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# Globalization and the Labour Market Situation of Older Workers: Exploring Trends, Challenges and Strategies for Adaptation

Thematic Review Seminar on "Employment policies to promote active ageing"

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# 1 KEY MESSAGES / EXECUTIVE SUMMARY

This discussion paper critically discusses the impact of globalization on the employment situation of older workers and its implications for designing effective future labour market and welfare policies for a sustainable reversal of early exit.

Based on a multidimensional definition of globalisation encompassing economic, technological and social dimensions, it argues that globalisation has worsened the competitive labour market situation of older workers. Given their increasingly precarious situation on changing labour markets, various types of early retirement schemes have been introduced that allowed older workers a financially sustainable and socially acceptable exit from the labour market. Increasing forces to 'push' older workers out of employment thus resulted in the emergence and/or amplification of 'pull' incentives that allowed for a premature exit from employment.

For a successful reversal, the paper identifies four main challenges for national policies at the level of both 'push' and 'pull factors':

(I) the need to reduce early retirement and to provide incentives for continued employment

(II) the need to invest in older workers' employability through educational measures, such as lifelong learning

(III) the need to provide incentives for employers to hire or maintain older workers, and – as a cross-cutting issue across policy fields

(IV) the need to consider aspects of diversity and inter-individual differences in employability and work orientation when designing active ageing policies.

Against these four background objectives, the paper critically reviews the current state of the art in policies targeting older workers in European Union member states. The review indicates that up to now, reforms have progressed most with regards to institutions regulating labour market exit ages, such as pension systems or other welfare state programmes. Many countries successfully have introduced increases in mandatory retirement ages and restricted the opportunities for early labour market withdrawal. At the same time, incentives for continued work were implemented.

However, with regards to policies fostering the employability of older workers, results are much more mixed. Despite the fact that lifelong learning policies occupy a prominent place on the European policy agenda, the availability of education and training programmes displays marked variations across European countries, with highest rates among Scandinavian countries and the virtual absence of such measures in many Eastern European countries. Especially in countries with lower investments into lifelong learning it must be feared that despite educational expansion, older workers will continue to exhibit competitive qualification disadvantages as compared to younger labour market competitors.

Higher labour costs associated with employing older workers provide further obstacles for longer working life. Though many countries have implemented a broad array of measures to reduce such costs for employers, either through direct employment subsidies or indirect through tax or social security systems. The existence of seniority wage systems, especially in Central and Southern European countries turn older employees into a rather costly workforce.

Taken together, while substantial reforms have been enacted with regard to 'pull incentives', the picture appears to be much more varied with regard to the 'push' forces that still hinder older workers continued employment on globalized labour markets. In most other countries, the 'active ageing' picture appears to be much more fragmented. Future reforms in these countries will thus need to make sure that investments are made into reducing both push and pull factors for early retirement.

# 2 INTRODUCTION

Globalization and demographic ageing represent two major challenges modern European societies are faced with. Globalization, understood as a multidimensional phenomenon encompassing simultaneous processes in the economic, social and technological sphere, has led to a rising level of economic uncertainty which, in turn, has fostered the increasing flexibilisation of employment on European labour markets. It has been argued that older workers - whose potential to adapt to these changing economic demands has been structurally limited – were especially negatively affected by these trends, resulting in their large-scale 'labour shedding' through various different pathways into retirement before reaching standard eligibility ages (Buchholz et al. 2009). In this sense, globalisation thus has contributed to the emergence of a persistent trend towards early retirement in many European countries. At the turn of the century, only around a third of men (32,4% by the year 2000; Eurostat 2011) in the EU-27 were still employed at age 60-64, i.e. within an age-span frequently considered as reflecting a 'pre-retirement' phase. Given their occasionally lower retirement ages and levels of overall labour market participation, women's employment rates were even lower (16,5 % in 2000; ibid.). Even though employment rates varied considerably between EU member states and European countries– ranging from 10,8% for men in Slovakia to 64,2% in Switzerland for men (respectively 5,1% in Hungary to 46,5% in Sweden for women; all data based on Eurostat 2011) – these low employment levels represented a significant underuse of human capital respectively a significant loss in potential productive capacity (Gruber & Wise 1999).

At the same time, however, it became increasingly apparent that European societies are inevitably faced with a process of demographic ageing that will pose increasing challenges to European welfare states and pensions systems. By changing the relation between young and old people, demographic ageing will trigger a shift in the balance between contributors to and recipients of social security transfers, even when considering national standard retirement ages as the demarcation line between the groups of 'employees' and 'pensioners'. Against this background, early exit from employment before standard retirement ages further exacerbates this imbalance and thus was increasingly regarded as being no longer financially sustainable. As part of its Lisbon Agenda in 2000, the European Commission thus formulated the explicit aim of raising the employment rate among older workers (defined as those being between 55 and 64 years of age) to a level of 50 percent until 2010, the so-called 'Stockholm target'. Even though by that year, not all EU member countries had reached this margin, employment rates of older workers have risen considerably throughout the last decade in most member states. Yet, the fact that in many countries still a considerable proportion of those in pre-retirement age remains out of active employment suggests that there may still be significant obstacles to older workers' employment, and that not all challenges induced by globalization have been sufficiently addressed.

Against this background, this discussion paper critically discusses the impact of globalization on the employment situation of older workers and its implications for designing effective future labour market and welfare policies for a sustainable reversal of early exit. Before turning to the actual analysis of contemporary policies, the paper will first provide a short sketch of the term of 'globalization' and how it has contributed to the trend towards early exit. In its main part, the contribution subsequently will focus on how and to which extent recent labour market, education and pension policies have started to mitigate the influence of globalisation on older workers by better enabling them to prolong their employment careers. Based on this overview, the paper finally develops recommendations for further changes in the policy framework to turn the recent positive labour market developments into a sustainable long-term trend.

# 3 GLOBALISATION AND THE LABOUR MARKET SITUATION OF OLDER WORKERS

To sustainably reverse the trend towards early retirement and promote longer working life, it is crucial to understand why older workers are leaving employment before standard retirement age. Much earlier research has traced back the retirement behaviour of older workers to economic incentives provided through national pension systems: According to this approach, pension systems have provided generous benefits for early exit and thus have – literally speaking – 'pulled' older workers out of the active labour force. Various comparative studies have provided impressive empirical support for this assumed positive relationship between high early exit incentives and low employment levels among the older workforce (e.g. Blöndal & Scarpetta 1999, Gruber and Wise 1999). However, it remains open why these retirement incentives exist and why they differ considerably across European countries. The 'globalisation approach' provides a possible explanation by highlighting that over the last decades, the labour market situation of older workers has worsened, resulting in a 'crowding out' from paid employment. Following this approach, one thus needs to additionally consider forces that have 'pushed' older workers out of employment and have made them more likely to accept early retirement offers.

## 3.1 What is globalization?

The following discussion builds on an understanding of globalization by the working group of the German sociologist Hans-Peter Blossfeld, developed within various research projects that have investigated the effects of globalization on individual life courses and employment careers in Europe and North America (see Blossfeld, Buchholz & Hofäcker 2006, Blossfeld & Hofmeister 2006, Blossfeld et al. 2005, 2006, Buchholz et al. 2008).[1] This definition understands globalization as a multidimensional phenomenon, encompassing four simultaneous processes in the economic, technological and socio-political sphere that have been affecting modern societies throughout previous decades:

*(i)* *"the increasing internationalization of markets and the associated growth in competition between countries with very different wage and productivity levels as well as different social and environmental standards […]*

*(ii)* *the intensification of competition between nation states and the resulting tendency for modern states to reduce business taxes and to engage in deregulation, privatization, and liberalization […];*

*(iii)* *the rapid worldwide networking of persons, companies, and states through new information and communication technologies, and, as a result, the increasing global interdependence of actors along with the increasing acceleration of social and economic interaction processes;*

(iv) *the fast growth in the importance of globally networked markets and the accompanying increase in the interdependence and volatility of local markets that*

[1] These research projects are 'Globalife-Life Courses in the Globalization Process', running from 1999-2006, funded by the Volkswagen Foundation (http://oldsite.soziologie-blossfeld.de/globalife/) and the subsequent Research Networking Programme "TransEurope –Trasnationalisastion and Changing Life Course Inequality in Europe', funded by the European Science Foundation (ESF) from 2006 to 2011 (http://www.transeurope-project.org).

> *are ever more vulnerable to scarcely predictable social, political, and economic 'external shocks' and events throughout the world […]"* (Buchholz et al. 2008: p.54)

Taken together, these trends have accelerated the dynamics of labour and product markets and thereby have led to less predictability in their future development. Technological innovations facilitated the speedy exchange of information between actors on global markets and thus allowed for ever faster innovation cycles, thereby triggering transformations in both economic sectors (from an industrial economy to a 'service society') as well as in occupational requirements (from manual 'blue collar' work to non-manual 'white collar' occupations). For firms operating on global markets, these transformations meant that overall, uncertainty about economic and social developments increased significantly, thus making it necessary to develop specific 'flexibility buffers' to be able to react swiftly to changes in the economic environment. (see Buchholz et al. 2008; Buchholz, Hofäcker & Blossfeld 2006).

## 3.2 The Effects of Globalization on Older Workers

To understand what effect globalization has had on older workers, it is important to note that these flexibility demands could not be imposed on all types of employees in the same way. As shown by comparative research, labour market insecurities were in fact channelled disproportionately to young labour market entrants (Blossfeld et al. 2005, 2009, Blossfeld, Hofäcker & Bertolini 2011). Given their lack of ties to means of collective representation, atypical work forms could be more easily imposed upon them, resulting in higher risks of unemployment as well as a higher affectedness by non-standard work forms (such as fixed-term or part time work), low employment security and low wages (Blossfeld et al. 2005).

Compared to this highly flexibilised youth, older workers exhibited various competitive labour market disadvantages (see Buchholz, Hofäcker & Blossfeld 2006):

- While young workers tended to enter the labour market in the growing service sector, older workers were more frequently found in traditional areas such as manufacturing and heavy industries, which were both facing contraction as well as an increasing exposure to global competition from low-wage countries.
- Older workers had frequently received their training throughout earlier phases of their life course and had not renewed their qualifications since then. They were thus at a higher risk of possessing rather outdated qualifications and skills in an economy characterized by rapid technological change. Retraining for older workers, on the other hand, was often considered as being too costly, given the low number of years they were to remain in the labour market.
- Due to the fact that the majority of older workers were being employed in traditional manual occupations, their potential to adapt to labour market changes by means of occupational mobility was structurally restricted.
- Finally, the employment of older workers often was protected by comparatively high levels of employment protection legislation; in many countries they furthermore were earning higher seniority wages due to age and/or tenure.

In contrast to highly flexibilised young labour market entrants with up-to-date qualification profiles, lower wages and lesser employment security, older workers thus often became perceived as a rather costly workforce with lower flexibility and productivity potential.[2] Against this background, early retirement provided a socially acceptable solution to the

[2] It need to be noted that this perception is not in line with gerontological research findings that demonstrate that the skills and competencies of older workers do not necessarily decline with age, but often only change their nature (Auer & Fortuny 2000). However, results of employer surveys indicate that in hiring decisions and human resource management, these stereotypes were of high importance (Schröder, Hofäcker and Müller-Camen 2009, van Dalen & Henkens 2005).

contradiction between rising flexibility demands by employers and the perceived lower flexibility of older workers.

Comparative data indeed show that early retirement in Europe has accelerated since the 1970s and 1980 (Hofäcker & Pollnerová 2006). Early retirement indeed initially concentrated on shrinking economic sectors. However, over time, it turned into an overall long-term strategy, and was increasingly being perceived as an ‘acquired social right’, a trend often being referred to as the emergence of an ‘early exit culture’ (Maltby et al. 2004, Guillemard 2003). Exit from employment was facilitated by various ‘pathways’, including early retirement schemes as well as other ‘welfare state subsystems’ such as unemployment or disability insurance (Guillemard 1989). Notably, the likelihood of early exit differed considerably between individuals with different educational and occupational backgrounds: Especially employees with higher educational attainment as well as those in white occupational occupations in the service sector were most able to adapt to changing labour market conditions, and thus to remain in employment until (or even beyond) retirement age.

### 3.3 Resulting Policy Challenges

Taken together, early retirement of older workers was fostered through a mutual interplay between ‘push’ factors (increasing redundancy of older workers) and pull factors (generous retirement benefits that facilitated labour market exits). In turn, an ‘active ageing’ strategy capable of successfully reversing early retirement will need to rely on reforms of both ‘push’ and ‘pull’ factors. Considering the above discussion, four major policy changes for promoting higher employment levels among older workers can be identified:

1. *Raising work incentives for older employees:* existing incentives for early labour force exits need to be reduced and continued work, potentially even beyond standard retirement ages, needs to be made more attractive.
2. *Improving employability*: The ‘employability’ of older workers, i.e. their ability to remain in gainful employment, needs to be improved. From a globalisation perspective, this means to guarantee that their skills and qualifications are constantly being updated to be in line with changing skill demands on globalized labour markets.
3. *Increasing incentives for the recruitment and maintenance of older workers*: At the same time, the incentives for employers to hire or maintain older workers need to be enlarged. Beyond improvements in their qualification profile, this especially means to reduce the often higher labour costs associated with employing older workers.
4. *Considering Diversity*: For all of the above policy fields, there likely will be no ‘one-size-fits all solution’ that could be applied to all older workers, given that they differ in terms of their educational and qualification background, their health characteristics and their employment preferences (Flynn 2010). Policies thus need to be designed in a differential way to allow for consideration of these inter-individual differences.

## 4 POLICIES FOR OLDER WORKERS IN A GLOBALISING EUROPE: A STYLIZED REVIEW

Since the turn of the century, various policy initiatives have been launched both at the supranational (such as the Lisbon agenda and the related Stockholm and Barcelona targets for older workers) as well as at the national levels to reverse the trend towards early retirement. In this chapter, I will provide a stylized review of these policies and will critically discuss in how far they have contributed to meeting the globalisation-induced policy challenges elaborated above. To this end, I will combine cross-national comparative evidence from large-scale statistical sources such as Eurostat or the OECD with exemplary evidence from in-depth country studies provided through the expert reports of the recently published European Employment Observatory (EEO) Review 2012 on "Employment policies to promote active ageing".

## 4.1 Raising Employment Incentives for Older Workers

A number of reforms implemented throughout recent years within EU member states have aimed to raise the incentives for continued work by *increasing the standard ages* at which retirement incentives can be drawn without actuarial deductions. Table 1 below provides an overview of current standard retirement ages within EU-27 countries for both men and women. As Table 1 shows, these ages range between 67 and 62 for men and 67 to 60 for women. Both Sweden and Finland do no longer set a fixed retirement age, but allow older workers to retire flexibly between 61 and 67 (Sweden) respectively 62 and 75 (Norway). These figures represent a considerable improvement compared to the year 2000 when in a number of Eastern European countries, retirement ages for women were still as low as 57 (Bulgaria and Czech Republic) respectively 58 years (Lithuania, Latvia, Estonia), while in some countries, male retirement ages were set at the age of 60 (Slovenia, France) respectively 61 years (Czech Republic). In many countries, future reform plans foresee further increases in retirement ages. Especially among those countries currently still exhibiting a male retirement age below age 65, this level is intended to be reached within the next years. Slovenia intends to reach a standard retirement age of 65 years by 2016, while the same limit is intended to be reached in the following decade in Estonia and Latvia (2021), Hungary (2024) and Lithuania (2026) (see EEO 2012.

**Table 1: Standard Retirement and Average Exit Ages for the EU-27 and European countries, 2009/2010**

| | Retirement Age Men | Retirement Age Women | Average Exit Age Men | Average Exit Age Women | Average Exit Age: Last data available |
|---|---|---|---|---|---|
| Germany | 67 | 67 | 62,6 | 61,9 | *2007* |
| Iceland | 67 | 67 | — | — | *2009* |
| Norway* | 67 | 67 | 63,0 | 63,3 | *2009* |
| Sweden* | 67 | 67 | 64,7 | 64,0 | *2009* |
| Belgium | 65 | 65 | 61,2 | 61,9 | *2009* |
| Switzerland | 65 | 64 | 64,8 | 62,2 | *2009* |
| Denmark | 65 | 65 | 63,2 | 61,4 | *2009* |
| Greece | 65 | 65 | 61,3 | 61,6 | *2009* |
| Spain | 65 | 65 | 61,2 | 63,4 | *2009* |
| Ireland | 65 | 65 | 63,5 | 64,7 | *2009* |
| Italy | 65 | 60 | 60,8 | 59,4 | *2006* |
| Cyprus | 65 | 65 | — | — | *2009* |
| Luxembourg | 65 | 65 | 58,1 | 57,0 | *2009* |
| Malta | 65 | 65 | | | *2009* |
| Netherlands | 65 | 65 | 63,9 | 63,1 | *2009* |
| Austria | 65 | 60 | 62,6 | 59,4 | *2009* |
| Poland | 65 | 60 | 61,4 | 57,5 | *2003* |
| Portugal | 65 | 65 | 62,9 | 62,3 | *2009* |
| Finland | 65 | 65 | 62,3 | 61,1 | *2009* |
| Un. Kingdom | 65 | 60 | 64,1 | 62,0 | *2009* |
| Liechtenstein | 64 | 64 | — | — | *2009* |
| Romania | 64 | 59 | 65,5 | 63,2 | *2007* |
| Estonia | 63 | 61 | — | — | *2007* |
| Slovenia | 63 | 61 | — | — | *2007* |
| Lithuania | 62,5 | 60 | — | — | *2006* |
| Czech | 62 | 60 | 61,5 | 59,6 | *2009* |

| | | | | | |
|---|---|---|---|---|---|
| Republic | | | | | |
| France | 62 | 62 | 60,3 | 59,8 | *2009* |
| Latvia | 62 | 62 | — | — | *2009* |
| Hungary | 62 | 62 | 60,1 | 58,7 | *2009* |
| Slovakia | 62 | 62 | 60,4 | 57,5 | *2009* |

*Sources*: Eurostat 2011, MISSOC 2011.
*Notes*: *: flexible retirement age, —: no data available

Even among the countries currently foreseeing retirement at age 65, further increases of retirement age to 66 (Italy), 67 (Spain) respectively 68 (Ireland, UK) are being envisioned. Another aim within European countries has been to equalize retirement ages between the sexes. Estonia, for example, foresees gradual increases in female retirement up to the age the 65 years by 2024, while the United Kingdom intends to achieve this aim already by the year 2018 (EEO 2012, Walsh 2012). Increasing women's labour market participation in late careers appears to be an effective remedy against the challenges of demographic ageing, given their current underrepresentation in employment in a number of EU member states. Beyond changes in standard retirement ages, further incentives for continued work are being provided through increases in the *minimum contribution years* necessary for draw full pensions that have been introduced in various EU member states throughout the last decade.

While both measures discussed above provide 'negative incentives' for an early labour force withdrawal, advances in employment levels for older workers may alternatively be promoted through *rewarding continued employment*. Denmark, for example, provides a tax-free-premium who for workers that forego drawing Voluntary Early Retirement Pay (VERP) despite being eligible and continue to work until age 65 (Madsen 2012). In a similar vein, Belgian workers who continue working beyond age 62 receive a daily bonus of around € 2,21 (Plasman & Goossens 2012). Other countries have allowed older individuals who are already drawing regular or early retirement pensions to have *additional income* from paid employment up to certain income thresholds (see EEO 2012 for details). Beyond motivating older people to continue working and to accumulate further income for old age security, such schemes may also help to reduce informal employment among older workers (see Debono 2012 for Malta).

However, reforms related to drawing benefits at standard pension ages may prove to be only marginally effective as long as there are generous alternative routes from employment to inactivity. Parallel to reforming retirement age regulations, many countries thus have also restricted access to *early retirement pensions* or have abolished these schemes altogether. In Denmark for example, the eligibility age for the VERP scheme will be lifted gradually to age 64 (Madsen 2012), while in Netherlands, the VUT scheme which had served as the standard early retirement route beforehand has been abandoned in 2006 (Skugor & Bekker 2006). In Germany, the option to draw early retirement benefits at age 63 after 35 years of service was left intact, but drawing benefits at this age was accompanied by a reduction of 3,6% of pension benefits per year before reaching the new retirement age of 67 (Düll & Vogler-Ludwig 2012).

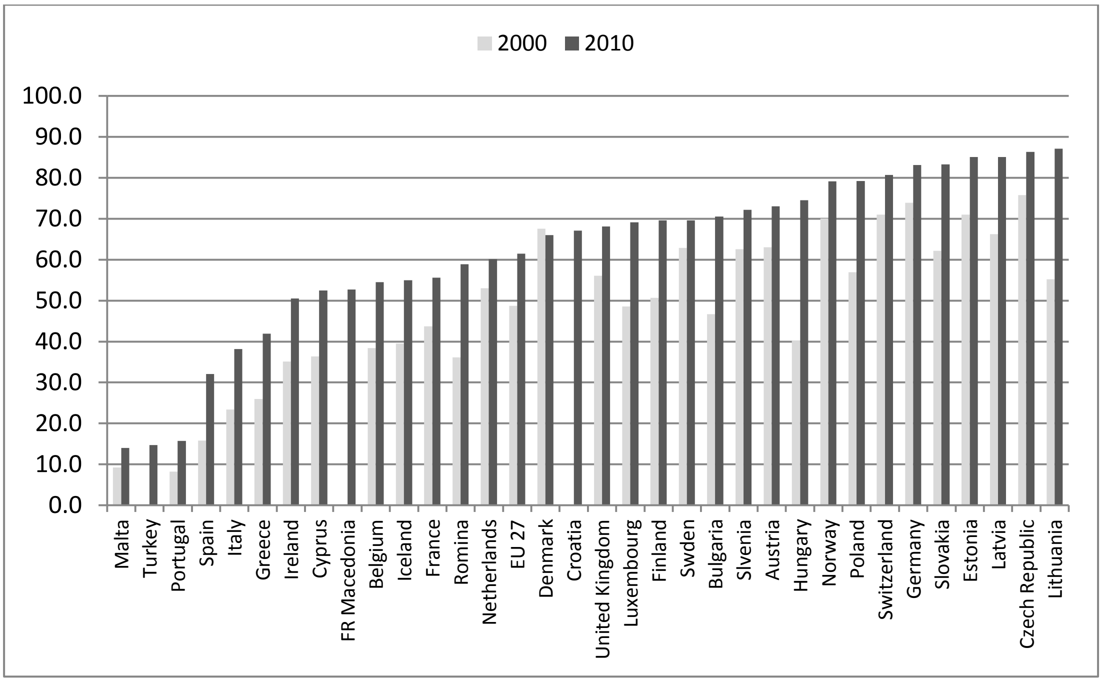
While by the above means, most European member states efficiently restricted access to public pension benefits before reaching standard retirement ages, reforms of '*welfare state subsystems*' such as unemployment insurance or disability insurance have been more ambiguous across Europe (EEO 2012). A number of countries indeed have restricted access to these benefits as well. Sweden, Belgium and Portugal, for example, have connected the receipt of unemployment benefits for older workers with the explicit requirement to remain available for work or to participate in requalification measures (ibid). Other countries, such as the Czech Republic, Austria and Germany have restricted access to disability insurance for labour market reasons. On the other hand, however, the Czech

Republic introduced longer entitlements for unemployment insurance for older workers approaching retirement age (Münich & Jurada 2012). Denmark at the same time reduced testing requirements for disability pensions, while restricting access to early retirement pensions (Madsen 2012). Thus, despite generally restricting the available opportunities for early retirement, some pathways still allow for early labour market exit. The European Employment Observatory report regards these 'incomplete reforms' as an indication of 'concern to protect (…) [older workers] from poverty" (EEO 2012: 72). This persistence of a group of disadvantaged older workers as well as the fact that in many European countries, average exit ages for men and women still lie well below standard retirement ages (see Table 1) suggest that a reform of financial 'pull' incentives alone apparently does not suffice to sustainably improve employment prospects for older workers, but that these measures need to be complemented by measures that mediate the 'push factors' for early retirement. In the following, we shall focus on reforms affecting these factors by evaluating advances in lifelong learning and labour market policies.

## 4.2 Ensuring the employability of older workers

Following the globalisation argument, one major obstacle for older workers' higher employment rate has been their outdated qualification profile. Throughout much of the 1980s and 1990s, older workers were over-represented in rather low-qualified, manual occupations and within declining economic sectors. Allowing older workers to retire early thus provided an opportunity for both intergenerational exchange as well as for promoting occupational and economic transformation. For younger cohorts currently approaching retirement ages, the labour market context appears to be more favourable. On the one hand, many European societies have progressed significantly in their transition from an industrial to a service society so that in present years, rationalisation demands are less distinct. Furthermore, educational expansion has improved the overall educational attainment among older workers. As an illustration, Figure 1 displays the share of workers aged 55-64 years that have attained at least a secondary educational degree, comparing the situation in the years 2000 and 2010. Despite obvious cross-country differences in the overall percentages of secondary and tertiary degree graduates, likely resulting from cross-national differences in education systems, it is clear that recent cohorts of older workers possess clearly higher qualification levels than their predecessors ten years ago. It thus can be expected that in general, these older workers will be at a comparatively lower risk to exhibit qualification disadvantages compared to younger labour market competitors, and thus may be in a better position to compete for jobs respectively to avoid redundancies.

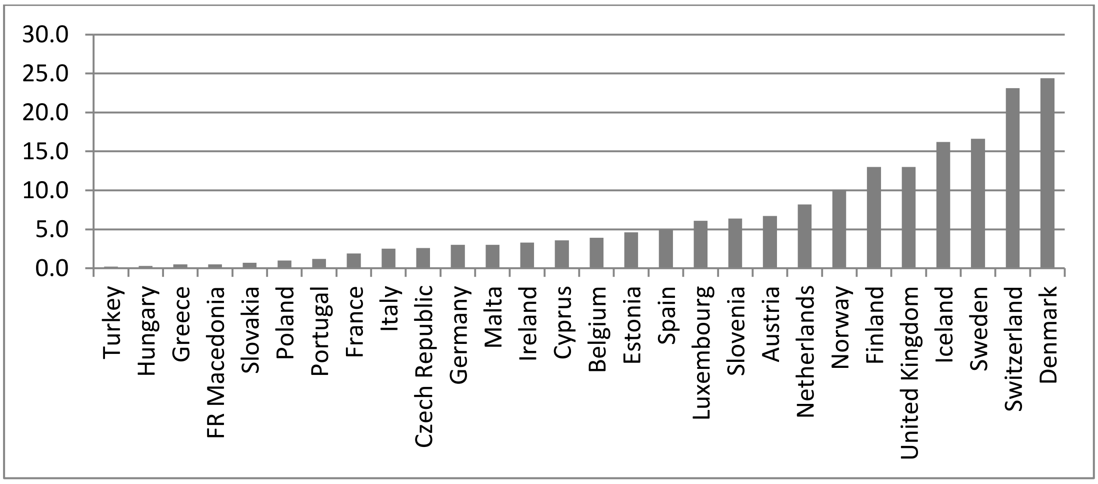
**Figure 1: Attainment of at least secondary educational degree, age group 55-64, 2000 vs. 2010**




*Source*: Eurostat 2011.

However, within globalised labour markets, competitiveness does not arise merely from the singular attainment of educational degrees, but from the constant updating of skills and knowledge to swiftly changing technological demands. To evaluate the effectiveness of policies for older workers in Europe in this regard, one thus additionally needs to consider the degree to which skills and qualifications are being updated at regular intervals. For an illustration, Figure 2 displays the percentages of those workers aged 55-64 years that have recently (i.e. within the last 4 weeks) participated in continued education and training courses. As Figure 2 shows, there are marked differences in training participation among European countries.

**Figure 2: Participation in education and training measures within last 4 weeks, age group 55-64, 2010**




*Source: Eurostat 2011.*

Participation is among the highest in Scandinavian countries where the principle of 'lifelong learning makes up an integral part of national education and labour market policies. A notable feature of education in these countries is that it does not remain restricted to a specific training phase, but that it follows a 'life course approach' relying on the constant updating of qualifications throughout an individual's entire working career. Even after their mid-50s, a substantial proportion of older workers in these countries thus claim to have participated in training measures within the last 12 months. Training is being provided either through specialised adult education institutions or as part of labour market policy measures. The basis of these high training rates is a well-developed social dialogue between the social partners and their mutual involvement in providing both the legal framework as well as training opportunities 'on-the-job' (EEO 2012: 46). Even though also in Scandinavian countries participation of older employees in training activities is somewhat lower than for mid-career employees[3], their training rate remains high and ensures that older workers possess lower competitive labour market disadvantages. In contrast, in many other European countries, lifelong leaning policies are still in the process of evolution (such as in Austria, where an integrated National Lifelong Learning strategy is just being introduced; see Lechner & Wetzel 2012 ). Especially in these countries, training rates of older workers lie well-below that of mid-career workers. In these countries, the competitive disadvantage of older workers as compared to young labour market competitors is clearly higher, thus fostering the persistence of stereotypes concerning their qualification profile.

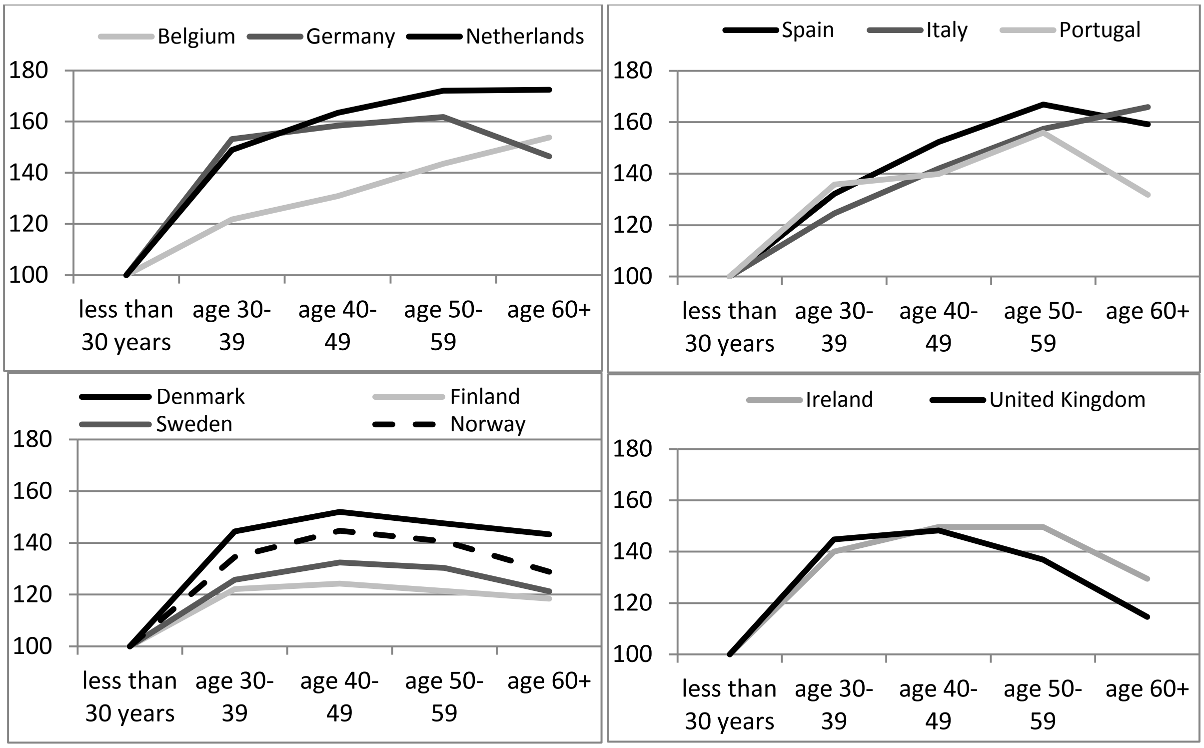
## 4.3 Incentives for hiring/maintaining older workers

Competitive labour market disadvantages for older workers do, however, not only arise from a perceived lack of necessary skills and qualifications, but also through their higher labour costs, incurred through seniority wages. As an illustration, Figure 3 provides an overview of relative wage profiles for employees of different age groups for selected European countries. As the figure shows, workers in mid- respectively late-career on average tend to earn significantly more than their younger counterparts. However, the magnitude of differences between age groups and the shape of the age-wage profile differ significantly between European countries. Especially Central and Southern European countries (upper row in Figure 3) show clear indications of a seniority based wage system: Wages rise steeply cross age groups and reach their maximum in late career. In contrast, age wage-wage profiles in Scandinavian and Anglo-Saxon countries (bottom row in Figure 3) tend to show a less steep increase across age groups. Age-wage profiles tend to flatten out in mid-career, with even some declines when reaching older ages. These results are indicative of the rather flat earning structures and the lesser importance of seniority pay regulations in these countries.

Throughout recent years, many European countries have introduced measures to mediate the high labour costs associated with employing older workers. 'Direct' labour cost incentives include the payment of wage subsidies for those firms recruiting an older worker. An illustrative example are the German integration wage subsidy vouchers through which German firms that hire a worker above age 50 are being granted a subsidy of up to 50% of their wages; for disabled people this subsidy may even rise to 70 percent (Düll & Vogler-Ludwig 2012). Yearly bonuses are being offered to companies employing older workers in Spain (1.300-1.500 € per years for hiring a worker above the age of 45 for an unlimited contract; see González Gago & Segales 2012). Respectively France (2.000 € per year for hiring a worker of the same age group; see Gineste 2012)).

[3] In Denmark, Sweden and Finland, training rates are 1.5 to 2 times as high among workers aged 25-49 than among older workers (own calculations based on; Eurostat 2012).

**Figure 3: Relative wage differences by age group, 2002, selected countries**




*Source*: Eurostat 2011.

*Notes*: Wages set to 100 percent for employees aged below 30 years.

As an alternative to direct payments, many European countries have offered employers the opportunity to 'indirectly' account for the higher labour costs of older workers by reimbursing them for their social security or tax contributions. Depending on the age of the worker hired, Spanish employers, for example, are being compensated for between 40 and 100 percent of social security contributions (González Gago & Segales 2012). In Poland, employers have the choice between standardised reductions of social security contributions or a 'one-time refund' of up to 1,075 € (Sienkiewicz 2012). Evidence from Romania and Hungary, however, indicates that such measures are quickly losing in attractiveness when they are being connected with substantial bureaucratic procedures (Cseres-Gergely 2012, Ghinararu 2012).

Notably, even though these measures are effectively lowering the labour costs associated with employing older workers, by their compensatory mechanism, they simultaneously reinforce their status as a potentially problematic labour market group. Alternative measures to facilitate the recruitment of older workers are to allow them to hire workers in more flexible work forms such as part-time work. The incidence of part-time employment in fact displays a u-shaped formed, being highest among both young and older workers (Hofäcker 2010). Sweden, for example, has a long tradition in allowing part-time work when already drawing pensions. Even though the respective scheme was abolished during the last pension reform, 'partial retirement' is still possible under the flexible retirement age recently enacted (see Anxo 2012). The fact that among older workers, part-time work is disproportionately considered as being voluntary (see Eurofound 2008) indicates that it may serve as a measure for employers to regain more flexibility while at the same time allowing older workers to prolong their working life. In contrast, fixed-term contracts are clearly less widespread among older workers, a possible indication that especially such non-permanent employment may not provide an attractive work option for older employees.

## 4.4 Considering diversity

Even though the afore mentioned policies provide valuable opportunities for reforming ‘push’ and ‘pull’ factors that had in previous decades fostered early exit from employment, they often cannot be applied to all groups of older workers in the same way. Older employees, for example, differ in their educational background and qualifications as well as with regards to their health conditions, and thus may be not all be able to prolong their working careers (Blossfeld, Buchholz & Hofäcker 2006; Blossfeld et al. 2011). Beyond these ‘structural factors’, Flynn (2010) has shown that older workers also differ with regards to their work orientation and their plans for navigating their own retirement decision. A ‘one-size-fits-all’ reform approach – treating older workers as a homogenous group and applying measures to all of them in the same way – thus may be to the disadvantage of specific groups of older workers. Political measures thus need to be differentiated enough to meet the requirements for different groups of older workers.

In a number respects, European countries already have included differentiations to account for variable preferences and needs among the older workforce. Age diversity appears to be best reflected in pension regulations where in many countries, different retirement age regulations exist for specific professional groups that consider their specific work demands and health conditions. Furthermore, opportunities to work past retirement age offer high-skilled workers the opportunity to remain active even beyond mandatory retirement ages.

In contrast, at the firm level, diversity concerns are still requiring more attention. Despite the existence of ‘best practice examples’ in various European countries (Naegele & Walker 2006), only few of the EEO’s country reports point to systematic and more widespread ‘age management practices’ (EEO 2012) within the EU member states. Only in Scandinavian countries, integrated age management plays a greater role: In Norway, for example, companies commit themselves to active ageing policies within their own enterprise within so-called ‘IA Agreements’ signed with the public administration. More than half of Norwegian enterprises until now have implemented active ageing policies. It thus comes at no surprise that half of all older employees are satisfied with the age management of their companies (Berge, Venneslnd & Trygstad 2012). In the UK, public campaigns such as the ‘Age Positive Initiative’ provide advice to companies intending to employ older workers, has help to increase awareness among employers intending to hire or maintain older workers Companies that implement a wellbeing strategy for their employees can be certified with the “Health and Wellbeing Award” (Walsh 2012). Beyond the positive effects of the programme as such, the high visibility of this award may also serve as an incentive for companies to engage in this field for publicity reasons as well.

For many other countries, the existing rare evidence based on representative firm surveys indicates that despite the abstract knowledge of age management strategies, these measures are only rarely being employed, and if so, mostly in large companies (Schröder, Hofäcker and Müller-Camen 2009).

Finally, diversity aspects are also of central importance regarding the access to lifelong learning. As EEO reports indicate, targeted policies in Sweden indeed ensure that it is often those older workers with the strongest need for additional training that receive access to training (Anxo 2012). However, over and above, empirical evidence suggest that the incidence of training participation declines for those with lower educational levels, and that this relationship is most pronounced in countries with low rates of lifelong learning. When expanding lifelong learning programmes, it thus will be vital to ensure that such opportunities remain open for all groups of older workers to avoid that a programme that actually is intended to enhance overall employability levels does not create new skill (and thus labour market) inequalities.

# 5 SUMMARY AND POLICY CONCLUSIONS

This discussion paper has addressed the consequences of globalization for the labour market participation of older workers in modern European societies. Based on a multidimensional definition of globalisation encompassing economic, technological and social dimensions, it was argued that globalisation has worsened the competitive labour market situation of older workers. Given their increasingly precarious situation on changing labour markets, various types of early retirement schemes have been introduced that allowed older workers a financially sustainable and socially acceptable exit from the labour market. Increasing forces to 'push' older workers out of employment thus resulted in the emergence and/or amplification of 'pull' incentives that allowed for a premature exit from employment. However, given foreseeable demographic ageing, early exit increasingly was considered as being an unsustainable trend and various types of measures were enacted on both the national as well as the international level to reverse the early exit trend and promote longer employment careers.

For a successful reversal, the paper identified four main challenges for national policies at the level of both 'push' and 'pull factors':

(V) the need to reduce early retirement and to provide incentives for continued employment

(VI) the need to invest into older workers employability through educational measures, such as lifelong learning

(VII) the need to provide incentives for employers to hire or maintain older workers, and – as a cross-cutting issue across policy fields

(VIII) the need to consider aspects of diversity and inter-individual differences in employability and work orientation when designing active ageing policies.

Against these background four objectives, the paper critically reviewed the current state of the art in policies targeting older workers in European Union member states. The review indicates that up to now, reforms have progressed most with regards to institutions regulating labour market exit ages, such as pension systems or other welfare state programmes. With regards to pensions, many countries successfully have introduced increases in mandatory retirement ages and have restricted the opportunities for early labour market withdrawal, for example by increasing contribution years, abolishing or constraining early retirement programmes and by introducing deductions in case of an early labour force exit. At the same time, in many countries, incentives for continued work were implemented and legal regulations for 'working pensioners' have been relaxed. Though many countries simultaneously closed down or restricted access to unemployment and disability insurance as 'bridges' into (early) retirement, other countries have shied away from introducing such reforms, driven by worries, that the closure of early exit routes may lead to increasing poverty risks for those not being able to work longer.

The paper thus additionally reviewed both developments in lifelong learning policies as well as in policies to increase incentives for employers to hire or maintain older workers. The overall picture in these domains, appeared to be much more inconsistent. Despite the fact that lifelong learning policies occupy a prominent space on the European policy agenda, the availability of education and training programmes displays marked variations across European countries, with highest rates among Scandinavia and the virtual absence of such measures in many Eastern European countries. Especially in countries with lower investments into lifelong learning it must be feared that despite educational expansion, older workers will continue to exhibit competitive qualification disadvantages as compared to younger labour market competitors.

These disadvantages are being amplified by the often higher labour costs associated with employing older workers. Many countries have included a broad array of measures to reduce such costs for employers, either through direct employment subsidies or indirect tax or social security deductions. However, even though these measures had some success in recent years, it remains open whether such support measures that by their compensatory nature reinforce the situation of older workers as a critical labour market group may suffice in the long run to sustainably enhance hiring and employment rates for senior employees. A more general problem affecting the readiness of employers to draw back to the labour supply of older workers are existing systems of 'seniority pay' that inherently increase the price of older workers' labour. Again, it is the Scandinavian countries, that possess the most employment-friendly systems with rather flat profiles of pay across age groups. In contrast, especially in Central and Southern European countries, seniority systems with steeply rising pay levels with age continue to exist and to turn older employees into a rather costly workforce.

Taken together, while substantial reforms have been enacted with regard to 'pull incentives', the picture appears to be much more varied with regard to the 'push' forces that still hinder older workers continued employment on globalized labour markets. Only in Scandinavian countries, reforms seem to have adequately considered both push and pull factors, when reforms in retirement regulations were accompanied by a continued focus on lifelong learning and the minimising of costs incurred through employing older workers. Country studies from the recent EEO report support this picture when they highlight that 'policies to increase the employment of older workers […] have taken a dual approach on economic incentives and on senior policies' (Madsen 2012, for Denmark). For Iceland, it has even been stated that the existing historically 'strong tradition of a long working-life' has made the introduction of specific active ageing policies unnecessary (Agnarsson 20012, for Iceland). Notably, these positive results are not primarily the result of specific policies targeted at older workers, but rather the reflection of more general 'life course policies' in Scandinavia, such as lifelong learning schemes or active labour market policies targeted at the entire workforce. In most other countries, the 'active ageing' picture appears to be much more fragmented. Again, this is reflected in current contributions by country experts that describe active ageing as not having been "a top priority" (González Gago & Segales 2012, for Spain), 'not having taken off" yet (Christofides 2012, for Cyprus), representing no single and coherent […] strategy' (Leetmaa & Nurmela 2012, for Estonia) or as a 'policy of last resort' (Arandarenko for Serbia).

Future reforms in these countries will thus need to make sure that investments are made into reducing both push and pull factors for early retirement. A one-sided focus on merely reducing incentives to retire early without promoting older workers' employability carries the risk that under the conditions of globalization, reforms may rather foster the 'privatisation of employment risks' (Ebbinghaus 2005: 42; author's translation) instead of raising employment chances for all older workers in a globalizing and ageing Europe.

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