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Ageing and labour markets for older workers

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Foreword

Modern civilization has brought about higher standards of living and longer life expectancy for the citizens of the world. By early next century, the numbers and proportions of the elderly will have risen substantially in developed, transition, and most developing countries.

The ageing of the population has important labour market implications. The dependency ratio will continue to rise as the number of economically inactive people increases relative to those who are economically active.

The paper starts with an introductory section providing some background information on the study. This is followed by a chapter identifying the social problems arising from ageing in connection with various employment policies affecting older workers. The author argues that older workers are discriminated against in terms of their participation in the labour market. They are often the first to be made economically inactive through various policies such as early retirement schemes or work sharing. In addition, there is a structural barrier, as vacancy notices often come with age limits. Furthermore the paper reports on discriminatory practices affecting older workers in the workplace, which can lead to job loss (through redundancy or separation). Chapter 3 reviews sound policies and practices for promoting the employment of older workers, identifies weaknesses in some approaches, and explains the role of the ILO in promoting the employment of older workers. The paper concludes that steps should be taken to eliminate discrimination against older workers, who should be encouraged to participate in or continue with labour market activities.

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Summary

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Introduction

As times change, one or another labour market or employment problem becomes relatively more topical. On the threshold of the third millennium the question of older workers has gradually surfaced among urgent employment problems and will obviously remain on the social and labour horizon for the foreseeable future. This conclusion is supported by hard facts such as demographic statistics and pertinent labour market indicators for the countries of the world.

Vast improvements in the quality of life, health services, education, a simultaneous decline in fertility rates, better environmental conditions, and higher incomes, explain the phenomenon of longer human lives, including the active phase which can be spent in productive employment. Whereas in 1950, 200 million persons aged 60 or over represented only 8 per cent of the total world population and were evenly distributed between developed and developing nations, by the year 2025 their numbers are projected to have increased sixfold to reach 1.2 billion representing about 14 per cent of the total population, of which 72 per cent will be living in developing countries.¹

The present paper does not attempt to consider all aspects of ageing as a result of which the problem of older workers has appeared, or all the social consequences, bearing mind that there exist quite a number of publications on the subject of ageing and its various implications. Instead the paper makes an effort to emphasize the employment and labour market implications of ageing, i.e. the *older worker* problem. It reviews sound policies and practices, identifies weaknesses in present approaches and draws some preliminary conclusions.

¹ *World Labour Report* (Geneva, ILO), 1995, p. 32.

1. Ageing and its consequences

1.1. Ageing

The next century will be known as an era of population ageing. Social scientists identify two causes of ageing, notably, a decline in fertility rates and an increase in life expectancy. In the so-called “rich” countries with high levels of GDP per capita, people who retire at the age of 65 can expect to live for another 15 or 20 years; many live longer still.

Studies made by the United Nations in 1996 predict a growth rate in the world population of 1.48 per cent per annum. The population of less developed regions is expected to increase by 79 per cent between 1996 and 2050. In contrast, the population of the more developed regions is expected to increase to 1.22 billion by 2025 and decline thereafter, so that the population will be 1 per cent lower than in 1996. Mortality continues to decline in most countries. For the world as a whole, life expectancy at birth has reached 64.3 years (table 1). In more developed regions it is 74.2 years, and in the least developed countries only 49.7 years.²

Table 1. Estimates of life expectancy for major regions of the world, 1990-95

	Life expectancy			Probability of dying by age 5 (per 1,000 births)
	Both sexes	Male	Female	
World	64.3	62.2	66.5	82
More developed regions	74.2	70.4	78.0	13
Least developed regions	62.1	60.6	63.7	90
Least developed countries	49.7	48.7	50.8	156
Africa	51.8	50.4	53.3	145
Asia	64.5	63.2	66.0	77
Europe	72.7	68.5	76.9	16
Latin America	68.5	65.3	71.8	46
Northern America	76.2	72.8	79.5	10
Oceania*	72.9	70.3	75.6	33
Australia/New Zealand	77.4	74.5	80.3	9

*Including Melanesia, Micronesia, Polynesia.

Source: *World population prospects, the 1996 revision*, United Nations.

In terms of current demographic structures the world can still be divided in two: the youthful populations of the developing countries and the ageing populations of the industrialized developed countries. With an average age between 40 and 50, a high percentage of the total population below the age of 15, and less than 10 per cent above the age of 60-65, the developing world is still youthful nowadays. The industrialized world, on the other hand, is ageing rapidly, with nearly 20 per cent of the population over the age of 60 to 65 and rising, and less than 20 per cent below the age of 15, and

² *Population Newsletter* (New York, United Nations), Dec. 1996, p. 2.

declining. In Canada, for example, there are already more people aged over 65 than teenagers.³

The current growth rate of the elderly population in developing countries is double that of the world population as a whole. At the turn of the century 86 per cent of elderly people will be found in Asia, while in 1980 the absolute number of older persons was nearly the same in industrialized and developing countries. In the European Union alone, 70 million people are over 60 years of age.⁴ However, developing countries demonstrate various patterns of ageing. Some have high growth rates among the population aged 60 years or over; these include the Philippines and Thailand which have growth rates over 5 per cent per year, Brazil with 4.3 per cent, and the Republic of Korea, Japan, Indonesia, Puerto Rico, Israel, Mexico and Pakistan, in declining order.⁵

Ageing also has a “women’s face” as in most countries women live much longer than men. Gender differences in terms of numbers are most evident in older age groups, which means that women will be more concerned by ageing. Thus, projected increases in the number of persons aged 80 and above are 8 million for males and 14 million for females in developed regions and 24 million for males and 35 million for females in developing countries, over the period 1990-2025.⁶ Since the problem of ageing is shifting to the developing countries, where by 2025 it is expected that 70 per cent of older persons will be living, it is women in “third world” countries who will be more affected. Women are more likely to be found in parallel labour markets such as family businesses, especially in developing countries. However, according to official statistics about 25 per cent of the economically active older population are women.⁷ So, as in the majority of countries life expectancy at birth is higher among women than among men, and in most countries women aged 60 and over are expected to live longer than men, a considerable gender imbalance is developing among elderly workers.

Annual population growth rates are highest in low-income economies, e.g. twice as high as for the world as a whole. This also applies to indicators such as the age dependency ratio. Table 2 provides data on the growing proportion of elderly people in the world, i.e. those over 60 (as a percentage of the population).

The highest percentage of older workers (over 60) by 2050 is forecast for more developed regions (31.2 per cent) while Africa will have the lowest percentage of older workers (11.8 per cent) (table 2). Demographic changes mean that by the year 2025 there are expected to be only 1.5 economically active persons for each ageing dependent in western Europe, while in Germany, for example, there will be more pensioners than employed workers.⁸ These figures demonstrate the importance of the question of older workers.

An ageing population means an ageing workforce, which could lead to a conflict of interest between young people and older workers. Pessimists believe that by 2030 the young and the old will be in conflict, and public finances will be in disorder as a result of ageing.⁹ Will labour markets also be disrupted?

³ *National perspectives on population and development* (New York, UNPFA), 1995, p. 59.

⁴ *Social Europe* (Brussels, European Union), 1994, No. 3.

⁵ *Population Newsletter* (New York, United Nations), Dec. 1994, No. 58, p. 27.

⁶ *Ageing in Asia: The growing need for social protection* (Bangkok, ILO/EASTMAT), 1997, p. 11.

⁷ *Bulletin sur le vieillissement* (New York, United Nations), No. 2&3/1995, pp. 2-3.

⁸ *World Labour Report* (Geneva, ILO), 1995, p. 35.

⁹ “A survey”, in *Economist* (London), 27 Jan.-2 Feb. 1996, pp. 3, 16.

Table 2. The growing proportion of elderly people in the world; percentage of the population over 60

	Percentage of the population aged 60 and over		
	1970	1995	2050
World	8.4	9.5	20.7
More developed regions	14.5	18.3	31.2
Less developed regions	6.1	7.3	19.2
Africa	5.0	5.0	11.8
Asia	6.5	8.2	21.9
Europe	15.5	18.9	32.8
Latin America and Caribbean	6.4	7.5	22.2
Northern America	13.8	16.3	27.4
Oceania	10.7	13.0	23.8

Source: *World population prospects: The 1996 revision*, Annexes II and III, United Nations.

In the long run, ageing and its repercussions on the labour market, such as an increased labour supply, will be increasingly a Third World issue as the developing countries are ageing more rapidly than developed market economies. Of the world's 800,000 monthly net gain of older people, 500,000 live in developing countries. East Asia is the most rapidly ageing region.¹⁰ While in developed countries the ageing of society to its present levels has been spread over a century or two, in China, for example, the same level may be reached over a few decades. As recently as 1992, the developed OECD nations were the world's "oldest countries".

1.2. Economic and social consequences of ageing

The consequences of ageing are multiple, and include both economic and social aspects. The social results affect family structures, living arrangements, behaviour and attitudes, relations between generations, health and other areas of life. The economic consequences of ageing are associated with the higher cost to society of supporting the elderly population. The implications of ageing which are considered in the present document relate to employment and labour markets, the composition of the workforce, changes in activity rates, gender-related effects, and some others.

As a result of ageing the financial burden borne by the economically active population increases. The dependency ratio is the number of people under 15 and over 60 for every 100 people in the 15-59 age bracket. The dependency ratio is rising in European countries for persons aged 60 and over, and will have increased to 40 by 2025 from 26 in 1985.¹¹ In Europe in 1950, there were slightly more than 40 elderly persons per 100 young people. By 1970, this figure had risen to more than 50, while by 1985 it had increased to over 65. As the cost to society of an older person can be several times

¹⁰ *State of the world's older people — Feasibility study* (Montreal, Canada, International Federation on Ageing), Mar. 1995, p. 31.

¹¹ "Demographic causes and economic consequences of population ageing", in *Economic Studies No. 3* (New York, United Nations), 1992, p. 19, table 6.

that of a child or an adolescent, this shift in the age incidence of dependency ratios implies a potentially very substantial rise in public expenditure.¹²

Longer life will also mean higher health costs as well as the costs of caring for those who are no longer able to look after themselves. The very elderly are more likely to suffer from handicap or illness. Pensions and health care for the elderly will soon become the largest budget items for governments in most industrialized countries as workers are either choosing, or are being forced to retire earlier while they are living longer. If these trends persist, and unless countermeasures are taken, the social burden of the growing number of pensioners could cripple economies which cannot cope with the soaring costs of supporting non-workers. Among the developed countries, the gap between contributions and pension payments is much higher in France, Germany, Italy and Japan. Of course, the fiscal impact of ageing also depends on the initial budget position of a country, and the evolution of interest payments on the public debt. However, the situation can be expected to worsen for many countries by the year 2030.¹³

In the developing countries, although governments express concern for the well-being of the elderly, the authorities are disadvantaged by the lack of resources to devise and run programmes for older workers. In many developing countries, and in some transition economies, such as those of central Asia, the needs of children and youth are more apparent because of their predominance in the population, and governments are not in a position to extend the same attention to older workers' concerns in financial terms. Hence, the State partly shifts the problems on to older workers themselves. It is a hard reality that the authorities in such countries often lack the necessary infrastructure, have insufficient data on the older population as a result of less developed statistical services, experience problems of communication with remote areas, and face other obstacles which further compound the difficulties. Besides, the "myth" that relatives take care of older workers when they retire is a very convenient pretext for governments to take little action in favour older workers, especially in poor countries.

1.2.1. Social security and social protection implications

This issue will be dealt with in brief. The question of social security and social protection for older workers is a great problem which receives the constant attention of those concerned. Discussion of this issue is relevant to the present paper to the extent that labour market implications are involved. The existence of this link is impossible to deny. It is in the developed market economies, in particular, with their advanced systems of social security and protection, that demographic problems give rise to economic issues as public finances are stretched to support the elderly. "Ageist policies are placing a huge burden on the nation as a whole because of the number of older employees they are excluding from the workforce. Society must pay these costs, whether in taxes, benefits or pension provisions."¹⁴

The aim of pension schemes is to provide income support to workers too old to continue working. Whatever the system adopted and whatever the method of financing, retirement pensions can be viewed as a deduction levied on the working population. When the number of pensioners increases more rapidly than the number of people in employment, it is logical to expect some difficulty in financing the scheme, whatever the

¹² *Economic Studies No. 3* (New York, United Nations, ECE), 1992, p. 17.

¹³ *The OECD Observer* (Paris), No. 197, Dec. 1995-Jan 1996, p. 33.

¹⁴ "Labouring over a law against workplace ageism" in *Financial Times* (London), 15 Sep. 1995.

political or economic system in force and whatever the pensions machinery in operation.¹⁵ The OECD has concluded that the current pension systems in almost all its member countries are unsustainable. In the early 1990s the ILO predicted that because the state pension systems of these countries were sensitive to changes in the ratio between contributors and beneficiaries changes within the next 50 years would exacerbate the problems of pension systems in the OECD countries.¹⁶ State pension systems require more contributors, i.e. more employed workers.

As the ratio of workers in employment to those in retirement becomes more and more unfavourable in developed market economies the State has to shoulder more and more of the costs of an ageing society. In France, for example, there are now about three workers for every pensioner. Financing pensions requires an average payroll tax of about 25 per cent of gross salary (with employees contributing more than employers). But in 2015, France will have only two workers per pensioner, while by 2030 the ratio will be 30 to 18.6.¹⁷ The United States will see the ratio of persons over 65 to those aged between 20 and 64 rise from 21 per cent in 1990 to 36 per cent in 2030; the change in Germany will be from 24 per cent to 54 per cent.¹⁸ United Kingdom experts have stated that pension support will be impossible by 2040 for most developed countries.¹⁹

As the ILO has stated, reforms are under way for almost all types of long- and short-term benefits — old-age, invalidity, survivors', sickness, unemployment, and family benefits, as well as medical care — and an increasingly large part of the population is being affected by these changes. The measures taken include: reduced coverage; longer periods of contribution, employment, and residency; narrowing the definition of contingency; reducing the period for which a benefit is payable; reducing the level of benefit; and increasing cost-sharing for medical expenses.²⁰

The larger the proportion of workers the healthier are pension schemes in financial terms as there are more contributors, other things being equal. Inversely, the higher the unemployment among older workers, the worse is the position of pension schemes in financial terms. Hence, society will directly benefit from increasing the employment of older workers. Young workers, as future pensioners, are also interested in maintaining the viability of financial schemes in which they participate on a par with older workers. This thesis can be used as a base for tripartite consultations involving the social partners, older workers among them, on the future of social security systems. Solutions that increase the effective age of retirement will have to involve close cooperation between governments, employers and workers to address the interrelated issues.²¹

Many existing systems of social security are based on the so-called solidarity principle according to which gainfully employed workers contribute to the system, aspiring to receive pension benefits when they retire themselves. Recently, however, the situation has started looking like the mathematical problem of a pool with two tubes. Outflow started exceeding intake in financial terms. The increased drain on public expenditure has made it necessary to plan for adjustments in social security systems.

¹⁵ *From pyramid to pillar* (Geneva, ILO), 1989, p. 167.

¹⁶ "Social security and social protection", in *Report to the International Labour Conference* (Geneva, ILO), 1993, Part I, p. 20 (Russian text).

¹⁷ *International Herald Tribune* (Europe), 1 Sep. 1997, p. 7.

¹⁸ *Foreign Affairs* (Washington), July/Aug. 1997, p. 25.

¹⁹ *Financial Times* (London), 13 Oct. 1997, p. 3.

²⁰ *Report 31A1.E97* (Geneva, ILO), 1997, p. 19.

²¹ *OECD Letter* (Paris, OECD), Vol. 5/10, Dec. 1996, p. 7.

Although they do not openly admit it, governments still prefer to reduce labour supply at the expense of older workers rather than younger ones. This is the philosophy of early retirement schemes. Governments are thus prepared to accept additional expenses such as the costs of early retirement and reduced financial contributions to pension schemes through the exclusion of older workers from employment. However, it seems that this approach has not yielded positive results. The unemployment problem has not been solved for either young workers or older ones. It has simply been driven deeper into the societal matrix. Recently, some governments have reconsidered their position and have tried to raise the retirement age. These include Australia, France, Japan, New Zealand and the United States. Behind such efforts there is a desire to reduce public expenditure on support for older people through admitting them to the labour market and remunerative employment.²²

Equity may not exist for each worker category separately. What is equitable for young workers should not discriminate against older workers. The interests of older workers in labour markets should be treated on an equal basis with those of other disadvantaged groups, such as young workers, newcomers to the labour market, women, or workers with disabilities. Only a balanced and equitable approach, taking into account macroeconomic aspects and the interests of other social partners, might eventually produce a fair outcome, and a social consensus where the interests of older workers will be an inalienable part of an equitable arrangement.

²² *Employment Gazette* (London), Apr. 1995, p. 148.

2. Older workers in labour markets

2.1. Labour markets for older workers

Older workers seek employment and are hired or fired mostly in the same labour markets as all other worker categories. It is rare to find special labour markets for them like those that exist for workers with disabilities. The laws of a market economy apply to them, and they are subject to the same competition for jobs as all others. However, older workers are often eliminated from labour markets while their younger colleagues can expect to remain. The following factors explain the difference in the position of older workers: the general labour market conjuncture, the level of a country's development, the economic cycle, the availability of a social safety net, the efficiency of labour market institutions, educational and health factors, the size of the informal sector, labour law, and others.

A comprehensive analysis of labour markets for older workers should include both supply and demand for their labour, as well as labour market trends. In the context of our paper it is impossible to carry out such an analysis for every country in the world, or even for regions. However, common developments and general trends have been identified.

Over the last 20 years, virtually all industrialized countries have seen an increased early exit of older workers from the labour force. Strangely, however, the trade unions in some countries claim this as a victory in their struggle to lower the retirement age.

The elimination of older workers from labour markets is brought about in two major ways: (1) through the use of early retirement buy-outs for workers in their fifties (who may be more productive than their younger colleagues); and (2) through the use of disability benefits which are often a disguised way of eliminating older workers from the labour market. The disadvantage of the first approach for the economy lies in cost-efficiency considerations: the cost of one pensioner far exceeds the cost of maintaining an unemployed worker. Further, early retirement schemes do not noticeably reduce unemployment, as has already been observed. The costs of early retirement finally fall on the State.

In OECD countries, major labour market programmes for the unemployed and those at risk, or general employment programmes, or programmes serving mainly social goals, mention older workers only in a negative context, i.e., in the context of elimination from the labour market (box 1), under "Programmes serving mainly social goals: early retirement for labour market reasons".

Box 1

(a) *Programmes aimed at regular jobs for the unemployed and those at risk:*

- training for unemployed adults and those at risk;
- measures for unemployed and disadvantaged youths;
- subsidies to regular employment in the private sector;
- rehabilitation for the disabled;
- recruitment subsidies for the disabled.

(b) *Generally available programmes aimed at regular jobs:*

- training for employed adults;
- apprenticeship and related forms of general youth training.

(c) *Programmes serving mainly social goals:*

- unemployment compensation;
- early retirement for labour market reasons;
- direct job creation (public or non-profit);
- sheltered work for the disabled.

Source: OECD, "Labour market policies for the 1990s", 1990, Paris, p. 55.

Any downturn in the labour market creates a higher rate of redundancy among older workers who suffer from unemployment relatively more and for longer than other categories. In 1991, for example, 48 per cent of the older unemployed in Australia had been out of work for longer than 12 months, and 25 per cent for longer than three years. For unemployed workers of all ages these figures were 23 per cent and 6 per cent respectively. ¹ In Japan, older workers are allegedly "forced" to quit and become unemployed or see their conditions of employment worsen as they reach the mandatory retirement age. The jobless rate is particularly high among older people. ²

In developing countries with relatively advanced systems of social security and protection the situation is the same. With the statutory retirement age, able-bodied and able-minded elderly people are forced out of the job market. This happens in India for example. ³ In Viet Nam, about one-fifth of retired workers cite retirement rules as a factor making them stop work. ⁴ The situation is worse in developing countries where literacy levels are low: illiterate workers have little chance of any employment. In Indonesia, the majority of elderly people are uneducated. Most of them have no formal education, and their main employment was in agriculture. ⁵ Older women are more likely to be out of the labour force in developing countries. In Mexico, 68.6 per cent of men between 60 and 64 are economically active while only 9.3 per cent of women are working. ⁶

¹ *The labour market and older workers* (Paris, OECD), 1995, p. 19.

² *White Paper on Labour, Part II* (Tokyo, Ministry of Labour), 1995.

³ *Asian Population Studies* (New York, United Nations, ESCAP), 1994, Series No. 131-B, p. 52.

⁴ *ibid.*, Series No. 131-F, p. 45.

⁵ *ibid.*, Series No. 131-C, p. 11.

⁶ R. Ham-Chande: *The elderly in Mexico: Another challenge for a middle-income country* (Malta, UNIA/CICRED), 1995, p. 44.

It should be borne in mind that the informal sector is much more developed in the countries of the “Third World”. In sub-Saharan Africa the ratio of informal sector employment to the total urban labour force is about 60 per cent, while wage employment accounts for 28 per cent of the urban labour force.⁷ There is an important gap in knowledge about the informal sector that statistics do not capture.

2.2. Supply and demand sides

The supply side of labour markets for older workers is affected by economic, legislative, social, health, and demographic factors. Apart from these factors, older workers require skills needed in labour markets in order to be employable. The demand side is also affected by economic, legislative and social factors, but in addition, it is affected by the state of the market and the business cycle. Early retirement, for example, has been used in some countries as a counter-cyclical measure. In the United Kingdom, the main factors explaining the growth of early retirement have been demand-related.⁸

There are indications that declining male participation rates in the developed economies may be starting at increasingly younger ages.⁹ This can also become true for other countries. The number of women aged 60 and over is greater than men, by 1.4 times in the OECD countries, by 1.6 times in the transition economies (Eastern Europe and the former Soviet Union) and by 1.2 times in the developing countries.¹⁰ For people over 55, the relative supply of men and women to labour markets can be strongly affected by the statutory retirement age which in many cases is as low as 55 for women and 60 for men.

Out of 134 countries covered by a recent ILO study, about three-fifths offered social security to men at the age of 60, but only two-fifths offered the same benefits to women at the age of 60. Twenty-three per cent of countries have eligibility ages of 65 or above for men, while only 13 per cent have eligibility ages of 65 or older for women.¹¹

2.3. Activity rates of older workers

A significant labour market phenomenon in the last 50 years has been the declining labour force participation (also known as activity rates) of older workers, especially men. Similar declines in male participation rates are reported for most OECD countries.

Population ageing increases the number of older workers and decreases the number of young workers in the total labour supply, but it is also bringing about the ageing of the labour force. However, since the participation rates of older workers are lower, the total labour force may be shrinking. Indeed, since 1950, a very rapid decline in labour force participation rates has occurred in European economies. Many factors have led to this outcome, including early retirement policies, a lower retirement age especially in the former centrally planned economies, and more relaxed disability criteria.

In future, interaction between the two trends may affect the supply of older workers. Declining participation rates of older workers on the one hand, and possible increases in the retirement age due to better health and higher life expectancy, mean that workers who are considered old today might be classified differently. That is why the data on demographic trends and workers' health are important for the discussion on labour markets for older workers.

⁷ G. Standing; V. Tokman: *Towards social adjustment* (Geneva, ILO), 1991, p. 100.

⁸ *Employment Gazette* (London), Apr. 1995, p. 142.

⁹ D. Parson: “The decline of male labour force participation”, in *Journal of Political Economy*, Feb. 1988(1), pp. 117-134.

¹⁰ *Averting the old-age crisis* (Washington, DC, World Bank), 1994, table A.1.

¹¹ R. Clark; E. York; R. Anker: Occasional paper for the ILO (Geneva, ILO), 1996, p. 8.

Graphs 1 and 2 illustrate the data on activity rates, i.e. employed and unemployed people of working age, for women and men around the world. The pictures are different. The graphs show that the activity rates for women, which will be about 20 points higher in 2010 than in 1950 for the age groups 15-19 through 50-54, start falling sharply in the age group 45-49. For men activity rates in the years 2010 and 1950 are nearly the same in this age group. Forecasts of activity rates for men and women in the world until the year 2025 are given in table 3.

Table 3. Activity rates of persons aged 55+ by region, 1980-2025

		1980	1990	2000	2010	2020
Africa	Total	53.97	50.79	47.18	43.80	39.99
	Males	76.66	73.40	69.21	65.52	60.74
	Females	34.20	31.16	28.10	24.78	20.12
Asia	Total	42.96	39.05	35.19	33.01	29.88
	Males	66.84	63.16	58.04	55.69	51.12
	Females	20.58	16.15	13.56	11.57	9.85
Latin America	Total	35.95	32.23	29.01	27.35	25.72
	Males	60.85	55.70	51.12	48.92	46.50
	Females	13.55	11.45	9.63	8.52	7.59
North America	Total	32.26	28.37	28.32	30.61	28.36
	Males	45.30	41.31	41.99	45.10	42.29
	Females	22.25	18.57	17.95	19.24	17.18
Europe	Total	24.17	23.02	21.05	21.44	19.69
	Males	37.45	36.81	33.87	34.37	32.07
	Females	14.54	12.59	11.01	10.11	9.54

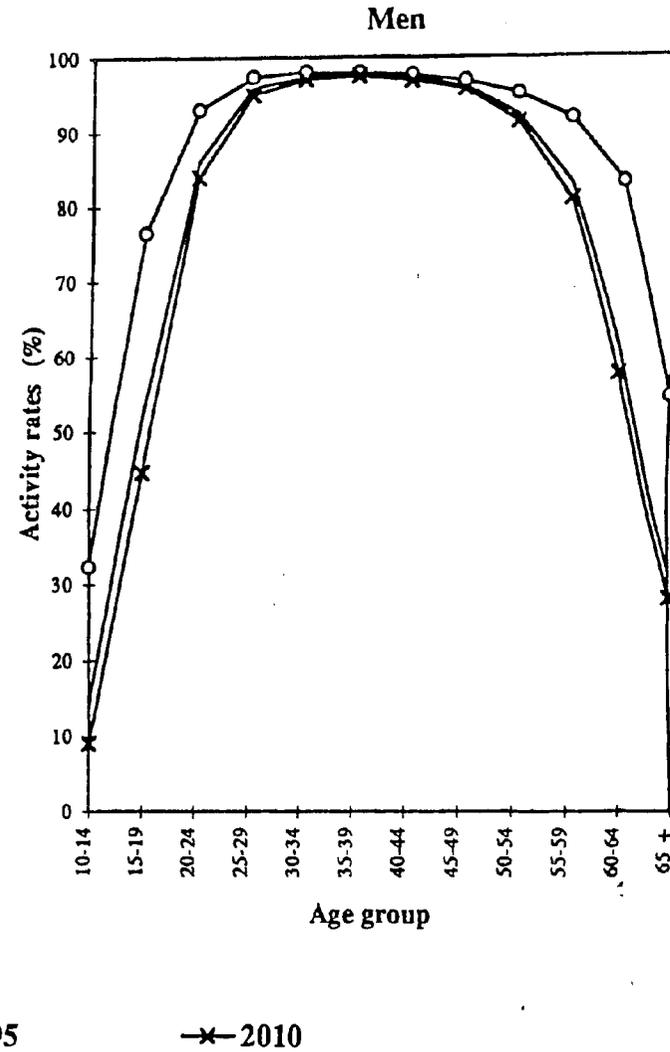
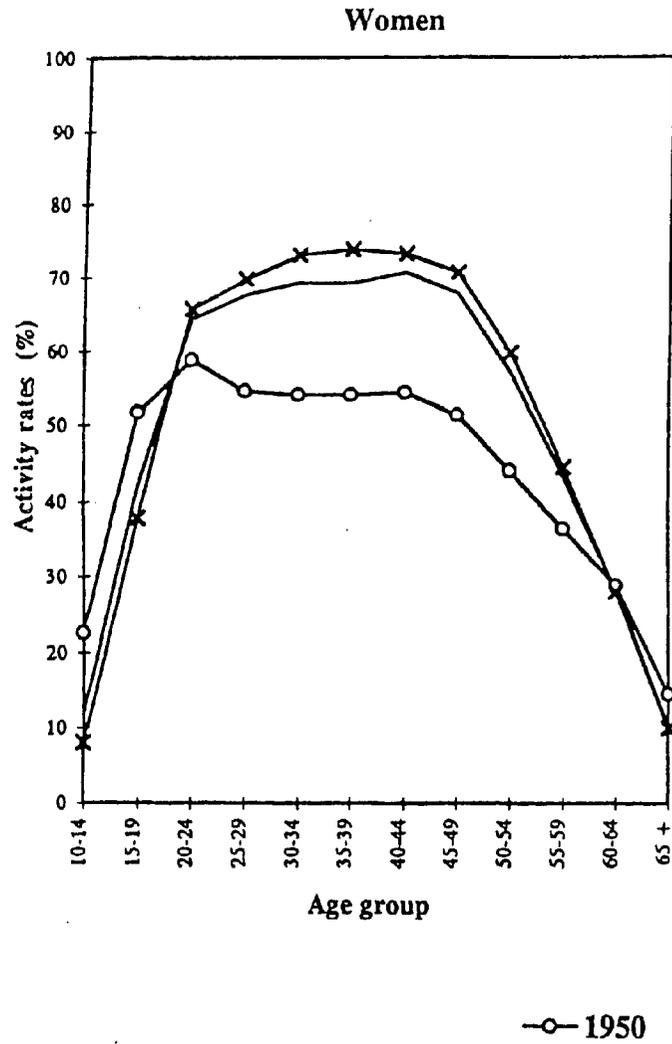
Source: ILO, 1992.

In all developed market economy countries without exception labour force participation rates of older workers (55+) have fallen since the 1960s. The Japanese participation rate of 44 per cent in 1990 was the highest for developed industrialized countries.¹²

¹² OECD *Employment outlook* (Paris), 1992, p. 196.

Graphs 1 and 2. Economic activity rates by sex and age group for 1950, 1995 and 2010

World



Source: ILO, *Economically active population, 1950-2010*, fourth edition, Dec. 1996.

Regionally, the highest male labour force participation rates are found in Africa. Data compiled by the ILO for 151 countries and territories show that 31 out of 36 countries with male participation rates of over 70 per cent for persons aged 65 or older were in Africa. By far the lowest labour force participation rates for older men prevail in Western Europe where the average is 6.6 per cent. Labour force participation rates for older women are generally lower than for older men. The lowest tend to be in Islamic and European countries.¹³ One reason for declining participation rates of older workers, especially in developed countries, relates to the chronic problem of unemployment.

While in most developing countries economic activity rates decline with age, they rarely reach the low levels currently seen in developed market economies. The majority of the labour force in developing countries live in rural areas and most workers are still not eligible for pensions. As such there are no retirement incentives, nor opportunities for most elderly workers to move out of the labour force. The lack of income options, in fact, forces many to continue working as long as possible. In the Philippines, for example, 73 per cent of men aged 60 and older were in the labour force in rural areas, compared with only 36 per cent in urban areas.¹⁴

A much lower proportion of older women are in the labour force as compared to older men worldwide. A special study by the ILO was devoted to labour force participation rates of older persons in the world in response to economic, demographic, and cultural developments.¹⁵ The principal focus of this study was on men and women aged 55, 65 and older.

The main findings of this study confirm a negative relationship between national income per capita and participation rates for older men and women. European nations have lower participation rates for older men as compared to other regions of the world. Changes in the structure of employment associated with the percentage of people living in urban areas reduces labour force participation rates of older men and women. Social security programmes also tend to reduce the labour force participation rates of older men and women. In general, the figures for women are similar to those for men although the findings explain less of the variation in female participation rates. One important difference, however, is that whereas population ageing per se is negatively related to male participation, there is virtually no relationship to the participation of women aged 65 and over and there is a positive relationship for women aged 55-64. In summary, the findings indicate a general decline in the labour force participation of older persons as economic development proceeds.¹⁶

For all regions, labour force participation rates are higher in developing countries and fewer elderly women than men are economically active. This is associated, in particular, with financial support in retirement. In Italy, for instance, 95 per cent of men and 53 per cent of women aged 65 years or over who are not economically active receive a pension, whereas in Mexico 79 per cent of elderly men who are not economically active, and 15 per cent of elderly women receive a pension. However, 69 per cent of all elderly men and 19 per cent of all elderly women are economically active in Mexico, compared to 7 and 2 per cent in Italy.¹⁷ In all regions, the activity rates of men and women will have declined by 2020 despite their increased number.

Overall, declining activity rates due to earlier retirement benefits and unemployment, combined with insufficient education/training for the jobs available, cause older workers to stop seeking work (discouraged workers). The lower participation rates observed for older women are partly due to cohort effects i.e., when these women were younger, they participated less than women in comparable age groups do at present and will do in future.¹⁸

¹³ R.L. Clark; R. Anker: *Labour force participation rates of older persons: An international comparison*, Population and Labour Policies Programme, Working Paper No. 171 (Geneva, ILO), 1989.

¹⁴ *Ageing in Asia: The growing need for social protection* (Bangkok, ILO/EASTMAT), 1997, pp. 24-25.

¹⁵ Clark; Anker, op. cit.

¹⁶ Clark; Anker, op. cit., p. 270.

¹⁷ *Population Newsletter* (New York, United Nations), Dec. 1994, p. 28.

¹⁸ *World of Work* (Geneva, ILO), 1998, No. 23, p. 17.

2.4. Employment and unemployment of older workers

Older workers are noticeably over-represented in redundancies in many countries while older women represent a particular risk group as in many countries their retirement age is lower than that of men.

Unemployment could be considered as discriminatory in respect of older workers unless measures are taken to equalize their chances in labour markets. In reality, even in developed market economies workers above a certain age may find themselves excluded from unemployment statistics and a requirement to register with the employment service, being granted instead some kind of automatic unemployment benefit. This amounts to deliberate exclusion from the labour market. Older workers who are forced to retire feel excluded from society.¹⁹

“Hidden unemployment” also affects a growing number of older workers, many of whom are simply dropping out of the labour market. Between 1970 and 1994, the non-employment rates of older workers in the G-7 countries²⁰ showed the sharpest increase among all age groups: in Canada, France and Germany, the rates doubled over the period.²¹ The wave of enterprise restructuring and downsizing which occurred in the late 1980s is thought to have increased the dismissal of older workers whose wages are highest wherever pay scales are based on seniority rather than productivity.²²

Table 4 shows that the employment rates for older women in selected OECD countries in 1991 were sometimes two or three times lower than those for older men. Interestingly, this is despite the fact that employment rates for older men had fallen dramatically since the 1970s while those for older women had increased in eight cases out of 12, but only marginally.

What factors affect the labour force participation decisions of older workers? These can be divided into three broad categories. The first involves their eligibility for a pension and the amount of the pension. Being eligible for a pension means a reduced probability of labour force participation. The second factor is the mandatory retirement system. Reaching retirement age in Japan, for example, decreases the probability of continued working by about 18 per cent. The third factor involves working conditions. Wages, in particular, have an enormous impact on the decision to work. The higher the wages older workers are paid the more likely they are to participate in the labour force.²³

Some are inclined to think that the decline in labour force participation, especially among elderly men, is the result of choice. The prospect of a higher retirement income, stemming from the growth of private pensions and the ability to liquidate other assets such as housing equity, exceeds the benefit of continued employment at an age when they might expect to live for another 25 years. Then the decision to retire is optimal for an individual who leaves the labour market. However, the authors of the above thesis themselves do not equate retirement from a pensionable job with retirement from a labour market.²⁴

¹⁹ *World Labour Report* (Geneva, ILO), 1995, p. 41.

²⁰ The group of seven most industrialized countries in the world.

²¹ ILO Press Release ILO/97/31 (Geneva, ILO), 28 Nov. 1997, p. 2.

²² *ibid.*

²³ *Japan Labour Bulletin* (Tokyo), Oct. 1996, p. 6.

²⁴ R. Disney: *Can we afford to grow older?* (Cambridge, Mass., MIT Press, 1996), p. 199.

Table 4. Employment rates of older men and women (aged 55-59) in selected OECD countries, 1991
(Percentage point change to 1970)

Country	Men 1991	Change (men)	Women 1991	Change (women)
Australia	65.6	-20.2	33.7	+ 3.1
Canada	69.4	-14.2	43.0	+ 8.5
Finland	57.4	-16.8	55.8	-0.9
France	64.2	-17.2	41.2	-0.7
Germany	n.a.	-12.5	n.a.	-2.0
Japan	91.7	+ 2.4	54.5	+ 6.4
Netherlands	60.6	-16.2	21.9	+ 4.8
Norway	81.2	-5.3	63.0	+ 13.4
Portugal	73.9	-6.5	41.6	+ 5.2
Spain	68.9	-14.9	20.7	-5.3
United Kingdom	71.6	-18.1	51.9	+ 0.2
United States	74.4	-5.4	53.5	+ 7.3

Source: OECD, 1995.

Individual workers could well decide to retire irrespective of whether their productivity equals, or even exceeds, the wage offer. In a “forward-looking” model, individuals will evaluate the expected earnings and non-work income and the marginal utility of leisure for the remaining period. This could lead productive individuals to choose to give up paid work. In such circumstances, it is hard to think of a social regime under which it would be desirable to force such individuals to work beyond their chosen retirement age.²⁵

2.5. Dealing with discrimination against older workers

Discrimination against older workers is a long-standing problem. In fact, older workers were the targets of discrimination already in the “golden age” of full employment in Europe in the post-war years.

Older workers are disadvantaged with respect to employment, job, and income security, i.e., the key types of security in a labour market. Discrimination against older workers has only intensified with the lapse of time. Recently, older workers in Germany have been in the first line for working time reductions nationwide while workers in other age groups have not initially been selected. The employment rate for older workers in that country declined as a result of enhanced incentives for early retirement introduced in the 1980s in an effort to reduce open unemployment rates.²⁶

Age discrimination can be found in both the state and the private sectors, in official policies, and in employment policies pursued at enterprise level. Some age discrimination measures are evident (direct) while others are concealed (indirect).

Direct discrimination consists of openly treating older workers less favourably than others. Direct measures include compulsory retirement at a fixed age, a maximum age for recruitment and age limits on access to training.

An obvious manifestation of discrimination occurs in vacancy announcements which impose an age limit of 40 or 45 years. However, age discrimination makes itself felt some 10-15 years

²⁵ *ibid.*, p. 200.

²⁶ ILO Press Release ILO/97/31, *op. cit.*

before the official retirement age, sometimes earlier, if wage increments depend on length of service. Relatively older people who are still in their prime might find themselves targeted for dismissal. Among Canadian workers who were permanently laid off between 1981 and 1984, about 41 per cent of those aged 55-64 had left the labour force by January 1986, compared with 14 per cent of those aged 24-54.²⁷ One reason is that older jobseekers may be obliged to accept lower earnings if they return to work. Less evident, indirect discrimination, which is sometimes difficult to substantiate, might comprise “offers” made specifically to older workers, such as early retirement options which are presented as voluntary, but where some pressure may be brought to bear. Other forms of indirect discrimination include tacitly withdrawing, or not offering, services which older workers might need more than others, thus making such workers more likely to retire. Usually employers justify such discrimination by invoking “the needs of the business”, the need “to keep production costs down, and be competitive”. Between 1991 and 1996, for example, 67 per cent of respondent organizations in a survey on managers’ attitudes to age and employment in the United Kingdom had made an effort to reduce the size of the workforce. Nearly six out of ten respondents reported that efforts had focused on older employees.²⁸

Recently, age discrimination has flared up in countries where it was not reported before. For instance, in the former Soviet Union older workers in many occupations could continue beyond the official retirement age, keeping both a pension and a wage, up to a certain amount. However, with the transition to a market economy, and in the absence of anti-discrimination laws, job announcements in these countries now often state a maximum age, and age discrimination is felt even more acutely as a result.

It is interesting to see how workers evaluate age discrimination in respect of themselves. The findings of a study in the United States suggest that age discrimination may be an important factor in job separations and employment status of older workers (55+). Approximately 7 per cent of the sample of older workers had experienced age discrimination in the workforce, and these workers are more likely to separate from their employer and to experience spells of non-employment than workers who do not report age discrimination. The estimated effect of reported discrimination remains large and significant even when controlling for the existence of mandatory retirement provisions on the current job, implying that self-reported age discrimination under this study is not just reflecting *ex post* dissatisfaction with these provisions.²⁹

It is not easy to fight age discrimination, especially in its indirect forms. It has been observed recently, for example, that the efforts of some governments to outlaw “ageism”, or age-based discrimination, immediately ran into opposition despite agreement over a broad political spectrum that such discrimination is wrong. A general criticism is that legislation has proved difficult to enforce and has not stopped age discrimination.³⁰

At the same time, there exist good perspectives for fighting age discrimination. A survey³¹ in the United Kingdom revealed that 85 per cent of all managers believe that they should treat age as an equal opportunity issue, at least as important as race, sex and disability in the workplace, topics which are covered by anti-discrimination laws. This did not prevent 55 per cent of the same managers from using age criteria in appointing subordinates, and 25 per cent from taking age into consideration in decisions on promotion. It has been found in the United Kingdom that redundancies leading to a decrease in the number of older, more experienced workers are harmful to United Kingdom businesses, according to most recent studies.

For many countries a useful model is the ADEA — anti-age discrimination legislation — developed in the United States, which became law as long ago as 1967. This legislation aims to:

²⁷ *The transition from work to retirement* (Paris, OECD), 1995, p. 39.

²⁸ J. Arrowsmith; A. McGoldrick: *Breaking the barriers* (London, IM Research Reports, 1996), p. 2.

²⁹ National Bureau of Economic Research, Inc.: *Age discrimination, job separation and employment status of older workers: Evidence from self-reports* (Cambridge, Mass., 1996), p. 3.

³⁰ *Financial Times* (London), 15 Apr. 1996, p. 7.

³¹ “Redundancies”, in *Financial Times* (London), 12 Aug. 1996.

- promote employment based on ability rather than age;
- prohibit age discrimination in employment;
- help employers and workers overcome problems arising from the impact of age on employment.

ADEA was a path-finding effort. Originally it was to cover workers aged 40 to 65, mainly in the private sector. Now the scheme covers workers from 40 years of age with no upper limit. More importantly, ADEA has been efficient. Most analysts agree that it has stopped “blatant” discrimination against older workers.

Non-discrimination in employment is a core standard for the ILO. In respect of older workers this might mean consistent implementation of the principle of equal opportunity and treatment in labour markets.

2.6. From work to retirement: Early retirement or hidden unemployment?

Several factors may cause workers to retire. They include declining health, statutory provisions, disability, lay-offs, “ageism” and other discrimination, but also economic incentives such as early retirement schemes, the desire to become self-employed, or personal reasons.

There are two basic ways to stop work. The first is an abrupt transition from paid employment to retirement, and the other is a gradual move from full-time regular work to progressively “easier” jobs. Part-time work on a job-sharing basis can be a way of moving into retirement. The lack of gradual retirement possibilities for older workers may be a reason for their low participation rates.

Early retirement schemes are now widely used as a labour market measure. Early retirement was a response to the reduced demand for labour, allowing workers to opt for early retirement as opposed to redundancy. However, if workers are not replaced, and replacement is generally not mandatory, these schemes contribute little to reducing current unemployment levels. Secondly, union agreement is usually required for early retirement.

Early retirement received a special blessing from policy-makers when the post-war period of full employment in Europe gave way to high and persistent unemployment. Gradually, however, pressures on national pension schemes mounted, and social spending became a real problem. It was widely assumed that older workers would find it difficult to cope with economic restructuring after the “oil shocks”, and would be unable to master new technologies. Early retirement schemes were largely of a temporary nature, which meant that governments could modify them quite easily, while it is much more difficult to modify a law. Early retirement can be offered to employed and unemployed workers. Among the qualifying conditions for early retirement there may be disability, unemployment, long service and arduous conditions of work.

Continuously paid unemployment benefits may bridge periods without a job until the worker becomes eligible for a pension. In Germany unemployment benefits become payable for 32 months instead of one year for workers aged 54 and over. In the Netherlands the payment of an allowance lasts from the moment of early retirement for the age group 60-64 until the age of 65. In Sweden, the partial retirement scheme (part-time pensions) enables any workers aged 60-64 who wish to do so to leave the labour market gradually. A person can stop working completely before normal retirement age.³² In Italy steps were taken as long ago as 1981 to encourage older workers whose jobs were threatened to withdraw from the labour force. Under this programme a person may retire five years early (55 for men and 50 for women) provided they have at least 15 years of insurance contributions.³³ Early retirement de facto decreases actual retirement age.

³² *The labour market and older workers* (Paris, OECD), Social Policy Studies No. 17, 1995, pp. 111, 187, 220.

³³ *ibid.*, p. 138.

Several developed countries of Europe have been experimenting with early retirement schemes, often while the trades unions were also fighting for a general lowering of the official pension age. This happened recently in France, for example.

Retirement programmes and schemes might comprise the following measures: reduced early pensions; more generous invalidity benefits; partial pension benefits to complement income from part-time employment; continuous payment of unemployment benefits and relaxation of registration criteria; enterprise- and industry-level schemes; voluntary early retirement and redundancy arrangements. If a worker who became unemployed at the age of 56 continues to receive unemployment benefit until the age of 60 (the official retirement age), then this worker has been channelled into retirement through an extended period of unemployment.

There are several vehicles for early retirement in Finland, where this method is widely used and where only 10 per cent of employed persons work until the official retirement age. The early retirement vehicles in that country take the form of "unemployment pensions", early disability pensions, early old-age pensions, and part-time pensions. The latter give employees a chance to work part time and receive a pension. In Sweden, where a worker is entitled to stop working completely before normal retirement age, the pension benefit in this case is reduced by 6 per cent per year, and continues at the reduced level for the rest of the individual's life.³⁴

For enterprises early retirement has a double advantage; productivity can be enhanced through modernizing the production process and the firm can be restructured without the cost and the embarrassment of rising redundancies.³⁵ In 1991, more than 50 per cent of workers in the age group 55-59 were retired in Belgium, France, Italy and Portugal. (It is only in the United Kingdom among the European economies that older workers in this age group were faring better — 11.7 per cent were retired.)³⁶

Normally the State covers the cost of preparing and financing exit routes from the labour force for older workers. These costs take the form of early old-age pensions, special age-related qualification criteria for unemployment benefits (virtually replacing old-age pensions by such benefits up to a certain age), or more accommodating disability criteria, e.g. giving workers more opportunities to leave work. For many reasons, including those of a personal nature such as a preference for leisure time, individual workers wish to leave their employment at different times. However, the statutory age for them to do so would be the same.

The recent more complicated financial position of many governments and the need to economize, have made the cost-effectiveness of early retirement schemes and programmes even more topical. An attempt to measure the financial costs of early retirement schemes (in terms of first round costs) has recently been made in Germany. It has been found that the costs of early retirement are finally borne by public pension funds. The instruments which made it possible for employers to engage in age-based personnel practices which result in early retirement resulted in little cost to enterprises in the 1970s. New legislation was introduced in 1980 and 1984 to remedy the situation, but this has had no noticeable impact on redundancy practices.³⁷

Lowering the retirement age in France and the Netherlands has had a negative effect on the financial viability of the French social security system and limited employment effects in the Netherlands. In the construction sector, for example, only 46 per cent of job vacancies were filled, and the total number of Dutch unemployed who found a job thanks to the early retirement system was smaller than the number of people aged 60-64 who left the labour market. As a result, the revenue side of the social security system suffers.³⁸

The cost of early retirement schemes was estimated to be about 15 per cent higher than the average cost of other labour market policy measures and about 175 per cent higher per retiree

³⁴ *IBIS Review* (Chicago), Vol. II. No. 2, 1996, p. 24.

³⁵ *The labour market and older workers*, op. cit., p. 138.

³⁶ *IBIS Review*, op. cit. pp. 19-20.

³⁷ *Gradual retirement in OECD countries* (Dartmouth, Aldershot, 1996), p. 7.

³⁸ *Transition from work to retirement* (Paris, OECD), Social Policy Studies No. 16, 1995, p. 38.

than the net cost of an unemployed worker in the case of France, and about 10 per cent and 112 per cent in the case of the United Kingdom, where compensation paid to the retiree was lower. The main beneficiaries of early retirement schemes were companies, which were given considerable flexibility in selecting replacements and were able to recruit people with different qualifications. In France, early retirement was especially popular in unprofitable, unmodernized sectors while new recruitment was concentrated in key expansion areas.³⁹

Incentives for retirement are linked to the income of older workers. Incentives should be attractive enough to persuade workers to retire “voluntarily”. Income replacement rates of early retirement schemes in developed countries range from 42 per cent to under 90 per cent.⁴⁰

However, the very fact that unemployed older workers as well as those with some degree of disability enjoy early retirement opportunities suggests that retirement is not truly voluntary, but that workers are channelled in that direction. Part-time work, work in the home, fixed-term contracts and other “atypical” forms of employment may bridge the gap between work and leisure.

The discussion on exit routes from work to retirement continues. ILO experts suggest that future retirement reforms should address such issues as:

- Entitlement to a full pension based on the number of years contribution, instead of the worker’s age, thus providing workers with more flexibility in planning their lives and careers.
- Allowing the deferral of a pension until a person chooses to retire, with corresponding increases in its value, providing incentives for people to continue working.
- Partial employment and phased retirement, allowing the labour force to adjust to the loss of experienced workers and decrease the shock caused by growing numbers of retirees on social security and welfare systems.
- Recognizing that the productive capacity of ageing workers can be maintained through a regular upgrading of skills, adapted working conditions and a healthier working environment.⁴¹

2.7. Transitional reforms

Retirement ages in the former centrally planned economies were low, mostly 55 for women and 60 for men. In compliance with older workers’ own desire the States had adopted legislation allowing them to continue working long after the official retirement age to supplement their pensions. This approach was typical for the Soviet Union, where more than half the pensioners were still employed after the statutory retirement age.

The situation has changed dramatically with the transition to a market-oriented system and the emergence of open unemployment. The State took adjustment measures following the model of developed market economies and the number of working pensioners decreased very quickly. Early retirement was also widely used as a policy instrument to make room for younger workers whose interest in the labour market was given higher priority at a time when open unemployment was increasing rapidly.

The transition from central planning to a different system is a modern social and economic phenomenon. For workers, it means a change from full employment and comprehensive social security protection (albeit at a relatively low level) to a system with a competitive labour market, the erosion of employment security, and other developments. For the former centrally planned economies high labour force participation rates were a result of the official full employment,

³⁹ *ibid.*, p. 118.

⁴⁰ *Social aspects and country reviews of population ageing* (New York, United Nations, ECE), 1994, Economic Studies No. 6, p. 33.

⁴¹ *World Labour Report* (Geneva, ILO), 1995, p. 40.

“work for all” policies. This was true for men and women, and for older workers (until the official retirement age) as well.

Ageing patterns in transition economies, particularly in Central and Eastern Europe, have given rise to the fear that the increasing numbers of elderly people will place a burden on younger workers through increased dependency ratios. Labour force participation rates for older workers depend greatly on the economic support available to them, and the law on retirement. There are also gender differences in transition economies with respect to the above. In Bulgaria, the Russian Federation, and Ukraine gender differences in activity rates are minimal until the older ages. In other countries such as Azerbaijan, Georgia, and Romania, age-specific differences are more significant.⁴²

Pension levels were “high” in the former centrally planned economies, with income replacement rates reaching 80 per cent (not to mention “special merit” pensions for party bosses, in particular). The absolute levels as compared to those in developed market economies were relatively lower. However, during transition mixed developments began taking place. On the one hand, the value of pensions was eroded by inflation resulting from price liberalization. On the other hand, contributions to pension funds diminished in volume. This gave rise to financial problems for pension funds and a desire on the part of governments to reintegrate older workers as contributors to the reformed pension schemes, mainly of the pay-as-you-earn type. In some transition economies such as Kazakhstan and the Russian Federation far-reaching pension reforms were implemented.

In an attempt to reduce open unemployment and create jobs for younger workers some countries in transition allowed older workers to stop work up to five years before the official retirement age while keeping a full pension. However, the retirement age (usually different for men and women) was already low in these countries, especially for women. As a result, pensions became a great financial burden in these countries, reaching about 15 per cent of GDP in Poland and Slovenia and 10 per cent in Bulgaria.⁴³ In the first two years of transition the number of pensioners in Poland grew by 10 per cent, for example. In contrast, some transition economies started raising the official retirement age; this happened in Georgia and Kazakhstan.

In most Eastern European countries labour force participation rates for the elderly have decreased recently for both men and women. These declining trends are common for the whole world. However, despite a global trend away from employment in agriculture, older workers in transition economies are typically employed in this sector while younger ones are in industry. The highest rate of 87 per cent of older workers engaged in agriculture occurs in Poland.⁴⁴

In spite of all the diversities of transition patterns older workers in all of these countries have suffered a sharp deterioration in their labour market position. Policies for removing older workers from employment and reducing pensioners’ participation in the labour force have begun to be implemented. In some cases this leads to older people seeking work in the informal sector to supplement their meagre income from pensions which have been eroded by inflation. This conclusion has been verified by ILO surveys conducted in Central and Eastern Europe, and the former Soviet Union.⁴⁵

In Bulgaria, for example, when transition began employers had the option of offering two types of contract to pension-age workers, i.e. a “labour contract” of regular employment, or a “civil” contract of irregular status (with few of the benefits associated with regular employment, i.e., in fact discriminatory). Within two years of transition the proportion of pensioners on the “civil” contract rose from 1.6 per cent to 29 per cent. Thus, pensioners were marginalized.⁴⁶ These developments took place against a steep decrease in the employment share of older

⁴² *Transition from work to retirement*, op. cit., p. 92.

⁴³ “Ageing societies: Problems and prospects for older workers”, in *World Labour Report* (Geneva, ILO), 1995.

⁴⁴ *Ageing in Eastern Europe and the former Soviet Union* (Washington, DC, US Department of Commerce, Economics and Statistics, Bureau of the Census), 1993, p. 83.

⁴⁵ “Can Eastern Europe’s old-age crisis be fixed”, in *Finance and Development* (Washington, DC), Dec. 1995.

⁴⁶ *Ageing in Eastern Europe and the former Soviet Union*, op. cit., p. 83.

workers. By 1990 and 1991 respectively, 33.1 per cent (Hungary) and 84.6 per cent (Bulgaria) of the industrial enterprises surveyed reported a decline in the share of employment of workers who had reached pensionable age.⁴⁷

This happened despite the fact that older workers had some seniority in the hierarchy of the then centrally planned economies. Such seniority was a feature of the social and political establishment. However, under transition this did not seem to be very helpful. In the early stages the main reasons for employing pensioners, as reported by managers, were lower wages, specialized skills, experience and a labour shortage (see table 5). Before transition, virtually every enterprise in Moscow was employing pensioners, and older workers accounted for a large share of employment in all sectors. Three-quarters of the firms surveyed in the Russian Federation in 1991 stated that the main reason for employing older workers was the labour shortage. Indeed, centrally planned economies were known as “shortage economies”. In the course of transition the situation changed. In the first two years of transition in the Russian Federation enterprises which increased employment hired young workers, thus reducing the proportion of pensioners. Interestingly, very large enterprises (2,500+) reduced the employment of older workers more than industrial establishments of any other size. At that time older workers were doing mainly skilled work (74.3 per cent), unskilled (14.2 per cent), and technical (9.7 per cent). The main reason for the declining number of pension-age workers was that the labour shortage was reduced as a result of transition. Another reason was that regular workers’ morale was allegedly affected by pensioners’ employment.

Table 5. Main reason for employing pensioners, Hungary, 1990, and Bulgaria, 1991

Reason	Bulgaria (%)	Hungary (%)
Labour shortage	16.2	23.4
Fluctuating demand for products/nature of work	3.6	10.2
Lower clerical/supervision costs	1.5	1.5
Lower wages/benefits	22.3	25.7
Lower social security costs	4.6	–
Specialized skills/experience	40.6	17.7
Higher productivity/quality of work	4.1	0.9
Workers prefer such work	1.5	15.5
Other	3.5	4.2
Do not know	2.0	0.9

Source: ILO, WEP 2-43/WP.62, 1993.

By 1995 in Ukraine, the proportion of older workers had fallen most in enterprises that had reduced their workforce the most. A significant finding of the Ukrainian second round labour force survey of 1995 was that over a quarter of all establishments expected the proportion of older workers to fall in the coming years. At that time newly privatized companies and large-scale firms were more inclined to cut back than enterprises under other forms of ownership.⁴⁸

The situation in some other transition economies is similar. For example, in China, in the early 1990s older workers were selected as the main target for redundancies in enterprises with a labour surplus; common criteria included age, health, and performance levels. Typically, 45

⁴⁷ ILO doc. WEP 2-43/WP.62 (Geneva), Jan. 1993, p. 33.

⁴⁸ G. Standing: *Labour market crisis in Ukrainian industry: The 1995 ULFS* (Geneva, ILO), 1996, pp. 40-41.

per cent of older workers took early retirement, 35 per cent joining service enterprises, and 20 per cent being redeployed.⁴⁹

In Central Asian economies workers of pensionable age (women 55+ , men 60+) had even less chance of attracting government attention to their problems in the face of an enormous supply of young jobseekers in countries where more than half the population is under the age of 16.

Workers in transition economies desired to supplement their pension benefits because of inflation and the problem of overdue payments of pensions which occurred in some countries. On the other hand, however, emerging open unemployment put a brake on the desire of workers and governments to have more contributors to pension schemes. The elderly, notably pensioners, probably suffered most in terms of income loss in the course of transition to a market system. That is why anti-reform feelings were especially strong among older workers while young people actively supported economic reform, despite their own potential labour market problems.

2.8. Business and older workers

Evidence shows that managers are keenly aware of the relevance of age in employment, but they are not unanimous on the issue. Many argue that it is unfair and inefficient to focus on age whereas others believe that age can indicate experience and motivation and so can be used to manage succession and development in the organization. Most managers are in favour of legislation to counter age discrimination. This could be related to organizational change and the fragmentation of traditional career structures.⁵⁰

Employers' attitudes towards older workers are crucial in hiring decisions. These attitudes in turn are conditioned by economic, social and other considerations. The main concern of business in relation to older workers seems to be cost rather than productivity. Another important issue is adapting older workers to new technologies. Employers constantly mind their production costs, and the stereotype is that older workers are "more expensive" although overall they can be perceived positively. They are often praised for good attendance, discipline, punctuality, loyalty towards the enterprise, skills, experience and knowledge, reliable performance, commitment to quality and personal maturity. Some believe, however, that older workers are "slow" not only in training but also in mastering new technologies. In addition, employers may be concerned about the health costs associated with older workers. Some allege that these can be over 15 per cent higher than those of younger colleagues even with a family of three.⁵¹ Such allegations are, however, questionable. Besides, health costs vary considerably from one country to another, and even within countries.

Surveys of industrial establishments show that labour productivity is a key issue for employers seeking a competitive advantage. This is especially the case today with the opening of markets, increasing competition, and possibilities for industries to move across borders much more easily than before. So, cost cutting and efficiency have really become the main reason for production restructuring. New technologies make it possible to cut costs. That is why it is essential for employees to master new technologies. This is linked with the question of training — whether "old dogs can learn new tricks" (no cynicism is meant). In economies where jobs are created on a large scale, the skills required to fill these jobs can be a decisive factor. In this connection, workers aged 50 and over are now being considered as an untapped reserve of labour for newly created businesses and expanding enterprises in quite a number of countries.

As noted recently by some observers, companies should be careful not to waste too much collective corporate experience by singling out older workers for redundancy. The widespread

⁴⁹ *Employment policies for transition to a market economy in China* (Geneva, ILO), 1995, Labour Market Papers, No. 2, p. 27.

⁵⁰ Arrowsmith; McGoldrick, op. cit., p. 67.

⁵¹ *Business and older workers*, Current research (Washington DC, American Association of Retired People), 1990, p. 9.

policy of replacing older and often more expensive employees is starting to “leave holes” in businesses.⁵²

⁵² *Financial Times* (London), 12 Aug. 1996.

3. Promoting the employment of older workers: ILO and the 1995 Social Summit

3.1. Background

Employment promotion for older workers can be achieved in many ways, the first necessity being an appropriate legal framework. The recommendations of the Copenhagen Social Summit of 1995 can serve as a guide to policy-makers while the international labour standards of the ILO are more detailed and precise. When they are ratified by governments they constitute legally binding texts on important aspects of older workers' employment and related issues. National application of the provisions of these instruments would make an important contribution to ensuring fairer labour markets for older workers on a global level, especially if synchronized efforts were made by many countries. Other approaches might then be considered, such as labour market policies and employment programmes for older workers. Some social security provisions can also be considered as labour market measures, especially if they affect the supply of older workers to labour markets; this would apply to various retirement modes or changes in the statutory retirement age, for example. More detailed information on these points is given below.

3.2. International targets for promoting the employment of older workers

This section presents relevant texts from the ILO international labour standards and the 1995 World Social Summit documents.

3.2.1. ILO international labour standards

International legal provisions concerning older workers' labour and social issues are embodied at global level only in ILO Conventions and Recommendations.

Older workers are covered by international labour standards both specifically and generally as members of the labour force. International labour standards on basic human rights, employment, social policy, labour administration, labour relations, conditions of work and social security pertain to older workers as part of the labour force. In addition, older workers' issues are covered specifically by certain international labour Conventions and Recommendations, such as the Old-Age Insurance (Industry, etc.) Convention, 1933 (No. 35), and the Old-Age Insurance (Agriculture) Convention, 1933 (No. 36), as revised by the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128), and the Older Workers Recommendation, 1980 (No. 162).

Older Workers Recommendation, 1980 (No. 162)

The Older Workers Recommendation, 1980 (No. 162), is a comprehensive international legal instrument covering among others the issues of equality of opportunity and treatment, vocational training and counselling, housing, social and health services. Recommendation No. 162 applies to all workers who are liable to encounter difficulties in employment because of "*advancement in age*". In accordance with this Recommendation, employment problems of older workers should be dealt with in the context of a comprehensive and balanced strategy for full employment. At enterprise level, due attention should be given to all population groups, thereby ensuring that "*employment problems are not shifted from one age group to another*".

Equality of opportunity and treatment, and non-discrimination are important principles embodied in this legal instrument. In compliance with this Recommendation, each country should promote equality of opportunity and treatment for older workers, and take measures to prevent discrimination against them in employment and occupation. The Recommendation states that provisions should be made for the effective participation of employers' and workers' organizations in formulating employment policies concerning older workers, and in promoting acceptance and observance of this policy; legislation and programmes should be promoted to secure its acceptance and observance.

The Recommendation provides that older workers and trade unions, as well as employers and their organizations, should have access to bodies empowered to investigate complaints regarding equality of opportunity and treatment, with a view to correcting any practices regarded as in conflict with the said policy.

According to the Recommendation, older workers are to enjoy without discrimination equal opportunity and treatment with other workers in the public and private sectors with regard to:

- access to vocational guidance and placement services;
- access, taking account of their personal skills, experience and qualifications, to:
 - (i) employment of their choice in both the public and private sectors: provided that in exceptional cases age limits may be set because of special requirements, conditions or rules of certain types of employment;
 - (ii) vocational training facilities, in particular further training and retraining;
 - (iii) paid education leave, in particular for the purpose of training and trade union education;
 - (iv) promotion and eligibility for distribution of tasks;
- employment security (subject to national law and practice);
- equal remuneration for work of equal value;
- social security measures and welfare benefits;
- conditions of work, including occupational safety and health measures;
- access to housing, social services and health institutions, particularly when this access is related to occupational activity or employment.

The Recommendation stresses the creation of conditions for older workers to continue in employment. It envisages conducting studies to that end, which may be part of a general system for evaluating jobs and corresponding skills. Such studies are recommended for wider dissemination, including to older workers themselves. At the same time, action-oriented policy measures are foreseen by the Recommendation such as, “remedying conditions of work in case they hasten ageing; modifying the forms of work organization and working time ... in particular by limiting overtime; adapting the job and its content to the worker for preserving health, and providing for a more systematic supervision of the worker’s state of health; and providing for such supervision on the job as is appropriate for preserving the worker’s safety and health”.

Similar results can be produced by reductions in daily or weekly working hours, increased holidays, greater flexibility in working-time organization, including part-time employment, and facilitated assignment of older workers to daytime jobs after a certain number of years in shift work. Implementing these provisions requires greater flexibility on the part of employers. Similar provisions pertain to training for older workers, and to remuneration, including various modalities such as transferring from piece-work to an hourly rate. Even in cases of reductions in undertakings special account should be taken of the needs of older workers.

The Recommendation devotes special attention to the preparation for retirement, and encourages policy-makers to give some flexibility to the transition from work to leisure. Wherever possible measures should be taken with a view to ensuring that retirement is voluntary.

In principle, workers should make their own decision on when and how to retire from employment. All workers should prepare their own retirement programme on the basis of information concerning:

- (a) the income and, in particular, the old-age benefit they can expect to receive, their tax status as pensioners, and advantages available to them such as medical care, social services and any reduction in the cost of certain public services;
- (b) the opportunities and conditions for continuing an occupational activity, particularly on a part-time basis, and on the possibility of establishing themselves as self-employed.

The above provisions are normally not difficult for governments to meet. Their compliance can indeed facilitate older workers’ transition from work to retirement and be appreciated by them.

It is also recommended that older workers who are unemployed during a prescribed period before they become eligible for old-age benefit should continue to receive unemployment benefit or adequate income support until that date.

The Recommendation provides that older workers who have been unemployed for at least one year should be eligible for early retirement benefit before the date on which they qualify for old-age benefit; early retirement benefit should not be made dependent upon a qualifying period longer than that required at the normal retirement age and the amount should not be reduced to offset the probable longer duration of payment. For the purpose of calculating this amount the period separating the actual age from the age normally qualifying workers for an old-age benefit need not be included in the qualifying period.

At the same time the Recommendation states: “Older workers who are fit for work should be able to defer their claim to an old-age benefit *beyond the age normally qualifying workers for such a benefit* [italics by author], for example either for the purpose of satisfying all qualifying conditions for benefit or with a view to receiving benefit at a higher rate taking account of the later age at which the benefit is taken and, as the case may be, of the additional work or contributions.” This provision is far from being implemented on a worldwide scale. Workers who are absolutely fit both physically and mentally are obliged to accept retirement. Above a certain age, they may not be classed as unemployed in national statistics. Some countries even exclude older workers from employment measures entirely.

3.2.2. The Copenhagen 1995 World Summit for Social Development

The World Summit for Social Development, held in Copenhagen in 1995, identified an overall approach towards social issues in the world, and noted that: “Continued growth in the world’s population, its structure and distribution, and its relationship with poverty and social and gender inequality challenge the adaptive capacities of governments, individuals, social institutions and the natural environment”. Its participants also agreed to the following commitments:

Box 2
**Some relevant commitments of
the 1995 Social Summit**

- Acknowledging and encouraging the contribution of people of all age groups as equally and vitally important for the building of a harmonious society, and foster dialogue between generations in all parts of the society.
- Promoting and attaining the goals of and equitable access to quality education, the highest attainable standard of physical and mental health, and the access of all to primary health care, making particular efforts to rectify inequalities relating to social conditions and without distinction as to ... age or disability.
- Promoting the goal of full employment as a basic priority of our economic and social policies, and to enabling all men and women to attain secure and sustainable livelihoods through freely chosen productive employment and work.
- Promoting social integration by fostering societies that are stable, safe and just and that are based on the promotion and protection of all human rights, as well as on non-discrimination, tolerance, respect for diversity, equality of opportunity, solidarity, security, and participation of all people, including disadvantaged and vulnerable groups and persons.
- Formulating or strengthening policies and strategies geared to the elimination of discrimination in all its forms and the achievements of social integration based in equality and respect for human dignity.

Thus the Summit reiterated support for the active participation of workers in all aspects of social life without distinction of age.

3.3. Labour market training for older workers

Training and retraining are important instruments for enhancing the employability of older workers, who can be trained for specific vacancies or for the labour market in general. The ILO stands for non-discrimination against older workers in training. Older workers should be allowed to participate on an equal footing with other trainees, and should be given the same opportunities and treatment in respect of training.

So far, in-company training has concentrated on younger workers. However, with the average age of the workforce rising, older workers will inevitably be involved in training schemes. Sometimes firms are unaware that retraining an older employee may be less expensive to them because of higher cost efficiency. Age is no handicap to learning. In some countries there are universities for older persons, proving this point. However, at the beginning of the 1990s policies on the training of older workers existed only in a small number of countries. The same is true of funding and the legal framework for such schemes.

Of course, training for older workers can run into problems. For example, some older workers might prefer to have special training organized for them while others would opt for mainstream training. Although age is not an obstacle to learning, employers compare the benefits of training a younger worker and an older one in terms of overall cost efficiency. Training at the end of their careers is less attractive to older workers as a rule than to younger people. Training for older workers is usually more oriented towards employment and productivity than towards career development.

Training for older workers can be organized by firms and by employment services. In the latter case redundant workers are usually retrained so that they can be placed in new jobs.

Training older workers can have the following important advantages for employers:

- The habits, performance, loyalty, and other merits of older workers are better known.
- It is often cheaper for a company to train (upgrade) an older worker than a younger one, especially on the job.
- By training older workers, the company improves its image with the customers and public at large. This is important, particularly in societies where older people are gaining political importance. In future, there will probably be more and more such societies.
- Older workers themselves can serve as trainers, and as trainers of trainers.¹

Training for older workers should take account of their experience and practical know-how. The role of governments in training older workers can consist of providing incentives of various kinds, including those of a financial nature, in order to enhance and equalize their chances in labour markets.

3.4. Adjusting the retirement age

The possibility of retirement with income support is quite a recent achievement. The retirement age in a country is an important labour and social indicator, being a policy instrument too. Raising the retirement age would increase the labour supply, producing increased revenues from work (in a situation of employment growth), higher tax revenues for the State, and, simultaneously, lower pension disbursements. At the same time, there would be greater equity and “intangible benefits” for older workers such as higher self-esteem and personal satisfaction.

The retirement age in different countries can be the same, or different for men and women. The rule, however, is: the richer the country the higher the retirement age for both men and women. However, more time in retirement is spent by workers in the middle-level countries (US\$4,000-8,000 per capita), especially by women (table 6).

¹ *Report VI*, 79th International Labour Conference (Geneva, ILO), 1992, p. 37.

Table 6. Average official retirement age for male and female workers and their expected duration of retirement in countries with different levels of GDP

Country grouping as per GDP in US\$ per capita	Retirement age		Expected duration of retirement	
	Male	Female	Male	Female
More than 8,000	64.3	62.5	15.2	18.6
Between 4,000 and 8,000	60.4	56.0	16.8	23.0
Under 4,000	57.5	55.3	17.3	20.9

Source: *Averting the old age crisis*, Washington, DC, World Bank, 1994, table A.10.

In less developed countries workers continue in the informal sector until they are no longer capable of working. So, the possibility of raising or lowering the retirement age is not open to every government to the same extent. In some countries workers decide for themselves when to retire, or rather when to give up work, but this is not a positive choice. In democratic societies manipulating the retirement age is a complicated procedure involving serious discussions at national level between the social partners and the population at large.

Raising the official retirement age would increase the labour supply. However, simply raising the retirement age might not be an effective way to defuse “the demographic age bomb” and solve the employment problems of older workers. Decisions on raising the retirement age should be accompanied by job-creation efforts.

Instead of raising the retirement age and increasing the supply of older workers some governments introduce more liberal immigration rules allowing younger foreign labour to replace their older workers. For various reasons the second approach has limitations and can hardly be utilized to the full even when selected as a means of action.

The productivity of older workers is an important issue, especially for employers. Productivity is often understood in a narrow sense, i.e. as output per worker. One of the very few studies on manual workers reached the following conclusions. The output per work-hour was progressively higher from the under 25 to the 25-34 age group, but subsequent age groups showed a gradual decline which became somewhat more marked for workers aged 55-64; at age 65 and over, a sharper decline occurred. However, these findings were based on a small sample and referred only to manual workers.²

Studies on office workers who were not highly qualified found differences in productivity to be insignificant. It is probably for this reason that the retirement age in some countries has been set at 65 or even 67. However, it also means that national unemployment rates would be higher if workers over 55 had not been pushed out of the labour market through various retirement schemes “for labour market reasons”. This also confirms that the *reserve of surplus labour can be comprised of older workers to a considerable extent. These people may be considered as hidden unemployed, if retired in a mandatory manner, i.e., official unemployment rates in some countries would be higher if this consideration was taken into account.*

Recent basic research on older workers has concluded “Micro- and macroeconomic studies have failed to uncover any convincing evidence that differences in demographic structure between countries and over time are a major factor in determining productivity levels”.³

We would agree, however, that more studies are needed to investigate different types of worker in terms of their age/productivity taking into account the age/earnings side too.

² *Demographic causes and economic consequences of population ageing* (New York, United Nations), 1992, p. 181.

³ Disney, op. cit., p. 307.

3.5. Role of employment services

The proper functioning of labour markets depends to a considerable extent on the successful operation of employment services. Employment services can play a great role in equalizing the chances of applicants seeking jobs. The experience of employment agencies suggests that jobs can be filled more quickly if the age of applicants is not restricted in vacancy announcements. Attaching age limits to vacancy announcements can be considered as direct discrimination against older workers. Such a practice is widespread, however. Even among developed European countries only France and Sweden specifically prohibit the use of maximum age limits in job advertisements, though in France this ban, as contained in the Labour Code, applies to private sector employers only, and is not always respected.

Spain also prohibits discrimination against workers in employment. However, it does not ban age limits in job advertisements as such, and in fact such limits are widely used in Spain. In Ireland the equality officers and the labour court have ruled that a maximum age (such as 28) can amount to indirect discrimination against married women.⁴

Employment services can contribute significantly to providing older workers with suitable employment, through the provision of training and retraining, and by preventing discriminatory treatment of applicants by employers. They can also promote improved interview procedures, access to labour market programmes and incentives for older workers to take part in labour market programmes. With respect to training and retraining the role of employment services can be especially important as employers calculate the amortization costs of training investments, and older workers have fewer years to recoup. Also, the stereotypes can work against older workers who may be considered as slower or more difficult to train.

In certain countries job placement targeted at low-income older workers has proved very successful. These activities include intensive counselling, and are conducted by non-profit agencies with remarkable placement rates (80-90 per cent of low-income older workers).⁵

The proportion of older workers has been increasing recently in Japan. Special older persons' employment security centres have been established in that country for the following purposes:

- to conduct surveys and research on the stabilization of employment for older workers;
- to provide training for employers and others concerned with the continuous employment of older persons;
- to provide information on the employment of older workers.

An "experience utilization centre" has been set up for older workers over 60. The centre aims to provide these workers with jobs, including temporary work. There are also so-called "Silver" human resource centres which specialize in placing older workers. Employers agreeing to hire older workers can be subsidized.⁶

3.6. Special working arrangements

The data show that older, and even very old, workers are often prepared to continue employment but in a less intensive manner, perhaps on a part-time basis, or in self-employment. Modern technology has also increased the possibilities of work at home. Special working arrangements can thus be an important vehicle for the employment of older people.

Homeworking has been found very lucrative for older persons in general and older women in particular, and this is on the increase in both developed and developing countries. A recent survey of over 3,000 manufacturing firms in Malaysia, for example, found that over a third of all electronics, textile, and garment firms had subcontracted part of their production to

⁴ *EIRR (European Industrial Relations Review)* (London), Aug. 1994, p. 13.

⁵ ILO data, 1989.

⁶ E. Soyama: Personal communication, 1997.

homeworkers.⁷ The adoption in 1996 of an ILO international Convention on protection of homeworkers can be regarded as an important step, encouraging people to go into homeworking more actively when the Convention is ratified by the State.

When older workers want to transfer to part-time posts and such possibilities are open to employers, or when employers want to decentralize production by subcontracting to homeworkers, due consideration should be given to older workers, alongside other “disadvantaged” groups. It would be useful if employers could furnish information to workers on opportunities for homeworking to facilitate their decision-taking. It would be even more advantageous if workers were advised on the rights and benefits of homeworkers.

Quite a number of large firms in developed countries on both sides of the Atlantic have begun tapping the unexhausted reserves of older workers’ labour. Examples of “good practice” include consultancy firms which draw on the knowledge and skills of their former employees. In this way they can hire older workers back for specific tasks at a lower cost than if they were employed on a permanent basis. Some countries support such post-retirement employment schemes in respect of older workers. For example, in the United Kingdom recently removed earnings limits for people drawing a public pension. Other countries, however, discourage older workers from post-retirement employment through financial disincentives.⁸

Flexible firms employ a secure group of core workers and a peripheral group of temporary and casual wage-workers, outworkers and subcontractors. Technological developments and worldwide computer networks open up new possibilities for teleworking. The elderly now have a real chance to avail themselves of this development, including older workers with disabilities. As an extra advantage, work in the home may offer a more convenient timetable.

As older persons sometimes find drawbacks in wage employment, they might be interested in self-employment. Some analysts believe that the nature of employment may change, and that there will be less regular, full-time positions available. This trend will be conducive to older workers’ employment. The forecasts of “work in 20 years’ time” are especially appropriate for people in the upper age group who might desire to work fewer hours. Some projections suggest that by 2015 employees’ working time will be reduced to a statutory maximum of 1,500 hours a year, of which 10 per cent will be dedicated to continuous training.⁹ In contrast to this, flexible forms of work organization are expected to grow. This should favour the employment of older workers in future.

In spite of fairly universal prejudice against them, there are good examples of how demand for older workers’ labour can be enhanced. In France and the United Kingdom, for example, endeavours have been made to fill vacancies with workers aged 50 and over, or even with people up to 70. Sometimes special part-time schemes have been introduced for that purpose.

3.7. Supportive legal framework

Sadly, not many countries can claim that they have special legislation promoting the employment of older workers: positive examples are isolated cases so far. Japan is a case that demonstrates positive attitudes towards older workers. The law of 1971 (amended in 1994) concerning “Stabilization of employment of older persons” governs relations in respect of older workers, including security in employment and its promotion. The law foresees measures to secure opportunities for work for people who retired when they became eligible for a pension, and other older retirees.¹⁰ The law obliges employers in Japan to make endeavours “to secure employment opportunities for their older employees in accordance with their abilities and desires by taking measures for the development of, and improvement of occupational ability, improvement of working facilities and other conditions and assistance in re-employment and the

⁷ *Home work, Report V(1)*, International Labour Conference (Geneva, ILO), 1995, p. 9.

⁸ *World Labour Report* (Geneva, ILO), 1995, p. 53.

⁹ *EIRR*, No. 262 (London), Nov. 1995, p. 7.

¹⁰ *Labour Law Documents* (Geneva, ILO), 1994, JPN-1.

like". The law gives Japanese workers an opportunity to plan their own work timetable in their later years and also to enrich their working lives. Although an element of flexibility has been built into the law ("endeavours" instead of "measures") and the provisions are thus not binding, it represents an important milestone on the road towards more equitable labour markets for older workers. In practice, Japanese public employment security offices develop job offers under the guidance of the Ministry of Labour. The assistance includes re-employment and preparation for retirement.¹¹

Governments should create a supportive legal framework in respect of older workers. National legislation should incorporate provisions for older workers, as contained in the international labour standards of the ILO and in the guiding documents of the World Summit for Social Development.

¹¹ E. Soyama: Personal communication, 1997.

Summary

Some conclusions and specific recommendations about older workers have already been drawn in the text. Others are presented below in a more systematic fashion. They target different countries and geographic areas in spite of considerable differences in law and practice. Eventually, these may form part of a *Code of conduct* to combat “ageism” and “natural” bias against older workers, reversing the trend towards social exclusion and non-employment. The Code would favour “active ageing”, encouraging employers to retain their older workers, and promoting more equitable labour markets for them in general.

The **first** conclusion is negative. Up to now, older workers have been the losers in labour markets as a result of official employment policies and labour market measures, in the OECD countries particularly but also elsewhere. All workers may experience spells of unemployment interrupting their careers, but older workers suffer disproportionately from non-employment. In addition, once interrupted, their careers are much more difficult to resume. Present policies in respect of older workers still generally consider them as a *labour reserve* rather than as active labour market participants. The widely used “early retirement” approach is virtually a “hidden non-employment” approach. Women suffer disproportionately from ageist policies as there are more older women than men in almost all countries. So, the target is to make labour markets more equitable for older workers, as one necessary step.

Second. In the long run early retirement policies are unsustainable as a way of dealing with the employment consequences of ageing. They reduce the revenue side of social security systems while adding to expenditure. This has already become very expensive, and early retirement may become economically unrealistic, especially in view of an impending crisis in the financing of pension systems.

Third. As the number of older workers in the world grows, and the average age of the labour force as well, early retirement threatens to become more discriminatory. Early retirement has little or no value as an equitable policy instrument. Gradually, it should be replaced by new approaches more in line with the realities of older workers’ longer productive capacity. Early retirement schemes are an unjustified waste of human resources especially given demographic, health, and other pertinent developments. Instead of early retirement flexible retirement modes should be designed and offered to older workers.

Fourth. Some forms of employment have turned out to be the niches preferred by workers in the upper age groups. Older workers should be provided with opportunities to update existing skills and acquire new skills. Older workers can also benefit from measures promoting self-employment.

Fifth. In general, any solution to the problem of older workers should be sought in the context of the ILO goal of “full, productive, and freely chosen employment” in policy discussions among the social partners. Labour markets should not discriminate against older workers; “positive discrimination” is admissible solely for the purpose of equalizing older workers’ chances. Fair and equitable labour markets should be open to all workers capable of performing in accordance with job requirements. Equal opportunity and treatment is the basis for a solution to older workers’ problems in labour markets.

Sixth. Although policies to combat age discrimination have not been reported to work very effectively, efforts should continue in the elaboration and enforcement of such policies. Indeed, such efforts should be intensified. The elimination of age limits in vacancy announcements, hiring procedures and policies, will make an important contribution to combating discrimination, making the situation more “older-worker friendly”.

Seventh. Increasing the retirement age leads to growth in the economically active population and decreases the number of pensioners. Hence, the impact on GDP would be favourable, and a better chance to balance pension schemes will be provided. However, increasing the retirement age requires simultaneous employment promotion to ensure that jobs are available to all jobseekers.

Eighth. Employers should be made aware of the untapped labour reserve of older workers and the value of recruiting and training them. Employers might also be interested in skills transmission from older workers to the young as a way of making up for possible skill shortages. An eventual aim of such measures would be to convince employers that “ageist” policies are not only morally and socially unjust but also work against the employers’ own economic interests and image. When the population is ageing rapidly, discrimination becomes counterproductive in terms of business interests. For example, employers who are reluctant to invest in training for older workers might agree to make contracts with such workers, stipulating that they work for the firm for a certain period of time after training. Economic arguments might convince employers and calm their fears about the enterprise and efficiency of its operations.

Ninth. Workplace and working time adjustments can be effective vehicles for promoting the employment of older workers. At the same time they are relatively lower cost solutions.

Tenth. Additional research is required on older workers, and new issues for such research have to be identified.

Eleventh. Unemployment is often underreported because older workers are eliminated from the labour market. The way in which statistical data are prepared and presented in this field should therefore be investigated.

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