Age and employment
One of the successes of economic and social development in Europe over the past fifty years has been the extension of the individual lifespan. However, the rise in the numbers of older people, and the fall in birth rates, mean that the proportion of older people outside the workforce is growing – to be supported in the future by a smaller base of working adults. The ageing of the population has emerged as an increasingly significant policy and political issue in Europe. The policy debate touches on a range of issues: employment rates; labour supply; the costs of health and long-term care; and the sustainability of pensions.

In this issue of Foundation Focus, which specifically looks at the ageing of the workforce, Commissioner Vladimir Špidla highlights the importance of people working for longer as one way of meeting the challenges raised by these issues. He also points out that in future we will see more flexible forms of retirement, and a change in our perceptions of what retirement and work mean. Indeed, as indicated by findings from the Foundation’s research into working time and work–life balance (outlined in this issue), phased retirement schemes are already contributing to enable older employees to remain in the labour market for longer.

The positive side of this demographic swing is that the majority of older people are in good health and many are capable of working. Two case studies from the Foundation’s research into age management illustrate how organisations can introduce training and work adaptation programmes that improve opportunities for older workers to remain in employment.

Many of Europe’s older citizens are now reaping the benefits of their working life, and possess sufficient money, time and good health to be able to enjoy leisure goods and services. The article on the ‘silver economy’ shows how it is up to manufacturers and retailers to address this new, potentially significant market.

One of the key factors influencing early retirement is the working conditions of the present job. Preliminary findings from the Foundation’s Fourth European Working Conditions Survey draw attention to the importance of adapting working conditions to suit an ageing workforce. Meanwhile, findings from the European Quality of Life Survey underline the need both for enhanced care services in the coming decades and support for those in the caring profession who are trying to combine paid work with family care.

Based on recent results of Foundation research, this issue puts the ageing workforce under the spotlight and examines the topic from different angles, underscored by the European policy perspective. I hope that the information contributes to the current and pressing debate and gives all readers interesting matter for reflection.

Jorma Karppinen

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Editor: Mary McCaughey  Director: Jorma Karppinen  Deputy Director: Willy Buschak
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European Foundation for the Improvement of Living and Working Conditions
Wyattville Road - Loughlinstown - Dublin 18 - Ireland
Tel: (+353 1) 204 31 00 - Fax: (+353 1) 282 42 09 / 282 64 56
Email: information@eurofound.eu.int  Web: www.eurofound.eu.int
**EU policies in support of active ageing**

*Foundation Focus* asks Vladimír Špidla, EU Commissioner for Employment, Social Affairs and Equal Opportunities, what ‘active ageing’ means for Europe.

**How can working lives be extended, in order to delay retirement and maintain people’s standard of living?**

It is crucial that people work longer. This was already highlighted in the 2003 joint report on adequate and sustainable pensions\(^1\). It is an explicit European target in the Lisbon context. It can be achieved by increasing the employment rate of older workers (aged 55 to 64) to 50% and by increasing the age of exit from the labour market.

Governments, social partners and individuals must share the responsibility for making it happen. Governments can make working later attractive by rewarding retirement deferral. They can ensure that employment policies encourage and support later working. Anti-age discrimination legislation reinforces the message that age is no longer a barrier to work.

Many employers recognise the skills and experience older workers offer. More employers need to recognise this. Individuals who know their likely retirement income – and see that we’re all living longer – will see the need for extending their working life.

**What kind of lifelong learning tools, training and skills are required so that people can adapt better to the labour market as they age?**

People with low skills are almost twice as likely to be out of work as those with high skills, and have much shorter working lives. Improving skills is vital for older workers to extend their working life. Older workers need tools and skills to cope with change. They need better access to education and lifelong learning. Training is essential, given the rate of technological change.

The Structural Funds for the next programming period puts human resources at its core.

**What policies are the Member States, and the European Commission, introducing to encourage people into employment?**

Member States are reforming their tax–benefit systems to encourage people to enter and stay in the labour market: several states are making early retirement less attractive, promoting flexible pathways to retirement and rewarding those who extend their careers; some focus on making it more difficult for people to remain on unemployment benefits until retirement without actively looking for work.

The Commission is driving the force behind the Lisbon Strategy for growth and jobs. The employment guidelines 2005–2008 set out the policy framework on ageing as an integral part of a lifecycle approach to work. Active ageing is increasingly supported by the European Social Fund. The guidelines advocate employment friendly tax–benefit systems, linked more with active labour market policies that focus on the needs of older workers.

**What do you mean when you argue that Member States need to ‘rethink’ retirement and pension schemes?**

People in good health will have to work longer, but not necessarily full time. We will see more flexible retirement schemes, combining part-time work with pensions, and a change in perceptions as to what retirement and work mean. We need to invest more in the human capital of older workers and provide attractive, healthy working conditions.

**What policies are the Commission promoting with a ‘life-cycle’ perspective?**

Life cycle policies achieve a better reconciliation between paid work and family care. In principle, the Commission is in favour of life-cycle/sabbatical/time-savings schemes, but the actual formulation and implementation is a matter for the social partners and Member States. As for healthcare and long-term care, Member States have agreed that the streamlined Open Method of Coordination (OMC) could stimulate policy awareness and development, highlight common challenges and facilitate mutual learning. In September 2006, Member States will submit national reports on social protection and inclusion for the period 2006–2008, including national plans for healthcare and long-term care.

The OMC process will also support the use of preventive activities for middle-aged and elderly people to help avoid, or at least delay, age-related illness and dependence.

**Where does Europe stand in terms of meeting the Lisbon goals?**

The recent Commission estimates on future public expenditure on pensions, health and long-term care are based on the assumptions that the Lisbon objectives for employment rate are reached by 2020. The projections show that the reforms over the past 10 years in many of our countries are already bearing fruit. It is estimated that public expenditure in the EU for pensions, health, long-term care, unemployment and education will increase by 4% of GDP by 2050. The work still to be done is major but not insurmountable, given the huge potential for reform that still exists.

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The ageing workforce – myths and realities

Outdated ideas about the capacities of older workers are increasingly giving way to a new appreciation of the skills and abilities that older people can bring to the workplace.

Myth no. 1: Europe’s workforce is old.

Reality: ‘Yes’ in relation to retirement age, but ‘no’ in terms of life expectancy

The age of retirement is becoming increasingly distant from the age at which people may be considered to become old. The increase in life expectancy over the 20th century – by nearly eight years in the last four decades – means that it is no longer correct to describe those of 60 to 65 years as ‘elderly’ or even ‘old’. If old age is viewed as the time that people generally start suffering from disabilities, then the onset of old age has been in constant retreat for decades. It was around 60 years of age in the 1930s; by the 1990s, it had climbed to over 70 years for men and over 75 years for women. As a result, many organisations now no longer speak of ‘population ageing’ in the traditional sense.

Myth no. 2: Older workers are retiring as soon as possible.

Reality: The age at which people retire depends on their job and their level of health.

Most people leaving the workforce now are doing so neither at the statutory age of retirement, nor at the onset of ‘old age’. Many workers leave their jobs before the standard retirement age because they have taken early retirement (voluntarily or involuntarily), because they have been laid off, or because they suffer from some form of incapacity. However, age is not necessarily associated with incapacity: in response to a question on the likelihood of working at the age of 60 from the Foundation’s Third European Working Conditions survey (2000), more than half of all workers under 55 years of age thought that they would be able to do their present job at that age – and the proportion among workers aged 55 and over was much higher.

Why do people decide to retire? One reason is tradition: custom dictates that retirement age is the natural time to retire, even though people now live longer and are healthier than before.

Poor working conditions are another reason for early exit from employment. Accidents and ill-health can lead to negative feelings about work; low job satisfaction can result in absenteeism and early retirement from work. Poor physical and psychological working conditions can have the same result. Occupational changes or a slowdown in the economy may result in a sector going into decline, with consequent increased stress upon workers.

Financial and personal motivations are very important. Social security systems can encourage a person to stay in or to leave the labour market: more generous social insurance and pensions (or other monetary rewards) may persuade an individual to retire early. Workers are also likely to retire if their spouse is already retired, or if they have care responsibilities (for grandchildren or parents). However, if a person is getting sufficient stimulus and rewards from work, that is a key motivation for remaining longer in employment (as well as being an important determinant of good health).

To encourage people to remain in employment for longer, it is important to begin valuing the skills of older workers, and respecting the experience, knowledge and competence which they have gained through a long working life. To feel that they have been ‘set aside’ and that their skills are not valued will not encourage workers to remain in employment.

Myth no. 3: Older workers are unwilling or unable to adjust to new technologies.

Reality: Older workers can be as adaptable as younger workers.

Increasing age does not, in general, diminish workers’ ability to do their jobs. Where older workers do encounter difficulties, these can often be solved through training, adjusting work organisation, more flexible working time and health promotion to enhance working capacity. The WHO report, Active ageing: A policy framework, points out that the reduction in physical and cognitive...
capacity that comes with age can be compensated for by the corresponding increase in experience, knowledge and wisdom.

There is no evidence to suggest that the learning potential of older people is substantially impaired by ageing per se. A decline in performance may be due to skills obsolescence or ‘burn out’; this may occur at any age, and can be addressed through appropriate training or by adapting working conditions. However, in all countries, the incidence of training tends to markedly decline with age.

**Myth no.4: Older workers are too expensive.**

**Reality: Companies can benefit enormously from older workers.**

Employing older workers can result in some increased costs. However, the Foundation’s research into age management shows that many firms view the personal qualities of older workers and the skills acquired during their careers as important company assets, which more than compensate for any additional overheads. Such work abilities and attitudes – in particular, accuracy, reliability and good communication skills – are difficult to replace (unless companies are prepared to pay the costs of recruitment, vocational adjustment or expensive on-the-job training of newly hired staff). Some age-related personnel costs can be reduced by targeted initiatives that promote the health, skills and motivation of older employees. The Foundation’s new report on developments for an ageing workforce emphasizes that companies have invested in older workers mainly because they see a business case for doing so.

**Elisabeth Lagerlöf, Head of Information and Communication**

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Europe is ageing but the employment rate of older people (aged 55 to 64) averaged 43.9% for the EU in 2004, almost 20% below the rate for the working age population as a whole. Across Europe the workforce is ageing and plans are being implemented to delay retirement in many countries.

The evidence suggests that the employment rate of older workers (60+) with a higher education is often much higher than that of those in the same age group who have only primary level education. This may be due to a number of factors: less educated workers may have started work earlier (and often retire before their more educated counterparts) while jobs available to higher educated workers are more sustainable both physically and economically.

The demographic challenges facing Europe reinforce the need for debate on the employment and working conditions of workers as they age. Working conditions tend to vary considerably across age groups, with younger workers having in general more physically demanding jobs, jobs with more time pressures and/or jobs involving the use of new technologies. Nevertheless, to enable workers to remain in employment for longer, working conditions need to be improved – a strategy that, aside from contributing to raise the employment rates of older people, will benefit workers of all ages.

Exposure to physical demands is highest amongst younger workers. With the projected decrease in the number of young workers,}
workers, these demands may increase among older age groups. It should also be noted that intention to retire early is greater among workers who perform physical work.

The decline in physical abilities with age is neither uniform nor systematic. Several studies have examined the relationship between work performance and age. While results vary considerably, no clear-cut association has been found. Measures taken at company level to address this issue often combine an ergonomic review of the jobs, an individual evaluation of abilities as well as an assessment of the demands of a job with a view to identifying those that can be carried out by workers with diminished physical capacity. Other approaches can also include physical training of the workforce, medical monitoring and promotion of healthy, active lifestyles.

The different levels of exposure of workers to physical demands highlights two complementary issues: the need to avoid premature ‘wear and tear’ of workers as they age while at the same time ensuring that older workers are fit and able to do their jobs. Ensuring that both objectives are met should contribute to raising the quality of work for all.

PACE OF WORK
In recent years, work intensity has increased across Europe as a result of changes in the organisation of work. However, evidence from the Foundation’s European Working Conditions Surveys shows that older workers report less exposure to work intensity than younger workers – see Figure 1.

Strict performance standards and tight deadlines, traditionally features of industrial work organisation, increasingly apply now in the service industry. Simultaneously, ‘on demand’ modes of production have entered the world of industry. Previous coping strategies of individual workers may no longer be adequate in a world of work where new and different types of constraints are multiplying across traditional work organisation divides.

WORK ORGANISATION
It is possible to limit exposure to more demanding working conditions, through the use of teamwork, task rotation, re-definition of tasks between team members and teams and the inhousing of previously sub-contracted jobs to increase the number of ‘tight’ jobs. This may help to address the issue of reduced working capacities that become more frequent with age. However, the research shows that fewer older workers are currently involved in such forms of work organisation.

Working conditions are one of the key factors influencing a worker’s decision as to whether or not to continue working until retirement age

Foundation survey data, only one in five of those aged 55 and over report having received training paid for or provided by their employer in the previous twelve months (compared to 27% of all workers). For other categories of training, such as on-the-job training, older workers also fare worse than their younger counterparts.

Older workers also tend to use ‘new’ technologies at work less than younger workers which may limit their possibilities to access new jobs – see Figure 2. However, the difference is less marked than it was in 2000 and 1995, indicating a greater spread of information technology across the generations.

![Figure 1 - Work intensity, % by age](http://www.eurofound.eu.int/ewco/2004/05/NL0405NU04.htm)

![Figure 2 - Use of new technologies, % by age](http://www.eurofound.eu.int/ewco/2004/05/NL0405RU04.htm)

INDIVIDUAL APPROACHES
Medical studies on the ageing of the body show that the ageing process does not affect older workers uniformly or consistently. Research in the Netherlands shows that with age, variations in health and employability increase. In other words, older employees differ more from each other than do younger workers, indicating the need to avoid stereotypes and for an individual approach to integrating older workers.

The challenges concerning changes at work are very relevant for ageing workers, especially as demographic dynamics and the policy thrust (more work for all, pension reforms) are driving the move to extend working lives. Having a variation in tasks may have a positive impact on ageing workers. This may help reduce deteriorations in health associated with repetition at work and can also help to develop skills while keeping alive the idea of a personal professional project.

These trends also indicate the future prospects for change at various levels. Working conditions are one of the key factors influencing a worker’s decision as to whether or not to continue working until retirement age.

For more information on the Fourth European Working Conditions survey, see [http://www.eurofound.eu.int/ewco/surveys/index.htm](http://www.eurofound.eu.int/ewco/surveys/index.htm)

Agnès Parent-Thirion, Research Coordinator

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1. [http://www.eurofound.eu.int/ewco/2004/04/DK0404RU04.htm](http://www.eurofound.eu.int/ewco/2004/04/DK0404RU04.htm)
2. [http://www.eurofound.eu.int/ewco/2004/05/NL0405RU04.htm](http://www.eurofound.eu.int/ewco/2004/05/NL0405RU04.htm)
Quality of life and care for older people in Europe

How are Europe’s older citizens faring? The European Quality of Life survey sheds light on their well-being, highlighting both objective measures and subjective perceptions.

In recent years, the question of subjective well-being, and how it may be increased, has moved up the social policy agenda. Social scientists, such as the economist Richard Layard, have underlined the importance of understanding ‘happiness’ from both scientific and human welfare perspectives; increasingly, politicians of all persuasions and policy documents from both national and EU parliaments justify their actions in terms of promoting ‘quality of life’.

New surveys and research initiatives have been developed to meet the growing demand for reliable data to inform the policy debate on quality of life. In particular, at EU level, there is a need for comparative information on the situation across the Member States and for the monitoring of trends over time.

Some of this information is documented in the European Commission’s Eurobarometer surveys; in addition, the Foundation’s European Quality of Life Survey (EQLS) enables the drawing of a comprehensive, comparative picture of the quality of life for citizens in all Member States, and will track its development over time (the first survey was conducted in 2003, and the second will take place in 2007).

When people talk about their quality of life, they generally refer to three particular aspects as being crucial for this: an adequate income, stable family relationships and good health. These three factors appear to be the most important in nearly all EU countries (occasionally housing is also prioritised) and for all social groups. However there is significant variation in these dimensions of quality of life both between countries and groups in the population.

**MATERIAL WELL-BEING**

Older people (those aged 65 and over) appear to have improved their economic situation in recent decades, and now constitute a lower proportion of those living in poverty; however, women aged 80 and over, especially those living alone, are still at higher risk of poverty. In the EQLS, people aged 65 and over report lower incomes than younger people, but the differences are not especially large. Much more striking are the differences between countries: people aged 65 and over in the 10 new Member States (NMS) report an average income that is less than two-thirds of that of their contemporaries in the EU15. And, in response to a series of questions designed to measure deprivation (being able to afford to keep warm, buy new clothes, replace worn-out furniture, take a week's holiday), it is clear that those aged 65 and over in the NMS are significantly more disadvantaged.

**HOUSEHOLD SITUATION**

More older people own their own homes outright: in the EU15, the proportion is around 60% of people aged 65 and over; in the NMS is 75%. This is, however, a mixed blessing: a house needs maintenance, and poor quality of housing is a common factor, particularly in rural areas, and especially in the NMS. Older people also appear more concerned about the security in their local neighbourhoods. Among those aged 65 and over, 31% in the EU15 and 42% in the NMS felt it was unsafe to walk around their area at night. This is likely to have a significant impact on their capacity to maintain social contact.

The household circumstances of older people (those aged 65 and over) depend primarily on patterns of household structure and also on gender. The proportion of elderly people living alone is increasing rapidly; gender differences are also apparent: the higher life expectancy of women, together with the persistence of an age differential between spouses, means that women over 65 are more than twice as likely as men to be widowed, and thus to be living alone.

Living alone does not, in itself, imply isolation: it may even be an indicator of kinship support. However, the high number of old and in particular very old people, especially women, living alone points to gaps in the social policy field that cannot be ignored.

**HEALTH STATUS**

Health status does tend to decline with age, even if the majority of older people...
are reasonably fit and living independent lives: only 12% of older people in the EU15 rated their health as ‘poor’, compared to 42% in the NMS. There was a similarly consistent difference in reporting long-term illness or disability. In the Eurobarometer surveys and the EQLS, the extent of long-term illness or disability reported by people aged 65 differs strikingly between the country groups. In the EU15, it is below 50% (except for Finland and the UK); however, it is over 50% in the NMS (except for Cyprus and Malta). Although many of those who report having such disability do not have a severe problem, the numbers still point to a major challenge for healthcare systems as the population ages (notwithstanding potential improvements in the health of subsequent generations).

CARE PROVISION

The Eurobarometer survey asks a series of questions about care, who provides it and preferences regarding how it is provided. It reveals a remarkably high level of informal care-giving throughout Europe: one in four people in the NMS and more than one in five in the EU15 report ‘extra family responsibilities because they look after someone who has a long-term illness, who is handicapped or elderly’. There are no clear indications that the development of welfare services, specifically in the EU15, has eroded family care.

Throughout Europe, informal care mainly involves family members. In the NMS, family care is six times more prevalent than extra-family care, whereas in the EU15 it is roughly twice as prevalent. Alber and Kohler (2004), argue that this suggests that the scale of family care in the NMS is not simply a response to a lack of public services but an indicator of the strength of adhesion to family values. They suggest that the distribution of care activities in the EU15 contradicts the idea that informal care services substitute for publicly provided community care (or vice versa): in the EU15, informal care outside the home is most prevalent in those countries where formal community services are most developed.

The Eurobarometer survey asked whether people would consider it desirable if, in future years, working adults had to look after their elderly parents more than they do currently. In the NMS, about four out of five respondents considered it a ‘good thing’ to encourage family responsibility for looking after elderly parents; in only four countries do fewer than 70% share this view. By contrast, more citizens in the EU15 countries express scepticism about increasing family responsibilities, and the proportion is highest in north and northwest Europe (Belgium, France, Netherlands, Denmark, Sweden and Finland) where perhaps there exists the greatest aversion to public welfare services, specifically in the EU15, the burden of care will be carried by a family member who is also in employment: the challenge to support carers who are trying to combine paid and unpaid work will grow as a result.

For more information on Eurobarometer data and the Foundation’s European Quality of Life Survey, see http://www.eurofound.eu.int/areas/qualityoflife/eurobarometer.htm

Robert Anderson, Research Coordinator

EU15 countries express scepticism about increasing family responsibilities, and the proportion is highest in north and northwest Europe (Belgium, France, Netherlands, Denmark, Sweden and Finland) where perhaps there exists the greatest choice for citizens.

PREFERENCE FOR HOME CARE

Finally, it seems clear that across Europe the idea of housing elderly people in residential care facilities is unpopular. In the NMS, more than 80% of the respondents would prefer social services that allowed elderly people to remain in their own homes. On average, the advocates of home care outnumber those who favour residential care by a ratio of more than seven to one. The citizens of EU15 countries prefer home care to almost the same extent.

Such preferences may reflect both cultural values and the limited options available for good quality care. The main responsibilities for family care typically fall upon one member of the family (spouse or offspring). Increasingly, with
Exit options: phased and early retirement in Europe

Both phased and early retirement schemes have implications for successful age management and for the Lisbon objective of extended working lives. Preliminary findings from new Foundation research indicate the prevalence and spread of such schemes across Europe.

Over 2004–2005, the Foundation carried out a Europe-wide survey of establishments, looking at working time and work–life balance. Managers and worker representatives (where representatives could be identified) in 21 countries were interviewed about a variety of working-time arrangements at the level of the establishment, including phased and early retirement schemes.

In phased retirement schemes, employees beyond a certain age threshold can gradually reduce the number of hours they work as they approach retirement age; such schemes take into account any reduced productivity of older workers (due to health problems, for instance) as well as their desire for more leisure time and to prepare themselves gradually for a new phase of life. Phased retirement enables older employees to remain in the labour market, but with less work pressure and more time for recreation – albeit usually at the expense of a correspondingly lower income. In some countries, the loss of income due to the reduction of working hours is at least partly cushioned by social transfer benefits.

Early retirement schemes, by contrast, allow older employees to exit the labour market completely, a few years or months before reaching the statutory retirement age. Their income in this interval differs from country to country, in accordance with the social security system and the age of the employees.

From a policy perspective, it is clear that early retirement schemes run counter to the Lisbon objective of extending the working lifetime. Furthermore, they have recently come in for criticism: managers have sometimes used such schemes to push older employees out of the firm, to rejuvenate the workforce or downsize the company. The impact of phased retirement schemes in relation to the Lisbon process is, however, harder to judge. They may help to retain certain workers who would otherwise cease work; however, they may encourage an ‘unnecessary’ reduction in working time at the end of the working life.

PHASED RETIREMENT SCHEMES

Phased retirement schemes are offered in about 37% of establishments with 10 or more employees.1 Establishments in the services sector are significantly more likely to offer such schemes (41%) than those in industry (28%); within the services sector, they are most likely to be available in the education (54%), health and social work (59%) and financial intermediation subsectors (47%).

Phased retirement is more widely available in the public sector, where 47% of establishments offer such schemes, as against only 33% of those in the private sector.

Phased retirement schemes are much more frequently offered in larger firms (more than 55% of establishments with 200 or more employees offer them); in contrast, only about 33% of establishments with between 10 and 19 employees offer them.

Phased retirement is primarily a mid and northern European, rather than a southern European phenomenon. In southern Europe, only 6% of establishments in Portugal, 10% in Italy, 19% in Spain and 20% in Cyprus offer phased retirement schemes. By contrast, they are available in a substantial proportion of establishments in many central and northern European countries (64% in the Netherlands, 56% in Belgium and 53% in the United Kingdom).

One important reason for these variations is the differing attitudes regarding part-time work in the various countries: since phased retirement can be regarded as a right to work part time granted to a particular section of the workforce, it is more likely to be offered in those countries that already have substantial experience of part-time employment. The demand for phased retirement schemes is moreover likely to be larger in those countries where the general level of salaries (and pension schemes) is high enough to permit a decent standard of living, even on a part-time income.
An analysis of the data largely confirms this association: 45% of the establishments which employ part-time staff currently offer phased retirement schemes. However, only 21% of those without part-timers on the payroll do so. This is not merely a size effect: large differences in the incidence of phased retirement schemes can equally be observed in an analysis by size class.

EARLY RETIREMENT SCHEMES

Early retirement schemes are more widely available than phased retirement schemes, being offered in 48% of establishments. As with phased retirement, early retirement schemes are more likely to be offered in the services sector (50%) than in the industrial sector (43%) – again, they are more prevalent in the areas of education (72%) health (61%) and financial intermediation (63%).

As with phased retirement, larger establishments are more likely to offer early retirement schemes than are smaller establishments: more than 65% of establishments with 200 or more employees offer them, as against 43% of establishments with between 10 and 19 employees.

Early retirement schemes are more often found in establishments with a high proportion of skilled employees than in those with few or no skilled workers. (For phased retirement schemes, no clear correlation is found between their availability and the skills level of the workforce.) They are also more widely available in those countries where phased retirement arrangements are also available. In Mediterranean countries, the incidence of early retirement schemes is below the average, but still much higher than the incidence of phased retirement schemes. This is a further indication that the limited spread of phased retirement schemes in these countries is closely connected to their underdeveloped culture of part-time work. (An exception to this general observation is Italy, where early retirement schemes are equally as rare as phased retirement schemes.)

Early retirement schemes are more prevalent than phased retirement in the five new eastern European Member States included in the survey (Czech Republic, Hungary, Latvia, Poland and Slovenia). Quite a high proportion of establishments in these countries offer early retirement schemes – most notably the Czech Republic, which has the greatest availability of early retirement among all 21 countries (86%), but also Poland (73%) and Latvia (64%).

One reason for the prevalence of early retirement schemes in these countries is the basis of such schemes in legislation: for instance, in Hungary, 93% of establishments stated that either legal regulations alone, or both legal regulations and collective agreements were the motivation behind the introduction of these schemes. Rather than being offered at the discretion of the company, early retirement schemes are more typically offered as an obligatory scheme backed by labour law.

For more information on the European Survey on Working Time and Work–Life Balance, see http://www.eurofound.eu.int/areas/worklifebalance/estw.htm

David Foden, Research Manager

1 The question was not asked in establishments that did not have any employees aged 50 years or older.

2 If only those establishments with any employees of 50 or older are included (i.e. the same universe as in the question asking for the incidence of phased retirement), the percentage of firms offering early retirement is, on average, three percentage points higher (51%).
The growth potential of the silver economy

Increasingly, older people have the time and the money to buy luxury items, foreign holidays and specialist services. But are manufacturers and retailers ready to tap into this potentially lucrative market?

MONEY TO SPARE
According to a survey by the German market research institute, Allensbach, the spending capacity of Germany’s senior citizens is €90 billion per year – equivalent to the GDP of Venezuela\(^1\). The over-50s own half of Germany’s wealth. Although some older people only have the bare minimum for subsistence, many older people live quite comfortably – indeed, much more comfortably than, for example, many single mothers. On average, a pensioner in a two-person household in Germany has €1,600 to spend each month.

More than 27% of persons aged 50 to 59 and 60 to 69 years can spend over €500 freely each month; by contrast, only 21% of those aged 40 to 49 have that luxury. Furthermore, older people have the time to spend this money. So, with the age profile rising in all EU Member States, it is not surprising that some sectors are seeing the growth potential in their older customers better.

FREEDOM AND TIME TO TRAVEL
Tourism is one the sectors where national associations have analysed the customer base for the future and are developing products to meet the needs of older people. The Irish Tourist Board published a detailed market analysis in December 2004. The over 55 age group will be driving the projected growth in trips to foreign destinations. While sun holidays will take the lion’s share of the market, city breaks and countryside holidays will expand as well. Older tourists are looking for culture, sightseeing, cruises and guided tours, and passing over such options as theme parks, nightclubs, camping and sports events. Less time will be spent on each trip – one week being the preferred duration – but these shorter breaks will be more luxurious, with top quality hotels and health and spa facilities in high demand. An OECD study on the tourism industry in Australia predicts that the need to cater for the more discerning new consumer, driven by the demand for customised products and services, will lead to a micro-segmentation of the market.

INVESTING IN AGE
Financial service institutions are also discovering the importance of the older customer. With changes in pension systems and a shifting of the burden responsibility towards the individual citizen, demand is growing for private pension funds, life insurance and other financial products designed to ensure a good standard of living in old age. Customers, however, are not easily satisfied: a recent survey revealed that America’s retiring baby boomers do not trust the skills of financial services companies in their country.

In Europe, Deutsche Bank has diversified its workforce, as a way of addressing both the issue of trust and its capacity to cater for the needs of retirees. As cited in a case study by the European Centre for
Monitoring Change, the bank defines its diverse work force as a competitive advantage. By keeping its older employees (or ‘advanced’ and ‘experienced’ employees, as they are termed) in employment longer, Deutsche Bank addresses three issues: the declining number of young employees (a result of demographic change); the effective management of knowledge and relational skills between generations; and the need to match the age profile of customers (the bank is convinced that ‘experienced’ employees have a better understanding of, and are more sensitive to, the needs of older customers).

CATERING FOR THE OLDER CONSUMER
The challenge for business, therefore, is to take a fresh look and recognise the older generation as a key consumer market. Klaus Gretschmann, Director-General of the Economic Policy Directorate of the Council of the European Union claims: ‘The sale of cars could be increased by five to eight percent if the industry would offer cars that are senior-compatible – if they paid attention to older people as a consumer group’. Support for his statement comes from the 2004 Allensbach survey which found that 44% of 50 to 69 year olds stated that they were thinking of buying a new car, compared to only 29% in 1985. In that year, 70% of 18 to 49 year-olds had expressed their intention to buy a new car; in 2004, this figure had gone down to 50%. If companies offered ‘senior-compatible’ cars, interest among older people would probably be even higher. The same applies to mobile phones which ought to be equipped with a keypad large enough to be viewed without glasses, or to food packaging that older, less agile fingers can easily open.

ON THE MOVE AFTER RETIREMENT
In Germany’s largest state, North Rhine-Westfalia, with a population of roughly 18 million, recent calculations have shown that a proactive response to the needs and interests of the elderly could lead to some 100,000 new jobs. Similar calculations for Germany as a whole predict more than 900,000 new jobs in the ‘silver economy’ in the next twenty years. On the basis of these projections, North Rhine-Westfalia’s government launched a ‘silver economy’ initiative to capitalise on this potential for new markets in products, services, economic cooperatives and networks. This potential may, however, be overestimated.

A 2005 Eurobarometer study on mobility in the EU, whose results were analysed by the Foundation, found that almost 15% of European citizens are thinking of spending their retirement in a Member State other than their own: almost 45% of Swedes are thinking of moving, mostly south to warmer countries; 32% of Britons and 20% of Germans are also considering the idea, as against only 2 to 4% in such countries as Portugal and Spain. This could result in a ‘Floridarisation’ of Europe; the benefits associated with the spending power of an agile and affluent generation of retirees would then be spread less evenly among Member States.

Barbara Gerstenberger, Research Coordinator

2 EMCC company network: Managing the challenge of an ageing workforce – Case example Deutsche Bank (available at http://www.emcc.eurofound.eu.int/publications/2004/ef0479en_1.pdf)
Good practice in age management

Many European companies now recognise the contribution that older employees can make to their workplace and their business. In the light of the ageing of the workforce, some companies have introduced an age management approach, with benefits for both workers and the company.

Over the past decade, the demographic challenge posed by the ageing of the workforce in Europe has triggered various policy responses from governments and the social partners. At EU level, concerns about the sustainability of pensions, economic growth and the future labour supply have fuelled a range of policy recommendations and initiatives to support longer working lives and later retirement. Policies and practices (particularly in companies) to improve opportunities for older workers and to extend working life have developed significantly over the last decade. The Foundation has over the past ten years gathered and analysed a wide range of cases of good practice in age management in companies from across Europe, describing how the organisation approached the issue and the main results of the initiative. The case studies document good practice in relation to such issues as recruitment, training and development, flexible working, health, and ergonomics. Lessons from the case studies are drawn together in a report, *A guide to good practice in age management*, which aims to assist all those with responsibilities for employment in ensuring that age in the workplace is managed productively.

**WHAT IS ‘GOOD PRACTICE’?** At the company level, good practice in age management aims to sustain and enhance productivity. The advantage of such an approach for older workers is to foster their integration into the labour market, increase their quality of life and work, and make them more competitive in in-house and external labour markets. Good practice constitutes a range of possible interventions that contribute to promoting the interests of older workers and organisations. It consists of employment or human resource policies which provide an

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**Company Spotlight**

**Voestalpine, Austria: age-adjusted shift working**

With its headquarters in Austria, global steel company Voestalpine employs 22,000 workers. In recent times, the company’s age profile rose as a consequence of downsizing, early retirement and a halt on recruitment. Management realised that this higher age profile carried strategic risks for the company, including the possibility of reduced productivity as a result of a rapid loss of skills, workplace frictions and problems in attracting new employees.

In 2001, in response to the challenge of their ageing workforce, the board of directors approved the LIFE programme (‘Light-hearted, Innovative, Fit, Efficient’). The aims of the programme were to retain older employees, integrate new workers, encourage the transfer of ‘know how’ between generations and improve occupational safety through improved ergonomics. A key component of the programme is ‘Formula 33’, whereby every employee is granted at least 33 hours per year to spend on projects and training. In 2004, more than four out of every five employees availed of Formula 33. Today, the LIFE programme is a key part of Voestalpine’s strategy and is regarded by the Wolfgang Eder, CEO, as the company’s ‘most important HR programme’.

**NEW SHIFT PATTERNS**

The LIFE programme includes so-called ‘LIFE toolbox’ measures. Improving the pattern of shifts is one of them. It is widely acknowledged that night work is more tiring than daytime work: it can lead to sleep disorders, ill health and stress. People aged 45 and over tend to feel the ill-effects of night work more acutely than younger workers.

Voestalpine’s coking factory, which uses both night work and shift work, developed a plan to improve shift work. Implemented in 2005, the new shift plan offers age-adjusted schedules with the option to reduce both working time and night work.

Seminars on ageing, health and shift planning were provided and workers were asked about their shift preferences. The findings from this mini-survey were used to design a new schedule, offering three different lengths of working week: 34.4 hours, 36 hours or 38.5 hours. Each worker could choose the pattern of working week they preferred. A similar reform of the shift system was implemented in another Voestalpine factory; here, younger workers aged between 20 and 30 years were also in favour of reducing their working time, despite the resulting salary reductions of up to 5%.

**BENEFITS OF THE PROGRAMME**

The benefits of the LIFE programme included a significant increase in the worker satisfaction index – up from 74% to 89%. Working at Voestalpine became a more attractive prospect, and the number of job applications increased. There was an improvement in the relationship with clients, banks raised the company’s credit rating and JP Morgan upgraded the company’s stock.

Overall, the public image of Voestalpine improved, and the publicity generated by media coverage of the LIFE campaign was estimated to be worth €2 million.

http://www.eurofound.eu.int/areas/populationandsociety/cases/at003.htm
The Finnish News Agency (STT), a Helsinki-based independent national news provider founded in 1887, values the experience of staff aged 45 years and older.

STT employs 157 people, including 132 journalists. The average age of employees is 43 years, almost half the staff is aged over 44 years, while one in five is aged 55 or older. There is very low staff turnover.

In the late 1990s STT developed a range of measures to address the issue of an ageing workforce. The company introduced physical training and fitness tests, gave financial support for workers completing education programmes, changed the management structure and introduced management training, and offered part-time pensions to employees. An advisory committee for staff well-being was also created. This group is responsible for much of the company’s formulation of the strategy for older workers (in which both management and employee representatives are involved).

**MONITORING WORK CAPACITY**

Among the measures adopted by STT was the Finnish Institute of Occupational Health’s (FIOH) work ability index (WAI) – a questionnaire-based assessment of a person’s ability to work, that takes account of physical and mental job demands. Each STT employee completes an FIOH questionnaire every year, which includes the WAI and extra questions about work and lifestyle. On the basis of the information gained in the questionnaires, the company creates measures to promote each worker’s capacity to do the job: such as medical examinations, counselling for a healthy lifestyle, participation in rehabilitation courses and ergonomic improvements.

In 2002, STT introduced further age management measures such as language and information technology courses, new-employee orientation, supervision of work and a programme for all employees with a WAI score lower than 35 (a worker ability index between 28 and 36 is regarded as moderate, and an improvement in the rating is recommended.)

**MIXED RESULTS**

The average WAI score of employees at STT has remained constant over two years. In addition, employees feel under less stress than they did two years before (although journalists at the news agency feel more stress than those surveyed in a representative sample of Finnish journalists). Both employees and managers feel that the work load has decreased, and the pressure of work is less, especially among managers. However, while employees consider the work atmosphere to be good, they feel there is less support for professional development and for work rotation. In the future, the company, in collaboration with the FIOH, is planning a more systematic age strategy which will include a special project for workers aged 55 and older. Part of this strategy will include flexible working hours, job rotation, reorganised job descriptions and training in skills particularly needed by ageing workers.

http://www.eurofound.eu.int/areas/populationandsociety/cases/fi001.htm

**COMPANY CASES**

Good practice in age management tends to involve specific measures which combat age barriers or promote age diversity. Such measures may co-exist with others that are indifferent to needs of an ageing workforce or which restrict employment opportunities.
for at least some groups of older workers. Integrated and comprehensive human resource policies for active age management are not prevalent.

In most cases, initiatives that benefit older workers have been introduced at relatively low cost but only in some cases are they monitored and evaluated. Measures to maintain and promote the employability and productivity of an ageing workforce are geared towards both prevention – for example health, training, ergonomic or work–life balance aspects – and compensation, to make up for lost opportunities.

In the new Member States, Bulgaria and Romania, the promotion of ‘active ageing’ and the increase of employment rates among older workers, especially women and those with low skills, face many challenges. As far as the individual companies and organisations are concerned, research shows that they are unlikely to be interested in actively engaging in age management unless there is a clearly identified business need to do so. From the few companies which have implemented support measures on their own initiative, the research shows that their success is considerably influenced by the corporate culture – commitment of the management and the staff towards such approaches and their dissemination – as well as by the specific needs of the target group when designing programmes/initiatives on ageing.

MULTI-LEVEL APPROACH

The agenda for action to improve employment opportunities for older workers involves government policies at different levels, the social partners, companies and older workers.

The Foundation’s research offers an up-to-date resource of ideas, initiatives and incentives to respond to demands for better management at the workplace. The evaluation and assessment of the success of good practice in age management initiatives is not easy, but the research and database of case studies demonstrate a range of benefits for companies and for older workers – in terms of well-being, more positive work attitudes and increased employability.

The database on good practice in age management is available at www.eurofound.eu.int/areas/populationandsoceity/ageingworkforce.htm

Isabella Biletti and Gerlinde Ziniel,
Research Managers

1 The report is available at http://www.eurofound.eu.int/publications/htmlfiles/ef05137.htm.

FURTHER READING


European Foundation for the Improvement of Living and Working Conditions, Ageing workforce (an online database of employment initiatives for an ageing workforce), available at http://www.eurofound.eu.int/areas/populationandsociety/ageingworkforce.htm


The European Foundation for the Improvement of Living and Working Conditions is a tripartite EU body, whose role is to provide key actors in social policymaking with findings, knowledge and advice drawn from comparative research. The Foundation was established in 1975 by Council Regulation EEC No. 1365/75 of 26 May 1975.

www.eurofound.eu.int