



European  
Research Area

# EUROPEAN POLICY BRIEF



Title: Activating Senior Potential in Ageing Europe

Ongoing project

January, 2010

## SUMMARY

### Objectives of the research

In this Policy Brief, we report on employers' expectations and their opinions regarding the need to reduce staff levels in their own establishment. Furthermore, we examine employers' opinions about how the own organisation should act in case it has to reduce staff levels. The objective is to assess whether the present economic climate is likely to affect the labour force participation rates of older workers in the European countries under study.

### Scientific approach / Methodology

This Policy Brief is based on an empirical analysis of surveys held amongst European employers. We used data gathered within the ASPA project, containing: Denmark, France, Germany, Italy, the Netherlands, Poland and Sweden.

### New knowledge and/or European value added

Our data shows relatively high preference among employers for early retirement as a measure to reduce staff levels when their organisation would have to do so due to the current crisis. This applies to employers in all countries under study but Denmark.

### Key messages for policy-makers, businesses, trade unions and civil society actors

Policy makers – both at the national and the European level – should be well-aware of the risk that the current crisis may jeopardize the development that has been brought about with respect to raising older workers' participation levels. In several countries, older workers will be difficult to mobilize again to return to the labour market after the recession has come to an end and the demand for labour picks up. Given the results of this survey, it is not unlikely that - when employers find themselves faced with downsizing - 'early retirement' will return as a measure to reduce staff levels.

WORK IN PROGRESS: PLEASE DO NOT CITE OR CIRCULATE

**EUROPEAN POLICY BRIEF****Objectives of the research**

The ageing of society and the workforce is one of the dominant developments in modern European societies. A decrease is expected in the effective labour supply in many European regions during the next few decades. This development faces society with the challenge how to use the senior potential, both inside and outside the labour market. According to European governments and scientific experts labour markets are in need of higher participation rates of – amongst others – older workers. In light of this, raising the participation levels of older workers is one of the key objectives of policymakers in most countries.

The current economic crisis may jeopardize the raise in participation levels of older workers if employers – like in the past – decide to opt for an outflow of older workers in case of the need for a reduction of staff. After the recession comes to an end and the demand for labor picks up, mobilizing older workers who have been out of the labour market for some time may be even more of a challenge.

The objective is to assess whether the present economic climate is likely to affect the labour market participation rates of older workers in the European countries under study.

**Scientific approach / Methodology**

We used data from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland and Sweden. The data collection was carried out within the EU Seventh Framework Programme (FP7/2007-2013) under grant FP7-21689 (ASPA). Data collection took place in the time period March to November 2009. For the purpose of this study we used 5,411 completed questionnaires. In all countries we drew a stratified sample on the characteristics sector and size; we corrected for this in the analyses by attaching weights according to the population of establishments from national statistics bureaus. In the presentation of the graphs this weighting procedure is included.

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**New knowledge  
and  
European value  
added**

National and European targets to increase participation and extend the working life of older people are unlikely to be met without the active support of employers acting in accordance to these targets. In this policy brief we ask ourselves the question in what way the current crisis is likely to affect the labour force participation level of older workers. We look at employers' expectations and their opinions regarding the need to reduce staff levels in the own organisation. Furthermore, we examine employers' opinions about how the organisation should act in case it has to reduce staff levels. We analyse results from comparative surveys carried out among employers in Denmark, France, Germany, Italy, the Netherlands, Poland, and Sweden. These countries cover various types of welfare states, have different histories, and have taken diverse initiatives to increase labour force participation of older workers and extend working lives. Nowadays, in most countries employment rates start dropping between 55-59 years of age and drop sharply after the age of 60 (see table 1). Furthermore, the mean and median age of retirement is often well below the statutory age of retirement. Or, in other words, in most countries early retirement is rather the rule than the exception, and raising labour market participation levels of older workers is justly high on policy makers' agendas. A country such as Sweden is an exception, performing relatively well in keeping older workers on the labour market.

Table 1 Employment rate, life expectancy and retirement age

	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Italy</i>	<i>Netherlands</i>	<i>Poland</i>	<i>Sweden</i>	<i>EU (25/27)</i>
Employment rate (2008)								
50-54 years	85.7	80.5	79.4	71.0	81.9	66.7	85.2	75.5
55-59 years	79.4	56.3	68.9	47.6	69.8	40.2	80.6	59.0
60-64 years	35.3	16.3	35.1	20.0	35.1	18.9	60.1	30.1
Parttime employment 50-64 years (2008)	21.5	18.2	27.0	11.0	47.4	12.1	25.7	19.3
Life expectancy at age 65 (2006)								
Males	16.2	18.2	17.2	17.9	16.8	14.5	17.7	16.8
Females	19.2	22.7	20.5	21.8	20.3	18.8	20.9	20.4
Mean age of retirement (2005)								
Males	61.2	58.5	61.4	60.7	61.6	62.0	64.3	61.4
Females	60.7	59.1	61.1	58.8	61.4	57.4	63.0	60.4
Median age of retirement (2005)								
Males	62.2	58.8	61.6	58.4	60.5	57.0	63.9	60.7
Females	60.1	58.3	59.9	57.2	59.3	55.2	63.3	59.4

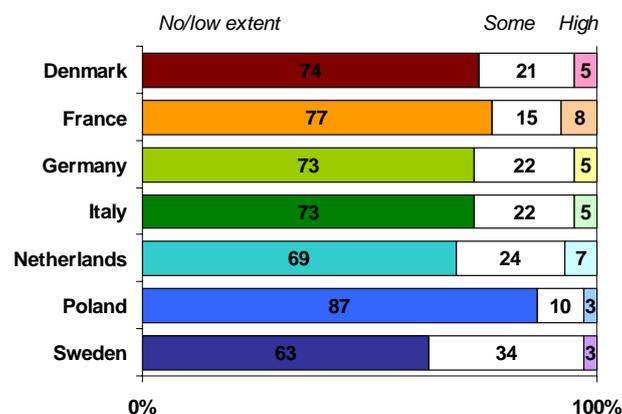
Source: Eurostat

In the long run, it is probably desirable to retain older workers in the light of the shrinking labour force. In the short run, employers need to hold ground during the current recession and one obvious measure is cutting costs. Organisations often start with measures like not renewing temporary contracts. But what will happen when organisations find themselves forced to reduce staff levels of employees with fixed contracts? This policy brief aims at shedding more light on the current situation in organisations and employers' preferred short term measures to face the crisis. Is the recession likely to affect older workers' participation levels?

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We asked employers to what extent their establishment encounters any problems related to personnel. In figure 1, the results are shown on the question whether there currently is a need to reduce staff levels. In most countries under study about a quarter to one third of employers need to reduce staff levels in the own establishment. In Poland, only 13 percent of employers report to currently encounter problems related to a reduction of staff levels to some or to a high extent. In Sweden this is highest with 37 percent.

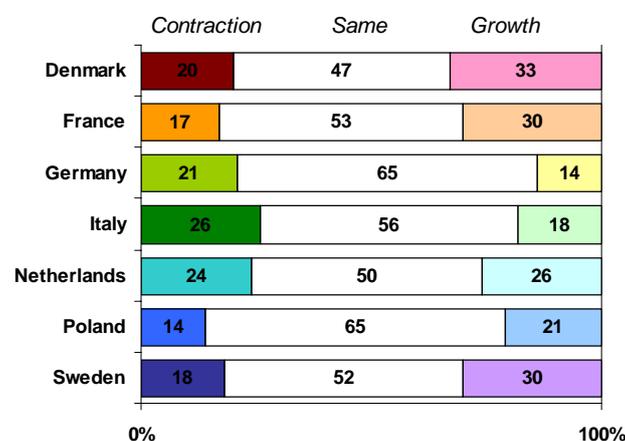
Figure 1 Establishments needing to reduce staff levels, percentage



Source: ASPA employer survey (2009)

The share of employers expecting contraction in the number of employees in the coming two years is shown in figure 2. In Italy and Germany more employers expect contraction than growth in the near future. In the Netherlands the group of employers expecting contraction is almost of the same size as the employers expecting growth.

Figure 2 Employers' expected size change, percentage

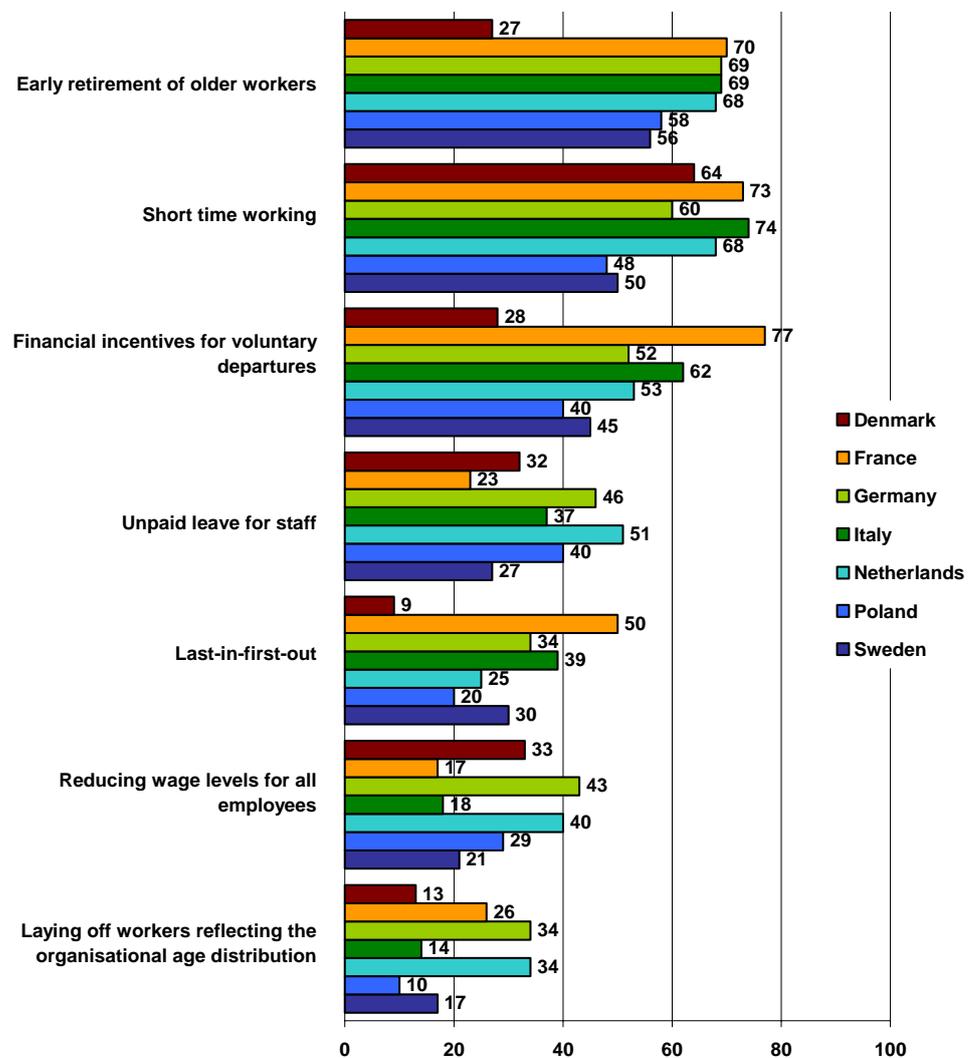


Source: ASPA employer survey (2009)

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What are employers' opinions on how the organisation should act in case it has to reduce staff levels due to the current crisis? In figure 3 we show that in most countries 56 to 70 percent of employers would be in favour or strongly in favour of achieving a reduction of staff levels by early retirement of older workers; only Danish employers do not rank this measure among the most preferred. Country-to-country differences may for example be related to the protection from layoffs older workers enjoy, but also on their norms on age and the prevailing 'age culture'\*.

Figure 3 Rating of options to reduce staff levels, percentage (strongly) in favour



Source: ASPA employer survey (2009)

\* For more information on an international perspective on public policies and age cultures we would like to refer to Guillemard (2010, Mimeo)

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Besides early retirement, short time working is regarded to be a suitable measure to deal with the current crisis; about  $\frac{1}{2}$  to  $\frac{3}{4}$  of European employers are in favour or strongly in favour of this measure.

A lot of variation can be found in the possible measure of financial incentives for voluntary departures. In France, this is the measure most preferred by employers; about  $\frac{3}{4}$  of employers is positive about this. In Denmark, financial incentives for voluntary departures are not that popular as a way to reduce staff levels; a little more than a  $\frac{1}{4}$  of employers is in favour or strongly in favour of applying this measure.

In 2009 several employers asked their employees for a sacrifice in wages; this reduction of wages for all employees has more opponents than proponents amongst European employers. Especially in France, Sweden and Italy employers do not believe this to be an appropriate option.

Overall, this policy brief shows that employers from countries differ in the extent to which they have to reduce staff levels, but on average about a quarter of employers currently faces the need to reduce staff levels and about  $\frac{1}{5}$ <sup>th</sup> expects a contraction of the number of employees in the own organisation within the next two years. In Germany and Italy the share of employers expecting contraction is higher than the share of employers expecting growth of the personnel staff. When employers are faced with downsizing, the preference for early retirement of older workers is remarkable; in all countries but Denmark this option is among the most preferred. Apparently, in the countries under study this is in general a socially accepted way of reducing staff levels. Especially in continental Europe re-entry of older workers to the labour market often is a lengthy and difficult process; this holds not so much true for the Scandinavian countries. When chances of re-entry are low early retirement of older workers often means a definite end of the working career.

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### Key messages for policy-makers, businesses, trade unions and civil society actors

The ageing of society and the workforce is one of the dominant developments in modern European societies. Both the European Union and national governments have set targets with respect to sustainable participation of workers. In March 2001 the European Council of Stockholm defined, for the first time, a quantitative and highly ambitious target in this respect - in addition to the overarching strategic goals set at the Lisbon European Council - by determining that by the year 2010 the employment rate of older workers should rise to 50% (from 26.3% in 2000).

Results from the ASPA project show, first of all, that employers from countries differ in the extent to which they have to reduce staff levels, but on average about 1/4<sup>th</sup> of employers currently faces the need to reduce staff levels and about 1/5<sup>th</sup> expects a contraction of the number of employees in the own organisation within the next two years. In Germany and Italy the share of employers expecting contraction is higher than the share of employers expecting growth of the personnel staff.

Second, when employers are faced with downsizing, the preference for early retirement of older workers is remarkable; in all countries but Denmark this option is among the most preferred. Many employers turn out to be strongly in favour or in favour of early retirement as a measure to reduce staff levels when they need to do so due to the current crisis. Apparently, in the countries under study early retirement is in general a socially accepted way of reducing staff levels. Especially in continental Europe re-entry of older workers to the labour market often is a lengthy and difficult process - this holds not so much true for the Scandinavian countries. When chances of re-entry are low early retirement of older workers often means a definite end of the working career.

Policy makers – both at the national and the European level – should be well-aware of how the current crisis may jeopardize developments in raising participation levels. In several countries, older workers will be difficult to mobilize to return to the labour market after the recession has come to an end and demand for labour picks up. Given the results of this survey, it is not unlikely that - when employers find themselves faced with downsizing - ‘early retirement’ will return as a measure to reduce staff levels.

PROJECT IDENTITY	
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<b>European Commission</b>	Scientific Officer: Dominik Sobczak
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<b>Funding Scheme</b>	<p>SEVENTH FRAMEWORK PROGRAMME</p> <p>Theme 8 Socio-Economic Sciences and Humanities (SSH), Collaborative research project.</p> <p>SSH-2007-3.1.1 The impact of demographic changes in Europe</p>
<b>Budget</b>	€1,489,803
<b>Website</b>	<a href="http://www.aspa-eu.com/">http://www.aspa-eu.com/</a>
<b>Further reading</b>	Guillemard, A.–M. (2009, mimeo)
<b>Related website</b>	
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