

Social Dialogue and Ageing in EU Accession Countries

Conference Report



International Labour Office

Social Dialogue and Ageing in EU Accession Countries

Germany/Japan/ILO High-level Subregional Conference

Budapest, 25-26 November 2002

ILO Subregional Office for Central and Eastern Europe
Budapest

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Preface

Ageing of the population is a common challenge faced by both the candidate countries for EU accession and EU member states. In the accession countries, the average proportion of men and women over 50 will increase significantly in the coming decades, and life expectancy in general will rise to 80 over the next 50 years.

The Conference examined the role of social dialogue in policy making related to population ageing and the involvement of older workers in labour markets. It addressed issues such as pension reform, active labour market policies for older and disabled people including skills development and life-long learning. The meeting was sponsored by the German Government in cooperation with the Japanese Government which, in turn, had organised the Subregional Conference on Social Dialogue in Bangkok in 2001. The Budapest meeting can be seen as a subregional tripartite follow-up to the Madrid World Summit on Ageing in April 2002 and the UNECE Ministers' Conference on the same topic, held in Berlin in September 2002.

The Conference was designed for social dialogue and labour market specialists as well as social security experts and top policy makers from the governments of Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey. In addition to tripartite delegations from these countries, a panel of speakers participated from the European Commission, ILO and European social partners, who presented their organisations' respective activities in this field.

The programme of the Conference was composed of four sessions: "demographic change and policy options for dealing with ageing populations", "social dialogue on pension reforms", "adequate labour market policies for older and disabled workers" and "older workers and skills development". European, Japanese and accession countries' policies regarding ageing and older workers were presented and compared with similar ones in EU member states. In the general debate, participants focused on policy lessons or implications for accession countries, on the role of social dialogue in pension reform processes and social partners' involvement in different stages of the discussion on pension reform.

This publication contains all the presentations and contributions offered during the Conference. It also includes the summary report and policy conclusions prepared by the ILO.

The meeting allowed governments, employers and workers in the EU accession countries to exchange views and debate how best to use social dialogue in coping with the challenge brought about by population ageing. The attendance of high-level representatives from governments and workers' and employers' bodies from all 13 accession countries as well as those from the EU facilitated mutual learning from each others' experiences. We believe that the Conference fulfilled its objectives: the vivid discussions amongst the 120 participants clearly demonstrated the keen interest towards the topic. Moreover, the audience agreed on several issues, such as the need to foster higher employment rates and the quality of work for older men and women workers. There was also a common understanding on the important role of social dialogue to develop consensus on adequate policy responses aiming at combating age discrimination and increasing employability.

Finally, we thank the Ministry of Economy and Labour of Germany whose financial support made the organization of this Conference possible. We are also grateful to the Ministry of Health, Labour and Welfare of Japan, for their support and expertise, as well as to the Hungarian Government for hosting the Conference in Budapest.

Budapest, March 2003

Petra Ulshoefer
Director
ILO Subregional Office for Central and Eastern Europe

Contributions

EU policies towards older workers

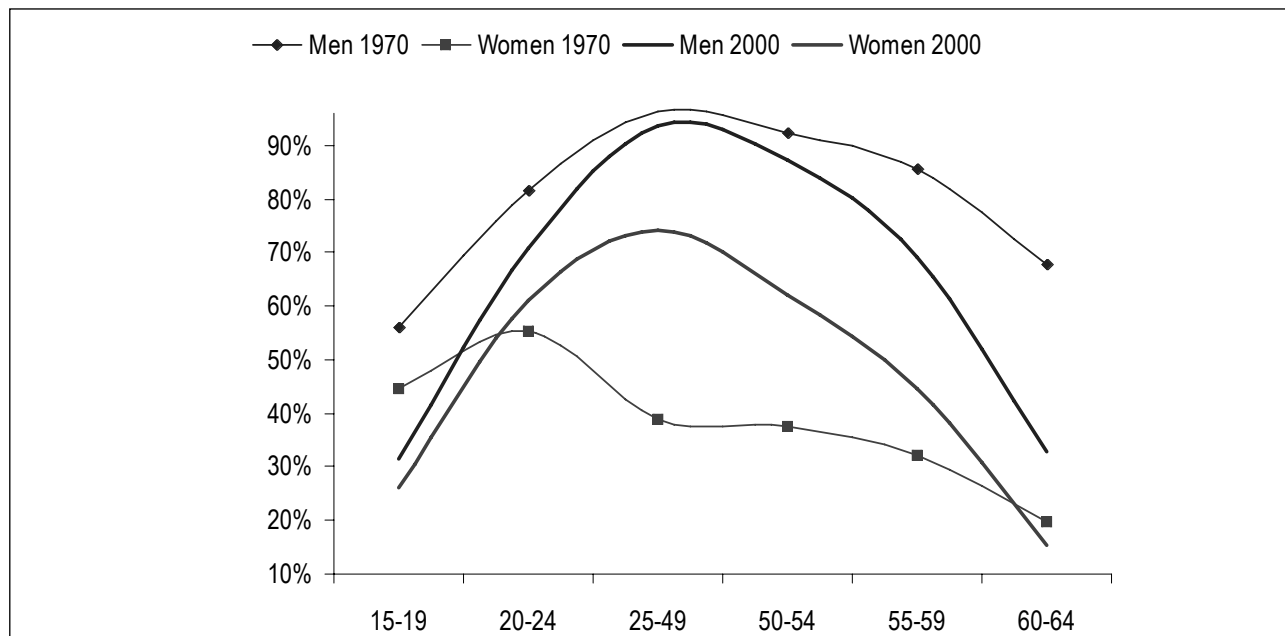
Georg Fischer¹

Ageing is a challenge that we all face as individuals – but it is not just an important issue for us at a personal level. It poses a real challenge at the economic and social level, and, therefore, for policy makers at all levels. The citizens of the European Union (EU) are getting older. There are now more than 70 million people aged 60 and over in the EU, representing around one in five of the population. The Europe of the future will be a very different place from that of today, with many more of us living well into our 80s and 90s. This has implications in several policy areas: pensions, benefits, employment and health. But in this brief chapter, I want to focus on the inclusion of older people in the labour market.

As is recognised throughout this volume, the labour market has a crucial role in helping to meet the challenge of ageing. Higher employment, in particular, of older people is a key component in making social security systems and public finances sustainable. Staying longer in work is also important to avoid social exclusion of older people given the significance employment has in our set of social values. Employment policies are a key element in our strategies to cope with the challenge of ageing. On the other hand, employment policies need to adapt to an ageing work force. Adjustment in our labour markets will take place less and less through generation change (i.e. the young replacing the old and bringing new skills and capabilities) and more and more through the learning processes of those already in the work force.

The economic realities are such that we cannot ignore older people in the labour market. The labour force is ageing along with the overall population. Current patterns of participation would imply a future shortage of workers, both to meet production needs and also to support the increasing number of older inactive people, despite dramatic changes in the participation structures in the EU.

Participation of men and women in 1970 and 2000



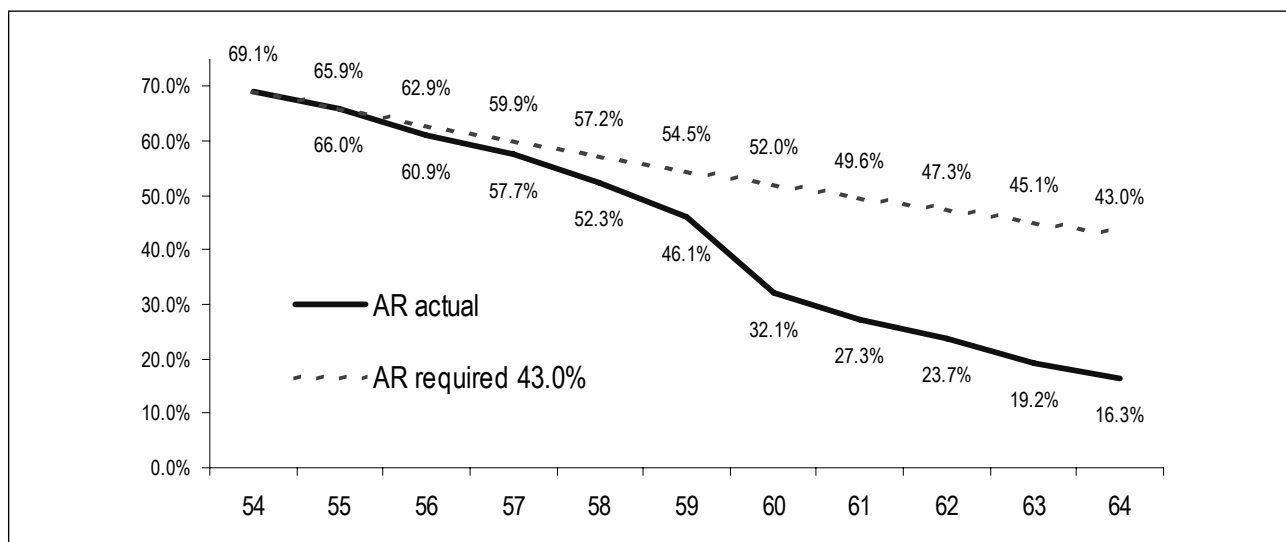
¹ Head of Department, European Commission, DG Employment and Social Affairs

Participation of young men has declined strongly but is lower even at the peak age for involvement in the labour market. Female participation has compensated for this decline and driven labour supply trends. Labour force participation of older workers has been steadily declining over the last 30 years. This has been a result of economic restructuring, with many leaving the labour force involuntarily, although voluntary early retirement schemes have also played a part. Retirement is the main reason for high inactivity amongst 55- to 64-year-olds.

In ten of the 15 EU member states, less than half of 55- to 64-year-olds were economically active in 2001 (and this included Germany, Spain, France and Italy). The average for the EU as a whole was 41%, ranging from 25% in Luxembourg to 69% in Sweden. There is also considerable variation between areas within countries. For example, across Finnish regions the rate ranged from a low of 39% (Ita-Suomi) to a high of 74% (Aland). And for one region in Belgium the rate was 20% (Hainaut), whilst in one Swedish region it reached 81% (Mellersta Norrland).

Last year the Stockholm European Council stated that the Union and the member states are fully committed to the goal of full employment and see it as an important way of meeting the challenge of the ageing population. The Council put forward a goal that by 2010 50% of the people between 55 and 64 should be in employment, compared to 39% in 2001. Furthermore, this year the Barcelona European Council called for measures to increase the incentives for older workers to remain in the labour market, and for a rise in the average age at which people stop working of about five years.

**Implications for the activity rate (AR) of older workers of increasing the average exit age by 5 years by 2010
(scenario based on the assumption that the exit age in 2000 is about 59 with AR = 43%
which is moved forward 5 years to age 64)**

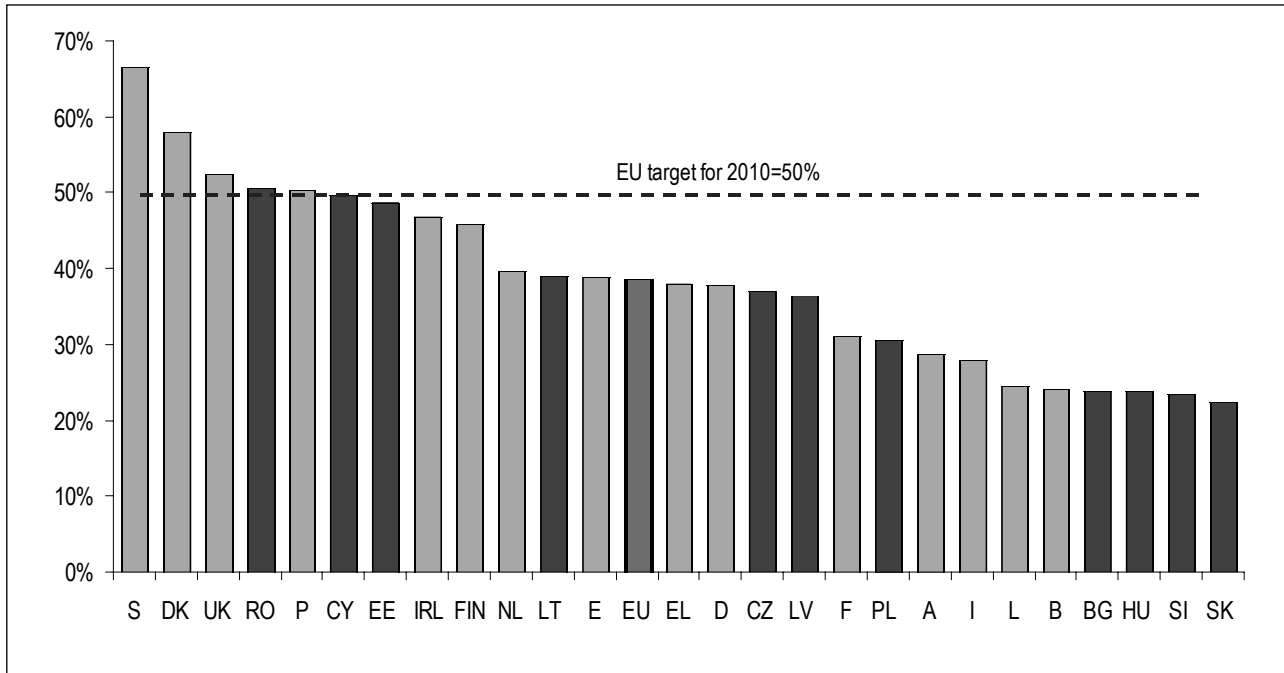


The graph illustrates participation rates in the population aged between 55 and 65 for the year 2000. Already from 55 onwards one can see a steady decline which becomes much steeper around the age of 59. The Barcelona target is to delay this strong decline for five years, and this is illustrated by the second line in the graph. It is obvious that this requires a culture change, almost a revolution, concerning labour market behaviour and retirement.

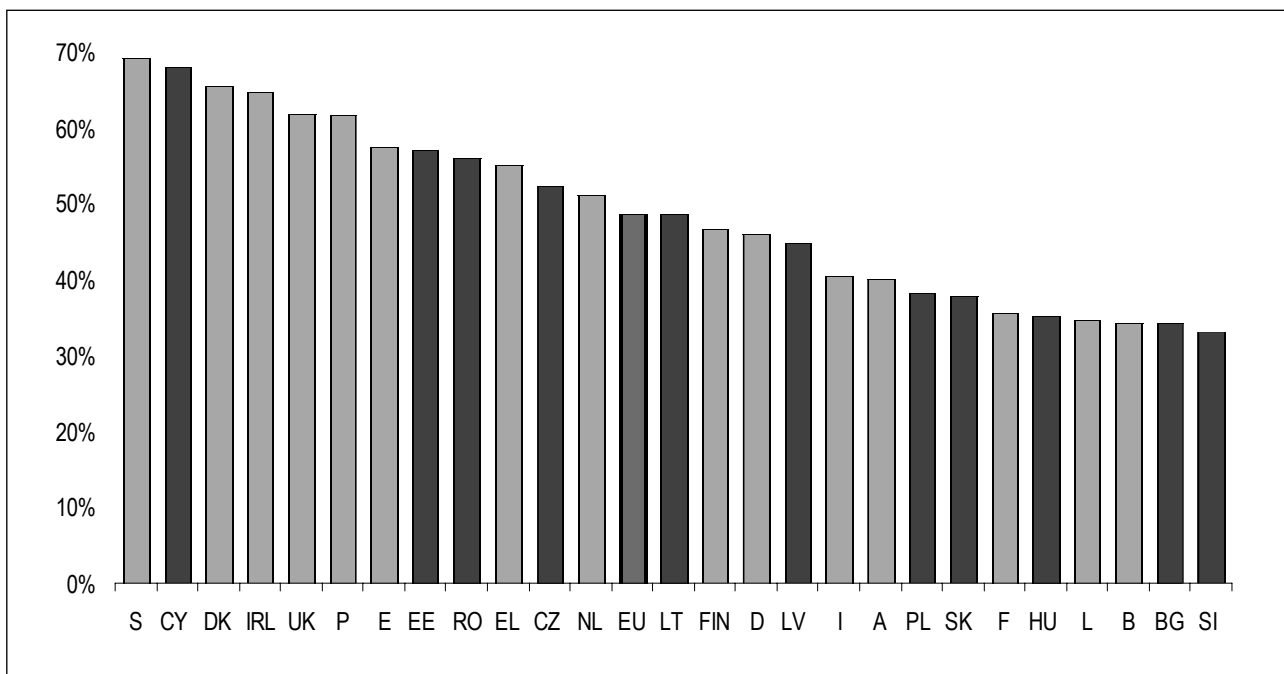
The EU is committed to attaining an overall employment rate of 70% and for older workers a rate of 50% by 2010. These are ambitious targets, particularly the 50% target for older workers, but not out of reach. The Union created some 12 million jobs in the last six years and must create some 15 million further new jobs by 2010 to hit the 70% target and enable some seven million older workers (aged 55 to 64) to enter employment and to remain in work longer to reach the 50% target.

So far progress on the 50% target has been limited. Whilst the employment rate for older workers has increased in recent years, it has been a much slower increase than the overall one. The employment rate for 55- to 64-year olds stood at just under 39% in 2001, still some way short of the Stockholm target. This compares with an employment rate of around 75% for 45- to 54-year-olds.

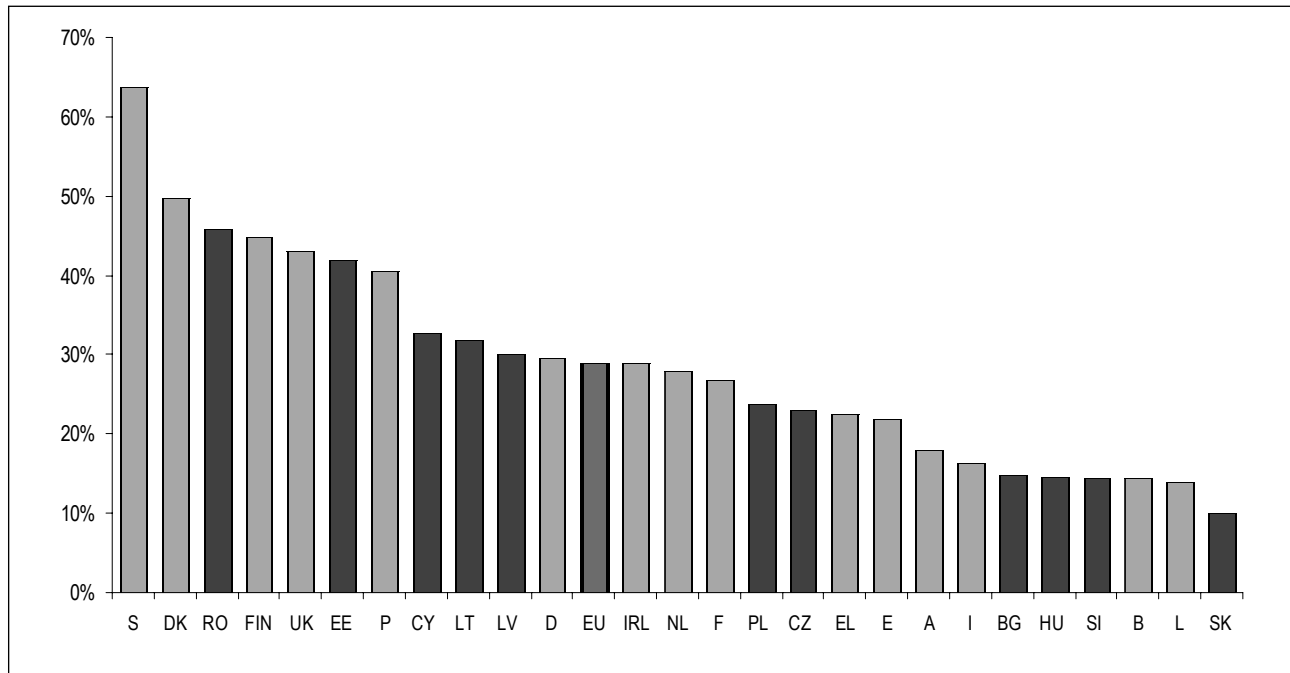
Employment rate for older workers in the EU and Candidate Countries in 2001
(percentage of population aged 55-64)



Employment rate for male older workers in the EU and Candidate Countries in 2001
(percentage of male population aged 55-64)



Employment rate for female older workers in the EU and Candidate Countries in 2001
(percentage of female population aged 55-64)



Some member states are performing well above the EU average; for example, Portugal, the UK, Denmark and Sweden all had employment rates for older workers of over 50% in 2001. Sweden's rate of 65% is particularly high. Also Cyprus and Estonia have relatively high rates. Some strong improvements have taken place in countries that already had high levels: Denmark, Sweden and the UK. The rate in Finland is increasing rapidly (10 percentage points in five years) and may soon approach 50%. Spain, Ireland and the Netherlands have moved from low levels to above average. However, several EU member states with traditionally low levels of older people in work have not used the overall favourable employment situation between 1997 and 2001 to increase this rate substantially. There needs to be much more rapid improvement across the EU, in particular those lagging behind, if the EU is to reach the target.

The observation that countries with traditionally higher levels of employment of older people have done relatively well indicates that societal and cultural factors are important and that fundamental changes in these factors need to be brought about to effectively reverse the employment trends for older people. The required cultural changes go well beyond correcting a few financial incentives that have a negative impact on the participation of older people in the labour market, as important as correcting these incentives may be. Clearly, in the past, facilitating early retirement has signalled to enterprises and workers that early leaving is an accepted, even desired, means of labour market adjustment. Hence, it was used extensively in many member states. Therefore, correcting benefit and tax provisions may signal that the societal attitudes are changing and has, therefore, importance beyond the incentive structure for the individual. But the required culture change requires broader policy adaptations as well as a rethinking of attitudes of enterprises and social partners.

Such changes in attitudes do take place – but often not quickly enough. Older workers are still at a higher risk of exclusion from the labour market. Enterprises continue to perceive older workers as a problem for more flexible work arrangements rather than a source of accumulated experience often needed for the successful implementation of more flexibility. Some companies re-organise work with a view to adapt to ageing. Best practice studies propose that one has to start early – not when

people are in their late 50s but when they are in the early 40s. Career planning becomes an important part of the management strategy. For companies following such an approach, training of workers in their late 40s or early 50s will be an investment in people who will be with them for another 15 or more years. Other important adjustments concern working conditions, ergonomics and more flexible working hours.

Employment of older workers is maybe the one single area of employment policy in which the need to combine the promotion of the quantity and the quality of employment is most visible and urgent. It is no coincidence, therefore, that active ageing and improving quality in work are high on the EU social and economic agenda. While changes are taking place (and in doing so allowing benchmarks to be set and experience to be gained), it is slow and undoubtedly too slow. In addition to reforming tax-benefit, in particular retirement systems, and to open labour market programmes, public policy must encourage enterprises and social partners to manage ageing more pro-actively.

In 2001 the European Commission introduced a new Guideline (Guideline 3) on active ageing, calling on member states, in conjunction with social partners, where appropriate, to develop policies for active ageing. Overall, active ageing has to be the norm in employment, as in other areas of life. In the European Employment Strategy, active ageing will feature among the priorities of the new generation of employment guidelines. This requires investment in the education and training of the current workforce, but also in attracting new workers. The aim is to maximise each individual's capacity to participate in the labour force over his or her *whole life cycle*. We need to move to a situation where a culture of life-long learning means that employers invest in older workers as much as in their younger workers. They will have no choice if they are to meet their labour market needs in the future, but it is also important in terms of social inclusion and fairness.

I have been stressing labour market inequality with respect to age, but the issues of gender and age are to some extent overlapping. Female activity rates are particularly low at the upper age levels. This demonstrates that we cannot simply treat the different aspects of labour market inequality in isolation; we need to consider a more holistic framework of actions aimed at promoting diversity. To meet these challenges will require determined efforts, not only in current member states, but also in the accession countries. Most accession countries face important structural challenges in their labour markets. They too face ageing populations – but often with more serious imbalances than in the EU 15 – and generally weaker infrastructures. As their economies adjust it will be important to check the position of older workers in these countries and to use structural assistance accordingly.

Public authorities have a key role to play. They are well placed to set an example and develop innovative strategies with respect to the recruitment, retention and development of older workers. As big employers with large services to run, it makes sense for them to increase the attractiveness of employment to older age groups – for example, by offering greater flexibility to older workers. Like other employers, they cannot afford to do nothing, given demographic developments.

The EU-wide targets on older workers are ambitious. Some may say over-ambitious. I do not think so; they reflect the size of the challenges which current and future member states face equally. Positive developments in some present and future member states prove that substantial progress can be made. It requires the positive interaction of economic, employment and social policies, and the contribution of social partners is crucial. Older workers need to be an important part of any national, European or international employment strategy.

Demographic change and the labour market: What are the challenges we are facing?

*Luigina de Santis*¹

European and world trade unions want a positive image of longer life expectancy. The silent revolution which Mr Kofi Annan spoke of in Madrid at the UN Second World Assembly on Ageing in April 2002 has come about mainly from moves towards a set of things such as the recognition of fundamental rights, the right to health and better living and working conditions, to which the trade unions have been and are totally committed. So, rising life expectancy is less a challenge than an achievement of society, especially the most economically mature ones.

The average life expectancy in Europe today is 81.4 years for women and 75 for men (Eurostat). Elderly people make up 16% of the total population, which corresponds to a quarter of the working-age population (15 to 64 years). This share is expected to rise to 27% by the year 2010. What will happen over the next 15 years?

- the 0 to 14 age group, about 17% of the total population in 2000, is predicted to decrease to 8% by 2015;
- the 15 to 24 age group will fall from 12.4% to 11.2%;
- the main group of the working age population, 25 to 54, will experience a decrease of 2.5 percentage points, from 43.4% to 41.3%;
- the 55 to 64 age group will experience a very significant change with an increase of nearly 20% of the number of people in it (changing from a share of 11% in 2000 to 12.8% in 2015);
- the number of people in their “fourth age” (80 and over) will increase by nearly 50%.²

This demographic revolution is a global phenomenon: over the past 50 years, life expectancy has risen by 20 years world-wide to 66 years. The UN predicts that by 2050, 22% of this planet’s inhabitants will be over 60 years of age and the total number will rise from 600 million now to 2 billion.

The real challenge is to pursue joined-up policies and ensure quality in work. The trade unions’ upbeat view of population trends does not mean that it is not also a challenge to us all, a challenge which demands new joined-up policies on quality at all levels and in all spheres, as the trade unions demand in the platform “For a society for all ages” framed for the UN Second World Assembly on Ageing.³

FERPA argues that the first thing to do is to pursue a real policy for full employment and quality jobs to give everyone the right to work and to ensure the sustainability of social protection systems, which must be created where they do not already exist. Where the EU is concerned, FERPA agrees with the conclusion of the European Commission (EC) that Europe has “a considerable potential labour supply.”⁴ The Lisbon European Council, endorsed by the Stockholm European Council, said that the total employment rate should be raised as close as possible to 70%, that of women to more

1 General Secretary, European Federation of Retired and Older People (FERPA), affiliated to the European Trade Union Confederation (ETUC).

2 See “The social situation in the European Union 2001” and “The social situation in the European Union 2002”, both issued jointly by the EU’s Directorate-General for Employment and Social Affairs and Eurostat.

3 The platform “For a society for all ages” is explained on the website <<http://www.etuc.org/ferpa>>. Global unions backing the platform are the International Confederation of Free Trade Unions (ICFTU), World Confederation of Labour (WCL), ETUC and FERPA.

4 “Increasing labour force participation and promoting active ageing”, European Commission Report to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, 24 January 2002 COM (2002) 9 final, page 5

than 60%, and that of older workers by 50%. These objectives will mean creating around 20 million extra jobs in all, of which 11 to 12 million should be for women and 5 million for older workers. Things which need to be done on the particular issue of the link between ageing and employment include: preventing age management problems, as originally suggested by the Dublin Foundation back in 1997,⁵ promoting continuing training, and, in particular, the spread of new technologies. It is also important to combat all forms of age discrimination, including the systematic shedding of older workers and, finally, to adapt work organisation to the needs of ageing workers and to improve health and safety at work.

The trade union agenda clearly lies in spheres where collective bargaining must play a key role. FERPA does not believe that a “code of good practice” like the one proposed in 2000 will deliver meaningful results.⁶ What is needed are far-reaching changes to counter the in-built processes we are seeing on the labour market. The labour force participation rate of men aged 55 and over is considerably lower now than it was in 1970.

The fact is that labour market participation has undergone radical changes over the past 30 years. But this overall situation must not in any circumstances mask the very different age and sex specific trends, and disparities between member states and regions. The labour market participation of young people aged between 15 and 24 picked up in the mid-1990s, and the gender gap is quite narrow in this group.

Among the 25 to 49 age group, men’s participation has fallen slightly, while that of women has risen sharply from under 40% to over 70% for this age group as a whole. Highly skilled workers in this age bracket have a markedly higher rate of participation in training than that of unskilled workers, whose participation rate is declining more sharply.

Among the 50 to 65 age group, participation rates have been declining steadily over the last 30 years. Participation rates of men, particularly those in low-skilled manual occupations, begin to decline rapidly from the age of 50 onwards. In 1970, this decline in participation did not occur until the age of 60. Much of this is due to enforced redundancy with the decline in jobs in manufacturing, particularly during periods of high job losses, combined with the difficulty, particularly for lower-skilled men, of finding re-employment, even in an upturn.

Participation of women in the labour market currently declines from about the age of 45 onwards, but more slowly, although activity rates for women aged 50 to 60 are still higher than they were in 1970.

The decline in labour market participation by men over 50, therefore, is essentially due to lack of skills. For women, other factors come into play, true as it may be that “for women, the decline sets in earlier for lower skilled [workers], from 45 on, but from the age of 50 onwards, the decline is much sharper for high- and medium-skilled [workers]”.⁷

Participation in training declines substantially for workers over 50, with very low levels for low-skilled workers. While almost half of older workers do actually work in firms that provide training, “less than 15% take part in training measures... only 7% of low-skilled older workers receive training as compared to more than one fourth of high-skilled older workers.”⁸

What can we conclude from these figures? That it is imperative to provide life-long learning and in-service training, with particular support for training and career development for unskilled workers. The European-level agreement on this reached by the European Trade Union Confederation

5 “Combating age barriers in employment”, European Foundation for the Improvement of Living and Working Conditions, Research Report 1997

6 “Ageing in employment: proposal for a European code of good practice”, Eurolink Age, 2000

7 “Increasing Labour Force Participation ...”, p. 17

8 Ibid. p. 5

(ETUC), Union of Industrial and Employers' Confederations of Europe (UNICE) and European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) on 28 February 2002 is immensely important here.⁹

Turning to the debate on the sustainability of pension systems, FERPA believes that public pension schemes based on solidarity within and between generations, which means funded on a pay-as-you-go basis, must be preserved and improved. The aim is to bring young people and women – especially in non-standard jobs, for example trainees, part-time workers, those with a fixed contract and temporary agency staff – into the pension system. The legal retirement age must be preserved, but with the flexibility to allow for individual requirements and physical working conditions. Where these are poor, an earlier exit from working life – i.e. early retirement – should be possible. The fact that working conditions and their great influence on ageing depends more on social and economic factors rather than on biological factors is not to be denied. The EC recognises that there is “sometimes a very close link between health and social position [and] living and housing conditions, job quality, standards of education, lifestyle and eating habits...”¹⁰ So, there are a number of contributory factors involved, including access to health.

To prevent older workers (between 50 and the legal retirement age) being systematically squeezed out of the job market, trade unions want a different view of human resource management that introduces managed “career wind-down” arrangements. This could include arrangements to ease workers into retirement. The principle of phased retirement should be introduced by legislation, or an agreement between the social partners, and then put into effect at a national and sectoral level. Phased retirement schemes could also be adapted to the individual's age and how wearying the type of job is. This means taking a more detailed look at what we mean by “older worker” – working in a school, in the building trade, in a chemical plant, doing night work, in an office, in a fast-food outlet or in a call centre, people age differently according to their type of activity. FERPA is frankly astonished at how little attention has been paid to the connection between ageing and working conditions, when these are linkages that should be focused on to promote policies that deliver the requirements of healthier and safer work.

What needs to be done? We need to build on what already exists and at the same time create a system of social services that can meet the needs of a changing society. The policy response to increase women's participation rate is to expand childcare provision. Granted, this is important, but services that cater for an ageing society are just as essential. Health-care and intake provision for the elderly must be made to work better, but an integrated healthcare and social services system needs to be set up. At the same time, we need to promote more availability of home care nursing for the elderly, which will be more effective and less costly and address the real needs of people.

If “older” women are to be kept in the labour market, we must have services for older people in need of care. Developing a “formal care” system would address the needs and would create new and high quality jobs. Dependency is too much of a taboo subject in Europe. This is despite the fact that studies by the EC have found that 3% of the total population, or 9 million people in Europe, are severely dependent, and at least 7.6 million older people who are classed as dependent have received some form of assistance or support.¹¹

9 “Framework of actions for the lifelong development of competencies and qualifications”, ETUC-CEEP-UNICE, 28 February 2002

10 “The future of health care and care for the elderly: guaranteeing accessibility, quality and financial viability”, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM (2001) 723 final, 5 December 2001.

11 “Social protection for dependent elderly persons in the 15 EU countries and Norway”, European Commission Report, 1999

There is no one consistent operational definition of dependency in Europe. Each country sets its own policies. The need for concrete responses, co-ordinated between the member states, speaks for itself. A study carried out last year reported that “the American economy is losing \$11.4 billion a year from dependency through early retirement (3.6% of cases) [and] stopping work entirely (6%).” Moreover, in a survey study of the top 500 US companies, a third had set up a specialised programme to address the assistance needs of their employees’ family members.¹² How much well-being and wealth is Europe losing?

In summary, we must bring in the right policies to steer the necessary changes, while making the most of our human resources through collective bargaining. We need to give social partners a bigger role and to improve the quality of work and of health and safety in the workplace. “Punitive” policies on ageing, constant threats to cut social protection, raise retirement ages and so on will backfire in the form of spreading undeclared work and social insecurity.

¹² *Le Monde*, Tuesday, 6 February 2001.

How we are facing up to the ageing of the population in Slovenia

*Natasa Belopavlovic*¹

The demographic background

The ageing population is a fact that Slovenia is facing up to in a similar way to most other European countries. Over the last 20 years, life expectancy has grown while the number of births, the number of children aged 14 or lower and the average number of children per family have all dropped.

	1980	1990	2000
Male life expectancy	67.42	69.54	71.94
Female life expectancy	75.21	77.38	79.10
Number of births	29,902	22,368	18,1800
Number of children aged 14 or lower	431,859	414,678	316,938
Average number of children per family	2.11	1.46	1.26

These facts had to be taken into account when reforming pension and disability insurance, in the drawing up of new employment legislation and various measures pertaining to an active employment policy, as well as in the area of the accommodation, care and protection of the elderly, health care, etc. As a legal expert, I shall limit my discussion to those measures belonging to legislation being drawn up by the Ministry of Labour, Family and Social Affairs and which relate to the following:

- a) pensions and disability insurance (the new Pension and Disability Insurance Act)
- b) health and safety at work (the new Occupational Health and Safety Act)
- c) labour relations (the new Employment Act)
- d) employment
- e) social welfare

Finally, I will briefly mention some areas outside of the Ministry's remit.

The new Pension and Disability Insurance Act

With the reform of its pension and disability insurance, Slovenia has gradually started raising the retirement age on the basis of the new law, so that by the end of the reform the retirement age for men will be 63 years and for women 61.

It will be possible also to retire at the age of 58, when the years of service necessary for retirement have been completed (40 years for men and 38 years for women), but the pension will be lower in this case. The law envisages a lowering of the pension by 0.3% for each month short of the full complement of years. In view of this, we do not anticipate a great many people taking up this option. Be-

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cause of this and, of course, because of the demographic picture (i.e. the low birth-rate) we shall have to rely on increasingly older workers.

The new Occupational Health and Safety Act

The new law demands from employers that they ensure such a level of protection of health and safety at work that a worker, even after completing the full complement of years, will not suffer any ill effects of his work.

The new Employment Act

The new law on labour relations prohibits any type of discrimination against workers due to their age, either at the time of signing an employment contract, or during the time of employment, or when making a worker redundant (particularly in the case of surplus workers). The law also defines an “older worker” as a worker (either male and female) over the age of 55. Older workers are protected against being dismissed for business reasons or in the case of night shifts or overtime.

The number of years of service with an employer also affects the length of the notice period, level of redundancy payment and salary level (the allowance for years of service). In addition to the above, the new Act also envisages a number of possibilities for flexible work, in particular:

- part-time employment;
- employment contracts for home working;
- the possibility of partial employment whilst semi-retired. A worker who has fulfilled the conditions for retirement has a right to retire partially (receiving half a pension), whilst remaining partially employed (and receiving half a salary).

Employment and Insurance Against Unemployment Act

Within the active employment policy, special programmes for the hard-to-employ categories of older workers are planned. When a worker becomes unemployed, the duration of the right to unemployment benefit is linked to his or her age and the number of years of service, as follows:

- 12 months for those who have been paying contributions for over 25 years;
- 18 months for those older than 50 and who have been paying contributions for more than 25 years;
- 24 months for those older than 55 and who have been paying contributions for more than 25 years.

When the right to unemployment benefit ceases, the Employment Service may pay pension and disablement insurance contributions for an unemployed worker who is less than three years away from retirement. The active employment policy includes special programmes for harder-to-employ older workers, such as:

- salary compensation for a harder-to-employ unemployed people;
- training whilst working without being contractually employed;
- employment rehabilitation;
- encouragement of part-time employment;
- public works.

Social welfare

In the area of care for the elderly the number of places in old people's homes has increased significantly in the last three years (by 998 beds), which means that at the end of 2001 there were 12,155 places available in old people's home. New building work has already commenced and the granting of licences means that by the end of 2003 a total of 13,369 places will be available, an increase of 2,122 on the number available before the government's care for the elderly programme began to be implemented.

Other forms of care for the elderly have been developed alongside old people's homes: in 2001, home help was provided to over 5,000 elderly persons, 20 day centres were opened, a total of 394 sheltered flats were built at nine locations (although 150 places were intended for the institutional protection of elderly persons), and six remote assistance centres were in operation.

Other areas

Alongside the legislation and measures within the responsibilities of the Ministry of Labour, Family and Social Affairs, let me mention other areas, such as education, where old people are joining the University for the Third Era of Life, and the area of health, which has as yet not fully adapted to the problems of the increasingly ageing population and is going to have to address these issues in a more thorough manner.

Social dialogue and pension reform: The experience of industrialised countries

Elaine Fultz¹, Emmanuel Reynaud²

Pensions are at the centre of public debate throughout the industrialised world, and all the countries concerned have been making adjustments to their pension systems for roughly the last 20 years. In spite of the wide diversity between countries in terms of the design and organisation of pension systems, the problems experienced are fairly similar. Over and above very strong national particularities, there are a number of common points, of which two should be highlighted. First of all, the existing systems were established at the same time, for the most part in the wake of the Second World War, and have now reached maturity. During the first decades of their existence, they went through a maturing process; that is, conditions were particularly favourable for their management since there were then relatively few benefits to pay out in relation to contributions paid. That period is now past and the pension system could now be considered as being in a stable state. Secondly, in all industrialised countries, pension systems have, for several years, had to adapt to a context that is entirely different from the one that existed when they were first introduced. This complete change of circumstances is due to several factors, in particular changes in the labour market, the organisation of the economy, demography, life expectancy, family structure and relations between men and women. Furthermore, by their very existence these systems have created new prospects for life after retirement and raised expectations among workers in that regard.

It has become clear everywhere that there is no easy solution to the problems facing pension systems. Whatever the mode of organisation or the nature of the system, the problems posed are similar. Whether pensions are flat-rate, as is the case in the United Kingdom, the Netherlands and Japan, or are earnings-related, as in the United States, Germany, France and Spain, or whether they are based on the amount of contributions paid, as is done in the new systems established by Italy and Sweden, they are all confronted with the same technical constraints. In the long run, it always comes down to balancing out resources and expenditure so as to ensure that commitments are honoured over time. All the countries concerned have resorted to a range of measures in order to guarantee this balance, which include increasing contributions, widening funding sources, changing the rules governing calculation and indexation of pensions, extending the retirement age and protracting the contribution period. This aspect of the reforms has often been described and is fairly well known (for a more comprehensive study of pension systems, see Gillion et al., 2000). However, issues relating to the decision-making process and the route leading up to the adoption of the reforms are still generally unclear (however, see the *Chronique internationale de l'IRES*, 1997; Reynaud, 2000; Brooks and James, 1999; Palier and Bonoli, 2000; Myles and Pierson, 2001). These are, nonetheless, fundamental aspects of the reform process.

In this respect, a preliminary observation could, therefore, be made. The pensions-related measures introduced in industrialised countries over the last decade are seldom based on unilateral decisions by the legislator. For the most part, they have been adopted as a result of various kinds of consultation, negotiation and public debate. These consultation mechanisms, which are subject to dif-

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ferent conditions depending on the country in question, have been crucial to the adjustment of pensions systems. In some countries, such as France, the Netherlands and Sweden, in addition to the statutory social security scheme, there is also negotiated management of pensions by the social partners at national level within the framework of wide complementary schemes based on collective agreements (see Reynaud, 1997b for the French example).

Generally speaking, it has become evident that industrialised countries, each with their own unique institutional context and traditions, have established procedures and advisory bodies allowing for participation by various actors in the pension policy decision-making process. Two features of the reform process stand out from a comparative point of view. Firstly, there is a clear intention in most countries to achieve consensus on pension reform. Secondly, it appears to be essential to have follow-up mechanisms over and above the actual reforms themselves.

The search for consensus

There has generally been a marked desire among political and social players in most countries to arrive at consensus on the issue of pensions. In fact, pensions play a very specific role in contemporary democracies. First of all, they are a major aspect of the security which industrialised societies guarantee their citizens, but they also embody the notion of time. Pension commitments are carried over a large number of years – up to 60 or even 70 years or more – and their sustainability has to be guaranteed over a very long-term period. Consequently, some conflict may arise between this long-term aspect of pension systems and the relatively short-term political alternation that is a feature of parliamentary democracies.

As a result, a number of rather “exceptional” procedures and practices have been introduced in most countries. In many cases, the political majority and opposition have reached agreement on pension policy. Sweden is quite exemplary in this regard (see Wadensjo, 2000). In fact, in June 1998 it adopted sweeping reforms resulting from a lengthy process during which the main parties came to a common position. It was decided to form a commission made up of members of all the parties represented in the Parliament, which, in March 1994, proposed a complete review of the system. The proposal was supported by the four parties comprising the ruling coalition and the main opposition party – the Social Democrat Party. On the basis of this proposal, the liberal conservative government formulated the basic principles of the reform, which were subsequently adopted by Parliament in June 1994. A working group was then set up, consisting of parties represented in Parliament who were favourable to the reform, in order to translate these general principles into bills. In September 1994, following a change in the majority, the Social Democrat Party returned to power but this did not have any significant effect on the reform process. Moreover, the composition of the parliamentary working group responsible for drafting the bills remained unchanged. At the same time, an internal debate in the Social Democrat Party with some persons voicing their opposition to certain aspects of the project, led to the launching of fresh negotiations among the five parties supporting the reform. It was in the spring of 1998 that the proposal of a new system was finally tabled in the Parliament and later adopted in June of that same year.

In Spain, during the 1990s, there was a similar desire among the major political forces to achieve consensus (see Lagares Perez, 2000). In the face of the worrying situation facing the pension system and in view of the obstacles to attempts at reform, the Spanish Parliament decided, in February 1994, to set up a working group comprising representatives of all parliamentary groups. A year later, in February 1995, the group’s work led to the signing of a political agreement between all the major parties – the so-called “Toledo Pact”. The aim of the Pact was to consolidate the existing pension system and to prevent it becoming an issue and being used as a political pawn during electoral campaigns. The United States could also be cited as an example: in 1983, reform of the state pension regime resulted from an extremely unusual agreement between Republicans and Democrats.

Germany provides a counter-example in this regard, notwithstanding a long tradition of consensus seeking, especially as far as pensions are concerned. In the late 1990s, there was a break with this tradition and the exception confirmed the rule, so to speak, demonstrating the difficulties that can arise from unilateral decisions. In 1997, the last Kohl government imposed a reform in spite of the opposition from the Social Democrats and trade unions. This imposition no doubt had an impact on the elections and very likely contributed to the Christian Democrats' electoral defeat in 1998. After the change in the parliamentary majority, the new Government challenged the previously adopted legislation. Then, it restarted the reform process, firstly by an agreement between the Social Democrats and the Green Party and, secondly by the opening up of the discussion to include other political and social forces.

This desire for compromise and consensus is often evident in the deep involvement of social partners, especially trade unions, clearly exemplified in Spain. After the Toledo Pact was concluded between the parliamentary groups, the Spanish Government negotiated an agreement directly with the two largest trade union confederations – the Workers' Commissions (CC.OO) and the General Workers' Union (UGT). Through this accord – the Consolidation Agreement – it was decided to extend the agreement reached between the political parties to the social level. Employers who were doubtful about the financial viability of the Toledo Pact dissociated themselves from the measure. The Government later tabled a bill in Parliament which reflected the general principles of both the Toledo Pact and the Consolidation Agreement. The bill became law in July 1997.

A similar situation occurred in Italy where, as happened in Sweden, a thorough reform of the pension system was made (see Antichi and Pizzuti, 2000; Reynaud and Hege, 1996). After a first set of reforms had been introduced in 1992 by the Amato Government against the backdrop of monetary crisis, the Berlusconi Government in 1994 sought parliamentary adoption of a number of measures despite trade union opposition. This caused a major social conflict in October and November 1994. After a number of strikes were declared in several towns, the trade unions called a one-day general strike, the first successful initiative of its kind for many years. There was growing opposition to the draft, in particular, with a major demonstration in Rome. Under the threat of another general strike, the Government finally signed an agreement with the trade unions which excluded the principal measures of the initial agreement. The next Government, the Lamberto Dini government, chose to negotiate on the content of the reform directly with the three trade union confederations (the CGIL, the CISL and the UIL, respectively *Confederazione generale italiana del lavoro*, *Confederazione italiana sindacati lavoratori* and *Unione italiana del lavoro*). It subsequently tabled and had adopted by the Parliament a bill which reflected the terms of the agreement reached with the trade union organisations. Austria also provides a good example of trade union participation in the reform process. The 1997 reform resulted from extended negotiation between the Government and trade unions which, in the Austrian case, was until the recent period common practice much beyond pension issues.

In this general context characterised by a clear desire for consensus and continuity, one country runs against the grain – the United Kingdom. Alternation between Labour and Conservative Governments since the end of the Second World War has regularly brought about marked changes in pension policy. On the whole, the desire for consensus on pension issues is very weak in the United Kingdom. The Government uses its parliamentary majority to push through its own proposals in Parliament. Therefore, since the 1960s there has been what could be called an “alternate pattern” whereby bills proposed or introduced by a government are systematically challenged once there is a change in the parliamentary majority (Davies, 2000, pp. 23 and 24). Throughout this period, trade unions have usually backed Labour, whereas employer organisations have often, but not always, put their weight behind Conservative proposals. The uncertainties and instability inherent in such an approach raises both the issue of confidence with respect to the continuity of commitments and the overall coherence of the state pension system.

Monitoring and managing the systems

The example of industrialised countries highlights the importance of follow-up mechanisms over and above the actual reforms themselves. In a domain as technical as pensions, it would seem to be essential, first of all, to have credible, reliable information that is acceptable to the different actors with regard to the financial status of pension systems and their prospects for development. Such information forms the basis for discussion and debate and allows for informed political choices to be made from among the possible options. The way in which this technical knowledge is used varies from country to country. In the United Kingdom, for example, it is provided through an independent institution within the Government structure – the Government Actuary’s Department. In the United States, financial monitoring is the responsibility of the board of trustees of the social security trust funds, which must include the opposition party. In Germany, figures are produced by such reputable institutions as the Federation of Pensions Insurance Institutions, the Federal Statistical Office and the Federal Bank. Formulas vary in keeping with national contexts, but the different examples show that technical information on pension systems should be available and totally credible.

Most countries tend to set up advisory bodies or working groups, whether on a permanent or temporary basis, to participate in the decision-making process relating to pensions. In some countries such as Germany, the United States and Japan, advisory boards have been an integral part of the system’s follow-up and periodic review procedures for a number of years. Japan is particularly systematic in this regard and the law provides for an obligatory examination of the pension system at least once in five years. Advisory boards, although known by various names in different places – “Sozialbeirat” in Germany, “Advisory Board” in the United States, “Nenkin shingikai” in Japan, “Conseil d’orientation des retraites” in France and so on – are fairly similar in composition. They normally comprise representatives of employer and worker organisations, academics and other competent persons. In a complex and highly technical field such as pensions, these advisory boards provide a forum for examining the system and elaborating compromise which contribute to the decision-making by legislators. In several countries, it has been the parliamentary working groups which have played a major role in the reform process, in order to achieve consensus on a potentially controversial topic. In Sweden, reform bills were drafted by the group set up in 1994 comprising representatives of the ruling four-party coalition and the main opposition party – the Social Democrat Party. Similarly, in Spain, the work was done by a group made up of representatives from all the parliamentary groups, leading to the signing of the Toledo Pact.

Generally speaking, experience shows that, apart from institutionalised mechanisms, the pensions issue is dealt with in a variety of ways, whether through the creation of ad hoc committees, the production of numerous reports and White Papers, or the organisation of seminars and meetings by the political authorities. But on the whole, it would appear that the pensions debate tends to develop outside the regular institutional framework. It occupies a large part of public domain and involves numerous actors, which points to the importance and complexity of the issue. However, this may lead us to question the very idea of a pensions reform. We often tend to speak about the reform of the pensions system as if a reform could solve the problem once and for all. In fact, the important issue is not so much the need for reform but the constant need to monitor and manage pensions systems in accordance with the changes that affect them so as to guarantee their long-term viability.

The current adaptation process, which is generally seen as a “crisis”, is part and parcel of the functioning of pensions schemes which have reached maturity. The salient feature of these schemes is precisely their adaptability, which allows for the continuity of extremely long-term commitments. In industrialised democracies, pension systems are a good way of making agreed decisions on income distribution and post-retirement security. They are also key instruments for ensuring a new balance between work, leisure and life-long training. What is important now is to provide the means for mak-

ing these collective choices. Therefore, pension reform ultimately leads to a wider issue, namely democracy and how it functions concretely in contemporary industrialised societies.

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Social dialogue on pension reform: The attitude of employers

Dikran Tebeyan¹

The reform of the social security system affects almost everyone in the country. Therefore, the successful implementation of the reform is only possible when it is approved by society. Support for further legislation can be provided through social dialogue in the process of seeking the most suitable scheme for new legislation.

First of all, both employers and trade unions should take part in social dialogue when developing the reform strategy. This approach has been chosen in Bulgaria where a working group consisting of competent state institutions, social partners, NGOs, scientists and scholars was established under the leadership of the Minister of Labour and Social Policy. The experts were provided with all the calculations and models typical for different types of reform schemes. They themselves made certain that the so-called “solidarity”-based pension scheme was indeed destabilised financially. The working group also discussed the three-pillar model as a basis for the pension scheme, with the mandatory first pillar based on the principle of solidarity, the mandatory capital-based second pillar and the voluntary capital-based third pillar. The group also considered the timing for the implementation of the reform.

Numerous proposals put forward by the social partners were taken into account, including:

- A gradual increase in the retirement age (by six months every year).
- The possibility of early retirement (two years earlier for men, provided they have 37 years of insurance payments).
- The possibility of early retirement for people working in hard conditions. Their employers would pay additional contributions that would be transferred to individual pension accounts in capital-based professional funds. These pensions would only be paid when an individual reaches the general retirement age. Afterwards the retired workers would receive their pensions from the solidarity scheme and capital funds of the second pillar. These measures would reduce the burden of additional contributions.
- Insurance contributions to capital funds would be channelled through state insurance agencies with a gradual increase of their share and simultaneous decrease in the solidarity fund deficit.

Secondly, when the reform strategy has been adopted, it would be reasonable to involve social partners in the development of legislation. In Bulgaria, the multilateral working group compiled draft proposals on future acts. After long and hard negotiations, the employers and the trade unions managed to conclude a bilateral agreement that was supported both by the government and parliament. The changes in the ratio between the contributions paid by employers and employees are determined according to the schedule put forward by this agreement.

Thirdly, the most vulnerable segments of the population usually protest against new reforms, so if any doubts arise about the activity of the competent institutions they can compromise the reform. However, if the social partners take part in the management of a pension scheme, it guarantees transparency and the monitoring of the system.

In Bulgaria, the Supervisory Committee, represented by all three parties, is the supreme body that has been managing the social insurance agency for six years so far. Half of its members are govern-

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ment representatives, and the other half consists of representatives of employers and trade unions. In addition, the representatives of each of the three parties – the government, the employers and the trade unions – rotate every year in the position of the Chairman of the Committee. The law gives this Committee broad authority, entitling it to approve the draft of the pension scheme budget and the final report of its implementation and bills related to pensions issues, as well as to monitor the activities of the state social insurance agencies.

Furthermore, according to the Labour Code, the government can only adopt a normative act after having consulted the Tripartite National Committee. The Law also stipulates that a Board of Guardians be established within the capital funds of the mandatory insurance of the second pillar and Advisory Committees within the capital funds of the voluntary insurance of the third pillar. The representatives of both employers and trade unions take part in these Boards and Committees so that they can monitor the activity of the capital funds.

So, keeping all that in mind, we can come to the conclusion that involving the social partners at all stages of pension reform would make it more efficient and help meet the demands of the majority of people. The following example will only confirm the above statement: before establishing the Supervisory Committee, pensions paid by the state social insurance agencies were often delayed, but no delay occurs nowadays due to the participation of the social partners.

Social dialogue in the area of social insurance

Ewa Tomaszewska¹

It is worth considering the issue of social dialogue in the area of social insurance in Poland from two points of view:

First of all, to look at social dialogue and the reform of the social insurance system, especially pinpointing the participation of social partners in the decisions about the reform of the system, its scope, its initial and following stages;

Secondly, to discuss institutions of social dialogue within the social insurance system and the relation of country authorities to social dialogue.

Social dialogue, both tripartite and institutionalised dialogue between social partners, as well as dialogue between country authorities and society conducted by the media, is a necessary condition for carrying out deep social reforms. The deepest, most difficult and most expensive reform introduced lately in Poland is the reform of the social insurance system. Therefore, it was particularly important to secure social acceptance and assure the financing sources for this reform.

Negative demographic changes in Poland, the level of contribution as an element of work costs and the labour market situation showed that simple corrections to the existing system will not be able to counteract rapid worsening of the financial state of the system. In such a situation, NSZZ Solidarnosc was of the opinion that legal guarantees for payment of allowances at the level already achieved are a worse solution than guaranteeing allowances at a maybe slightly lower rate but with more certainty in them and having greater financial coverage.

The pressure exerted on the government to take up the reforms did not yield a positive result. In 1994, the National Assembly of Delegates accepted a resolution obliging the National Commission to prepare theses for the reform of social insurance system. To this end a special working group was established within the national Commission. Inspiration for the work of this group were the experiences of the Latin American countries: Chile, Argentina, and Mexico. However, Solidarnosc rejected the fully funded system in favour of a mixed system – a safer measure. The pay-as-you-go system is especially sensitive to demographic changes. The fully funded system is susceptible to changes in the economic situation. The division of the contribution between the two systems is a change of receiving allowances from two sources. Thanks to such a combination, the level of payment security is increased.

The trade union's proposals were accepted at the National Assembly of Delegates in 1995. It included the following solutions:

- division of risk and introduction of separate accounts;
- introduction of individual accounts for all the insured;
- linking the level of the contribution with the level of risk for insurance from accidents at work and occupational diseases;
- in the pension system, division of contributions between two pillars: the pay-as-you-go pillar and the fully funded pillar, both compulsory, and introduction of a third pillar of voluntary additional insurance in the form of workers' pension systems, financing the establishment of the second pillar from the resources gained through privatisation.

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Only in 1996 was the governmental program for the reform of social security system created. The program was based on three projects. One of them was the project submitted by Solidarnosc. In January 1997, the Presidium of the National Commission in its official opinion called on the Government to take up social dialogue concerning the reform of the social security system. As a consequence, the Tripartite Commission for the reform of the social security system has been established. The scope and content of the reform that was negotiated then formed a basis for reformatory activities of the three following governments.

I regret to say that not all the solutions agreed upon came into force (e.g. bridging pensions). Some of them were subject to serious changes, despite objections from the social partners (limited scope of social control over functioning of the second and third pillars of the pension insurance). However, all proposals of amendments in this matter are subject to proceedings of the Tripartite Commission.

Institutions of social dialogue in the area of the social security system are the following:

- the Supervisory Board of the Social Insurance Institution (ZUS) is responsible for the first pillar of pension insurance (pay-as-you-go), for sickness insurance and maternity insurance, insurance against accidents at work and occupational diseases – it has competence to control and the right to make decisions;
- the Council of the Insured is responsible for the second and third pillars of pension insurance – it has the right to express opinions;
- the Thematic Team of Tripartite Commission for Social and Economic Issues is responsible for the negotiations concerning preparation of legal amendments;
- the social partners participate in Parliamentary Commission meetings in order to express opinions and arguments.

A serious mistake of the present Government, however, was to impose limitations on social partners with regards to monitoring of the second and third pillars of pension insurance and participation in institutions of social dialogue, as well as a lack of comprehensive information for society disseminated by the media.

Employment promotion for people with disabilities

*Gerd Jung*¹

Persons with disabilities have been termed the “largest minority group in the world”. Approximately 10% of the world’s population is disabled. This equates to 610 million people, 380 million of which are of working age.

Due to the strong correlation between poverty and disability, this group is perhaps the poorest in the world and, significantly, their number is increasing. Reasons for this increase are: continued malnutrition, old and new diseases (such as AIDS), increasing life span, increasing transportation and industrial accidents, armed conflicts and, of course, a growing consciousness and acceptance of disability.

There are four reasons why the ILO is addressing the issue of vocational rehabilitation, training and employment of persons with disabilities:

- as mentioned, there is the large size of this group;
- the economic implication of exclusion from the labour market;
- the mounting political pressure world-wide;
- and, finally, the continuing demand of the ILO’s constituents for ILO involvement in setting international standards, providing information policy guidance and undertaking technical co-operation.

Many working age individuals can and want to work, but, due to the many barriers encountered, most find themselves unemployed and dependent upon support. Many countries in Europe and East Asia have generally responded to those challenges by adopting two-fold strategies, twinning the traditional welfare approach (e.g. compensatory measures) with anti-discrimination action (legislation and preferential treatment). Within that trend, persons with disabilities have become better educated and trained, more organised, claiming equal access to life in society and employment and regarding earlier approaches based on dependence and segregation as an obstacle to progress and as contrary to the principles of equal treatment and non-discrimination. In actual fact, a very visible trend is that many institutions in which persons with disabilities have traditionally been segregated have been downsized and umbrella organisations of and for persons with disabilities have been established. Although positive developments are indeed visible, we have to be realistic. The high unemployment rate in many countries is a heavy burden, not only for the disabled individual but also for the credibility of a modern rehabilitation policy. During my work in the field, I am often confronted with the argument: “We have too many non-disabled unemployed who cannot find work anyway. What sense does vocational rehabilitation make?” To be honest, sometimes a good qualification will not be enough on its own; you need additional support, such as a quota system for the employment of disabled people, for example. But, the fact is, without a good professional qualification, the disabled individual is lost from the very beginning.

In 1983, the ILO created Convention 159, which specifies the principles upon which a national policy on vocational rehabilitation and employment should be based. It serves as the basis for all ILO policy guidance and technical co-operation activities in the field of disability. This unique Convention had been ratified by 73 states. (From the 15 countries participating in this Conference, at least

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10 have ratified ILO Convention 159!) In order to increase the capability of national governments, employers and workers organisations to implement national policies, the ILO provides guidance and technical assistance. Three main types of measures are encouraged:

- actions to prepare the disabled to achieve vocational abilities necessary to successfully enter the open labour market;
- actions which help adjust to the environment;
- actions that ensure that the disabled have access to employment opportunities. This includes legislation, but also an ILO Code of Practice on Managing Disability in the Workplace.

Employment measures for older people in Japan

*Hideo Kubomura*¹

Introduction

Labour market policies for older workers is an important issue for both Europe and Japan, where ageing is rapidly progressing. In particular, it is important to build an active society full of vitality. This issue relates to employment practices in many respects, and it is, therefore, important for employers and workers to co-operate so they can cope with the matter independently. I would like to explain the current situation of employment measures for older people in Japan and issues that will become relevant in the future.

Employment environment for older workers

In Japan, older people's motivation to participate in society through work is very high, and the labour participation rate of older people stands at an extremely high level compared to other countries. For instance, the participation rate of men in their early 60s is 72.0% and the rate of women in their early sixties is 39.5%

However, the employment environment for workers in Japan has been extremely severe against the background of Japanese employment customs of long-term employment (the seniority wage system, retirement age, etc.) coupled with the effect of stagnating economic conditions. Looking at the unemployment statistics for 2001, the rate for those in their early 60s stands at 8.1% against an overall figure for all age groups of 5.0%. Furthermore, looking at the rate of effective job offers against the number of job seekers for the same year, the rate for those in their early 60s stands at 0.09% against an overall figure of 0.59%, indicating job offers of less than one per person. This means that once some becomes unemployed, it is difficult to be re-employed.

On the other hand, the size of the labour force in Japan, in the medium to long term, is expected to decrease between 2005 and 2010, affected by the decreasing number of children and rapid progress of ageing. Under such circumstances, the number of workers aged 55 or over are estimated to increase by about 4 million in the coming 10 years. In order to maintain the vitality of the economy and society in Japan, it is important to prepare an environment where older workers can find jobs easily and continue to work by utilising their knowledge and experience accumulated over many years.

The current situation of employment measures for older workers

For this purpose, the Ministry of Health, Labour and Welfare is promoting the employment of older people through such measures as:

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- security of stable employment up to the age of 65 by extending the mandatory retirement age, continuous employment, etc.;
- support for re-employment;
- provision of diverse work opportunities etc., suitable for a range of work motivational and physical fitness levels.

Let us look at these points one by one:

1 Security of stable employment up to the age of 65 by extending the mandatory retirement age, continuous employment, etc.

The Ministry of Health, Labour and Welfare, Japan has coped with the issue of extending the mandatory retirement age over many years. Currently, the Law for Employment Stabilisation for Older People prohibits that employers stipulate a mandatory retirement age of below 60 and the employment up to 60 years in age within the companies is generally secured. Furthermore, a continuous employment system has been introduced in approximately 70% of companies, and an environment is being established where workers can work beyond 60 years in age. Since the target of continuous employment is limited to only some workers, however, employment for all workers who wish to work up to 65 years in age is secured in principle only in about one in four companies.

Taking into consideration the ageing of the “baby boom generation” and the raising of the starting age for the payment of employees’ pension, to secure employment up to 65 years in age in the coming 10 years or so is a critical issue. The Ministry of Health, Labour and Welfare has, therefore, actively worked with employers and provided enlightening guidance to them through the public employment security office in order to secure stable employment up to 65 years in age by extending the mandatory retirement age or through continuous employment. Furthermore, since there are many occasions when companies are required to review the wage system, facilities, etc. in coping with the continuous employment of older people, the Ministry has prepared a system to provide consultation, advice and planning for the solution of specific issues from an expert and practical point of view. The Ministry is also providing support to such initiatives of each company through subsidies.

2 Support for re-employment of middle-aged and older people

When older people are required to leave their job, it is necessary to provide support for re-employers who understand the abilities of the workers and can provide them with a well-planned support for re-employment. For this purpose, the Law for Employment Stabilisation for Older People stipulates that when middle-aged and older workers of 45 years old or above and below 65 years old are obliged to leave the job due to mandatory retirement, being laid off, etc., and wish to be re-employed, employers should endeavor to prepare a re-employment support plan and provide assistance in finding job offers, etc.

Public employment security offices request employers to prepare the plan as necessary. In addition, they provide subsidies to employers who have taken certain measures such as providing leave for job-seeking activities in order to promote support for re-employment by employers. Furthermore, since age limits on recruitment imposed by employees have constituted a major cause for the small number of job offers for middle-aged and older workers, it was stipulated in the Employment Measures Law revised in October last year that employers should not apply age limits to recruitment without justifiable reasons. Currently, this is being made known through public and private employment service agencies and regional employers organisations, and public employment security offices are scheduled to provide steady guidance on this matter.

3 Promotion of diverse employment and social participation

Since older people show a tendency to diversity in work motivation, ability and physical condition, it is important to secure diverse employment opportunities. Therefore, the Ministry of Health, Labour and Welfare is coping with the issue in the following ways:

- Promotion of the Silver Human Resources Centre Project
Silver Human Resources Centres offer community-based jobs to older people who wish to be engaged in a temporary and short-term work following their mandatory retirement. They aim to secure work opportunities that meet the diverse work needs of older people and contribute to making an active community full of vitality. Currently, there are approximately 700,000 members registered with a Silver Human Resources Centre.
- Support measures for older people who start their own business
In order to promote social participation of older people, subsidies are provided to offset a part of the start-up costs when older people jointly start up a business and create continuous employment opportunities.
- Consultation at the “Employment and Work Support Corner for Older People”
In order to enable older people engaged in occupations to design their own working life from an early stage and select working ways according to their desire and ability even when they get older, the Ministry provides consultation through the “Employment and Work Support Corner for Older People”, set up at public employment security offices.

Future issues in the employment of older people

In addition to the measures mentioned above, it is necessary to promote the employment of older people so that companies will review their wage and personnel system. Employment customs in Japan, characterised by long-term employment, the seniority wage system, etc., have played a major role in the economic development of Japan as a rational system to secure the stability of workers' life under long-term and stable employment relations. Against such a historical background, employment management with its emphasis on seniority is still common in Japan. Amid change in the economy and society, such as rapid progression in ageing and diversity in job consciousness, it is considered desirable to make employment management based on ability rather than seniority.

While taking the good points of the former employment customs into consideration, we would like to realise a society where people can work irrespective of their age, as long as they have the desire and ability, so that as many older people as possible support society as “masters” of their field with the skills accumulated over many years and can live a fulfilling life.

Japanese trade union policy and experiences on employment for the elderly

*Hideaki Narikawa*¹

Japanese trade unions have long demanded that workers be guaranteed continued employment until they are eligible to receive public pension benefits. From the latter half of the 1970s up until 1990, we have been successful in raising the mandatory retirement age to 60 under the corporate retirement age system.

At present, the public pension system for Japanese wage-earners has a two-tier structure: it is divided into a fixed-amount basic pension, and a second-level portion that corresponds to wages received during employment. Following the recent public pension reform, however, the starting age for basic pension benefits was raised to 61 in fiscal 2001 and is set to be raised by one year every three years until it finally reaches 65 in fiscal 2013. The starting age for the wage-linked second-level pension is set to be raised to 61 in fiscal 2013 and also to go up one year every three years until it reaches 65 in fiscal 2025. Given these circumstances, Japanese trade unions are now urging the government and employers to guarantee employment until the newly raised pension starting ages.

In Japan, the employment of people in the higher age groups, such as those in their 50s and 60s, has always been affected by the corporate mandatory retirement age system. Over 90% of Japanese companies have the retirement age system that guarantees continued employment until workers reach the mandatory retirement age. The system is administered under labour contracts with trade unions or rules of employment set by employers. At the present time, according to a survey done by the Ministry of Health, Labour and Welfare, 90% of companies with a retirement age system have set the age limit at 60, 2.3% at an age between 61 and 64, and 6.7% at 65 or older. Since 1998, employers have been prohibited under law from setting the mandatory retirement age at less than 60.

In the 1980s, Japanese trade unions demanded that employers raise the retirement age to 60, and were generally successful in realising that goal. At that time, half of companies had set the age limit at 55. Most wage-earners who retire at the age limit had to find other jobs until they started receiving public pension benefits at the age of 60. Thus, trade unions held labour-management negotiations demanding that the age limit be set at 60 and concluded labour agreements allowing the age to be lifted to 60 in stages with a transitional period of around five years.

The primary reason why trade unions demanded the higher retirement age was to get employers to guarantee workers continued employment until they reached the starting age for public pension benefits. A secondary reason was the increase in joblessness among people in their 50s at that time. As the growth rate of the Japanese economy slowed, and the ageing of the working people began to be noticed, it became very difficult for people in their 50s to change jobs. Therefore, trade unions demanded a rise in the mandatory retirement age to cope with the difficult re-employment situation confronting workers in that age group.

Meanwhile, in order to deal with unemployment among people aged 55 or older, the government introduced a system requiring that required at least 6% of the workforce of companies to be made up of employees aged 55 or more. The government also subsidised companies to raise the age limit under the corporate retirement system. This policy gave a boost to trade unions' demands.

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Trade unions faced two difficult obstacles in the realisation of their demand for a higher retirement age. The first was to bring down the wage levels of workers in their 50s. At the time, many Japanese companies had seniority-based wage systems, which allowed moderate rises in wages according to the length of service until the age of 55. Management sought to cut wages for older workers, insisting that the higher retirement age would lead to an excessive rise in labour costs. After labour-management negotiations, trade unions and many companies concluded new agreements with changes in the wages system, either pegging wages for workers in their 50s at a certain level or to actually lowering their wages.

The second problem had to do with retirement allowances. In Japan, workers receive retirement allowances when they stop working at the retirement age. In most cases, these retirement allowances were calculated on the basis of the length of service. Since a higher retirement age would increase allowances, management also sought to reduce them. Through negotiations, trade unions and employers agreed to keep allowance levels unchanged or to devise new formulas to calculate retirement allowances in a way that would limit additional amounts stemming from additional years of services.

At present, Japanese labour and management are holding discussions on ways to secure employment for people aged between 61 and 65.

As I explained at the outset, Japan has decided to gradually raise the starting age for public pension benefits to 65, and some of the changes are already in place. What we are discussing in labour-management talks is how to ensure employment for people aged between 61 and 65 in response to the scheduled phase raising the pension starting age.

Currently, two approaches are being taken to tackle the issue. One is to raise the retirement age in stages corresponding to the higher starting age for pension benefits. The other is to introduce different modes of employment for people aged 61 or over, such as a re-employment system and a system for shorter work hours per week. These two approaches have both found support among trade unions. Thus, it is possible that both will find their way into practice, depending on individual companies and different categories of jobs.

In order to facilitate employment of older workers, it is also necessary to promote a working environment where they can continue to work in good health. To do so, it is important to make workplace conditions suitable for the older workers. It is also necessary to shorten the number of working hours in a week so that workers can keep working until the age of 65 without overstraining themselves. Moreover, it is important to provide the elderly with vocational training opportunities. Japanese trade unions believe that in order to respond to requests from older workers, we must strengthen our efforts to create a working and vocational environment where they can use their capabilities in good health.

A Japanese employers' perspective

*Hiroyuki Matsui*¹

In this report, I would like to discuss from an employer's viewpoint the basic concepts with regard to recent employment extension for workers in their 60s, and efforts that have been made so far.

In the late 1990s, discussions began on whether to extend the mandatory retirement age or not, in response to a proposed increase to 61 of the age at which retiring workers would be entitled to the basic portion of two-tiered public pensions. (The proposal was realised in April 2001.) The Japan Federation of Employers' Associations (Nikkeiren) presented its basic approach towards the employment of older workers by compiling "Reforming Employment Conditions – Concrete Plans in Response to the Ageing of the Population", a report on a study of older workers' employment and treatment issues which came out in January 1999.

The first thing we pointed out was that the promotion of older workers employment should not be carried out by creating a law to raise the mandatory retirement age, but rather by considering how we can increase the total volume of employment opportunities. In order to expand employment opportunities, it is necessary from a macro-economic point of view to create a suitable economic environment through appropriate measures (for example, regulation reforms to help private sector companies expand their businesses). From a company's point of view, it is important to create new employment opportunities, including finding ways to enter newly developed industries.

At the time, the situation surrounding companies' management and employment were severe, and the operating conditions of each company varied significantly. Also, it was difficult to introduce employment extensions for some jobs, depending on their duties and responsibilities. Under these circumstances, if employment extension is implemented without taking drastic action to rectify the conventional seniority-based personnel and wage system, companies would be forced to curb recruiting of new workers, especially fresh entrants to the labour market, and high labour costs will weaken companies' competitive power.

We presented the following seven basic concepts from the employers' side and made efforts to realise those policies:

- In an aging society, it is necessary for countries, regions, companies and individuals to share responsibilities that are applicable to their social positions. In addition, responsibilities should be carried out in a wide number of ways, such as being employed by a company, self-employment, joining social activities, etc.
- As workers' consciousness diversifies, people's performance skills, mental and physical conditions, and the will to work vary significantly. Given that some workers do not want the mandatory retirement extended, and each company's situation differs, we are against the idea of enacting legislation to extend mandatory retirement age to 65.
- Securing employment beyond the age of 60 needs to be carried out not by legislation but in a responsible manner according to companies' present conditions.
- In order to secure employment beyond the age of 60, there first must be jobs. Therefore, companies need to develop new work tasks, as well as creating jobs, by reorganising work tasks without affecting work efficiency.

¹ Deputy Director, Japan Business Federation

- When employment extension is adopted, both workers and companies must be satisfied with the system. Various systems that offer many options should be established after considering workers' mental and physical conditions, their will to work, and details of personnel, labour-management and wage systems from a wide point of view.
- It is necessary to rectify the conventional seniority-based employment and wage system, including the wage systems for workers under 60, and to transform it to a skill- and output-based system based on companies' conditions and employees' intentions.
- The total labour cost relative to productivity must be managed thoroughly at all times, and older workers' issues should be studied from the viewpoint of appropriate labour cost management.

Although mandatory retirement extension by law was later rejected, given the decreasing workforce, we have addressed the needs of developing workers' and people's abilities and the importance of providing various options to meet workers' diverse needs and of promoting older workers employment.

For example, in the Nikkeiren position paper released in January 2001 titled, "The Committee for the Study of Labour Issues Report – Creating a Society Rich in Choices," we addressed the necessity of promoting the employment of old workers to member companies. In order to cope with the decreasing work force and aging of the population, which are expected to speed up in the future, we have made the following points:

- it is necessary to provide more flexible and varied job and employment choices appropriate to the abilities, physical strength and motivation of older people;
- when recruiting workers, companies should try to ease age limits;
- in the production area, to respond to concerns that skills and techniques many not be passed on adequately to later generations, retirees with years of accumulated skills and experiences should be recruited as instructors for younger workers.

In the Nikkeiren position paper released in January 2002 titled, "The Committee for the Study of Labour Issues Report – Promoting Structural Reform to Overcome the Crisis/Rectify the High Cost Structure, Act on Employment", which pointed out similar ideas as above, we took a step forward and introduced a concept of employment promotion for middle-aged and older workers based on work-sharing-like ideas.

The following is a summary of what we pointed out in the paper:

- we should maintain and create employment based on diversification of employment types and introduction of flexible work-sharing arrangements;
- employment of older people should be included as a part of this effort;
- many different types of working patterns should be envisaged, for example, promoting working from home utilising the communication infrastructure, introducing various short work hour patterns suitable for older people or those who want to have that option, or introducing flexible working hours to respond to workers' needs at various stages of their working lives, based on the concept of life-time working hours;
- the personnel system should be reformed to create a "diversity of management" that is irrespective of age and gender;
- and reformation of the highly regulated labour market should be promoted, including further deregulation in temporary employment business.

In summary, we have emphasised that the study target should not be limited to older people and we should first focus on having the entire labour market being more flexible and open to diversity. Then by creating a work style suitable for older people, their employment should be realised.

At the same time, in order to respond to labour unions' requests for employment extension, which are increasing every year, we have conducted and summarised a survey on each company's efforts in this regard and distributed the information to companies that are working out plans at that moment.

Primary patterns of employment of workers in the first half of their 60s are:

- re-employment: one-year contract type;
- re-employment: indefinite term type;
- re-employment: retirement before mandatory retirement age type;
- mandatory retirement age extension;
- diverse options type (including before mandatory retirement).

As a result, we have suggested that system planning be worked out in ways that are appropriate to the company's situation and employees' needs. Also, as a means of planning employment extension, we suggested the following as matters for consideration:

- total labour costs;
- personnel organisation;
- employees' needs;
- skill development;
- job responsibilities;
- targets;
- work style;
- handling of managerial positions, etc.;
- and wage level/wage system.

We also introduced case studies of companies whom we had surveyed or held hearings for. Then we concluded that decisions should be made by considering overall factors such as the management situation, future prospects and ability to pay labour costs, corporate culture, and the company's internal practices.

In this report, some of the points made on the business aspects of introducing employment extension are somewhat limited to the immediate future. In fact, we encountered many cases where a company interviewed had the idea of introducing the system only for the time being and adjusting it as problems occur. We were reminded, however, that we need to be aware that considering employment extension of older people leads to the issue of what the wage level, including that before mandatory retirement, and the personnel and wage system ought to be.

If an appropriate wage level can be established, it would be possible to maintain and create employment and to overcome the current high unemployment period. We need to bear in mind, however, that given the current personnel/treatment system, we will require considerable time to realise this. Also, if the mandatory retirement system is abolished and personnel systems are reformed drastically to create an "age-free society" in the future, it may be judged as an unfavorable change in working conditions by the judiciary. There are many issues that need consideration, including in what form dismissal rights, which are tightly regulated by the current law, ought to be.

In this respect, taking the compulsory efforts towards relaxing age limitations when recruiting workers, which took effect from October last year, as the turning point, we must continue to urge companies to make every effort to establish personnel/treatment systems that are not based on age but are appropriate to the actual abilities and outputs of workers and go a step further in creating an age-free society.

Finally, I would like to present some thoughts from the employers' side about Japan's other employment policies for older people. Until now, companies have actively invested in employees' vocational training, based on a personnel system that is premised on long-term continuous service. Considering that the speed of technological innovation is accelerating, that many business are going under and that individual differences are greater among older workers, it is difficult for companies to provide conventional educational training to all employees. Therefore, we urge the government to offer more vocational training that meets companies' needs and to further promote the employment for middle-aged and older people who have been deprived of employment.

Also, trying to secure employment within the same company or within the same corporate group for workers in their 60s may, in some cases, restrain those workers from making full use of their abilities. Therefore, the social structure, including the tax system and job placement systems, such as job-change support, need to be altered so that changing workplace or changing career in their forties or later will not put employees at a disadvantage.

I believe that the issue of employment of older people should be looked at from various angles. I have presented some of my thoughts on this issue here.

Adequate labour market policies for older workers, including those with disabilities: A European employers' perspective

*Christoph Kannengiesser*¹

It is the purpose of this paper, to present the reforms that German employers deem to be necessary in view of today's demographic challenges. First of all, let me state some facts. Demographic trends of an ageing population have been observed for decades in the industrialised nations and confront them with considerable challenges. Falling birth rates, stagnating fertility and growing life expectancy will soon bring about fundamental changes within the structure of the population and, thus, the labour market, too. Taking a look at the demographic development in Germany, it becomes obvious that the situation is comparatively favourable, at least for the time being. The overwhelming part of the population is at an employable age, and the employment pyramid is still made up of many relatively young people against comparatively few older people.

However, in as little as 10 years, around 30% of the employed population in Germany will be more than 50 years old, and in 30 years this age group will account for half the total population. Today, it is just under 10%.

In most OECD countries, the average age of the population is expected to increase by 10 years in the coming 50 years. In Germany, we have to assume that the average age will increase by eight years to reach 48 by the year 2050, even if we take into account an annual net immigration rate of 200,000. During this period, the ratio of those over 60 years to the those between the ages of 20 and 60 years is very likely to almost double. The population pyramid will inevitably change, even there is the controlled immigration that we urgently need. Among the G7 states, Italy and Japan, besides Germany, are affected to the largest extent by ageing populations.

However, it is not just in Germany where the phenomenon of the ageing population occurs alongside a low employment rate among older employees. On an international scale, the employment rate of older employees, i.e. those between 55 and 64, was around 40% in the European Union in the year 2000, whereas in the USA it was almost 60% and in Japan it is even beyond 66%. Germany is clearly below the EU average.

The European Council held in Lisbon and Stockholm, therefore, has set some noble targets. By 2010, the employment rate among older people living in the European Union shall be increased up to 50% which would mean a growth by more than 7.4 million employees belonging to this age group between 2002 and 2010. In view of the ageing population, a sustainable increase in the employment rate of older workers is, in fact, inevitable in order to stabilise social security systems in the long run, to safeguard the supply of sufficiently skilled labour and, not least to avoid losing valuable human capital for the labour market.

Despite high unemployment rates, even today there are bottlenecks in the supply of labour, and these bottlenecks are also going to create more and more problems for the German economy. According to the assessment of the German Institute for Research on the Future of Labour, as early as in the year 2015 there will be a lack of up to 7 million people on the labour market. However, as I have already mentioned, this gap cannot be filled exclusively by a targeted migration policy, but only by an integrated concept aimed at exploiting all employment reserves. This must include a higher

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employment rate among older workers. For Germany, this means a fundamental change in paradigms, since the early retirement of older employees from working life had been strongly supported until the mid-1990s. What triggered it off was the pressure of the structural change.

In times of high unemployment, early retirement was and, partly, still is a tried and tested means to promote the labour market chances of the young to the detriment of the elderly. Businesses gained room to manoeuvre for their human resource policies, and trade unions and work councils took the wishes of many employees to take early retirement into account. All parties concerned felt positive about considerably lowering the average retirement age, which, seen from the overall economic point of view, was highly problematic. In Germany, the average retirement age is slightly below 60 years today. Less than one third of all German employees works until reaching the regular retirement age of 65.

Meanwhile, it was recognised that early retirement subsidised by the state is counterproductive from the point of view of employment policy and not an option for future labour market policies. It turned out that the early retirement does not have any sustainable positive effect on the labour market. The expected effect of redistribution from older workers to younger ones did not take place. It may instead be observed that a low participation rate of older employees in gainful employment is much more a warning indicator of the labour market's structural weakness. This is backed by the situation in countries other than Germany. International comparisons show that in countries like Switzerland, the USA or Norway, which pursue a successful employment policy, the chances of young and older people to find an employment have improved simultaneously. And countries which are models for the integration of older employees have at the same time a more dynamic economy on an international scale. The same is true on the company level: businesses having a balanced age structure tend to be very competitive.

In this respect, the EU candidate countries should take advantage of their room to manoeuvre and not base their employment policies on the partly over-regulated labour markets of the old EU member countries. Instead, the strategies of those EU countries with successful employment policies and a large degree of labour market flexibility should be the model. However, the German labour market is disproportionately encumbered at a structural level by overabundant labour code regulations and misplaced welfare-state incentives.

These impediments hold back growth and in particular affect the so-called target groups and/or problem groups at the labour market. Comparing labour markets on an international scale shows very clearly that regulation results ultimately in sequestration. This finds evident expression in high unemployment rates and a large ratio of these groups in long-term unemployment. In Germany, there are more than 1 million unemployed workers over 50 years old, and out of those 50% have been unemployed for more than one year. This affects not only older people, but also, and most importantly, the groups of less skilled employees, migrants and employees with disabilities.

But how could this structural unemployment be addressed, and how could businesses' competitiveness and ability to innovate be sustained in the medium and long term given the ageing workforce?

Changing paradigms towards longer periods of gainful employment should start in the minds of people. A change of awareness has to take place in society, politics, social partners, the economy and those employed. Appeals and avowals are not enough. Changing paradigms has to start off on the basis of a comprehensive strategy for reforms. Economic and fiscal policy, wages policy, labour market policy and education policy should consistently be brought in line with growth. However, increasing the employment ratio of older employees is mainly a challenge for labour market and social policies. In this respect, it is of the utmost importance to set framework conditions that promote incentives for longer employment periods and counteract the reasons for early retirement that are so widespread. We should call to mind that we are dealing with a mesh of incentives and mechanisms to which employees and employers as market players respond. As long as incentives and regulations

are such that businesses and employees consider early retirement as the opportunity making most sense in economic terms, appeals will not have any effect.

In most of the EU countries, specific anti-discrimination and protection regulations exist for older employees. In Germany, for instance, there are numerous specific provisions in the field of wages and labour law that grant older employees privileges or special protection. In this respect, let me mention the seniority principle in remuneration, the remuneration guarantee for older employees in case of being reshuffled and the increased protection of older employees against unlawful dismissal fixed in collective agreements. These protection measures, which were introduced with the best of intentions, often prove to be obstacles, and that is what we observe in Germany, not only in respect of older workers but also employees with severe disabilities.

Specific regulations for certain groups on the labour market are sometimes much more a barrier to their being employed than a motor of employment. They restrict businesses in their room to take economic human resource decisions and make the employment of, for instance, older instead of young employees unattractive and, moreover, more expensive. On the other hand, generous transfer systems to guard against the effects of unemployment provide older employees with a disincentive to seek employment. Long periods of receiving unemployment benefits and a relatively high level of transfer services make it quite often more attractive to stay in the transfer system than to take up a new employment. This is where rethinking must start. The essence is to remove specific employment obstacles and to do away with subsidising a behaviour among businesses and employees that is wrong in terms of labour market policy.

Another essential field of action is the involvement of companies in vocational training and upgrading. In most industrialised countries, vocational upgrading of adults does not, by a long measure, meet the requirements of ageing staff. Training and upgrading take place mainly at the beginning of the employable age and decreases rapidly between the ages of 20 and 25. This does not correspond to the extent necessary for continuously investing in maintaining the ability to remain employable, which is required now more than ever.

In order to push up the change in paradigms, the following reform steps with regard to the demographic challenges seem to be indispensable from the German employers' point of view:

- 1 At a company level, we need a forward-looking policy for vocational upgrading and human resource management. In a world of employment, which is increasingly changing in technological terms, vocational training and upgrading are essential pillars of economic growth. The economy and the employed have both to engage in life-long learning. Another basis for the sustainable integration of older employees at a given business is to have flexible working hours. Long-term and life-long working time accounts provide the employed with the opportunity of using working time surpluses that they have saved over the years for upgrading according to their individual needs and the parties concerned with the chance of arranging in contracts the flexible transition to retirement. In order to maintain the employees' ability to perform in the long run, businesses should particularly promote aspects of safety and health protection, as well as accommodating disabilities at the workplace.
- 2 Deregulating the labour market in a comprehensive manner, in particular by loosening the restrictive regulations concerning the protection against unlawful dismissal and limited employment, would provide businesses with more room to move in the field of human resource management, facilitate the employment of new staff and, thus, improve employment perspectives for older employees as well.
- 3 In the field of remuneration, we need more orientation to performance instead of seniority privileges. This would result in changing the distribution of income among older and young employees as well as individual periods of gaining income.
- 4 Social security systems have to be restructured with regard to unemployment schemes in order to provide incentives for reintegration into the world of employment. In Germany, for instance,

the long period of receiving unemployment benefits enables older unemployed people to retire much too early under socially secured conditions. But instead of social benefits, we need many more new bridges leading to the employment of older unemployed people particularly. For that purpose, there are manifold incentives one could think of: benefits in addition to wages, mobility assistance or reduction in social contributions for employers and employees.

- 5 We also need a more intensive and better-targeted work placement of those older employees who have lost their job. Innovative labour market policy instruments like job rotation and temporary work often present good chances to find a job again. At the same time, they are a bridge to regular employment. This refers to all target groups in the labour market.
- 6 Reforms are needed also in the field of pension schemes. To ensure pension schemes, it is inevitable that the actual retirement age be increased as well as the overall number of years spent in working life. The Bundesvereinigung deutscher Arbeitgeberverbände (Federal Union of German Employers' Associations) has been one of those who initiated the change in paradigms towards longer employment periods of older employees. It is in favour of improving the chances of older unemployed workers in the labour market and pleads for increasing the ratio of those over 50 years old in the employment rate.

Together with the European employers organisations of Denmark, the Netherlands and Ireland, the Bundesvereinigung deutscher Arbeitgeberverbände launched the European project called "Proage – Facing the challenge of demographic change". Through the exchange of experience and methods for improving the employment situation of older workers and by involving all labour market players, new approaches and strategies of action will be developed which enable us to meet the demographic challenge.

A European workers' perspective

*Algirdas Kvedaravicius*¹

In this paper, I will deal with the macro-economic aspects of the labour market and the status of the elderly in the country.

I represent the major trade union organisation of Lithuania, the Confederation of Trade Unions of Lithuania, uniting 25 federations with 120,000 members (12 % of all Lithuanian employees). I have been a member of the Tripartite Committee since 1995. The practice of using social dialogue was initiated by the trade unions of Lithuania in 1993. During the last ten years, we have managed to establish the proper legislative and organisational basis for social dialogue on all the stages of labour relations, i.e. at the national, branch industry, regional and enterprise level. We use social dialogue not for the sake of the dialogue, but as an efficient means to balance the interests of the employers, employees and the government on the labour market, but we still have a lot to do to achieve this goal.

The experience we have gained at the national level and during the negotiations with the institutions of the EU allows us to express our view of the prospects the employees of Europe are facing. Unfortunately, our forecast is rather pessimistic. The status of the employees in the candidate countries is not going to improve, and the situation of the employees of the already existing EU members is going to worsen. The export of poverty to the EU, and financial means to the new EU members is not going to make employees more prosperous. It is only capital and bureaucracy that will profit.

How did we come to such a conclusion? The ailing labour markets of Lithuania and other candidate countries are going to join the EU labour market. Due to numerous negative phenomena – such as ageing population, rising mortality rate, low birth rates, emigration, rampant crime and corruption – the population of Lithuania, including those capable of working, has sharply declined. Out of 1.6 million of people able to work, only 1.1 million have a job. The number of unemployed amounts to 250,000, which is a huge burden for society. Approximately 200,000 young people seeking work have left the country. Some 100,000 people enjoy the benefits of illegal employment or the shadow economy. This is a brief description of the labour market that is going to join the EU. Perhaps, 500,000 immigrants from Lithuania is not a big deal for the EU, but for Lithuania such a loss is a disaster, because the majority of them are young people. Neither them nor their children are going to return to their motherland.

The number of the unemployed is bound to decrease due to growing emigration, but it will have a negative impact on the further development of the country. Such troubles as migration, reduction of working potential due to, among other reasons, banishing of the elderly and pensioners from the labour market are the consequences of the erroneous economic and social policy of the state. For five years, there has not been any increase in the minimum wage or the average salary. These are not regulated by law or collective agreements. Due to inflation, the real income and its purchasing power, which amounts to only 29 % of the EU level, are constantly decreasing. The diminishing demand for domestic products and services and the pressure exerted by import supply led to a reduction in domestic production and the bankruptcy of enterprises, delay in salary payments and massive lay-offs. In spite of steady growth in GDP – by 5% a year – the standards of living are not improving. We are

¹ Vice-President, Confederation of Trade Unions of Lithuania

going to join the EU, but the distribution of the national income is not regulated in Lithuania, and we have the cheapest labour force.

It is true that the trade unions are striving to improve the situation, but at the same time the government and the EU are interested in cheap investments and the employers prefer not to have any supervision.

The lack of means of social insurance has led to implementing pseudo-reforms and taking decisions contrary to the recommendations of social partners. For instance, several years ago the government adopted a law which deprived working pensioners of their pensions. The trade unions argued that the law infringes the right of property and violates the right to work, but those arguments were ignored. According to the new Labour Code of the Republic of Lithuania from the year 2003 employers have a right to sack an employee because he/she reached the retirement age or is entitled to old-age pension. Unfortunately, the European Social Charter indirectly stipulates similar provisions.

These problems should be solved through the social dialogue. The dialogue took place in Lithuania, too, but the decision taken by the government and parliament was not in favour of the employees. Is there any guarantee that balanced decisions will be taken in the course of the social dialogue when candidate countries become the members of the European Union?

Presentations

Major demographic and labour market trends for older workers in accession countries

*Alena Nesporova*¹

Outline of presentation:

1. Who are older workers?

2. Demographic trends:

- The speed of demographic ageing
- Development of the dependency ratios

3. Labour market trends:

- Labour market participation of older workers
- Employment levels of older workers
- Unemployment rates for older workers
- Education, employment and unemployment

4. Conclusions

1 Senior Labour Market Specialist, Employment Strategy Department EMP/ANALYSIS, ILO Geneva

1. Who are older workers?

- For purely demographic purposes – 65 years and more.
- No uniform national definition of older people.
- The age brackets vary across countries, from as little as 40 years old up to 72, reflecting the diversity of the labour market situation, the speed of technological and economic changes but also different national policy priorities and cultural perspectives of the country.

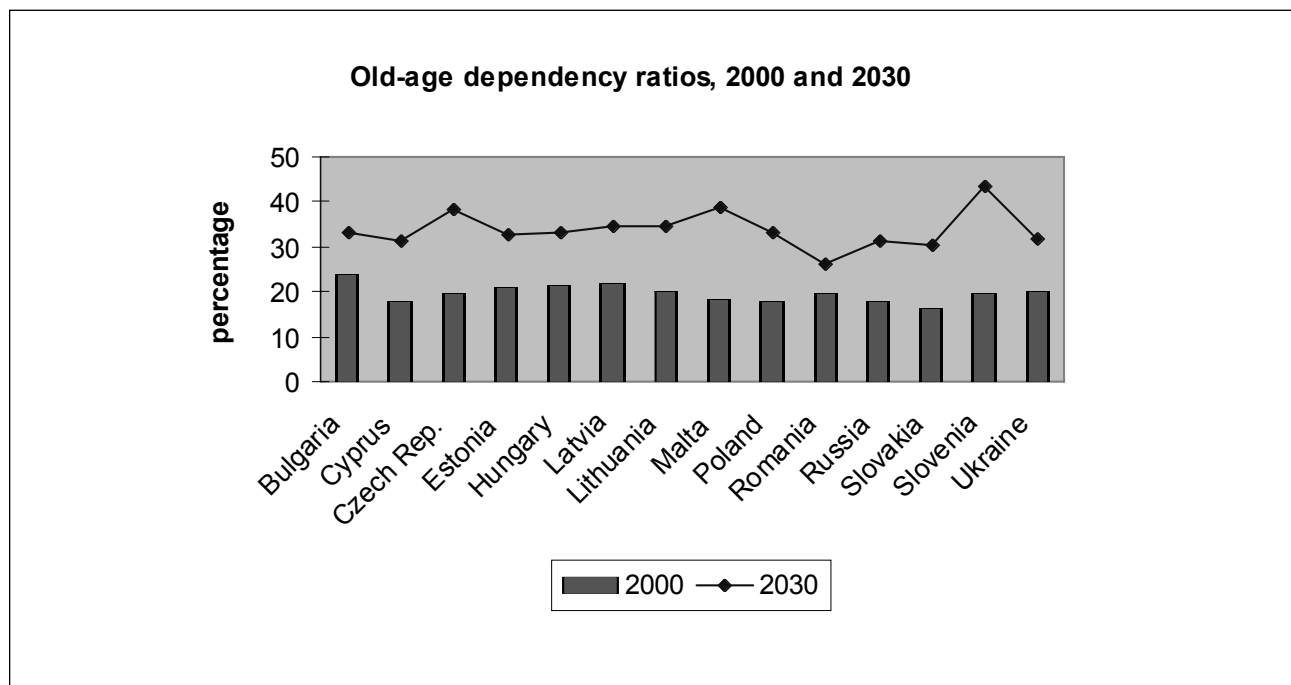
2. Demographic trends

The speed of demographic ageing

- Economic and social reforms accelerated the fall of fertility rates and led to an increase in morbidity and mortality rates in the initial period of economic transition, contributing to a *rapid ageing of the population*.
- According to the 2000 UN demographic projection, the proportion of the 50+ and 65+ age groups, for both sexes, will increase significantly over the next 30 years on average for the group of accession countries.
- For males 50+: from 27% in 2000 to 40% in 2030.
- For females 50+: from 34 to 46%.
- For males 65+: from 10 to 18%.
- For females 65+: from 16 to 25%.

Development of the dependency ratios

- The working age population will support an increasing number of old people aged 65 and more in all the accession countries.



3. Labour market trends

- Varied across the accession countries depending on a number of factors (starting conditions, the scale of initial imbalances, the speed and consistency of economic, social and institutional reforms, economic policy, the method of privatisation, enterprise environment, applied social and labour market policy, and social dialogue).
- Labour market tensions were solved in the first place by pushing working pensioners and older workers out of the labour market.
- On average, the age group of workers (50-65) with a 4 percentage point decline over the 1990s is better off than the prime age (down 5 points) and the youth age groups (down 10 points). However there are large differences among the countries. In the Czech Republic, Hungary and Romania there was even an increase in activity.
- Men are economically more active than women but the gap has narrowed everywhere except for Cyprus and Slovakia.

Employment rates for older workers in 2000

Country	Total	Men	Women
Bulgaria	22.1	34.9	11.2
Czech R.	36.1	51.6	22.1
Estonia	43.0	50.2	37.5
Hungary	21.9	33.0	13.0
Latvia	35.4	48.3	25.9
Lithuania	42.2	52.2	34.5
Poland	29.0	37.4	21.8
Romania	52.0	57.4	47.3
Slovakia	21.5	35.2	10.2
Slovenia	22.3	31.0	14.3
Average	32.5	43.1	23.8

Source: EUROSTAT, LFS data.

- The average employment rates for those aged 55-64 is less than half that for the prime age group (75.7% for total, 79.7% for men and 71.8% for women). Comparison with the EU countries shows that while the total rates for the prime age group were similar for both regions (EU rates were higher for men and lower for women), the old-age rates differ significantly (the EU average rate for total population in 2000 was 38.7%; for men, 48.8%; for women, 29%).

Unemployment rates for older workers, 2000

Country	Total	Men	Women
Bulgaria	12.2	12.6	10.8
Czech R.	5.3	5.3	5.2
Estonia	8.2	11.4	4.8
Hungary	3.1	3.8	1.6
Latvia	9.4	10.5	7.9
Lithuania	9.2	12.4	n.a.
Poland	9.7	9.1	10.6
Romania	1.1	1.7	0.4
Slovakia	12.7	14.2	8.0
Slovenia	6.1	7.6	2.9
Average	7.7	8.9	5.2

Source: EUROSTAT, LFS data.

- Unemployment declines with age, the rates for older workers lower than for the prime-age group (11.3% for the total population; 11.4% for men; 11.2% for women). Men are affected much more than women.
- While EU unemployment rates are on average significantly lower than in the accession countries, the difference declines with age.
- For older workers, the average EU unemployment rate for total the population in 2000 was 8.2%; for men, 8%; for women, 8.4%.

Education, employment and unemployment.

- Older workers have on average lower education than younger age groups in the 10 CEE accession countries.
- Participation rates increase with education regardless of age, but this tendency is stronger for older workers and for women.
- Accession countries' activity rates for workers aged 50-59
 - > with primary or lower education:
Males: 41% (Hungary); 78% (Lithuania)
Females: 21% (Hungary); 57% (Romania)
 - > with secondary and higher education:
Males: 79% (Romania); 94% (Czech Rep.)
Females: 65% (Hungary); 85% (Czech Rep.)
(EU: 72 vs. 90% men, 42 vs. 78% women).
- For workers closer to or above retirement age, there is a polarisation of labour demand between high-educated and low-educated people.

4. Conclusions

- Labour market participation of older workers is some 40% lower than that of the prime age group. The rate for men is about 50% higher than for women.
- The employment rates of older men are on average almost double those of older women, but for both sexes they are significantly lower compared with the EU average.
- Older workers in the accession countries have significantly lower unemployment rates than any other age group and even slightly lower on average than older workers in the EU.
- Older workers seem not to be in a particularly disadvantageous labour market situation but their lower unemployment is, to a large extent, the result of early withdrawals from the labour market. Many people in this group would like to work further but cannot find a job, while others seek additional income due to low pensions. Reasons for their employment problems are connected with their lower and often obsolete education in comparison with younger age groups and employers' perception of older workers as inflexible and immobile, unable and unwilling to learn new skills and adapt to new working methods.

Demographic change and policy options for dealing with ageing populations

Lorena Ionita¹

- Labour market policies.
 - > Keep people longer on the labour markets.
 - > Enhance the employability of older workers.
- European social partners' contribution.

1.a. Keep people longer on the labour markets

- Discourage early exits.
- Reduce indirect labour tax (particularly relevant for older workers).
- Increase the contribution period necessary to qualify for a full pension.
- Make work pay through tax and benefit reforms.
- Reward those remaining at work after statutory retirement age.
- Promote gradual transition to retirement.

1.b. Enhance the employability of older workers

- Adapt education and training systems to the requirements of lifelong learning.
- Encourage individuals to upgrade their skills.
- Innovate in fiscal systems to encourage investment in training by individuals and companies.

2. European social partners' contribution

- Framework agreement on part-time work (1997).
- Framework of actions for lifelong development of competencies (2002).
- Initiatives on employment guidelines.
- Multiannual work programme of social dialogue: initiatives on ageing workforce.

1 Adviser, Special Affairs Department, Union of Industrial and Employers' Confederation of Europe (UNICE)

Framework of actions for lifelong development of competencies

- Joint responsibility for the development of competences and qualifications in Europe.
- Identifies four priority areas for actions.
 - > Anticipation and identification of competence and qualification needs.
 - > Recognition and validation of competences and qualifications.
 - > Information, support and guidance.
 - > Mobilising resources.
- Follow-up mechanism.

Initiatives on European employment guidelines

- Implementation of employment guidelines (modernisation of work organisation, life-long learning, equal opportunities, etc.).
- Joint views and recommendations.
- Organise structured exchanges on or benchmarking of social partners' initiatives in member states.

Demographic change and policy options for dealing with ageing populations: The German example

Klaus Schmitz¹

Old-age Dependency Ratio¹⁾

	Germany	European Union
2000	24	24
2010	30	27
2030	44	41
2050	49	49

Source: Employment Policy Committee: Budgetary challenges posed by ageing populations, 24 October 2001

1) Number of people aged 65 and older as a percentage of the number of people aged 15-64.

Employment Rate in 2001, in %

Germany		European Union	
Total ¹⁾	55-64 years ²⁾	Total ¹⁾	55-64 years ²⁾
65.8	37.7	63.9	38.5

Source: EUROSTAT Labour Force Survey

1) Number of gainfully employed people aged 15-64 as a percentage of all people in this age bracket

2) Number of gainfully employed people aged 55-64 as a percentage of all people in this age bracket

- The aim of the member states is to increase the total employment rate to 70 % and that of older people to 50 % by 2010.

¹ Ministerialdirigent, Ministry of Economy and Labour, Germany

Demographic change

- *Pension Insurance*
- *Health Care*
- *Long-term Care Insurance*
- *Labour Market*

Pension Insurance

The challenge:

- the relation between pensioners and contributors is rising.

Objectives:

- financial sustainability;
- adequacy of pensions;
- and a fair burden sharing of the financial consequences of ageing between employees and retired.

Measures:

- reduction of the replacement rate by 4 to 5 percentage points to 67 or 68 % in 2030;
- limitation of the contribution rate to 22 % up to 2030;
- increase of the general government transfer;
- increase of the statutory retirement age without benefit deductions to 65 years;
- government subsidies for additional capital-funded pension schemes;
- and extension of occupational pension schemes.

Health Care

The challenges:

- the people insured through the health insurance are getting increasingly older;
- declining revenue basis (pensioners pay lower contributions);
- and rising ageing-related expenditure.

Objectives:

- secure solidarity in medical care;
- apply medical progress;
- and secure financing.

Measures:

- realisation of efficiency reserves;
- strengthening of health promotion and prevention;
- quality assurance;
- and exclusion of minor drugs.

Long-term Care Insurance

The challenge:

- people are getting increasingly older and many need care.

Objectives:

- securing an adequate provision of care
- and prevention of old-age poverty

Measures:

- introduction of the long-term care insurance in 1995. Benefits:
 - > assurance of home care;
 - > financing of institutional care;
 - > and relief of the basic social net (social assistance).

Making Full Use of the Labour Force Potential

The challenges:

- the labour force potential is ageing;
- after 2010 it could also shrink;
- and in the years 2002 and 2003, about 3.2 m people will be unemployed in Germany (ILO definition).

Objectives:

- reduce unemployment through strengthening economic growth;
- mobilisation of the labour force potential, in particular that of women and older people.

Measures:

- increase of the statutory retirement age without deductions to 65 years;
- change minds to promote the employment of older workers;
- strengthening life-long learning. Further training for older workers;
- and improvement of the compatibility of family and job.

A survey about social dialogue on pension reform in the accession countries

*Ludek Rychly*¹

Methodology

- Based on a questionnaire distributed to the main actors of reforms, presented at the Conference in Cyprus (March 2002).
- 46 questionnaires completed, 20 of them by government representatives, 26 by social partners.
- Analysed by the Research Institute of Labour and Social Affairs.
- Completed by interviews in the Czech Republic and Poland.

Purpose

To learn more about

- attitudes of main actors involved in reforms;
- and role of subjective factors in the decision-making process.

Main areas

- Role and influence of domestic and international actors.
- Institutional framework of reforms, methods of dialogue.
- Understanding of reforms and attitudes to them.

1 Senior Specialist in Social Dialogue, InFocus Programme on Social Dialogue, Labour Law and Labour Relations, IFP/DIALOGUE, ILO Geneva

Main findings

- Social dialogue on pension reforms exists in all countries concerned.
- Social partners have some influence on decision-making, but it is different from one country to another.
- Main method: tripartite dialogue, but other methods are also widely used, especially creation of other bodies and holding of ad hoc conferences. Lobbying is also popular. Few protest actions.
- Main domestic players are ministers of labour and social affairs, but also political parties and trade unions, whereas role of domestic experts and consultants is not so visible. Low ranking of the European Union, particularly among governments...
- Main international players are the World Bank and the International Monetary Fund (agreement between governments and social partners, etc.).
- Understanding of reforms and public information is not sufficient.
- Attitudes to reforms are ambiguous: some aspects are supported; others rejected. Employers declare themselves more critical about the reforms, but governments rely on their support.
- Employers are not sufficiently active and influential. Their position is probably not sufficiently demonstrated and defended in negotiations. Their self-confidence is low.
- Governments are in general more positive about nearly all aspects of pension reforms (consensus among experts, very high knowledge of social partners about reforms, more influence of SP on the reforms).
- Technical capacities of social partners should be further enhanced.

Labour market policies for older workers

*Alena Nesporova*¹

Outline of presentation

- Recruitment and termination of employment of older workers.
- Labour market policies in the accession countries.
- Active labour market programmes for older workers.
- Policy recommendations.

Recruitment and termination of employment of older workers

- Reaching the entitlement for an old-age pension is not the legal reason for employment termination on the employers' side in the accession countries.
- Despite that, retirement, early retirement and disability retirement frequently used to moderate labour market tensions.
- Employment protection legislation.
- Discrimination against older workers in recruitment and lay-offs.
- Legislation prohibiting age discrimination.

¹ Senior Labour Market Specialist, Employment Strategy Department EMP/ANALYSIS, ILO Geneva

Labour market policies

- Amendment of labour legislation and establishment of national employment services as part of transition reforms.
- A wide range of labour market policies applied, both passive and active.
- Passive policies include unemployment insurance benefits, unemployment assistance, pre-pension benefits and early retirement.
- Active policies cover job counselling and mediation, labour market training, direct job creation, subsidised employment, internships for school leavers, sheltered workshops, public works, self-employment promotion measures and mobility promotion measures.
- Special programmes for enterprises in crisis; for social and economic reintegration of disadvantaged groups, etc.
- Countries differ greatly in terms of the access of unemployed people to labour market programmes and the funding of these programmes, which is only weakly correlated with their labour market situation.

Percentage participation in active labour market programmes (ALMP) in selected countries (1998)

Country	Benefit recipients	Placed with assistance of NES*	Participation in ALMP**	of whom in:			
				Labour market training	Public works	Self-employment	Subsidised employment and other policies
Bulgaria	24.8	40.5++	18.4	1.4	15.3	0.02	2.1
Czech Rep.	48.8	56.9	17.2	5.2	3.8	N/A	8.2
Estonia	59.3	28.4	38.3	24.9	11.8	1.2	0.4
Hungary	73.9	20.7	73	18.8	27.4	1.7	25.1
Hungary	73.9	20.7	26.3***	5.2***	6.9***	0.3***	13.9***
Poland	23.1	48.1	22.7	7.9	5.9	0.6	8.3
Poland	23.1	48.1	7.9***	0.9***	2.2***	0.5***	4.3***
Russia	89.5	62.6	35.4	16.3	19.1	N/A	N/A
Slovakia	27	N/A	17.0***	0.7***	3.2***	1.4***	11.7***
Ukraine	53.1	19.2+	24.4	12.8	11.6	0	0

Sources: Reports of National Employment Services in the respective years.

Notes:

Percentages are relative to the average monthly registered unemployment unless otherwise stated.

* The ratio of job placements of registered job-seekers to newly registered unemployment in the course of the year.

** The ratio of the number of all participants in active labour market programmes (ALMP) over the year (regardless of the length of their participation) to the average monthly number of registered job-seekers in the same year; in per cent.

*** The average monthly participation in ALMP in per cent of the average monthly registered unemployment.

+ Non-employed job-seekers (registered job-seekers both with and without unemployment status).

++ Including placements within ALMP.

Active labour market programmes for older workers

- More intensive job placement assistance in the initial period after job loss, later reliance on passive measures.
- In general, there is lower participation of older jobseekers in the ALMP, although few figures are available. The proportion of people above 50 in ALMP is 10% in Estonia, while there are 17% in unemployment, in Poland only 1% participate. However, in some countries it is higher: in Latvia, 35.7%; in Lithuania, 3-10% in individual ALMP.
- Most offered programmes: public works and subsidised employment related to their frequent long-term unemployment while older workers under-represented in labour market training.
- Usually no special programmes for older workers but some countries have recently launched such programmes, e.g. in Slovakia a programme supporting employment of citizens over 50 or a programme for older women as qualified home-care workers for communities; or in Hungary a programme for job-seekers above 50 with tertiary education combining tailor-made training with motivation training, psychological support and job placement assistance.

Policy recommendations

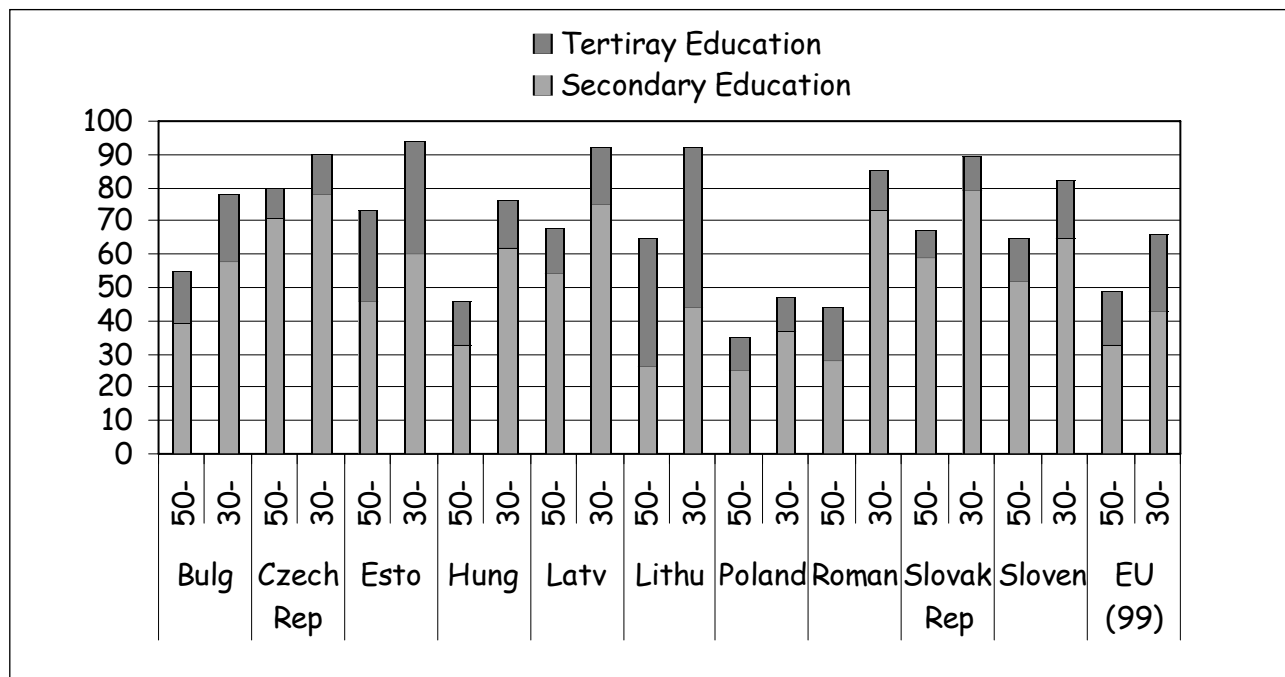
- Employment protection of older workers should be improved and its enforcement in practice strengthened.
- Legislation should prohibit age discrimination.
- In line with the ILO Older Workers Recommendation, 1980 (No. 162), there is a need for ensuring equal access of older workers to vocational guidance and placement services.
- Job counselling, intensive job search assistance and promotion of their active attitude towards taking up available jobs and being prepared for new assignments.
- The approach of Latvia requesting preparation of individual action plans for older long-term jobless persons in line with the EU Employment Strategy should be replicated in other countries.
- Stimulation of employers to hire older persons through job creation measures or wage subsidies.
- Promotion of the gradual reduction of hours of work prior to statutory retirement age combined with subsidies from the National Employment Service (NES) or with partial pension schemes.
- Promotion of business start-ups or self-employment of older workers to make them benefit from rich experience, personal contacts and accumulated capital.
- From “classic” public works to innovative programmes such as care provision or schemes requiring skilled labour and combined with initial or on-the-job training.
- Labour market training is very important.
- Research revealed the diversity of constraints and potentials of older workers. Therefore, it is important to have a complex approach to employment promotion of older workers addressing these constraints and potentials.

Skills development for older workers in accession countries

Mariangels Fortuny¹

- Education and employment/unemployment of older workers.
- Participation in training and retraining.
- Life-long learning framework.
- Role of information and communication technologies.
- Stereotypes and age discrimination.
- National and international agendas.

Percentage achievement of educational levels in the population by age group (1998)



Source: Vocational educational and training in Central and Eastern Europe. In: *Key Indicators 2000*, European Training Foundation

¹ Technical Officer, InFocus Programme on Skills, Knowledge and Employability (IFP/SKILLS), ILO Geneva

Percentage activity rates of older workers by educational attainment and sex (1998)

	Bulgaria		Czech Rep		Estonia		Hungary		Latvia		Lithuania							
	59+	50-59	59+	50-59	59+	50-59	59+	50-59	59+	50-59	59+	50-59						
MEN	59+	30-39	59+	30-39	59+	30-39	59+	30-39	59+	30-39	59+	30-39						
ISCED 0-2	4	62	74	7	69	88	15	74	81	3	41	70	14	73	80	15	78	81
ISCED 3	9	79	92	14	84	98	32	82	95	8	65	91	23	83	95	21	89	95
ISCED 5-7	16	84	96	30	94	99	47	89	98	22	81	97	34	91	98	36	89	94
WOMEN																		
ISCED 0-2	1	32	65	3	41	69	6	49	62	2	21	54	8	43	53	6	51	56
ISCED 3	3	56	86	7	66	84	12	74	85	6	48	75	11	59	82	6	63	86
ISCED 5-7	7	68	92	24	85	82	26	81	86	17	65	84	20	75	87	21	78	91

	Poland		Romania		Slovak Republic		Slovenia		EU (99)						
	59+	50-59	59+	50-59	59+	50-59	59+	50-59	59+	50-59					
MEN	59+	30-39	59+	30-39	59+	30-39	59+	30-39	59+	30-39					
ISCED 0-2	17	58	92	55	77	85	1	66	82	22	61	86	13	72	93
ISCED 3	18	70	96	20	69	94	6	78	97	12.6	64	96	15	81	96
ISCED 5-7	35	90	99	22	79	97	24	95	99	18.1	83	99	26	90	98
WOMEN															
ISCED 0-2	10	39	72	38	57	64	1	26	68	12	34	87	5	42	60
ISCED 3	7	58	83	7	45	81	4	54	87	4.9	38	95	7	62	68
ISCED 5-7	21	73	94	6	67	96	25	82	87	*	71	94	16	78	88

Source: Vocational educational and training in CEECs. In: *Key Indicators 2000*, European Training Foundation.

ISCED 0-2: primary and lower education, ISCED 3: secondary education, ISCED 5-7: tertiary education.

Percentage break-down of employment and unemployment rates of older workers and all workers by educational attainment for selected accession countries (2000 or 2001)

	Employed				Unemployed			
	Primary	Lower second.	Upper second.	Tertiary	Primary	Lower second.	Upper second.	Tertiary
<i>Czech Republic</i>								
All workers	8.6	42.0	36.1	13.3	26.2	44.9	24.6	4.0
45+	12.1	41.0	32.2	14.7	32.0	44.1	18.5	4.7
<i>Hungary</i>								
All workers	17.5	65.5	17.0	35.0	60.4	4.6		
45-59	22.0	58.8	26.7	37.8	55.8	6.4		
60+	35.6	26.7	37.7	60.0	30.0	10.0		
<i>Estonia</i>								
All workers	10.9	57.9	31.3	21.7	62.6	15.7		
45-54	10.1	55.5	34.4	19.5	62.8	17.7		
55-64	18.7	46.1	35.2	32.2	42.8	25.0		
<i>Romania</i>								
All workers	14.9	76.8	8.3	n.a.	n.a.	n.a.		
Men 50+	76.5	20.1	3.4	77.7	19.4	2.8		
Women 40+								
<i>Poland</i>								
All workers	14.8	67.5	17.6	n.a.	n.a.	n.a.		
55+	44.3	36.8	18.9	n.a.	n.a.	n.a.		
<i>Bulgaria</i>								
All workers	5.4	25.5	49.7	19.4	55.0	38.2	6.8	
45+	9.8	36.9	34.5	18.7	59.3	33.2	7.5	

Source: National reports from the ILO survey.

- Public education and training programs are not targeted at older workers.
- Designed for workforce as a whole or targeted to younger people.
- Survey: “As any other group, older workers can participate in training and retraining programmes”.
- No company surveyed offered a specific programme for older workers.
- OECD: older workers not significant proportion of recipients of training programmes.
 - > Research in 11 OECD countries: young adults between 25-34 twice as likely to undergo training compared to 55-64 age group.
- ... but education and training of the older workforce becoming increasingly important in countries surveyed:
 - > Estonia “Policy for the elderly”: education & training programmes for older workers to be implemented by 2010.
 - > Bulgaria “National report on older people”: measures for improving education and training policy for older people.
- Also in OECD, companies taking long term view of staffing needs and recognise older people as a resource.
 - > Work shadowing, mentoring, etc.
- Canada’s collective agreements and older workers:
 - > No training provisions for older workers found, but specific contract language can help protect their interests and fair share in training.
- Implicit in concept of lifelong learning is rejection of society structured on the basis of age.
- “Memorandum on Life-long Learning”, 2000. Conclusions of consultation with accession countries:
 - > No proper consideration to continuing training until now.
 - > Need for institution development.
 - > Social partners involvement still weak.
 - > ... but also revealed shift towards more active policies: new laws, white papers, etc.
- Communication: “Making a European Area of Life-long learning a reality”.
 - > Valuing learning is key element.
- Rapid technological developments call for continuous renewal and updating of skills
- Negative stereotypes label discussion about older workers and IT
 - > ILO survey: Companies claimed that older people have difficulties in using and learning IT.
 - > Several noted a strong relationship between education and IT: education cannot be leap-frogged.
- EU “eEurope Action Plan 2002”
 - > Objective 2: Investing in people and skills.
 - > Objective 2c: Participation for all in the knowledge-based economy.
- Sweden “An Information Society for all”, United Kingdom “IT For All”, The Netherlands “Senior-Web Ambassadors project”.
- Public and private partnerships.
- Digital possibilities in reorganising and extending working lives.
 - > Teleworking.
 - > A mean to decrease active involvement in the labour market gradually.
 - > Can help employers to retain access to critical skills and save office space.

- Attitudes and stereotypes are the main obstacle to open employment and training opportunities for older workers.
- Stereotypes reflected in the answers from our surveys:
 - > Older workers less flexible, adaptable & productive than younger workers.
 - > ... However, older women more open, flexible than older men and preferred to young women as they had “passed child-bearing age”.
 - > PES find older jobseekers passive, fearing technology and requirements of new job.
- Effective solution:
 - > Overcome age discrimination, especially in recruitment.
 - > Special attention to older women workers.
- According to survey: Slovak Republic, some of the most comprehensive legislation prohibiting age discrimination.
- Not many OECD countries have legislation:
 - > USA: best established legislation.
 - > 2000 EU Directive on Discrimination which includes age amongst other grounds
 - > An important issue is to enforce legislation.
- Besides making discrimination unlawful, need to change mindsets of employers, society and older workers themselves.
 - > UK Employers Forum on Age: “The business case for age diversity”.
- National Action
 - > Estonian Policy for the Elderly (www.sm.ee).
 - > Finnish National Programme on Ageing Workers (www.stm.fi).
- International Action
 - > Second World Assembly on Ageing: Madrid International Plan of Action on Ageing (www.madrid2002-envejecimiento.org).
 - > Berlin Ministerial Conference on Ageing.
 - > Regional Implementation Strategy of the Madrid Plan (www.mica2002.de).
- ILO Older Workers Recommendation, 1980 No. 162 (www.ilolex.ilo.ch)

“... we must rid ourselves of the subjective stigma attached to the word retirement. In a way that is both revealing and unjust, this term links the moment at which an individual acquires the right to a pension with final exclusion from the life of his or her enterprise, community, society or even family.”

*Juan Somavia,
ILO Director General,
Second World Assembly on Ageing,
Madrid, 8-12 April 2002*

Promoting employment of older workers in Germany

*Ruth Palik*¹

Introduction

Demographic developments and, as a result thereof, the decline in the economically active population forces politics, the economy and society to do some rethinking in terms of dealing with older employees.

By means of appropriate measures, it is necessary to fight against the high unemployment rate among older employees, to reintegrate them into the employment system and to take preventive care of keeping them within working life.

This provides social and labour market policies with a broad field to act. There is an urgent need to make sure that the benefits of social security systems on the one hand and those of entrepreneurial players on the other hand interlock smoothly.

Framework conditions have been provided by amendments recently made to legal provisions on unemployment insurance and employment promotion as well as to the pension law, and now these framework conditions are to be filled in with concrete action.

Presentation of slides

- Because of raising the retirement age within the legal pension scheme and, thus, the drop in pension revenues in the event of drawing pensions early, measures for early retirement have become unattractive.
- In recent years, employers have staffed their companies with young people to an increased extent at the expense of unemployment insurance and pension schemes. Due to changes in pension law, early retirement has become more difficult.
- However, because of demographic reasons this can no longer be the approach of companies' human resources policy.
- Employers will be dependent on older employees at the latest from 2010 on. However, these employees will then have to meet future health and vocational qualification requirements.
- This requires long-term strategies. A healthy way of living, high qualifications and, not least, the reintegration of women into working life cannot be achieved overnight. In this respect, it is specifically labour market politicians, human resources managers and the trade unions who should co-operate strategically.

¹ Head of Retirement and Rehabilitation Department, German Federation of Trade Unions (DGB)

- First of all, it is to analyse the present situation, to get rid of prejudices and to take suitable measures for improving the employment situation of older employees. Prejudices at the place of work may be done away with through improved public relations and consulting activities of the Bundesanstalt für Arbeit (Federal Labour Office) and representations of interests at the place of work.
- The greatest deficit relating to labour market policy instruments for older employees is with vocational upgrading and training measures. In this respect, we need specific programmes which enable us to offer employee groups of any qualification tailor-made opportunities for vocational upgrading.
- Apart from improved training opportunities offered by the Federal Labour Office, greater attention should also be paid to organising upgrading courses at company level.
- This requires in the first place a rethinking in terms of the employers' human resources management. In a few years, the workforce of companies will consist to a large extent of older employees. In order to maintain a high performance level, long-term planning in advance is needed.
- Early physical and mental decline of employees is increasingly caused by one-sided physical and mental work strain as well as low requirements for qualification. This situation has to change, if companies want to be prepared for future standards.
- Rigid job profiles make the flexible use of workforce at a later stage impossible. Where older workers are only employed for producing products being phased out and only younger people are trained for new product lines, economic risks are likely to arise, and companies might be confronted with the problem that a large part of their workforce cannot be employed in accordance with production needs, since their specialised skills are no longer required.
- It is specifically because of early retirement that many companies no longer have a mixed workforce. As a result, workforce being now of young age will later on become old at the same time.
- However, companies and employers now have to prepare strategies with the aim of keeping a mixed workforce structure and older employees available. Therefore, measures should be prepared to shape workplaces according to the age of employees.

Consulting policy-makers

- Trade unions were represented in the Commission on Preparing the Laws on Modern Services on the Labour Market. Also during the legislation process, trade unions were anxious to include their own experience-based knowledge in position papers with the aim of achieving necessary changes in the bills. Furthermore, the German Federation of Trade Unions will also be represented in the Commission on Sustainability in Funding Social Security Systems.
- Also as to the contents of collective agreements, a certain change in paradigms may already be observed, although not yet as clearly as would be necessary.
- While so far collective agreements have focused in their provisions for older employees rather on providing opportunities for early retirement from working life, greater importance is now being attached to creating conditions for extending the period of their working life.

- In this respect, two fields of regulatory measures are of specific importance: health promotion at company level and vocational upgrading.
- It is quite difficult to implement the measures at the level of small- and medium-sized businesses. Therefore, it is important to act not only at company level, but beyond, to set up regional networks and to strive for branch-specific solutions.

Slides

1. Measures to be taken by the Federal Labour Office:

- improving public relations activities;
- intensive implementation of recent legal provisions;
- and specific programmes for older employees.

2. Laws on modern services at the labour market:

- subsidies for founders of new businesses;
- putting responsible bodies in charge of integration measures;
- ensuring remuneration for older employees;
- covering contributions for unemployment insurance when employing older workforce;
- labour market monitoring;
- Manpower Service Agency;
- and promoting vocational upgrading.

3. Vocational upgrading of older employees:

- training tailored to the different age groups' needs;
- unskilled and semi-skilled workers;
- and graduates of technical colleges and universities.

4. Benefits of vocational upgrading courses at company level:

- tailored to the production process;
- close to the working place, close link;
- teamwork;
- aimed at future tasks of the company;
- and opportunities for ongoing upgrading courses to maintain human resources.

5. Human resources management at company level:

- taking measures against early physical and mental decline of employees (reducing extreme work burden and qualification deficits);
- avoiding rigid allocation of tasks (specialisation trap);
- and avoiding compact age structures (risk of all workforce ageing at the same time).

6. Fields of trade union activities:

- consulting policy-makers;
- embodiment in collective agreements;
- agreements on integration at company level;
- and providing information and training for representations of interests working at company level.

7. Trade Union Demands

Vocational upgrading:

- to regulate minimum periods of time for learning processes;
- to set up working hour models for competence-building of employees;
- to oblige businesses to give preferential treatment to older employees in the field of vocational upgrading;
- to structure work processes in a manner that stimulates learning;
- businesses to cover costs of vocational upgrading in the event of training courses held by internal order of the given company;
- to integrate planning of vocational training at company level into human resources and organisation management;
- to orientate in-house vocational upgrading also according to vocational mobility.
- experience-based learning;
- and vocational upgrading associations for small and medium-sized businesses.

Health-promoting measures for employees:

- company reports on employee health status (e.g. sick-leave analyses);
- health education / behavioural prevention (e.g. stress management, back-strengthening exercises, anti-smoking-programme);
- physical fitness programmes (e.g. for sports and physical exercises);
- health seminars (e.g. on healthy food);
- and in-house health circles for improving work processes and reducing health risks (proportional prevention).

Supposed Benefits

	Physiological Capacity	Psychological Capacity	Qualification
+	Proficiency in motor processes	Sense of responsibility	Ability to judge practically
+		Human maturity	Organisational talent
+		Composure	Experience-based knowledge
+		Loyalty	Reliability
+			Accuracy

Summary and conclusions

Summary of discussions of the conference

*Peter Auer*¹

Rather than following the order of papers as presented, this brief summary highlights the many cross-cutting themes that were discussed. It will, therefore, only partially reflect the richness of the debate and will also only partially cite all the numerous contributions of high quality that have been made by participants during the debate. The report is organised in five points:

- ageing of the workforce as a common problem despite country differences;
- the need for an increase in labour market participation of older workers and the quality of work;
- selected policy responses to achieve that goal;
- pension reform;
- and social dialogue.

Ageing as a common problem despite country differences

State Secretary Gerd Andres from Germany's Ministry of Economics and Labour opened the conference by stating that it is both about the role of older people in working life and the role of working life for older people, thus pointing to the individual and the socio-economic dimension of the issue. He added, and this was largely echoed by Péter Kiss (Minister of Employment and Labour, Hungary) and Shinichi Hasegawa (Assistant Minister of Health, Labour and Welfare, Japan), that ageing is a common problem in the great majority of developed and transition countries. Patricia O'Donovan (Director, IFP/DIALOGUE, ILO) agreed and added that the creation of employment, that connects people to society was indeed the important issue and social dialogue is instrumental towards achieving high employment growth. Alena Nesporova (Senior Specialist, EMP/STRAT, ILO) and Georg Fischer (Head of Department, EU Commission) showed that there are, both within and between accession and European Union countries, large differences in employment rates of older workers. These differences (employment participation is on average lower in accession countries than in the EU 15 but varies greatly among all countries) point to a difference in the need of policy efforts to reach some of the common targets of the European Union, such as the Stockholm EU council's 50% employment rate target for the 55 to 64 age bracket by 2010. Ageing will hit countries not uniformly and in one stroke: it is a gradual process: for example Christoph Kannengiesser (Director, Confederation of German Employers' Associations) and Ruth Palik (Head of Section, German Federation of Trade Unions) told the conference about the ageing "wave" that will hit Germany only around 2010. The problems with ageing are manifold, but especially crucial is the challenge to maintain the social welfare system through a prolongation of working life. The need for longer labour market attachment in order to provide a sustainable financial basis for the welfare state constitutes one link between the discussion on pension reforms and on the labour market and provides one strong rationale for working longer. Another is, of course, the ageing and shrinking population that reduces labour supply and might, as was noted, even lead to labour shortages which in turn calls for using the labour market potential of older workers.

¹ Chief, Employment Analysis and Research Unit, EMP/STRAT Employment Strategy Department, ILO Geneva

However, the difference in the impact also calls for differentiated solutions: while all countries will have to do something, there will not be a one-size-fits-all solution. The rapporteur added that there could also be some positive impacts of ageing for the economies of at least the developed countries: the coming generations of retired are more affluent and this should lead to higher consumption and higher growth, provided that there is no dramatic reduction in retirement benefits or continued turmoil in financial markets.

But despite these countries' differences, all of them have to address the problem, and this is an important field of co-operation and also an agenda for all international organisations, especially the ILO.

The need for employment rates increase and the quality of work

The dimension of the problems appeared quite clearly in a figure that presented the differences between the employment rates of 1970 (a time of relatively full employment) and 2000, when so many people were unemployed or inactive. The solution appears to be simple at first glance: in order to have higher employment rates, one has to arrive at stronger labour force participation of older workers, without crowding out the younger ones. This calls for a prolongation of working life and more equality between men and women. While for youth lower employment rates are linked to higher participation in education, both the EU Barcelona council's target (to increase the age at which people stop working by 5 years until 2010) or the Stockholm council target's of 50% employment rate for the 55 to 64 age group will increase labour force participation of older workers. This implies that one has to increase pension age and cut former possibilities for early retirement. This is also at stake in Japan, where the pension age will be gradually increased to age 65 and employment participation has to be increased.

What does this change from less and less work to more and more work mean for society? A change of paradigm, as Christoph Kannengiesser mentioned. There seems indeed to be some change of vision: from a distributive welfare state in which wealth is distributed through progressive taxes and contributions that serve to finance generous benefits for those leaving work at relatively early ages to a society where income stems from long attachment to the labour market? From working less and having more income and more leisure to working more and having less? From secondary revenue creation through transfers to primary revenue through the participation in paid work in order to save the remains of the welfare state and political and social stability? This political message is certainly hard to sell. Here the dialogue between the social partners and especially the role of government is important, as the latter has, as László Herczog (Deputy State Secretary, Ministry of Employment and Labour, Hungary) added, to sometimes take unpopular decisions.

More employment at each age group will, however, decrease dependency ratios (old age and young age dependency rates) and give a much broader tax base that could be used to finance social security. There is also the alternative of "replacement migration" that was mentioned by some speakers, but it was added that there could be incompatibility between the economic necessity of such migration and its political and social acceptance. Probably both the inclusive labour market for the national labour force, integrating women, older and disabled people more fully as well as immigration will be the answer.

However, the challenge of quality of work was mentioned. Mechanically increasing the employment rates does not tell us anything about the quality of the employment created. Here the EU delegate presented recent research results that showed synergies rather than substitution between the quantity and the quality of work: both can go together, to the benefit of job satisfaction and productivity. But this calls for policy intervention. Contrasting such a positive picture, Gerd Jung (Senior

Specialist, ILO SRO-Budapest) recalled the bleak labour market prospects of disabled people in the accession countries.

The conference also discussed another kind of substitution: that between old and young workers. Policies in favour of the older workers could crowd out the younger and diminish their employment chances. Figures for the EU 15 seem not to confirm this picture. A graph in this year's "Employment in Europe" report from the EC gives an indication, even if just a slight one, that the contrary is true: where employment rates of older workers are higher, those of younger are as well. And in general, the synergy rather than the substitution effect seems to prevail on the labour markets: countries which already had the highest employment rates were able to increase them even more. This was comforting as it indicates that increasing employment rates for older will have a positive impact on the generational conflict between the old and the young, because there will be a lesser burden for the younger to pay for the pensions of the elder (Lenia Samuel, Permanent Secretary, Ministry of Labour Social Insurance, Cyprus).

The cultural dimension was highlighted: how are the older seen by the younger? They are a reference for the younger (Minister Kiss) but there are not many positive images of older workers. They suffer from all kinds of stereotypes and discrimination: inflexibility, low productivity, resistance to change, etc. (Mariangels Fortuny, Technical Officer, IFP/SKILLS, ILO). Therefore, attitudes have to be changed. But this is difficult in societies where youth is "hip", despite older people being increasingly important for consumption and constituting an increasingly important part of the voters.

All these challenges call for action, but the action has to be multidimensional. Even if one considers merely the financial problems linked to demographic change, one is compelled to consider not only the labour market, but also the healthcare system and the pension system. As Klaus Schmitz (Ministerialdiregent, Ministry of Economy and Labour, Germany) showed in his presentation, along with the rising costs of the above-mentioned systems, the tax base is shrinking because of ageing workers, thus creating an additional challenge. The solution seems again to be the prolonging of the length of employment and more job creation, but this also requires sound macro-economic policies. More generally these interrelations require integrated policy solutions.

Selected policy responses

Combating age discrimination

This point was amply discussed by many speakers. It was mentioned that the EC in 2000 adopted an EU directive on discrimination that includes age and has to be incorporated in national law and implemented at the latest in 2006 (Fischer, Fortuny), and in 1980 the ILO adopted Recommendation 162, which includes many of the items that the conference has discussed (O'Donovan).

Lifelong learning and increasing employability

There was consensus that this is an issue of great importance, as both the ETUC and the UNICE representatives pointed out. The European social partners are engaged in activities in this field. The employment guidelines take this point up, and each conference on ageing has had it on its agenda. Lifelong learning must start early on to create a culture of life-long learning – of learning to learn. While the need for it seems undisputed, there are indeed problems in its implementation (Fortuny). Of what nature are these problems? Are there not enough incentives, no interest by older workers or no training offers by employers? Probably it is some combination of all three aspects that have to be taken into account by policy makers.

More flexibility at the end of working life

An important issue discussed was also the phased retirement issue. This calls for actions and a flexibilisation of working time and work organisation. There seems to be a demand for this as survey results show that a high percentage of older workers would like to work part-time. (Lorena Ionita, Adviser, UNICE). Gradual transition is indeed a good idea but again it is hard to implement as witnessed by the example of Germany where only a part-time pension system exists. But because of the “block system” that has been adopted (half of the period is worked full-time, half not at all) this more closely resembles a standard early retirement system (Schmitz). In the accession countries, the interest in part-time pensions is not high because of low income that goes with them. While this would call for subsidies, the budget implications have to be carefully weighted.

Active labour market policies for older workers

This is a very important policy field, as Alena Nesporova told the conference, especially for unemployed older workers or those that cannot maintain their jobs when early retirement solutions will be phased out. However, at present, older workers are under-represented in active labour market policies, especially in training schemes and in business promotion measures and other programmes that could increase employment chances of this target group. However, they are also insufficiently represented in public works measures. If the target of increasing employment rates for a growing portion of older workers is maintained, active policies are needed, and they should also be used to support the flexible approach to retirement. The Japanese example as related by Hideo Kubomura (Director, Ministry of Health, Labour and Welfare), Hideaki Narikawa (Executive Director, Japanese Trade Union Confederation) and Hiroyuki Matsui (Deputy Director, Japan Business Federation) is also important: firms are asked to manage the increase in retirement age and the ageing of the workforce on their internal labour markets, apparently with incentives from the government. There is, however, also awareness that individuals have to take more responsibility for their own employability as shown by individual training subsidies.

Because in other parts of the world early retirement was (and is) used so widely to manage (mass) layoffs, restructuring without early retirement (or only with flexible forms of retirement) will not be very easy. Early retirement should at least be maintained for those that experience particular hardship at work.

Need for macro-economic policies to create jobs

While we usually consider the labour market problems as a supply problem that could be solved by changing attitudes and behaviour, it was recognised that there is also a demand problem: not enough growth, or sometimes jobless growth, and therefore not enough jobs. Related to this are the paradoxes of the co-existence of unemployment and the need for increasing labour market integration of older workers. The labour market problems for older workers cannot just be considered as a matching problem: there is even a quantitative gap between demand and supply that requires macro-economic, growth-oriented policies in addition to policies of job creation.

Pension reforms

Reforms underway in the pension systems are sufficiently important to be mentioned here as a separate point and have been amply discussed at the conference. However the rapporteur’s summary on

the subject will be very brief. (For details on this complex matter, see the paper presented by Elaine Fultz, Senior Specialist, ILO SRO-Budapest)

Pension reforms are underway almost everywhere in the transition countries and were mostly enacted in the late 1990s. This was before the burst of the stock market bubble and it could well have been that capital funded solutions were more highly valued in this period. However, different approaches pre-dated the burst of the bubble and Elaine Fultz showed different approaches, contrasting Hungary and Poland with Slovenia and the Czech Republic. The former pair opted for partial privatisation of their state systems while the latter two maintained state pensions and adopted voluntary supplemental private systems. The role of the World Bank was also discussed: it succeeded in convincing the former two countries, at least partially, to adopt reforms along the lines of what it proposed to Latin American countries (individual saving accounts) while the latter two were more immune to their advice. This seems to a certain extent to be a function of the external debt situation of these countries: low levels of external debt helped Slovenia and the Czech Republic to adopt different models that were more closely aligned with the Western European mainstream.

Another difference was also that of the social dialogue (see below), with the World Bank being reluctant to accept the advice and participation of the social partners in discussing and implementing pension reform. There was also large discussion on the different types of pension systems, but it seems that all countries are heading towards a multi-pillar system of some type. The solutions adopted all face their specific problems: pay-as-you-go solutions, in which the present employed pay for the present retired, are coming under demographic pressure, and capital-funded solutions came under pressure because of the uncertainty of the stock market. The question of the form of investment for capital-funded pensions was also raised, for example whether the money should be invested at home or abroad, or in the equity or the bond/monetary markets.

The results of a study on the involvement of the social partners in pension reform was presented by Ludek Rychly (Senior Specialist, IFP/DIALOGUE, ILO). It showed that they were generally involved, but to very different degrees (see below for more details).

The method of change: Social dialogue

One focal issue of the conference was the dialogue between the social partners and the government. It was discussed whether the dialogue should preferably be tripartite or bipartite, but generally the role of government was seen as being essential, especially when dealing with technically complex matters that involve state financing (Rychly, O'Donovan).

Lenia Samuel reminded us of some basic conditions for dialogue such as belief in the systems and their “reformability”, formal structures for the dialogue (institutions and laws), the possession by the social partners of the technical knowledge to deal with complex matters, equal access to transparent information, etc. And there has to be mutual acceptance of the social partners in the bargaining process and a will to have dialogue.

The research presented by Ludek Rychly showed that all countries surveyed had some form of dialogue but there are large differences in the involvement as perceived by the parties of the dialogue. While most surveyed think that their participation in the dialogue had an impact on policies adopted, the evaluation of this influence varies by groups interviewed: for example, worker representatives thought more often that they actually made an impact, while governments often thought that the impact of trade unions was much more modest.

Pension reform is and was an important area for the dialogue, but again it came in very different forms and had a very different impact according to countries: for example, in Slovenia and the Czech Republic there was much – and ultimately successful – union pressure against privatisation of the

pension system. In Bulgaria, the social partners are even integrated in the administration of the pension funds. Political instability changed the focus of social partnership and pension reform in Hungary, and in Poland the reform that was bargained with the social partners survived changes in government. In Latvia, there was referendum against a pension law that was imposed by government without consultation.

In conclusion, the discussion and the examples above showed that a well-organised social dialogue (partners discussing in a continuous and institutionalised – not ad-hoc – manner on many issues in an atmosphere of trust and transparency) is a factor of political stability that survives changes in governments and makes the political system more stable. Continuous dialogue can also bring the necessary flexibility to a system that often needs also a proactive government. And the old wisdom seems to hold: if those concerned with the reform process participate in it, the chance that solutions adopted will be accepted later on increases.

Policy conclusions

*Friedrich Buttler*¹

ILO's policy conclusions do not aim at forcing a consensus where it does not exist. Our role is to facilitate consensus-building through social dialogue. As a tripartite meeting that followed the World Summit in Madrid and the UN Economic Commission for Europe's Ministerial Meeting on the Ageing of Societies earlier this year in Berlin, this German/Japanese/ILO seminar EU accession countries has offered a unique forum for social dialogue. We are most grateful to the German and the Japanese Governments for their joint initiative and we very much enjoyed the Hungarian Government's hospitality.

The fruits reaped from this dialogue can be summarised in very short points:

- 1 Longer life-expectancy is an achievement of mankind and a good indicator of men and women's well-being. The UNDP's welfare indicator correctly reflects this fact.
- 2 Decent work has a central place in people's lives. Of course, this applies to people in the EU accession countries, which experienced a hopeful but difficult transition after 1989. Decent work is fundamental both for income generation and personal identity.
- 3 A decent pension should be a reward for life-long work. But throughout the European countries, the long-term development of dependency ratios is signalling that pension schemes are or will come under financial stress. The trend towards early retirement has contributed strongly to this development.
- 4 It is possible to reduce the future growth of the dependency ratios and to generate more contributions to and less expenditure of the pension systems by increasing the labour force participation rates of older women and men and by creating additional employment opportunities for both older and younger workers. Immigration may contribute to changing the age structure, but the ageing of the immigrant population has to be considered as well.
- 5 Policies aimed at increasing the retirement age and at reversing the trend towards early retirement should encompass people with disabilities and people having suffered from hardships at work. For these people, voluntary access to flexible pre-retirement remains necessary.
- 6 Pension reforms should introduce incentives aimed at encouraging women and men to stay longer in the labour market. In addition, attitudes favouring employment of older workers need to be enhanced. This means a change of both employers' and workers' preferences and a change in the value system of societies that should appreciate older workers' experience as an asset.
- 7 Employment creation is at the heart of increasing labour market participation and employability. Empirical evidence gained in the process of transformation in the transition countries has revealed that pre-retirement did not contribute to increasing job opportunities for younger workers. Rather, retired workers' jobs were made redundant.
- 8 A number of co-ordinated strategies are needed in order to create more and better jobs for all. They include macro-economic policy, wage policy, tax policy and technology promoting policies to create a favourable climate for economic growth.
- 9 Policies for more and better jobs for all include human resource development strategies at the company level, as well as active labour market strategies which set incentives for employers to retain and to hire older workers and to stimulate unemployed older workers to take up a new employment.

¹ Regional Director for Europe and Central Asia, EUROPE, ILO Geneva

- 10 Strategies include all forms of investment in human capital, from schooling over life-long learning and further training to re-training. They include the promotion of entrepreneurship in all age groups, thus contributing to a climate which is favourable to employment intensive economic growth.
- 11 Policies for more and better jobs should include measures to integrate persons with disabilities.
- 12 Occupational health and safety and cost-effectiveness of health-care should be much improved.
- 13 Family-friendly measures are important to increase labour force participation of both women and men.
- 14 There are five apparent contradictions in the relevant policies to create employment and to reform pensions.
 - a) The dilemma between promoting labour force participation and thus increasing labour supply and policies aiming to combat unemployment, but there is a clear evidence of a positive relationship between higher labour force participation and better economic and employment performance.
 - b) A second dilemma is that higher funding of active labour market policies may lead to an increase in non-wage labour costs and thus the wedge between employers' labour costs and workers' net earnings. But there is clear evidence that non-wage labour costs can be kept under control.
 - c) A third dilemma is that national pension schemes will come under pressure with national ageing, whether they are privatised or not. With public pay-as-you-go schemes, this pressure will come in the form of a reduction in contributors and an increase in beneficiaries. In privatised and pre-funded schemes, it will come in the form of reduced demand for the financial securities that the retiring population will have to sell in order to convert their savings to annuities. Either way, pension schemes will come under pressure; and this pressure must be addressed through a combination of pension reforms and labour market policies, with an emphasis on the latter.
 - d) A fourth potential contradiction is that older workers need more training but their actual involvement in training is low due to their higher reluctance to participate, but this is also due to the reluctance of public employment services to enrol them. The solution should be found in life-long learning and activating further training and re-training for older workers.
 - e) A fifth dilemma is reflected in the debate on further regulation to implement the necessary bundle of strategies versus the need for deregulation, on enforcement by highly regulated instruments or obeying the principle of subsidiarity. The right mix has to be found on the country level, because there is clear evidence that the impact of labour market and social protection institutions depends on their systematic context.

Actually, what has been said at the conference has once more highlighted the need for new forms of social and economic governance and their interaction. Social dialogue offers an excellent platform and an extremely good chance for sharing experience, jointly searching for new solutions, finding the best way to negotiate the bundle of strategies, defining the partners' roles in setting the correct incentives, promoting a supportive political climate, implementing and monitoring the strategies. The quality of the tripartite discussions at this Conference on Social Dialogue and Ageing in EU Accession Countries has proven the validity of this final statement.

Annexes

Annotated Agenda

Germany/Japan/ILO High Level Subregional Conference on Social Dialogue and Ageing in EU Accession Countries (Budapest, 25-26 November, 2002)

Ageing of the population is a common challenge confronting both EU accession countries and EU member states. This conference aims at discussing the role of social dialogue in policy making related to population ageing and maintaining older workers in labour markets. It addresses issues such as pension reform, labour market policies and skills development. Sessions will have presentations on policy responses by selected experts, government officials and by social partners. In the general discussion, participants are encouraged to focus on policy lessons or implications for accession countries.

Sunday, 24 November

19.00 Reception at the Embassy of the Federal Republic of Germany in Budapest, Castle Hill.

Monday, 25 November

08:00 Registration of participants

09:00 Opening address by Mr. Gerd Andres, Parliamentary Secretary of State, Germany

09:15 Welcoming address by

Mr. Peter Kiss, Minister of Labour, Hungary

Mr. Shinichi Hasegawa, Assistant Minister of Health, Labour and Welfare, Japan

Ms. Patricia O'Donovan, InFocus Programme on Social Dialogue, Labour Law and Labour Administration, ILO

Session One

Demographic change and policy options for dealing with ageing populations

Chaired by Mr. Wolfgang Heller, Ministry of Economy and Labour, Germany.

This session deals with the general background of ageing. Demographic trends and their socio economic implications will be addressed and European and country policies regarding ageing and older workers will be presented. Demographic ageing is a labour market challenge as well as a pension problem. Attention will be given to issues such as the trade-offs between different policy options in dealing with the ageing society, including policy dilemmas such as the early exit policy and the accompanying rise in pension costs; the retention of older workers in the labour market by delaying the retirement age and by active inclusion of older workers as a strategy to cope with rising pension cost; and enhanced availability of jobs matching the skills and capacities of older workers, in order to keep people working longer.

Suggested topics for general discussion:

- *What are the priority issues to be tackled on ageing in accession countries?*
- *What are the constraints hampering effective policy responses?*
- *What contribution can social dialogue make to the reform processes?*

10:00 Major trends in demographic and labour market developments in accession countries

Speaker: Ms. Alena Nesporova, ILO

10:20 EU policies towards older workers

Speaker: Mr. Georg Fischer, European Commission

10:40 Coffee break

11:00 Policies of European social partners

Speakers: Ms. Luigina de Santis, ETUC

Ms. Lorena Ionita, UNICE

11:30 Examples of reform policies addressing ageing issues

Speakers: Ms. Natasa Belopavlovic, Government Representative, Slovenia

Mr. Klaus Schmitz, Government Representative, Germany

12:10 General discussion

13:00 Lunch

Session Two

Social Dialogue on Pension Reforms

Chaired by Ms. Petra Ulshoefer, ILO/Budapest

This session focuses on one of the main issues related to ageing: pension reform. Policy options dealing with pension reform range from a radical privatisation of pension schemes, reforms of existing pay as you go systems or a combination of both. The main focus of this session should be on the role of social dialogue in pension reform processes and social partners' involvement in different stages of discussion on pension reform in different countries.

Suggested topics for general discussion:

- *Does social dialogue play a role in decision making, implementation and monitoring processes regarding pension reform in accession countries?*
- *What are the benefits of social dialogue on pension reform?*
- *What are the obstacles of social dialogue and what are practical ways to improve social dialogue in the area of social security and pension reform?*

14:30 Overview and examples of pension reforms, particularly in EU member states and EU accession countries

Speaker: Ms. Elaine Fultz, ILO

- 15:00 Results of ILO survey on social dialogue on pension reforms in EU candidate states
Speaker: Mr. Ludek Rychly, ILO
- 15:10 Coffee break
- 15:30 Social dialogue on pensions: An employers' perspective: Bulgaria,
by Mr. Dikran Tebayan (BIA)
Workers' perspective: Mrs. Ewa Tomaszewska, Solidarnosc, Poland
- 16:00 General discussion
- 19:00 Reception hosted by the Government of Hungary

Tuesday, 26 November

Session Three

Adequate labour market policies for older workers including those with disabilities

Chaired by Mr. László Herczog, Ministry of Employment Policy and Labour, Hungary

This session discusses various labour market policy interventions to promote employment of older workers and those with disabilities. These workers face disadvantages in access to employment and training. There is a gender dimension here as well because these disadvantages are more acute for women than men. Some labour market policies encourage these workers to withdraw from labour markets by accepting early retirement or disability benefits. This fact has to be taken into account as a critical factor regarding the financial difficulties of pension systems. Experiences of active and passive labour market policies in CEE and EU countries are presented as well as the positions of social partners.

Suggested topics for general discussion:

- What role can social partners play in promoting employment opportunities and improving employment conditions for older persons and those with disabilities?
- How can labour market policies be reshaped to address (re)employment and social needs of older workers and those who acquire a disability while in employment?
- What labour market policies would be useful and realistic to promote job retention or return to work of older workers and those with disabilities?
- How can the voice of workers and employers in social dialogue be strengthened concerning labour market policy making in favour of older workers and those with disabilities?

09:00 Labour market policies in favour of older workers
Speaker: Ms. Alena Nesporova, ILO

09:20 Employment promotion of persons with disabilities
Speaker: Mr. Gerd Jung, ILO

09:35 Employment promotion of older workers (or disabled workers) The Japanese experience
Speaker: Mr. Hideo Kubomura, Ministry of Health, Labour and Welfare

- 09:45 Mr. Hideaki Narikawa, the Japanese workers' perspective
- 09:55 Mr. Hiroyuki Matsui, the Japanese employers' perspective
- 10:05 A European employers' perspective
Speaker: Mr. Christoph Kannengiesser, Employers' representative, Germany
- 10:20 A European workers' perspective
Speaker: Mr. Algirdas Kvedaravicius, LPSK, Lithuania
- 10:35 Coffee break
- 10:55 General discussion
- 13:00 Buffet Lunch

Session Four

Older workers and skill development

Chaired by Mr. Shinichi Hasegawa, Ministry of Health, Labour and Welfare, Japan

Education and skills development are the key policy interventions to improve the employability of the older workers. The trend towards life-long learning as a long term preventive strategy is discussed. In addition, programmes for the training and retraining of older workers by both the public and private sector, and their accessibility are evaluated. Social partners involvement can facilitate a better accommodation of the needs of workers and employers in the shaping and funding of vocational training and education.

Suggested topics for general discussion:

- *What is the role of social dialogue in skills development of older workers?*
- *Is there structural discrimination against older workers in terms of access to training and re-training in accession countries?*
- *What kinds of policy measures are taken to promote lifelong learning and employability of older people in accession countries?*

- 14:00 Skills development for older workers in accession countries
Speaker: Ms. Mariangels Fortuny, ILO
- 14:20 Promoting older workers in employment in Germany
Speaker: Ms. Ruth Palik, Workers' representative, Germany
- 14:40 General discussion
- 16:00 Coffee break

Final Session

16:30 Rapporteur's summary of discussion
Rapporteur: Mr. Peter Auer, ILO

17:00 ILO policy recommendations
Speaker: Mr. Friedrich Buttler, European Regional Office, ILO

17:15 Concluding remarks
Speaker: Mr. Wolfgang Heller, Ministry of Economy and Labour, Germany

17:30 Closure of the Conference

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