, their success is conditional upon the existence of an adequate aggregate demand for labour.

*The local level.* While financial incentives or disincentives (pension schemes, tax wedge, EPL), as well as passive labour policies, are handled at the national levels, the implementation of active labour policies rests mostly with local authorities. At the local level, there is a much keener awareness of the need for active involvement of all the actors – target groups as well as local authorities and stakeholders in general. Success requires bringing in both older workers and employers in the implementation of public policies, for instance by working together on plans aimed at increasing the profitability of the mature workforce, or simply by raising awareness of the potential business benefits deriving from employing older workers (Warwick Report 2006). In Germany, for instance, the government has acted on both the supply and demand side of labour, by improving older workers' qualifications and making it profitable for firms to retain older workers.<sup>15</sup> A similar two-

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<sup>12</sup> The Walloon government, in collaboration with trade unions and the office for vocational training and employment, introduced a restructuring Support Plan to help workers who lose their jobs.

<sup>13</sup> "Clare Life Long Learning Network" addressed the need to provide a LLL curriculum in a rural area of the West coast of Ireland

<sup>14</sup> The new employment guidelines promote both an integrated approach to advance solidarity between generations, embracing young and female employment, and issues of reconciliation and integration of migrants. See integrative guidelines no. 18 "Promote a new life cycle approach to work", COM (2006) 571 final of 12/10/2006, The demographic future of Europe – from challenge to opportunity. COM (2007) 244 final 10/05/2007, Promoting solidarity between the generations.

<sup>15</sup> On the one hand, mandatory agreements have been signed with social partners to coordinate actions concerning better qualification, employability, and more flexible time arrangements. On the other, the employers' association has published a Guideline for companies explaining how to adjust work tasks to older workers, enhance life-long training, plan working time arrangements and build age-mixed teams. See also "Experience works", the "Regional UK Programme for Unemployed over-45s" launched in 2000, targeted the over-45s by assisting those unemployed to go back into work and those in employment to further develop their careers. Around 38% of those who received support have returned to work.



## **ACTIVE AGE**

handed approach, acting on both workers' qualifications and firms' policies was adopted by the Czech Republic in 2002<sup>16</sup>.

Finally, the various local policies need to be coordinated in order to avoid conflicting aims across generations or vulnerable target groups. Active involvement of target groups and policy coordination are the two principles which have been adopted by the "Active Age" project.

### **4. The Urbact experience**

The Urbact project on **Active age** (led by the Municipality of Rome), involves nine cities across Europe. The employment issue is closely intertwined with health, care and social inclusion issues, and thus represents only the first of the themes that will be discussed at the transnational workshops. The cities are currently drafting their local action plans on employment, in response to their specific needs. Thus, Edinburgh is focusing on the promotion of flexible working practices for older people, through better work organisation (including work/life balance); the Municipality has established the practice of calling for older people's opinions when discussing the policy-makers' choices. Maribor is also focusing on retirement, working on policies and initiatives aimed at easing the transition from work to retirement, for instance by planning post-retirement activities capable of reducing the negative economic impact of retirement. Building upon a pilot project,<sup>17</sup> Rome will focus on

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<sup>16</sup> In the "National Programme of Preparation for Ageing" a number of concrete measures have been introduced for job retention and higher employment rates among elderly people. A range of measures have been implemented to prevent age discrimination in work and pay, providing older people with retraining opportunities, and promoting adaptability and innovation in the workplace in order to support company competitiveness, facilitate cooperation between governmental bodies and social partners during company restructuring, and implement a system of life-long learning for employees.

<sup>17</sup> "Over-45" - a pilot Action Plan 2005-2007 promoted by the XIV Department of the Rome Municipality - aimed at providing customised services by the Public Employment Services to the population target. The project consisted of several steps: identification of institutions well-rooted in the territory and with in-depth coverage; activation of the COL (Labour Orientation Centres) network; formulation of a methodology for analysis of the features and needs of the over-45; testing and evaluation of the first results. "Sportello lavoro over-40" - a planning laboratory led by district XVII of the municipality of Rome and promoted by two associations, Associazione Atdal and Lavoro over 40 - provided advice to people over-40 with a diploma and an



## **ACTIVE AGE**

further developing services for the orientation and advice to 50+ unemployed workers, on fostering professional re-qualification and training, and on the development of self-entrepreneurship. Thessaloniki is focusing on strengthening the information between employers and employees in order to facilitate the awareness of older workers with respect to the opportunities offered by the labour market in terms of training and services.

We cannot report on the experiences and projects of all the cities involved because some of them are still working at this task. However, they all seem to respond two common principles: active involvement of the target groups, and a consideration to an integrated life-course approach to active ageing, in order to minimise both conflicting aims and trade-offs, and in the awareness that promotion of older-age active citizenship builds up in the course of the life cycle. This understanding, which is an integral part of the Urbact projects, drives the search for interaction and coordination among the Urbact network participants. In the case of "Active age", interaction with "My Generation", in particular, is expected to make a crucial contribution in developing tools and ideas on how to engage target groups, and to devise common policies to create active transitions in the various phases of the life course, while reducing trade-offs. For instance, tackling the problems of the different paths of transition from youth to adulthood - from drop-out back to school, from school to work, from juvenile crime into more orderly life – and of transition from adulthood to maturity, seniority, and old age, can help in finding innovative ways to foster active citizenship throughout the life course.

### **5. Final remarks**

National and local policies have been targeted basically to increase the employment rates of the elderly population. These rates are still very much determined by the national employment models and by the various welfare regimes, which in turn reflect historical, social and cultural models. Local policies need to take into account the socio-economic

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experience of precarious work.



## **ACTIVE AGE**

background in which they are embedded, but, exploiting their proximity to target groups, they need to engage them, involve stakeholders, calling on people to participate in the selection and implementation of policies. In this process, policy-makers can learn from the exchange of experiences and good (and bad) practices.

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Municipality of Rome

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**ACTIVE AGE**

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