

PROMOTING LONGER LIFE AND ENSURING WORK ABILITY

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On behalf of the Director-General of the International Labour Office, I would like to thank you and the organizers for inviting the ILO to this conference. Personally it is a privilege for me to be here.

Current projections are that this planet will have 9.2 billion people in 2050. That is 2.2 billion more than now. Nearly all of these new 2.2 billion people are going to be born in developing countries. In contrast many developed countries will experience population ageing, or even the curious phenomena of population decline.

Ageing societies are a unique development in history, and we are just at the beginning of it. Changes in age structure are leading to changes in dependency, with enormous economic, financial, social and even political consequences.

Ageing societies will have to figure out how to manage and prosper with not having enough children to become tomorrow's workers; how to get more age-related spending from the welfare state—in areas such as pensions, or education and training, or healthcare-- and how to pay for it; how to boost productivity of the fewer people in working age; how to confront the risk of labour and skills shortages, whether to accept more immigration for instance. It is not an exaggeration to say that many of the premises on which modern welfare programmes were established have changed or soon will.

Demographic change and the challenges it poses, are high on the agenda of the ILO. A report on this topic and its implications for employment and social protection was published in 2010. And demographic change is on the agenda of 2013 International Labour Conference, just as the youth employment crisis was discussed last June.

One characteristic of demographic change, in comparison for instance with climate change where there is still a lot of scientific uncertainty, is that demographic change is totally transparent and certain, and the challenges it poses for policy makers are absolutely clear, although how and when to combine solutions and measures is difficult, in some areas controversial, and of course up to each society to decide.

So let me start with some facts.

Population 60+ as percentage of total Population –Slide 2-

Worldwide, the elderly population aged 60 or over, is growing faster than all other age groups, with an estimated global increase from 204 million in 1950 to 2 billion in 2050 and to 2.8 billion in 2100. In other words, a ten-fold increase in the time span of just 150 years!

However, the ageing of populations differs significantly between countries and regions. UNECE countries are in an “age of ageing”. They are already relatively old compared to the rest of the world and will continue to age. By 2050, 30% of the population in this region is projected to be 60 years of age or older. This figure currently stands at 20%.

Old age dependency ratios –slide 3-

These demographic changes and labour force trends have driven major increases in old age dependency in many countries and regions and will continue doing so, as you can see in this graph.

In the UNECE countries the old age dependency ratio increased from 17.5% in 1980 to 21.4% in 2012 and is projected to reach 40 % in 2050. This is a doubling in less than 40 years. During the decades to come until about 2070, UNECE will be the region with the highest dependency ratio, except for the very special case of China.

The trends depicted in this graph are alarming and quite rightly feed the debate on fiscal sustainability in the UNECE countries.

Labour force participation rates –slide 4-

Despite increases in longevity, UNECE countries present low labour force participation (LFP) rates for the older age groups when compared to other regions. However, increases in retirement age in many countries in recent years have increased these rates and they are expected to continue increasing.

Substantive country differences exist. Sweden and Norway present the highest participation rates for the age group 55-64 (above 70% in both countries) but much lower rates for the 65 + population (11% for Norway and 8 % for Sweden). In contrast, countries like Armenia and Georgia present much higher participation rates for the 65+ population (24.4% and 45.6% respectively).

This reflects the fact that in lower -income countries older people are obliged to continue working, mainly in the informal economy, because they are not entitled to pensions, or if these exist they are too low.

“Retirement” is a luxury that people can enjoy mostly in developed, high-income countries, but tends to be rare in most low-income countries. The link between old-age pension coverage and labour force participation in old age is strong. Let us look into this in more detail.

Old age pension beneficiaries -slide 5-

This map presents the different levels of pension coverage all over the world according to ILO calculations (World Social Security Report 2011).

As you can see, in the majority of developing countries less than 20 per cent of the population benefit from old age pensions (the dark blue areas).

UNECE countries present the highest pension coverage, despite country variations.

Policy responses – slide 6-

So what are the policy responses needed in ageing societies?

Broadly speaking, possible solutions fall in four categories:

First, promoting full and productive employment. This includes raising the participation in the workforce of people who could work more or longer but don't. This is important, more than ever, in countries experiencing low growth or recession. Promoting productive employment also includes raising productivity growth so that those at work contribute more to society and the economy.

Second, increasing immigration can compensate for the reduction of the working-age population.¹ While migration is not the only solution, it certainly provides part of the answer, but as we know it is also a highly sensitive issue.

Third, the ILO approach underscores the importance of a life cycle and intergenerational perspective – affirming that youth, adulthood and old age are but different stages of life which influence and interact with each other.

Fourth, extending working lives and increasing the employment rates of older workers specifically, is high on the policy agendas of many countries and this will be the focus of the rest of my presentation. In recent years, many governments in UNECE countries have extended retirement ages.

¹ the immigration required between 2000 and 2050 in the European Union would be 47 million to maintain the size of the total population and 674 million to maintain the ratio of the working-age population (15–64 years) to the old-age population (65 years or older).

It must be made clear from the outset, however, that a prolongation of working life is not appropriate for everyone. In particular, it is not appropriate for older people in ill health, or who spend their working lives in difficult working conditions or with long contribution periods.

It is self-evident that, to work longer, an individual must be in good health, be receptive to the idea of working longer and have the opportunity to do so.

Having said this, there is an array of policy measures that can contribute to extend working lives. I will focus on four key categories of interventions: addressing prejudice and age discrimination; activation measures; skill development; and working time and work organization.

Combating prejudice and age discrimination –slide 7-

Attitudes and prejudice with respect to older people are a major obstacle to opening up employment opportunities and often lead to direct and indirect discrimination.

The EU recently commissioned a survey and a worrying finding was that workplace age discrimination was found to be the most widespread form of age discrimination, with one in five citizens saying they personally experienced it or witnessed it (*Active Ageing, Special Eurobarometer, 2012*).

Concrete actions taken recently to change employer practices have mostly included awareness campaigns, development of “tool kits”, promotion of best-practices and consultation and co-operation with the social partners.

For example, the Austrian Industry Federation created a web site with information on best practices for accommodating age diversity in the workplace that is often referred to as a model (www.arbeitundalter.at).

In France enterprises with over 50 employees were obliged to conclude before January 2010 an agreement to implement an action plan relating to the employment of older workers. If not, financial sanctions (1 % of total wages) apply.

Slide 8

The main international standard that addresses discrimination is the ILO Convention on Discrimination in Employment and Occupation of 1958 (No. 111). Age was not explicitly included as a category of discrimination, but the Convention permits member States to add other grounds.

The explicit inclusion of age as a form of discrimination had to await the adoption of the Older Workers Recommendation of 1980 (No. 162).

An important development in late 2000 was the promulgation by the EU of a Directive on Discrimination which includes age among several other grounds not previously covered by EU texts.

According to an ILO study about 30 countries, 24 in UNECE, have some form of age discrimination legislation (*Naj Gossheh, Age discrimination and older workers, TRAVAIL, 2008*).

The increase in the number of countries implementing age discrimination legislation is a positive development. But enforcement is key. Awareness raising, including education and information campaigns, also have their place, and the social partners – together with governments – have a key role to play in carrying this out

Activating older workers -Slide 9-

The second category of policy interventions to extend working lives is activation measures.

Countries are making increased efforts and shifting funds from passive to active measures. A highly topical issue is whether the needs of older people are best met by specially targeted measures or by an all-age mainstreaming approach (*ESF-Age Network, Issue 5, November 2011*).

In Denmark, there is no special programme for the 50+ although older unemployed are no longer exempted from activation measures.

Germany has opted for an integrated targeted approach with the introduction of its programme Perspektive 50+ in 2005. Under the programme, the Ministry sets incentives for public and private sector organisations to establish pacts to help the long-term unemployed aged 50+ back into work.

In the United States, One-Stop Career Centers and the Senior Community Service Employment Program provide job search assistance to older workers.

Fostering employability - Slide 10 –

The third category of measures is fostering employability through education and skills training. Experience shows how important education and skills are for improving the employment prospects of older workers.

Nonetheless, this table shows that training participation declines with age. It is interesting to note that in countries such as Finland and the United Kingdom absolute participation of those employed over 55 is quite high (e.g. 17.4 % in Finland and 15.9% in the UK) but in relative terms (when compared to the employed 25-54) is much lower.

Slide 11

In the EU, older workers display the lowest participation in training compared with other age groups, particularly with respect to formal, as opposed to informal, training. (*Employment and Social Developments in Europe 2011*)

Lower participation is influenced by supply and demand factors. Employers may be less inclined to pay for the training of older workers as the return on these investments in human capital is limited by the retirement decision of the employee. Recent research on the Netherlands, found that age-specific subsidies for job training make an important difference to retaining older workers. (*Picchio, M. and J. C. van Ours (2011), "Retaining through Training: Even for Older Workers", IZA, Discussion Paper No 5591*).

Nevertheless, other research reports that workers who participated in firm-specific training early in their careers retire earlier than workers with a general training background, because employees with firm-specific skills are more likely to be covered by employer-sponsored pension schemes than workers with general skills, which gives these employees the opportunity to retire earlier (*Montizaan, R., Cörvers F., and A. De Grip (2008), "Training Background and Early Retirement", IZA, Discussion Paper No 3504*).

Participation in training is also linked to prior educational level. An inquiry in Germany concluded that it is not age per se that explains participation in further training but rather the previous level of qualifications. Higher educated older workers show the highest propensity to undergo training.

Slide 12

It is of interest to note that measures to improve the employability of older workers hit by the crisis were used by several countries.

In 2009, Italy introduced the Programme on Income and Skills Support. It was initially designed for 2009-2010 but has been extended to 2012.

Slovenia introduced an integrated package of measures to promote “active ageing” in 2010 that included education and training options for older workers and older unemployed, awareness raising campaigns to challenge stereotypes about ageing, measures to increase health and safety at work, and measures to improve the PES.

Particularly relevant is Canada’s Targeted Initiative for Older Workers: As part of Canada’s Economic Action Plan to mitigate the effects of the crisis more federal funding was approved for the Initiative introduced in 2006 to ensure that displaced older workers 55-64 in vulnerable communities have access to training and employment programmes. This programme has had very positive results.² The ILO and the OECD presented this example at the G20 Labour & Employment Ministers meeting in September 2011 in Paris.

The life-cycle approach argues it is necessary to engage workers in the process of lifelong learning as early as possible so that a culture of learning is established. An adequate response to low levels of education and training of older workers should not focus only on participation of this age group. The experience of workers at a younger age will have a key impact on their labour market decisions and outcomes when older.

Working time and work organization - slide 13-

The fourth type of policies are those that affect working time and work organization. These dimensions are very much affected by demographic change but also by other factors: the shift from the single “male breadwinner” household to dual-earner households, the growing concern over the quality of life and working.

The “linear working life concept” may have to be replaced by a more flexible one. This implies rethinking how periods of work, leisure, learning and caring are distributed throughout life. Such patterns as part-time work, flexible working-time

² The evaluation of the first round of participants revealed that the vast majority (74%) were able to find a job during or following participation in the programme. 80 % of participants felt more employable as a result of the activities. Significantly, the evaluation found that most projects were successful in matching participants with local economic development opportunities. These results are particularly positive considering that 30% of participants did not have a high school diploma, 50 % were long term unemployed, and all lived in communities with diminished prospects for employment.

schedules, leave for caring or parental responsibilities, educational leave, career breaks, sabbaticals etc are becoming increasingly widespread.

The ILO Older Workers Recommendation No. 162 spells out detailed policy measures with regard to working time and work organization.

Although increasing the availability of arrangements allowing for reduced working hours for older workers appears a positive step, ILO research shows that it may have unintended consequences such as inducing those who would stay in full-time work to take part-time employment, or stigmatizing older workers. This is one of the reasons why Belgium and the Netherlands have moved away from an age-specific policy to granting everyone the right to a reduction of working hours. (*ILO Employment conditions in an ageing world, Jolivet & Lee, 2004*)

The Austrian old-age part-time scheme was recently evaluated. This was a policy to allow flexible retirement options for the elderly with an aim to increase labour supply. It was found that most older workers substitute part-time work for full-time work if they have a chance, and that the overall effect of promoting part-time work on the total labour supply of older workers is negative. (*Graf, N., et al (2009) "Labour Supply Effects of a Subsidised Old-Age Part-Time Scheme in Austria", IZA Discussion Paper*).

Before implementing age-specific measures, it is critical to know the extent to which working-hour constraints discourage older workers from continuing to work or returning to work. In order to improve work capabilities and develop a positive attitude towards employment among older workers, options that would allow workers to adjust working hours need to be provided at all stages of working life.

Concluding remarks -slide 14-

I would like to end by underscoring one of the General Provisions of the ILO Older Workers Recommendation that says:

“Employment problems of older workers should be dealt with in the context of an over-all and well balanced strategy for full employment ... due attention being given to all population groups, thereby ensuring that employment problems are not shifted from one group to another”.

In this respect a contentious issue that comes up in policy debates is the substitution of older for younger workers. It is often claimed that fewer jobs for older workers means more jobs for youth. This is based on the so-called “lump of labour” fallacy that there are a fixed number of jobs and workers are perfectly substitutable for each other. In practice, younger workers cannot easily substitute older workers - the evidence suggests that early retirement policies have not generated jobs for younger

age groups. There is also evidence that across the OECD there is a positive correlation between changes in employment rates for younger and older people.

At the other end of the age structure, the youth employment challenge that has become extremely serious. Last June the International Labour Conference held a general discussion under the title “The youth employment crisis” and concluded with a strong Call for Action to address this crisis.

The figures are dramatic: 75 million young people unemployed worldwide in 2012, 4 million more than in 2007; more than 6 million young people discouraged; more than 200 million young people working but earning under US\$2 a day; a large increase in part time and temporary employment, youth graduates only able to obtain “serial internships”, not permanent jobs.

Unemployment and under-employment early in life may permanently hamper young people’s productive potential and future employment opportunities. This underlines the point that it is important to address demographic change from a life-cycle and intergenerational perspective.

A similar Call for Action as was issued for young people is necessary for older workers in ageing societies. This sense of urgency is one of the reasons why governments, employers and workers decided to put the issue of demographic change and its implications for employment and social protection systems as an item for general discussion at the next ILO – International Labour Conference in June 2013.

The discussions in this UNECE Conference will be highly relevant as a stepping stone to the ILC next year.

Thank you for your attention, and thanks again for your kind invitation.