

The ageing workforce: some issues from a European mutual learning event

In June 2010 the European Commission and the Netherlands Government sponsored an event to explore policy issues related to the ageing workforce. Thirteen countries were represented, each by a civil servant and a national “expert” (who wrote a preliminary paper about his/her own country’s policy position and a comparison with the Netherlands).

This is a personal note of issues which emerged, written by the UK “expert”. It is not an official record (this will be published separately by GHK Consulting who managed the event on behalf of the Commission).

Shared policy issues

Several themes emerged where a number of countries expressed interest. On each of these there is a case for some further investigation, and perhaps another international event. They include:

1. Is indexing pension age to life expectancy feasible and equitable?

Most countries are attempting to raise official “retirement ages” or “state pension ages”, but this is difficult because of (perceived) political and cultural resistance, the long timescales involved, and the continuing rise in life expectancy. Several countries are considering indexing retirement age to life expectancy (with decisions to do so in Sweden and Denmark). There is a serious equity issue here, since healthy life expectancy does not always track total life expectancy, and life expectancy varies greatly by previous occupational history, geographical location, and perhaps gender. In France there has been discussion about excluding some occupational groups from policy to raise retirement age, but with difficulties over defining relevant occupational groups (do we include surgeons and nurses as well as miners and steelworkers?).

2. Do older workers really want to retire as soon as possible?

Many countries believe that older workers are keen to retire at the earliest opportunity, but little research evidence was cited for this. In the UK a substantial body of evidence suggests the contrary, especially if work can be flexible, interesting and provide rewarding social engagement. This was supported by the HR representatives at the Netherlands case study firm FloraHolland, who said that workers wanted to stay longer. It is not clear whether the perceived resistance to working longer in other countries is supported by evidence, and how far this is uniform across social and occupational groups?

3. What role can the Finnish “Workability” model play in the management of an ageing workforce?

The Workability Index has potential to anticipate and prevent premature labour market exit, and improve the quality of working life for older people (and workers generally), and several countries were keen to know more about it. The tool is technically robust, and has been standardised over a long period on a range of populations, and it can point to issues for attention in health management, job design, and career direction, provided that it is seen as the beginning, rather than the end, a process. However, there was a widespread concern about the privacy issues associated with a screening tool, which could be abused by employers. Can these concerns be overcome?

4. Would individual learning accounts improve training for older workers?

Participation in training declines with age, and policymakers routinely claim that training is essential to maintain the employability of older workers, although empirical evidence for this is thin¹, and training for unemployed older workers does not appear to be very effective in enabling return to active work. Attempts by Governments to intervene do not appear to address the issue effectively, and several countries expressed interest in the notion of individual learning accounts as a means to put more power over training decisions in the hands of individuals (who have the greatest interest in getting value from such investment). Models exist (in the UK there are examples which have been operating for several years), in public and private sectors, but their effectiveness is not well researched (or perhaps reported).

5. How can/should policy balance retention and flexibility?

Where real retirement ages have risen, it appears to be mainly through longer retention of existing workers in the same firms, rather than through entry of older people to new jobs or firms, (where age discrimination by employers remains a significant force). The Netherlands' decision to require employers to bear the cost of ill health unemployment of their employees for the first two years clearly encourages good management of health and working conditions, but can make it more risky for employers to take on older workers. The French legislation to increase employers' legal responsibilities for maintaining the health of their workforces has a similar effect. Policies which favour retention and increase the responsibility of employers for older workers, tend to raise entry barriers for older workers. As a result, those who do return to work generally do so in low skilled jobs where entry barriers and training requirements are low.

My understanding is that the Danish "Flexicurity" model takes the opposite view: by making it easier for people to leave and enter firms, the risk to employer and employee is reduced, and labour mobility is enhanced, increasing the chances of efficient match and sustainable employment. What are the relative merits and disadvantages of these two approaches, and can they be effectively combined?

6. Do we need different policies for retention until state pension age from employment after that?

In the UK it is clear that the shape of the workforce is very different in the 50s (when we lose the "top" and "bottom" of the workforce) from the 60s, when work is largely part-time, and divided sharply between high skilled professionals and low skilled work. Some countries have very few people working past 63 or 65, and in some cases it is difficult or legally restricted.

Economic issues

The discussions in The Hague raised a number of issues about the economics of the older labour market which are worth further exploration. These include

7. Do processes of wage formation work differently for the older workforce?

In some countries "seniority pay" means that older workers are usually/always more expensive, and as a result less productive. In others this is not the case, and the contrast between age/wage profiles in the UK and France is remarkable². After 50, a growing

¹ There is ample evidence of a correlation between qualification and employability in later life, but most qualifications are acquired early in working life, and there are a series of confounding variables at work. There appears to be little quantitative evidence (positive or negative) on the impact of learning after 50 on employability.

² In the UK it is now unlawful for an employer to operate a progressive pay scale with more than 5 annual increments.

proportion of people have some choice about whether to continue to work (especially those who have good pensions and are legally able to continue working, as in the UK), the role of income in the decision to work can diminish. In these circumstances some people choose to accept employment which does not maximise their earning, but does deliver other benefits – including interest, social engagement, and a structure to life. What does this do to the way we evaluate efficiency?

8. Should Governments attempt to match income levels more closely to financial need across the lifecourse?

The changing shape of the lifecourse means that the peaks and troughs of financial need and circumstances across the lifecourse are changing, with implications for intergenerational transfers. For many people, income now peaks in the 50s after the point of greatest financial need (in the late 30s and 40s when childcare and housing costs are highest). Should public policy consider this in designing taxation and welfare systems?

9. Are there circumstances where the “lump of labour” is not a fallacy?

The widespread public belief that there is a direct relationship between the retention of older workers and unemployment of younger entrants is not generally supported by economic evidence. However, there are circumstances where this may be true. This might occur in a geographical area, where travel to work is restricted, or particular firms, where promotion routes can be blocked by older senior staff staying on longer. Does the state have any responsibility for researching this issue, or for supporting the development of lifecourse management strategies which address this?

10. Should the state subsidise employers to take on older people?

Several countries provide direct subsidies to employers who retain or take on, older workers. What is the rationale for this, and what is the evidence that it changes overall labour market behaviour? Does it risk sending a signal that older workers are indeed less valuable and create a “deadweight” precedent that subsidies are necessary for employers to do things which we believe are in their own interests.

11. Is it wrong that those with most education get the most training?

There is a clear relationship between previous education and participation in training, and this is often presented as inequitable. However, it is not surprising that those with the most previous education are in jobs with higher knowledge content and knowledge turnover. The skills and knowledge of a medical consultant, or many IT professionals, become outdated in months, whereas those of bricklayers or garbage collectors change only with a (rare) major change in technology or working practices. The rationale for training many older workers is therefore different. How should policy respond to this?

Implementation issues

As Governments seek to improve the efficiency of the older labour market, there are a number of practical issues where we need better understanding of what works, in what circumstances. These include:

12. How can one best improve conversations between employees and managers?

A key factor in the quality of work is the quality of line management. The FloraHolland case study suggests that training managers to have more effective conversations with older workers about health and career issues can reduce absenteeism, increase efficiency and raise retention. How widespread is such training, and can it be more widely promoted?

13. Do awareness raising campaigns work?

Several countries have been mounting awareness raising campaigns on the ageing population and workforce with employers, trades unions or the general public, but evidence

on their impact appears to be thin. Do we have good evidence on what works well in what circumstances?

14. Is there a role for a state sponsored technological innovation programme?

It is clear that technological change can improve the quality of working life for older workers, especially those experiencing deteriorating physical capabilities. Is there a case for state intervention to encourage design of work processes and environments, or should it be the employer's responsibility? (there have been examples in the UK sponsored by the academic research councils).

15. What approaches to career planning for older people work?

Career planning services tend generally to concentrate on young people entering, or in the early stages of, their careers. Such guidance services as exist for people in late working life tend to concentrate on retirement planning, and, where they exist at all, are more often available to those in professional and public sector employment or in large firms (at least in the UK). There is a strong case for some form of career review process in the 40s, to enable people to plan for the final stages of their working lives, and for the timing of, and transition into, retirement. How are such services best delivered?

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