Employment policies to promote active ageing

Estonia 2012
Situation of older workers

Compared to other EU countries:
- employment of older workers relatively high
- inactivity rates remaining below average in all subgroups within the 55–69 age group
- pension age in 2012 - 63 years for men and 61.5 for women (labour market risk group from 55 to pension age).
- average exit age from labour force higher than in EU, at 62.6 years in 2009.
- employment has increased due to individuals remaining in employment longer due to the increased pension age
- due to higher female employment in older age groups - 42 %, (28 % in the EU); for men age group 55-59 - below EU average (59 % in 2010 compared to 69.5 % in the EU).
- Comparing across age groups, employment rates higher in all subgroups, but the highest in the 60–64 age group.
Situation of older workers (continued)

- **gender pay gap** the highest in EU – **more than 27 %** (2010). For women these lower earnings result in lower pensions and more women experiencing poverty in old age. (Twice as many women aged 65 and over than men in the same age group.)
- combination of low pensions and the possibility to receive income from work and pension at the same time
- Pension calculated by formula and in case of deferred old-age pension increased by 0.9% for a month worked after official retirement age.
- this combination results in **relatively high employment rates among older workers past the official retirement age**.
- average pension in 2012 - 300.81 € – Nasdaq OMX’ pensions’ centre, 269 € – national databases 288 € – Eurostat
- as in the general population, the **unemployment rate for older men is higher** at 17 %, compared to 13 % for women
Reforms relating to pensions (2007–2011)

- Gradual increase in statutory pension age. Pension age for women to equal men’s by **2016 to 63**. But this no longer compensates for the aging of population thus gradual increase for both men and women from **2017 to 2026 to 65**

- Jan 2012 - 404 525 pensioners – 30,2% of population, rising every year by 0.8%; without raising retirement aged cost of pensions unsustainable (number of old-age pensioners in the population would have grown to 35%).
  - old-age pensioners – 74% (81% in 2002)
  - disability pensioners – 22% (13% in 2002)

Two main effects:

1) **increase in overall employment rate of older people**;

2) **use of alternative pathways to retirement** – especially early retirement benefits and disability benefits.

**Marginal**

Supporting employer financed pension contributions (August 2011)
Increase in pensions (Continuous 2007–2011)
Increase in subsistence level (Increase in 2008 and in 2011)
Reforms relating to sickness benefit

• **The State has reduced its responsibility in health care**
  – In 2009 the payment of sickness benefit was changed placing the main burden to employees and employers.
  – There is no benefit for the first 3 days of sickness leave, for days 4-8 employer pays 70% of the salary, from day 9 the Health Fund
  – During the first 1,5 years the number of sick leave certificates fell more than 50%
  – Number of sickness days growing steadily that indicates that people do not take sickness days and suffer later more serious health problems that require hospitalisation and force people off work for months.
  – Lack of statistics which age groups continue working and with what kind of illnesses

• As older people tend to have more serious illnesses and more frequently than younger ones such reform more likely to hit them harder and possibly lead to more serious health problems

• **The Employers’ Manifesto 2011–2015:**
  “In order to promote entrepreneurs’ investment in human capital, the employer’s investment in an employee’s adult learning or health care should no longer be taxed as fringe benefit.”
All pensioners vs. old-age pensioners 1970–01.01.2012
Share of disabled pensioners growing

• **Increased rates of disability pensioners and early retirement pensioners.**
  – People already unemployed or inactive and with poor health or outdated skills prefer to use other pathways to retirement following the increase of the statutory pension age.

• **The share of disability pensioners has been increasing continuously since 2007.**
  – The share is the highest among 55–59 year olds, just before statutory pension age (in 2011, 24 % of both men and women aged 55–59 were disability pensioners while this proportion was around 19–20 % in 2007).

• **The trend expected to continue in the future** since the pension age will be increasing until 2026 till reaching 65.
Early retirement pension

- 2007-2010 the share of old-age pensioners on early retirement pension increased slightly. In 2007, 17% of all new old-age pensioners on early retirement pension. In 2009–2010 the share increased to 24–25%.

- In 2000 after the introduction of early retirement pension majority of people (about 60% in 2004) opting for this had been unemployed for about two years before retiring.

- These benefits have acted more as a substitute for unemployment and subsistence benefits received by unemployed or inactive rather than a motivation to directly withdraw from employment.

- The increasing share of early-retirement pensioners is at least partly the result of increased unemployment during the recession.
Active ageing policies

• No single and coherent active ageing policy in Estonia that would guide a systematic approach to active ageing across all different policy fields, including health, work-life quality, lifelong learning, social insurance, etc.

• Some of these issues are currently problematic in Estonia. Since employment rates are already fairly high in older age groups, it will also be important to ensure a good work-life quality for older workers in the labour market, including work that corresponds to their capabilities and education, access to training opportunities, etc.

• New policy framework is being created in 2012 by the Ministry of Social Affairs and an active ageing strategy is planned to be introduced by the end of 2012 in the framework of the European Year for Active Ageing and Solidarity between Generations.
Health

• In 2010, the average life expectancy of a one-year old in Estonia was 75.2 years, which is among the lowest in the EU. It is even lower among males (69.9 years compared to 80.0 years for women).

• Older workers suffer from poor health and lower educational attainment.

• Their motivation and satisfaction with work is higher than among younger workers and their working environment is equal to that of younger workers.

• In the context of relatively high employment among older workers, it will be important to improve the health of population and analyse the special needs of older workers in the labour market in order to reduce the percentage of the share of disability pensioners.
Health

- 8.5 % of Estonians aged 55–64 were severely limited in their daily activities in 2010. The EU average of 9.7 %. At the same time, the share of persons who say they are somewhat limited in their daily activities in the 55–64 age group was 31 % in 2010, (highest share in the EU).

- In the EU average healthy life expectancy will fall more or less together with the exit age, in Estonia the difference over 5 years.

- In recent years, before retiring high share of older workers with long-term health problems. Important to improve working conditions of older, adapting jobs and providing flexible working patterns.

- Thus, keeping in mind the low life expectancy, high gender difference and relatively high share of those who say they are limited in their daily activities due to their health, it will be important to also tackle the issue of improving the health of older workers.
Expectancy of healthy years

Expected years lived healthy for women:

For men:
Health of 50-84 year olds

Most frequent chronic diseases among the population aged 50–84 by gender

- Kõrge vererõhk (High blood pressure)
- Liigessaigused (Diseases of the musculoskeletal system)
- Siseelundite saigused (Diseases of the internal organs)
- Südamegaigused (Heart diseases)
- Diabeet (Diabetes)

Allikas: Eesti terviseuuring 2006
Source: Estonian Health Interview Survey 2006
Flexible working

- According to a survey (2006) that analysed the employment of people aged 50–69 and entering retirement, only 8% of all persons older than 50 were employed with a shorter than average working time and just 3% planned to reduce their working hours before retirement.

- Around 10% of respondents would be motivated to stay longer in the labour market if more flexible working time arrangements were available.

- More than 60% of respondents did not answer working time related questions, indicating low awareness of these opportunities in society.
Flexible working

Täis- ja osaajaga töötamine vanuserühmade järgi, 2009
Full- and part-time work by age group, 2009

Allikas: tööjõu-uuring 2009
Source: Labour Force Survey 2009
Flexible working

50–69-aastaste osaajaga töötamise põhjused, 2006
Reasons of the 50–69-year-olds for working part-time, 2006

- Isiklikud põhjused
  Personal reasons
- Haigus, vigastus või puue
  Illness, injury or disability
- Ei ole täisajaga tööd leidnud
  Have not found full-time work
- Tellimuste või töö vähesus
  Shortage of orders or work
- Ei soovi täisajaga töötada
  Do not wish to work full-time

Allikas: Eesti tööjõu-uuring.
Quality of working life

• Working in a position matching their skills and education. The share of older workers doing jobs that correspond to their educational level reached 80%. Compared to 90% of young people and those in their prime working age.

• At the same time, around 20% of older workers found that their work would require a lower educational level than they actually have. Thus, the match between work and education is problematic in older age.

• Participation in lifelong learning is lower among older age groups. It is especially low among older men (aged 55–64) at around 3% in 2008–2010, while the share has increased from 4% in 2007 to 6% in 2010 for older women. Participation in lifelong learning in the 55–64 age group (both men and women) is at the EU-27 average level.

• There are no special activities to increase the share of older adults in training activities.
Older unemployed

- Persons older than retirement age cannot register as unemployed and participate in active labour market policies.
- Persons aged between 55 and statutory pension age are considered as a special labour market risk group, which means that their unemployment situation is assessed as more complicated and the necessary measures are planned separately for each individual.
- Training and career counselling are the most commonly used labour market services among older people.
- In 2011, financing was opened for projects supporting a return to the labour market for older workers (50–74) and youth (16–24). A total of EUR 6.65 million was allocated to such projects.
Conclusions

• Although there is no ageing policy framework adopted in Estonia, the issues of ageing workforce and active ageing are considered important at least on a rhetorical level.

• The Estonian National Reform Programme ‘Estonia 2020’ outlines that there is a need for special measures to bring older people back to the labour market and support their employment.

• The question of active ageing has become even more prominent recently, largely in relation to the European Year of Active Ageing and Solidarity between Generations.

• Currently (2012) a policy framework for active ageing is being developed.
Conclusions

- There are **no special active labour market measures targeted to older unemployed**.
- The increasing pensions must includes addressing the issues of health among older workers, but also the availability of suitable and flexible working conditions and access to training.
- Currently, workers above retirement age have access only to very limited active labour market policies.
- Still, until now, the argument for the sustainability of the pension system that has been the underlining aim for increasing the pension age, has not been followed up by concrete policy proposals aimed at increasing the employability of older workers.
• Thank you!