WP2 WP3 Introductory Comparative Chapter

Transitions from Work to Retirement: Still a Maximum of Diversity in a Minimum of Space

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Introduction

Demographic ageing and the longer life span raise issues that are not limited just to the financial sustainability of pension systems. They call into question the distribution of work and social transfers over the life course. They force us to rework our definitions of age and age-management, and our conceptions of welfare for covering risks and providing security over the life course. To cope with these demographic issues, European countries have implemented contrasting policies with different results in relation to prolonging the working life and promoting active ageing.

This comparative analysis starts by focussing on the interplay between labour market and welfare policies, and their impact on the second part of careers. This should enable us to identify how societies have constructed and regulated the relations between age, work and welfare. It should also help us analyse the variety of national responses to the similar demographic trends affecting all developed countries.

The theoretical framework herein combines aspects of societal analyses, the historical neoinstitutionalist school and a cognitive approach to the study of public policies, all this from a life-course perspective. In line with the neoinstitutionalist approach's emphasis on the state and institutions, this comparative study has constructed the types of institutional public-policy configurations that have an impact on the second part of careers. The goal is to explain how they have led to different policy options and contrasting patterns of labour force participation. Each configuration combines a welfare regime (described in terms of the coverage and compensation for economic inactivity that is provided to persons during the second part of their career) with labour market policies (described in terms of the degree to which they ensure that people remain employable and are kept in, or brought back into, the labour force during the second half of careers). Such a public policy configuration also generates a set of norms. Through its interventions and arbitration in matters of employment, training and public assistance, the welfare state generates age-related norms.

Guillemard (2005a) has identified four institutional configurations of public policies, each corresponding to an "age culture", *i.e.*, a set of shared values and norms on the question of ageing and on the entitlements and obligations related to age. An age culture is grounded on categories and rules of action, on principles about what is fair and just between age-groups and generations. Policies with regard to ageing wage-earners are not just a set of rules of action. Once adopted, they act back upon the cognitive sphere, generating motivations, justifications and reference marks that mould the behaviours of all parties in the labour market. This meaning of "age culture" falls in line with Pierre Muller's remark: "We become aware of both the cognitive and normative nature of public actions, since the two dimensions of explaining the world and making it normative are inseparable" (Muller 2000:192). Each public policy configuration can be examined in relation to the age culture it has fostered and its outcome in relation to the pathways taken to retirement. Guillemard (2005a) has identified two contrasting age cultures resulting from two opposite types of policy configurations.

For the sake of saving jobs, continental Europe chose, from the end of the 1970s to the mid-1990s, to compensate seniors for exiting early from the labour market. This choice led to the formation of an "early exit culture" among all parties and to the "inactivation" of seniors. In contrast, Scandinavian countries have chosen to reinforce their active labour market policies, in particular toward persons over the age of 45. They have thus constructed a "culture of the right to employment at any age", which has boosted an ongoing process for activating seniors. The normative and cognitive effects generated by the public policies that were implemented over the past two or three decades account for the differences in labour force participation after the age of 55 (Guillemard 2010).

Given the accelerated ageing of the population in Europe, it is necessary to prolong the working life. This is the orientation chosen in the European Employment Strategy, which, in 1999, called for the development of "active ageing" and the construction of a "society for all ages". This objective represents a challenge depending on whether a country has already adopted appropriate policies for activating seniors (*e.g.*, Sweden with its "job line") or has promoted an "early exit culture", which will have to be dismantled before changing course toward the activation of seniors. Scandinavia needs but make minor adjustments in its public policy mix and speed up its efforts in favour of activation so as to increase ageing wage-earners' propensity to work. The task will be much harder in the continental and southern European countries immersed in an early exit culture. This comparative chapter seeks to detect the levers that some countries have used, since the mid-1990s, to promote active ageing and better cope with the challenges of an ageing population.

After having presented the major trends and characteristics of the participation of older wage-earners in the labour market (§1 and §2), we shall compare the policy instruments used in eight countries (§3). We shall then identify the coherent policy mixes that are best adapted for prolonging the working life (§4). This will help us propose, in conclusion, a few "recommendations for active ageing" (§5).

1. Major Trends in the Employment Situation of Older Workers

From the early 1970s to the mid 1990s in most advanced economies there was a clear trend for people, or at least men, to withdraw earlier and earlier from the labour market, reflecting both lowering of standard pension ages and, in several EU member states, a massive use of early retirement schemes or alternative exit routes such as disability pensions or unemployment benefits. The resulting decline in employment rates was particularly marked in France (-34.5 percentage points), The Netherlands (-30.0 percentage points) but also in Germany (-28,9 percentage points) and the UK (-23,1 percentage points). Increases in employment rates since 1995 have only partially reversed these falls. It should, however, be noted that countries like Italy even in the early 1970s already had a low employment rate among elderly male workers of below 50 per cent, while the decline started later in the other seven countries. Despite this overall decline, employment rates for older men have only fallen below 50 per cent in the case of France Italy and Poland.

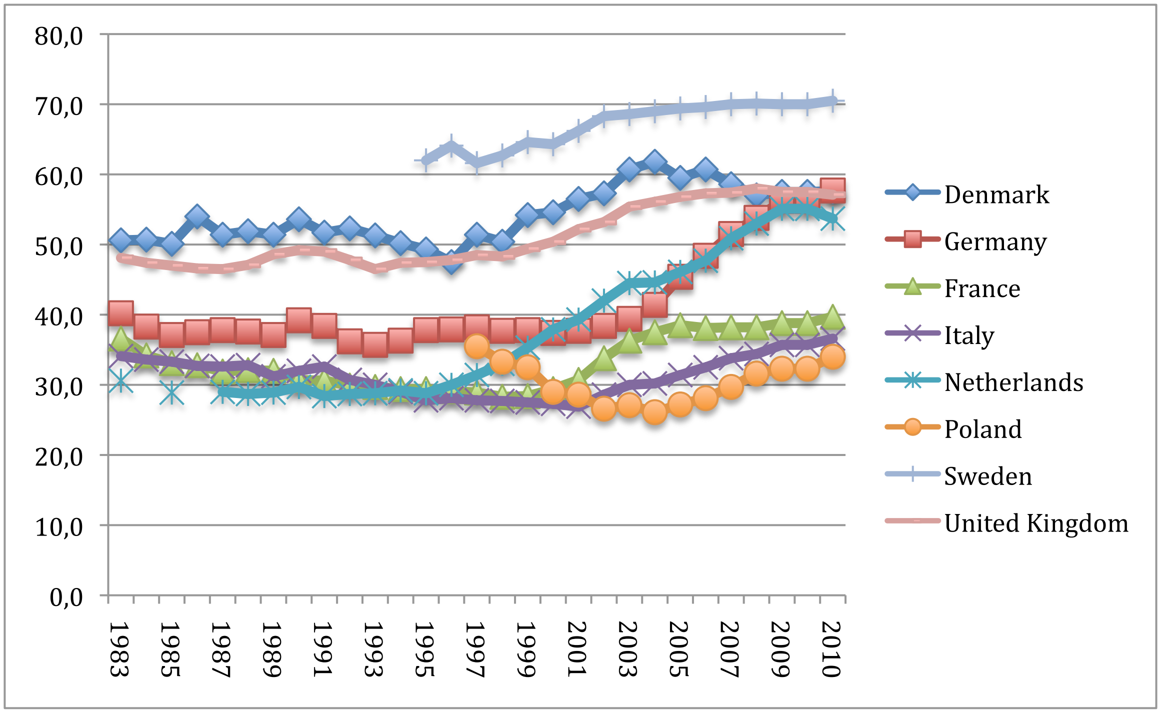
Table 1. Trends in employment rates of older workers (men 55-64 years old, 1971-2009) employment rate (55-64 years old, all and women 2009) and gender gap 2009.

Country	1971	1985	1995	2000	2009	Variation in % points 1971-2000	Variation 2000-2009 in % points	All 2009	Women 2009	Gender Gap 2009
Denmark	n.a	62,0	63,2	61,9	64.1	n.a	+2.2	57.5	50.9	13.2
Germany	77,1	53,6	48,2	48,2	63.9	-28.9	+15.7	56.2	48.7	15.2
France	73,0	46,8	38,4	38,5	41.4	-34.5	+2.9	38.9	36.6	4.8
Italy	46,5	37,5	42,3	40,3	46.7	-6.2	+6.4	35.7	25.4	21.3
Netherlands	79,9	47,0	39,9	49,9	65.4	-30.0	+15.5	55.1	44.7	20.7
Poland	n.a	n.a	44,5	37,4	44.3	n.a	+6.9	32.3	21.9	22.4
Sweden	82,8	73,2	64,4	67,8	73.2	-15.0	+5.4	70.0	66.7	6.5
UK	82,9	62,3	56,1	59,8	66.2	-23.1	+6.4	57.5	49.2	17.0

Source: Eurostat (2010), and Guillemard (2003).

If we also take into account older women's employment rates we find three countries are far from reaching the EES target of 50 per cent, France, Italy and Poland – failing to reach even 40 per cent in 2009. In the remaining countries employment rates of older workers (55–64 years old) are significantly above the 50 per cent target. The Nordic countries as well as the UK display the highest employment rates among elderly workers (reaching even 70 percent in Sweden).

Figure 1: Trends in Employment Rates, of senior workers (55-64 years old) 1983-2009



Sourcce: Eurostat (2001)

The UK and Sweden are often taken as representing polar types of welfare capitalism and indeed their relatively high employment rates among senior workers reflect the different welfare systems. The lower degree of de-commodification, in particular the relatively low replacement rate of the statutory/mandatory pension schemes and the uneven coverage of occupational pensions in the UK create strong incentives for working longer. In contrast, in the Nordic countries it is the higher degree of de-commodification and the high level of public spending that requires a high level of employment over the whole life course and at the end of the job career for both men and women.

Table 2 Early, Standard and Mean Age of Retirement Breakdown by sex

	Early Age of Entitlement (2003)	Standard/official Age of Retirement		Effective Mean Age of Exit* (2002-2007)	
		Men	Women	Men	Women
Denmark	65	65	65	63,5	61,3
France	60	60	60	58.7	59.5
Germany	63	67**	67**	62.1	61.0
Italy	57/56	65	65	60.8	60.8

Netherlands	60	65	65	61.6	61,3
Poland	65/60	65	60	61.4	57.7
Sweden	61	65	65	65.7	62.9
UK	65/60	65***	60***	63.2	61.9

* The average effective age of retirement is defined as the average age of exit from the labour force during a 5-year period. Labour force (net) exits are estimated by taking the difference in the participation rate for each 5-year age group (40 and over) at the beginning of the period and the rate for the corresponding age group aged 5-years older at the end of the period. The official age corresponds to the age at which a pension can be received irrespective of whether a worker has a long insurance record of years of contributions (OECD 2009a).

** The standard retirement age in Germany has been raised to 67 years old in 2007. The change will take effect from 2012 and fully implemented by 2029.

*** In the UK the state retirement age will be 65 years for both men and women in 2020 and is set to increase to 68 by 2050.

For France, workers can retire at age 60 with 40 years of contributions;
for Italy, at 57 (56 for manual workers) with 35 years
of contributions.

Source: OECD 2003 and OECD (2009a) OECD (2009b) for the effective mean age of exit

Obviously this later exit is also encouraged by the age culture or norms embedded in Sweden's human resource management practices, such as less prevalent age discrimination, relatively flat age–earnings profiles and the financial incentives to postpone retirement in the new Swedish pension system (see below). The extremely low employment rate of older workers in, France, Italy and Poland partly reflects the large share of older working age people who are still receiving benefits from pre-retirement schemes as well as the presence of alternative benefit-funded exit routes. The low employment rate among senior workers in France results from two main phenomena. First, from 1981 the legal age of retirement was reduced from 65 to 60 years and massive use was made of public early retirement schemes for the 55–59 years old (see Table 2)[1]. Despite reduced public expenditure on such programmes in the mid 1980s, the 'culture' of early retirement remained dominant until the end of the 1990s. Secondly, unemployed persons aged over 57.5 years in France were exempted from job searching while still being entitled to unemployment benefits until retirement. In Germany it is only in 2006 that the exemption of job search for unemployed people older than 58 was abolished. In Italy massive use of early retirement schemes allowed and encouraged able workers in their 50s to exit the labour market. In Poland, the massive use of early retirement and

[1] The low but variable likelihood of re-employment for unemployed senior workers is partly a reflection of discriminatory practice from the employer sides and also a good illustration of contrasted human resource practices among countries. To illustrate in France and Germany only 3% resp. 4% of the seniors who were unemployed in 2000 became employed in 2001. The probability of making a transition from unemployment to employment was thus very low, in comparison with the prime age adults (27% resp. 37 %), or with other countries (20% in Denmark, 27% in the UK), see Anxo and Erhel, 2008.

disability pensions, in the early 1990s (see Perek-Bialas and Turek, this volume) targeted principally at the low educated and blue collar workers, was a way of handling the social tensions resulting from restructuring after the political regime change. In spite of efforts, even in the more stable conditions of the 1990s it proved impossible to eliminate the practice of early retirement such that it has become up to the end of the 1990s a typical method of exiting the labour force[2]. The introduction of a flexible retirement age in 1972 in Germany has led to an early retirement culture, the erosion of which only started in the early 1990s where stricter rules for early retirement and disability pensions were enacted (See Aleksandrowicz and Frerichs, this volume). The sharp decline of older workers employment rates up to the mid 1990s might be ascribed to the restructuring process due to the German reunification. This restructuring and downsizing process impacted negatively on both East-German male and female elderly workers employment rates. As in Poland it should be also note that the decline of employment among east elderly workers was also accommodated through public pre-retirement schemes. The UK has never had a national early retirement scheme, although public sector workers for a period were particularly likely to be offered early retirement, while in Sweden access to public early-retirement schemes for labour market reasons was first of all severely restricted during the end of the 1980s and abolished in 1991.

The gender employment gap among senior workers is lowest in France and Sweden, despite large differences in overall older worker employment rates, but is particularly pronounced in Italy, Poland and the Netherlands, reaching almost 23 percentage points in Poland. These large gender employment gaps reflect women's general problems of integrating into employment at earlier stages of the life course and lack of opportunities to re-enter at later ages (see Anxo et al. 2006, Anxo and Erhel 2008); in Poland and the UK, lower statutory retirement ages still apply to women allowing them to retire in principle on a full benefit before the age of 65 (see Table 2), but the statutory retirement age (State pension age) in the UK is planned to be 65 years old for both men and women, the equalisation of pension age starting in 2010 and will be completed by 2020. (See Casey and Lindley, this volume)

[2] Up to the introduction of a new pension system in Poland in 1999 almost a quarter of the working population had the possibility to retire earlier that the legal retirement age with no actuarial reduction of old-age benefits (See Perek-Bialas and Turek, this volume)

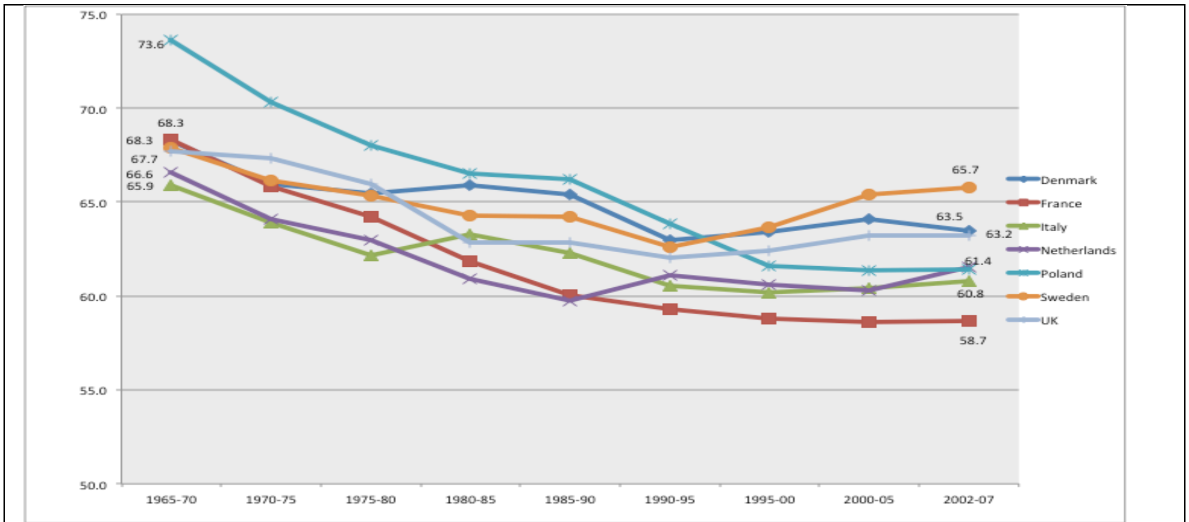
Recent pension reforms have reversed the trend to lower pension eligibility ages, with several countries introducing gradual increases in pension ages for both men and women. When these reforms are completed, most will have a standard retirement age of 65 years, 67 or more in Germany, and the United Kingdom. In 2010, France has finally levelled off the minimum age for a full pension to 65. Effective retirement ages are still on average even lower than the current statutory pension ages, except for men in Sweden (Table 1). In France the effective retirement age is even below 60 independently of gender and below 60 years for women in Poland, indicating the still large-scale use of early retirement schemes or other equivalent benefit-based exit routes such as unemployment insurance (France, Poland). The decline in the effective retirement age, evident in most of our selected countries from 1970, has been reversed at the turn of the new century but the withdrawal age is still significantly younger than in the 1960s and 1970s.[3] This decline in the effective exit age has been common for both men and women, although the exit age is effectively only calculated for those in employment from age 40 onwards which applied to smaller shares of each female cohort in earlier decades. The narrowing of gender gaps in exit ages over the last 40 years implies some form of convergence in exit behaviour of men and women but in practice, if retirement is to facilitate complementary leisure for couples, women are likely to exit earlier as the male spouse is still on average a few years older.

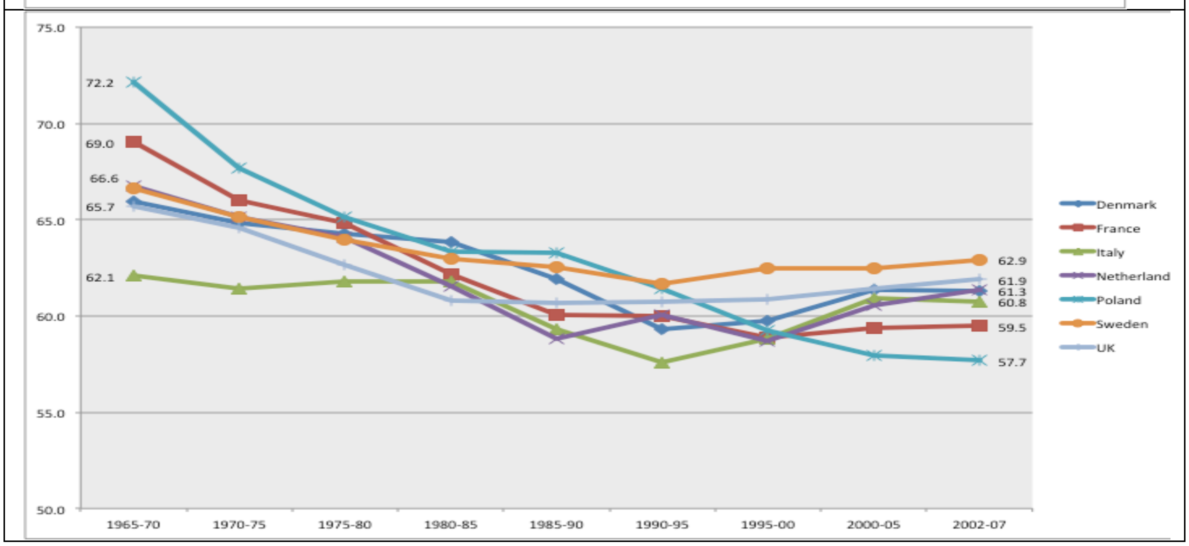
These long-run trends in exit ages do not only reflect the impact of changing policy regimes but also the effect of rising living standards and the related increased demand for leisure.[4]

Figure 2: Trends in exit age 1965-2007, Men upper panel female lowe panel

[3] The effective mean age of retirement during the period 1965–70 was for men 68,3 years in Denmark , 67.6 in France, 65.9 in Italy, 66,6 in the Netherlands 73,6 in Poland 67.9 in Sweden and 67.7 in the UK. The corresponding figures for women were 66,0 years in Denmark 68.2 in France, 62.1 in Italy, 66,7 in the Netherlands72,2 in Poland , 66.6 in Sweden and 65.7 in the UK (OECD 2009b).

[4] According to OECD (2003), past changes in financial incentives (implicit tax rates on continued work) and standard retirement ages explain only a third of the trend decline in older males' employment rates in OECD countries over the last three decades. This result suggest that other determinants, such as demand side factors and social norms play an important role in driving down the participation rates of elderly workers.





Source: OCDE (2011)

Also under technological and industrial restructuring the demand for low-skilled older workers has declined, leading to more effectively involuntary exits. The trend reversal in this century can be attributed primarily to the various pension reforms initiated in most of our selected countries over the last decade aimed at increasing financial incentives to postpone retirement and to the limiting or closing of national pre-retirement programmes or alternative routes to early withdrawal see the following section for a presentation of these reforms.[5]

[5] It is however difficult to disentangle the impact of these reforms from business cycle aspects and/or cohort or generational effect.

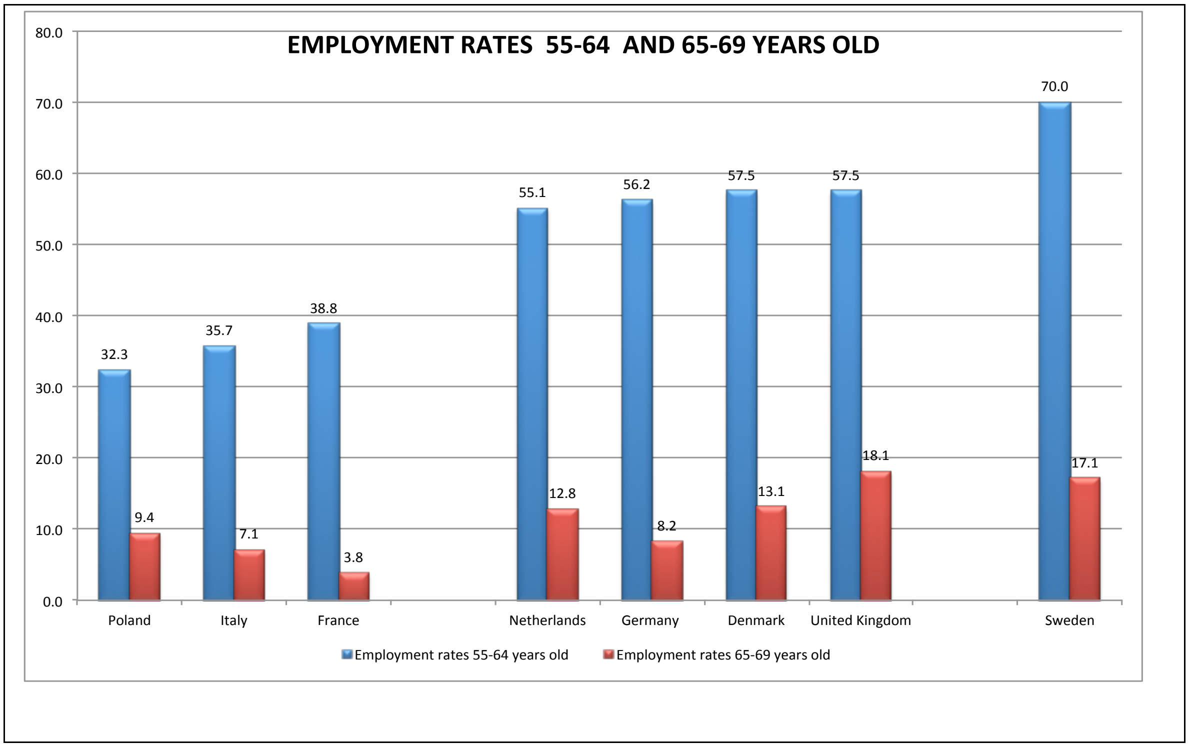
Comparing seven member states[6] using standard econometric techniques and controlling for a range of socio-economic variables we found (see Anxo, et al. 2006), important cross-country differences in exit patterns of retirement. The most marked reduction in labour supply was found in France, Germany, and the UK. The smallest labour supply reduction occurred in Sweden, irrespective of gender. As expected, almost all the reduction of labour supply could be ascribed to exit behaviour, with some exceptions where the impact was more evenly distributed between exit and reduction of working time (in particular in Sweden and the UK). Not surprisingly, the policies which play a key role in producing these contrasting exit patterns at the end of working life are national differences in eligibility/statutory pension ages, whether early or progressive retirement schemes are offered and also national differences in age culture and societal norms reflected in firms' human resource strategies towards older workers.

2. Main Features of Labour Market for Elderly Workers (55-64 years old and 65 years and older).

As mentioned previously the employment rates for elderly workers (55-64 years) in our selected countries have been falling until the middle of the 1990s, after which they have started to recover during the last decade. As shown by Figure 3 below three groups of countries in terms of their current (2009) employment rate of elderly workers might be distinguished: France, Italy and Poland with employment rates around 32–39 per cent, Denmark, Germany, Netherlands and the UK with 55–58 per cent, and finally Sweden where employment rate for elderly workers reaches 70 per cent. In this section, the aim is to identify the main disparities and similarities in elderly workers labour market positions within and between these three groups of countries.

[6] France, Italy, Germany, The Netherlands, Spain, Sweden and the UK

Figure 3: Employment rates, 55-64 and 65-69 years old, 2009.



Source: Eurostat (2011)

It is also interesting to note that the country with high employment rates among the young senior (55-64 years old) display also higher employment rate among the older senior (65-69 years old).

2.1 Employment rates and educational attainment

A first salient feature appears as we focus on employment rates for elderly workers according to their levels of *educational attainments*. It becomes clear that higher schooling generally is associated with considerably higher employment probabilities at old age, as employment rates are significantly higher for people belonging to the level of education ISCED 5-6 (University degree or similar) than level 3-4 (College degree) and level 0-2 (Elementary school)., see Table 3 below. There are several reasons why highly educated individuals often stay longer on the labour market: They are less exposed to work injuries and unhealthy working conditions, they participate more often in further training and life-long learning, they are less exposed to selective redundancy processes in the manufacturing sectors, they enter the labour market later than lower educated workers, and they may also be able to balance their working-time and leisure in a way that improves their chances to stay on the labour market at old age.

Table 3. Employment rates of older workers (55-64 years old, 2009) by educational attainment.

	ISCED 5-6 (University)	**ISCED 3-4 (College)**	**ISCED 1-2 (Elementary)**
Denmark	70.3	58.6	46.0
France	55.0	40.6	30.9
Germany	71.8	54.5	39.1
Italy	65.6	47.9	25.8
Netherlands	69.3	57.7	42.3
Poland	56.2	31.2	22.3
Sweden	81.6	69.8	61.0
UK	66.2	63.0	43.5

Source: Eurostat (2011)

The persistently higher employment rates of highly educated older workers create both opportunities and challenges. An increasing average level of education in the workforce has resulted in increasing employment rates of older citizens. In particular, the closing up of employment rates between men and women aged 55-64 seems to be a result of women's increased investment in education (Italy in particular). A great challenge, however, is to include lower educated social groups, by increasing their further training and by improving the matching process between individual skill and job requirement. The matching of workers' skills and job requirements is pointed out as a particular critical issue in Poland, even for the highly educated groups of senior workers, as the transition from the socialistic political and economic system to a liberal market economy and democracy has resulted in new job requirements and employer demand for qualifications that were not previously asked for. (see Perek-Bialas and Turek in this volume)

2.2 Atypical work and non-standard employment contracts among senior workers

A central question is to what extent non-standard employment contracts (*self-employment, temporary employment, part-time employment*) are more common among elderly workers. All our selected countries displays an increasing share of atypical employment forms as workers reach the ages above the standard age of retirement.

Especially in Italy and Poland, there are high shares of self-employed workers (in Italy over 30 percent of male workers 55-64 years, and over 70 percent of male workers 65 years and older). Self-employment seems often to be a bridge between ordinary employment and retirement, as self-employees often work part-time and the workers continue to work for their former employer or in their own firm. It might also be the case that self-employees have a higher propensity to continue to work after 65, because they are liquidity constrained and have less generous pension conditions, or simply because their work is a central part of their way of life. In a similar pattern as for the self-employees, the share of workers who are temporary employed increases significantly at 65 years and above. Temporary employment is largely connected to transitional labour markets when young peoples enter the labour market and older peoples are in the process of leaving the labour market. Labour market regulations are central for explaining the general prevalence of temporary employment as well as to what extent it is common among older workers. Large divergence exists in employment protection for elderly workers across our selected countries. Among the liberal regimes, Denmark is marked by relatively weak employment protection and fairly liberal hiring and firing practices. In some segments of the Danish labour market manual workers can be fired from one hour to the next or from one day to another. At the other end of the spectrum, older workers in Germany benefit from high employment protection and job security due to preferential collective agreement regulations and a higher share of open-ended contracts than younger workers. In Sweden also the application of a seniority principle (last-in first out, LIFO) regarding dismissal appears also as to be a good instrument to protect older workers during recession. However, at the standard age of retirement, employment law in general no longer protects older workers. Employees in the UK may request to work beyond the age of 65, but employers do not have to acquiesce to this request, and they do not have to justify their refusal. Similar constructions can be found in Sweden, where the employer can terminate the employment contract with one month notice, without any legally binding reasons when the employee turns 67 years old.

Table 4. Employment rates of older workers (55-64 and 65- years old, 2009), self-employees, temporary employment, part-time employment

	Self-employment		Temporary employment		Part-time employment	
	55-64	*65-*	*55-64*	*65-*	*55-64*	*65-*
Denmark	7.2	19.1	3.5	9.5	27.7	64.3
France	9.2	25.2	8.0	31.2	21.2	52.2
Germany	7.5	22.6	4.5	8.0	27.7	68.5
Italy	21.6	51.5	5.5	13.3	10.9	24.9
Netherlands	14.2	43.7	6.9	46.3	49.8	83.2
Poland	20.2	41.8	22.0	38.6	18.6	57.6
Sweden	9.0	37.3	5.7	38.5	28.3	70.3
UK	14.5	27.2	4.8	14.8	31.5	67.7

Source: Eurostat (2011)

The incidence of *part-time employment* is a reflection of the different national work-life balance strategies, and mirrors how mothers combine employment and family commitments. In countries where marriage and children is still associated with a drop in employment rates, the incidence of female part-time employment is consequently lower (France, Italy, Poland) than in countries where part-time employment is a way for mothers to combine employment and family commitments (Sweden, Holland, Germany, Denmark). Part-time employment can also be an indication of weak labour market attachment. We generally see that part-time employment is equally prevalent for women in the age group 50-64 as for women in prime age (25-49 years), and then increases further for 65 years and above. A survey conducted in Germany indicated that around 80 percent of women above 45 years who were working part-time did so voluntarily (See Alexandrowicz and Frerichs, this volume). Furthermore, a large share of women above 45 years stated "personal or family obligations" as reasons for their part-time work, which could be an indication of insufficient supply of public institutions providing subsidized childcare and eldercare.

2.3 Occupational and sectorial structures

The patterns of *economic activities* for elderly workers are obviously dependent on the overall industry structure of the individual countries. In addition, the country differences in the share distribution of older workers by industries might be related to cross country differences in the incidence of highly educated workers, self-employment, temporary contracts and part-time employment by industries. When comparing the employment rates for 55-64 years-old workers with employment rates for workers 25-49 years old, a cross-sectional analysis reveals that older workers' employment share decreases in manufacturing, construction, wholesale and retail, and professional, scientific and technical activities. Only with a few exceptions, this is true for all the selected countries. On the other hand, the share of employment of older workers (55-64 years) compared to younger is increasing when it comes to public administration, education, and human health and social work activities. The transition to the age group 65 years and above is associated with increasing shares of employment in wholesale and retail and professional, scientific and technical activities, which is consistent with increased self-employment and employment in workplaces where experience is very important and valuable.

2.4 Unemployment rates and duration

In all selected countries, senior citizens' unemployment rates are significantly lower compared to the population under 25. When comparing the unemployment rate of 25-49 and 55-64, there are no major differences, except in Germany where a weak increasing unemployment for older workers can be observed. One should however remember that open unemployment for elderly workers in many cases has been replaced by public early retirement schemes or other exit routes (See Table 2 above). In addition, individual pension agreements with their former employer are widespread alternatives to open unemployment. This is commonly used in Italy, where job protection measures such as the Income redundancy fund (*Cassa integrazione guadagni*, provides an informal early retirement (See Checcucci et al. in this volume). In the UK, central and local government employees aged 55 and over have been able to take early pensions if they leave as part of a redundancy exercise. (More on informal early retirement)

A second central feature is that the duration of unemployment increases by age. The shares of unemployed who have been unemployed for long periods are particularly high for older workers in Germany, Italy, France and the Netherlands. The unemployment insurance systems have in many cases been contributing to the long-term unemployment of elderly workers, by de-facto functioning as an early exit/retirement pathway. In several countries, these pathways of early exit from the labour market has lately been restricted or closed, in Denmark since 2007, Germany in 2006 and in Sweden since 2001. Other regulations on the labour market can increase the long-term unemployment. In Poland, a regulation that prevents employer from dismissing an employee four years before standard retirement, which very often works to the disadvantage of older unemployed as employers do not want hire people approaching this age. This seems to be an important obstacle against activation of unemployed 50+ in Poland.

3. Public policies and active ageing

Public policies implemented since the beginning of the 1990's and affecting older workers are a 'policy mix'. They may include several dimensions: pension system, with structural reforms or only parametric reforms, sickness, invalidity and disability, labour market legislation, active labour market policy, and some complementary policies such as the prohibition of discrimination, occupational health policy and care for dependent persons. In all of the eight countries revised here, public policies are rather multidimensional, but in different ways and with various timings.

3. 1 Pension reforms

Reforming the pension system plays a major role in this policy mix. Over the last two decades, all our selected countries have undertaken pension reforms (see OECD, 2008). In particular, Germany, Italy, Poland and Sweden – have embarked on comprehensive, structural pension reforms while other countries have undertaken marginal changes of their pension systems or like France have chosen to modify some parameters of their pension system. Worth noticing also is the difference in the process and timing of the reforms : some reforms are one-shot (United Kingdom, Poland, Italy) while others required several steps (France, Germany), most are implemented very progressively (Poland, Germany, United Kingdom, Italy, Sweden) while few enter quite quickly into force (the 2010 reform in France). Most reforms cover a large part of the labour force, while in some countries some categories are not concerned at the same time (civil servants and public employees in France until recently, farmers in Poland).

Overall, the primary objectives of these reforms were to insure the long run financial sustainability of public pension systems and to contain the future cost increases of public pensions related to the ageing of the population. These reforms have included, among other things, increases in retirement/entitlement ages and changes in eligibility criteria, a strengthening of the link between pensions benefit levels and earnings, a lowering of replacement rates for new entrants as well as a greater role played by private pension schemes in providing incomes in old age.

A common policy response has been to encourage older workers to postpone retirement by changing financial incentives to retire. Income penalties for early retirement in old-age pension schemes have been introduced or increased (Germany and Italy) and/or there have been across the board reduction of income replacement rates (Germany[7]). Indexation rules have been changed, benefits no longer being indexed to real wages but to economic growth (Italy and Sweden). Similarly, some countries (France, Italy and Poland) have extended the period over which earnings are taken into account instead of calculating benefit on a limited number of final-years. To illustrate: France and Poland moved from the best 10 income years to the best 25 years (France) in the public scheme while Sweden pension systems are nowadays based on a lifetime average earnings. Public early retirement schemes have been severely restricted and sometimes closed to new entrants (Germany, Poland, Sweden).

Three of our selected countries – Italy, Poland and Sweden – implemented a gradual shift from a pay-as-you-go benefit-defined system into a mandatory pay-as-you-go notional defined contribution system (NDC)[8]. The structural pension reform launched in Poland in the mid 1990s, and implemented in1999 also continued to maintain the mandatory pay-as-you-go state pension system but based now on a defined contribution system. Furthermore the reform implied also the set up also a mandatory second pillar with privately managed accounts and a voluntary third pillar enabling additional pension savings. These comprehensive pension reforms have in common important feature:

[7] In Germany, the gross replacement rate of the statutory pension scheme is estimated to decrease from 52.7 % in 2005 to 46.3 % in 2019.

[8] Sweden stands out in this group of countries, since collective agreement occupational pension schemes have always been important in pension provision and based on collective agreement. More than 90 % of employed are covered by such occupational pension. After the pension reform, this component increased to just under 50% of the pension promise.

pensions will in future automatically adjust to changes in economic growth and in life expectancy. Annuities will be lower, the lower is economic growth and the higher life expectancy is at the time of retirement since the pension will be paid for a longer time. Such automatic adjustments to life expectancy have also been built into systems, which have not undergone systemic reform. For example Germany has linked benefit levels to life expectancy while France has opted instead to extend the years of contributions required for obtaining full benefits (OECD, 2008).

In contrast to the other countries, state pensions constitute a relatively low level of income in the UK although the basic pension is supplemented by more generous means tested pension credits, which have reduced pensioner poverty rates in the UK. The provision of occupational pensions is also highly variable in the UK with less than half of employees contributing to occupational pensions and less than one fifth to personal pensions. Means tested pension credits have been reducing incentives to take out occupational or personal pensions in order to limit future state responsibilities for means tested benefits major changes in policy were agreed, including a decision to increase the basic state pension in line with earnings instead of prices from 2012, to raise retirement ages from 65 years to 68 years old between 2020 and 2044 (see Casey and Lindley, this volume) and introduce again from 2012 a national savings policy for second tier pensions with obligatory matching contributions by employers and the state for participating employees.

3. 2 Potential impacts of the pension reforms

The focus of the following section is to assess the equity and income distribution of these pension reforms taking into account intra- and intergenerational consequences for equity and income distribution of the above described pension reforms.

The extension of contributing periods (France, Poland) as well as the introduction of lifetime income principles (Italy, Sweden) may affect individuals' income during retirement quite differently, depending on the distribution of risks concerning career and employment disruptions between gender and socio-economic groups. Extending the time period over the working lifetime will tend to reduce pension benefits given, for a large share of workers, their upward sloping age-earnings profiles. In other words, we may expect that in countries with strong seniority-based wage system such as France, the reform will affect the pension replacement rates more than in countries with low wage seniority as for example in Sweden. Extension of contribution periods will also have more severe gender equity implications where women are not continuous employees and where there are limited credits for childcare periods. On the other hand we may argue that intra-generational fairness might have played an important role in some countries like Sweden since the old system based on the best income years like in France, Poland and Sweden favoured people with a shorter contribution history and/or steeper lifetime earning profiles.

Most of the pension reforms take into consideration to at least some extent the diversity in patterns of labour market integration over the life course and the uneven distribution of risks between various socio-economic groups by limiting the cost of necessary work interruptions linked to parenting, care activities, or involuntary employment disruptions such as unemployment, disability or sickness. In order to limit the impact of these career interruptions on pension level several countries have introduced some income compensating mechanism in the calculation of pension benefits, although these are not necessarily sufficient to offset the extensions of contribution years. Indeed the extent, generosity and the type of interruptions across the life course covered by the pension system vary across countries. In Sweden, by far the most comprehensive and generous in this regard, the time that workers devote to higher education, to small children or to national military service, as well as absence due to unemployment and sickness, also gives rise to pension rights. In other words, future entitlements to a pension in Sweden are currently not only related to work history and earnings but are also linked to other forms of activity across the life course and periods of benefit receipt, including parental, unemployment, sickness and partial disability benefits.

In most countries, however, improvements in the calculation of benefits related to family commitments such as better upgrading factors and longer child-raising periods have been introduced (France, Germany and the UK[9]). On the other hand, female part-time work related to family commitments is seldom subsidized except in Sweden and more recently in Germany through the parental leave system. Where pensions are based on defined contribution rather than defined benefits systems those earning lower wages due to part-time working in the early stages of pension accumulation will suffer significant disadvantages.

Table 5: Old age pension gross and net replacement rates at average earnings (mandatory pension schemes) and proportion of men and women aged 65 years and older at risk of poverty* 2008

	Gross replacement	Net replacement	Risk of poverty Women	Risk of poverty Men
EU-25	-	-	21	16
Denmark	80.3	91.3	19	17
France	53.3	65.7	18	12
Germany	43.0	61.3	12	10
Italy	67.9	74.8	24	17
Netherlands	88.3	103.2	9	10
Poland	69.6	74.9	13	9
Sweden	61.5	64.1	21	10
UK	30.8	40.9	33	28

*At risk of poverty: Percentage of persons with and eqvivalised disposable income below the risk of poverty threshold which is set at 60% of the national median eqvivalised disposable income after social transfers.
Source: Society at a Glance: OECD Social Indicators, 2009 Edition.(www.oecd.org/els/social/indicators/SAG) and Eurostat 2008 for risk of poverty.

For many women, lower pay, fragmented work career and/or long period of part-time imply strong income penalties during retirement. In Italy but also in the UK elderly women are especially at risk of poverty[10] (see Table 3) making women dependent directly on their husbands' and/or derived pensions (such as survivor pension). Benefits derived from marriage, however, are becoming ever more uncertain owing to the increasing diversity of living arrangements. At the same time derived pension benefits have in some countries been continuously reduced or even suppressed (Sweden).

[9] In the UK contribution years will be reduced to 30, with more credits for caring activities, thereby increasing the share of women who qualify for a full state pension in their own right.
[10] In Italy, lower social security contributions, due to lower pay and fragmented work careers add up to an average pension that is only slightly more than half the average male pension See Simonazzi and Villa 2011)

Furthermore, there remains a considerable gender divide over who has or who does not have a significant occupational pension. This relates to women's interrupted careers and to lack of provision and uptake among those in part-time jobs. With the exception of Sweden, married women still remain strongly reliant on derived rights to statutory or occupational pensions and this dependency in some countries, like the UK, has been increasingly extended to cohabiting couples or same sex couples, instead of a move towards more general individualised pension system as in Sweden. The decline in state pensions and the inadequate coverage of women has been and will be a major source of inequality and poverty in the future in many of our selected countries. Thus there is a risk that the progressive substitution of the statutory pension scheme through occupational or private pension schemes in some countries will further increase the still existing gender inequalities.

More globally, the interaction between the increasing precariousness in employment (the rise of atypical employment and the increase of unemployment risks) and the stronger link between pension entitlements and work history make it more difficult for atypical workers (low-skilled, immigrants etc) to provide for a decent pension at retirement.

For some countries, such as in Italy, the implementation of the pension reforms will be gradual, with a very long transitional period. By contrast in Germany, pension reforms have often had an immediate effect, because changes in the pension-system, such as the across the board reduction of pension benefits, affect all existing pension entitlements, including pensions in payment (OECD, 2008). As far as the inter-generational consequences of these pension reforms are concerned, the coexistence of different pension regimes such as in Italy or partly in Poland leads to a striking intergenerational inequality[11]. The social contributions of the younger cohorts finance the generous pension benefits of the older cohorts, while they have to save to complement their future reduced statutory pension benefits with supplementary provisions. In the UK also, the recent developments, *i.e* the decline in the private occupational defined benefits schemes that provided workers in public sector and large private firms with relatively well-paid and

[11] In Italy, only new entrants from 1996 will have their pensions entirely computed according to the new notional defined-contribution scheme, with no entitlement to seniority pensions.

protected retirement. The UK is moving towards a US-style system of company pensions, where there is less reliance on final salary schemes and more on stock market based defined contribution schemes, often without any inflation up-rating and there is now pressure for reform of the still generous public sector schemes. These developments raise major issues of inter-generational equality, with younger people not only funding older people's pensions but also facing much more limited prospects of retiring on decent pensions themselves.

On the other hand in Sweden the new NDC system is the result of a broad political consensus and the awareness among all politicians of the urgency of reshaping the pension system in order to not only secure its long-run sustainability but also to ensure intergenerational fairness. The required increase in contributions of the current and future active population or the reductions in benefits necessary to sustain the old system were not practicable. Compared to Italy, the Swedish pension reform has been implemented rapidly and the burden has been distributed more evenly across generations.

According to a recent study (OECD, 2008), the individual consequence of pension reforms at different levels of earnings varies between our selected countries. In France and Sweden, for example, as a consequence of the pension reform, pension benefits for average earners are expected to drop by around 20%. However, low earners should expect only a slightly smaller pension than previously, implying a reduction of the dispersion of income among retirees. While benefits of average earners is expected to remain unchanged in the United Kingdom, low earners can expect a higher net replacement rate because of the new pension credit and second state pension. Regarding France, previous studies have already shown that the reforms of the pension systems in 1993 and 2003 have contributed, for the generations concerned, to a lower level of pensions. In Italy, the reduction in benefits for low earners is estimated to be larger than for people on average pay, increasing the risk of poverty in retirement for people with low earnings, who also tend to have incomplete contribution records. The German pension reform with its "across-the-board" reduction of benefits entails a proportional decrease in benefits, broadly similar for low and average earners. A future rise in old-age poverty is also a concern in Germany, where the across-the-board undifferentiated cuts in public pensions may be considered regressive. With future lower public pensions, there is a risk that a larger share of retirees will be reliant on social benefits or other social transfers. While Germany's pension reforms might have achieved financial sustainability, it is doubtful whether the drop in the value of the statutory pensions will be counterbalanced by supplementary occupational and private pensions, implying that a stronger safety-net will be needed to avoid resurgence in old-age poverty.

3.3 Narrowing early exit pathways: Reforming unemployment compensation, disability insurance and early retirement

One of the major difficulties of pension system reforms is to limit the alternative of early exit from the labour market. The configuration of social protection systems and of employment policies has a direct bearing on the pathways open to older wage-earners for withdrawing from the world of work. This shapes the behaviours observed in the labour market. Countries have adopted different mixes of the three main pathways: unemployment, sickness leave or disability, and early retirement schemes. The international comparison of the institutional pathways leading to retirement reveals that they overlap and are affected by changes in the institutional context and by factors linked to the labour market. One can observe a permanent interplay between pathways with instrument substitution. As soon as the early exit pathway is restricted, there is a tendency to use alternative exit routes (Guillemard & Van Gunsteren 1991). The eligibility requirements under these various schemes have been reworked; and the very existence of these schemes has been called into question. Here and there, we observe a trend back toward early exit. In Germany, early exit pathways were gradually narrowed, when the duration of the maximum unemployment compensation benefits served to older workers was sharply reduced in 2005. In 2008 however, the duration was increased. The Netherlands has considerably curbed the pathway through disability insurance. In France, the duration of unemployment compensation for older wage-earners was lowered in 2002. The age at which a claimant may draw non-decreasing unemployment benefits till retirement has been raised. Furthermore, the 2003 pension reform has phased out public early exit schemes. In Poland, the 1999 pension reform did away with options for early retirement under the mandatory pension system; and the requirements for receiving disability benefits were tightened. Specific schemes allowing certain occupational groups to go on early retirement without any penalty have been replaced with a single system with a bridge toward retirement but most occupational privileges remain. In Sweden, reforms have restricted the existing early exit routes running through unemployment or disability insurance while early exit for labour market reasons have been banned since the 1990s (See Chapter by Anxo & Ericsson).

3.4 Active labour market policies

The active employment policies considered herein represent a disperse set of measures for improving the operation of the labour market and reducing points of disequilibrium: labour regulations, support for unemployed "disadvantaged groups", training, improved working conditions, occupational health. They include both general and targeted measures. They differ significantly from one country to the next. Active employment policies hardly exist in Poland and the United Kingdom, whereas Germany and Sweden have implemented measures ranging from job subsidies to more preventive actions. In general, programmes oriented toward the supply of labour have been promoted whereas those oriented toward the demand for labour are still lacking.

Labour laws and anti-discrimination regulations

Labour legislation contains three sorts of provisions affecting older workers: the mandatory retirement age (the right to continue working till a given age), protection against dismissal and provisions related to fixed-term contracts. The act of raising the mandatory retirement age or even abolishing it is intended to reverse roles about the decision to go on retirement — to take this initiative away from the employer and grant it to employees. In France, the age at which an employer can force an employee to retire was raised to 65 and then 70 (or 67 under certain conditions since the 2010 pension reform). This mandatory retirement age should be compared with the age at which people may draw a full pension (60 at the earliest in France, soon 62). Changes in the labour legislation on dismissals sometimes provide more protection to older wage-earners or even forbid dismissal after a certain age. Since 2004 in Poland, an employer may not dismiss an employee during the four years preceding the legal retirement age. Other times however, the age-based provisions that used to protect older employees have been abolished (Netherlands, France). In Sweden, existing regulations have been maintained. Some countries have changed the regulations concerning fixed-term employment contracts. Germany opened the possibility of fixed-term employment contracts for older wage-earners in 2001. Since 2003, the age requirement has been lowered; and employers who hire persons over the age of 55 do not have to pay into the old-age fund. How far are these changes in labour legislation coherent with an active employment policy for targeting the jobless? These changes also lead us to wonder about the gap separating regulations from actual practices.

Under pressure from the EU directives of 2000, laws prohibiting age-based discrimination have been adopted. The prohibition of discrimination towards older workers has led to modifying certain legal provisions (for instance, about mandatory retirement or, in France, about recruitment to the civil service). Anti-discrimination rules mainly have a cognitive impact on stereotypes. In the United Kingdom, the fear of legal actions has led to a systematic ban on age-based provisions. Nonetheless, little evidence exists showing that the prohibition of age-based discrimination has a positive effect on the way the agèd are perceived. Employers are more reluctant to hire older workers in Sweden than in Denmark for instance, even though age discrimination is prohibited in both countries.

Actions targeting unemployed older workers

Active employment policies for older jobless persons are of recent adoption in most countries. They mainly focus on young people. Returning the ageing jobless to employment has not been deemed a priority when seniors have a high employment rate (United Kingdom and Sweden) or when arrangements exist for early exit (Germany, France and Italy). These policies usually lack specific provisions regarding older jobless persons, although there might be specific arrangements for them.

Certain actions aim at boosting the recruitment of older jobless persons. Wage subsidies (usually rebates for Social Security taxes) might be given to employers who make new hires, but they target underprivileged groups, not the ageing as such. Nearly all EU lands offer wage subsidies for hiring the long-term unemployed in the private sector. In 2004, the Dutch government lowered the labour costs of older wage-earners by exempting employers from disability contributions for new employees over the age of 50. This was part of a general reduction as social contributions were lowered fro employees over 55.

Policies with regard to job-seekers have undergone deep changes in Europe, in particular through provisions for activating them. Few provisions target the older jobless however. Do specific schemes or specific arrangements of general schemes support their return to employment?

Preventive actions

Occupational health, job training and the improvement of working conditions are usually deemed to be essential for maintaining the ability to remain in activity longer in life. They also strongly condition aspirations to go on retirement earlier.

According to the 2004 survey on health, ageing and retirement in Europe (SHARE, conducted in ten European countries), the state of health and satisfaction with work affect the desire to go on retirement. On the average, the probability of wanting to retire earlier fell by <u>14,2 points</u> for persons satisfied with their jobs; and by <u>5,5 points</u> for persons who said they were in good health. On the contrary, hard working conditions (physically hard, pressure, heavy workloads, and a lack of autonomy) increased from <u>4 points to 6 points</u> the probability of wanting to retire early (Blanchet & Debrand 2005). Let us not overlook health problems after the age of 50. Health conditions with a negative impact on everyday activities increase with age, from a few percent of the population below the age of 20 to more than 50% after 75. There are, however, wide differences between countries in Europe, as shown in the 2005-2007 survey "Statistics on income and living conditions" (SILC). The number of healthy years of life (*i.e.*, life expectancy without long-term activity limitations) was more variable than life expectancy, in particular for the 55-74 age-group.

Denmark, Netherlands, Sweden and the United Kingdom had both more than the average number of healthy years of life and the average duration of life expectancy in good self-perceived health. France and Italy had a lower number of healthy years of life and a lower duration of this life expectancy. On the contrary, Poland was among the countries with the lowest level. Germany was close to countries with the average life expectancy but second lowest in the life expectancy in good self-perceived health (Jagger *et al*., 2010).

Differences by age also exist in Europe with regard to working conditions. They help explain the differences in senior employment rates (Mardon & Volkoff 2011). In the countries where this rate is the highest, relatively less persons have jobs that require physically hard postures (at all ages and especially over 45), night work is rare (at all ages and especially over 45), and there are many more opportunities for learning throughout the career. The exposure to time pressure is rather high, but older workers are relatively less exposed than young people, in Denmark, Sweden and the United Kingdom.

It is usually assumed that education boosts the chances of remaining employable and thus affects positively the senior activity rate. Differences in the employment rate by level of education and by socioeconomic category suggest that ongoing training boosts these chances. The countries with a high or strongly rising senior employment rate do not, however, necessarily have a very developed job-training system. Nordic countries are characterized by both, but this is not the case of the Netherlands and United Kingdom (Cornilleau *et al*. 2007).

It is difficult to assess the changes in policies having to do with occupational health, job training and working conditions. In the United Kingdom, emphasis has, since 2005, been placed on seeing to it that older workers remain able to work and healthy enough, but no specific actions have been taken. In France, older workers are considered a target group for occupational health programmes; but the gap between programmes and practices can be set down to a lack of specialists in workplace health.

How to combine curative and preventive policies? What about those persons who do not benefit from preventive actions early in their careers? How to create incentives for prevention?

3.5 Stakeholders in the public policy mix

Public actions on senior employment involve several parties at different levels. The kind of relations between these parties, their complexity vary widely from country to country. At least three aspects of these interventions should be distinguished: the setting of objectives, the initiative for reforms, and implementation. Given the way that public policies are collectively designed and the role of "intermediate actors" in this process, we are led to qualify our analysis of the trends observed in the countries covered by this study. This allows us to emphasize the effects of policy substitution, which sometimes goes in hand with a substitution in the sources of funding. We are also led us to focus on the ways that various parties bypass or limit the effects of publically sponsored interventions.

Public policies are multidimensional. Each dimension corresponds to different decision-makers, different sources of funding or different structures for implementation in each country. To study these dimensions and their impact, we must look at the "institutional modalities" of the social dialogue in each land. In France, the debate has mostly been sequential as subjects have been successively placed on the agenda. Discussions about lifelong occupational training, which led to a national agreement that was embodied in an act of parliament, were separated from the debate on pension reform. The 2005 National Agreement on Senior Employment referred the topic of unemployment among older wage-earners to discussions to be held later on. In the Netherlands, the Labour Foundation provides a framework for discussing, in principle, plans for reforms with experts and in a bipartisan context. This process, an example of what is often called the "polder method", was unable however to reconcile the points of view of employer and labour organizations about pension reform in 2009. It does not guarantee a consensus, nor coordination among the parties involved.

Employer organizations and labour unions need the Dutch government's cooperation for applying the national agreement of 4 June 2010 in all industries and for designing by January 2011 the actuarial and fiscal measures in line with it. The cost of increasing disability benefits is a factor impeding this cooperation during a time of austerity.

The division of roles among actors makes it more or less hard to coordinate actions. The financing of employment policies for older workers differs between France and Germany (Erhel & Courtioux 2005). In Germany, all schemes (both active and passive) are financed by contributions. They are, therefore, under the joint responsibility of the social partners (employer and labour organizations) and the state. The institutions in charge of employment policy are autonomous public institutions, managed under this three-party system. Coordination is not wanting. In France, there are two sources of financing: the state and the unemployment insurance fund. The initiative for action depends on the dimensions and the institutional conditions for a social dialogue. Retirement reforms are always launched at the initiative of the government. If there are discussions with employer and labour organizations, the degree of joint work on reforms varies depending on whether there are genuine negotiations or a mere "consultation". These reforms have financial consequences, since companies and wage-earners are put to contribution (and, too, retirees when the reforms are rapidly enforced or amputate pensions). They also have consequences on employment conditions and the social protection system (for example, through a reduction of or exemption from Social Security taxes). To have a good social dialogue, to work out reforms a long time enough, to take ito account consequences of reforms favour joint work.

The actual implementation of reforms depends on existing regulations. In Sweden, industry-wide agreements can modify, in a more favourable way, the provisions stipulated in legislation. The United Kingdom gives priority to actions for certain employees in certain situations. The main purpose is to enhance the ability of the representatives of employer and employee organizations to cope with local factors related to senior employment. Regulations are mainly local with backing from nationwide awareness campaigns. In Germany, a collective agreement in metallurgy made adjustments in the part-time scheme for older wage-earners. It turned part-time employment until retirement into a full time job but during half the period followed by a total suspension of activity (the so-called 'blockmodel'). In general, collective bargaining is important in defining worktime for senior employees. Agreements may provide for early exit through various schemes (in particular, time savings account) or may try to keep older employees in their jobs and adapt working conditions to them. Since these actions are not coordinated, they are ambiguous. The intent might be to maintain previous practices and thus keep public authorities from changing their interventions; or it might be to accompany a transition by limiting the effects in terms of redistribution or equality. The last retirement reforms conducted in Germany and France were adopted in spite of strong demands from labour unions for taking into account unequal life expectancies and the lower pensions to be served to people with short careers. Poland and Germany are debating the problem of low pensions. The consistency and effectiveness of measures for senior employment are also related to their very gradual implementation. Decisions and their actual enforcement occur at different dates under different frameworks; and some measures seem to take a step backwards. An example is the delay in adjusting the retirement rules for public employees in the United Kingdom and France.

3.6 Provision of Elderly Care

The provision of both formal and informal eldercare varies significantly across our countries. As stressed in Anxo and Fagan (2005) and Simonazzi (2009), in the Mediterranean countries but also in France and Poland, families are still legally bound to take care of elderly people; in continental Europe family responsibilities are regulated implicitly while in Denmark, the Netherlands, the UK and Sweden there is no family obligation stipulated by law and the entitlement to a minimum level of service is universal and individualized. European countries might be classified into two main clusters according to the prevalence of formal or informal care markets. As pointed out by Simonazzi (2009), the various care regimes differ in their ability to create a care market, either social *i.e.* with a strong public governance or private. Countries like Sweden (relying on in-kind provision with strong public governance), the UK (relying on a public funded system but based on contracting the supply to services to the private sector) or France (relying on in cash allowance through the system of "cheque service"), belong to the first cluster. *i.e* a formal care market regime. Systems relying mainly on unconditional cash assistance or monetary transfers, such as the continental (Germany) and Mediterranean countries fall within the informal or mixed categories depending on the extent of public funding.

Elderly care remains highly gendered. Women are the main providers of elder care on an informal basis within the family or as neighbours or in formal services as employees.

There is a clear correlation between female employment rates and the extent of formal market care regimes. Those countries having opted for a high provision of formal services have the highest overall female employment rates while the familialistic Mediterranean countries that have promoted the provision of informal/family carers display the lowest female employment rates. This can be explained by the direct positive effect of the creation of a formal care market on female employment, since the care sector remains a clear female dominated sector and indirectly since the negative impact of informal care giving on female labour supply at the extensive (labour force participation) and intensive margins (working hours given participation) can be expected to be lower in countries characterised by highly institutionalised systems and a high provision of eldercare. This seems confirmed by a recent study (Kotsadam, 2009) that found that the negative impact on female labour supply of time spent on informal eldercare is significantly higher in countries with a weak formal care market and more pronounced gendered care norms; that is for instance in the Mediterranean countries compared to the Scandinavian countries.

4. Different public policy mixes produce differing results with respect to active ageing

How to explain the wide diversity in the senior employment rate described in the first part of this chapter? A comparison of the public policy mixes implemented in the eight selected countries can help us draw conclusions about how to develop active ageing. As previously pointed out, different countries have, over the last twenty years, used the same kit of policy instruments for making careers longer. Differences among the implemented policies have to do with the way that these instruments have been arranged and combined to offer or not a fairly comprehensive and coherent policy mix. This mix is made up of active labour market measures for maintaining the ability to work and the employability of older wage-earners and of welfare reforms for eliminating age barriers in employment.

The good results in countries, such as Sweden, and the relative failure in others, such as France, Poland and Italy, can largely be set down to the fact that the first group has been able to carry out integrated active employment policies with investments in human capital as well as welfare reforms. The origin of these successes and failures has to do with the policy mix adopted by the country, with its integration and coherence. For instance, the countries with an integrated policy mix have been the most successful either in maintaining a high employment rate for 55-64 year-olds (Sweden) or in making this rate increase significantly (the Netherlands and Finland) since the end of the 1990s (See Table 6 in appendix).

Besides the progress made in the senior employment rate, these countries have also been more successful in coping with the ageing of the population at large. On the one hand, active labour market policies have made work more attractive and bearable and, too, have prevented the loss of employability through the considerable investments made in lifelong learning. This has stimulated the demand from companies for labour, in particular for senior wage-earners. On the other hand, pension and welfare reforms conducted in this context have proven to be financially sustainable in the long run and have been able to maintain solidarity and equity between generations.

A comparative study of the public policy mixes that have been implemented in these eight countries helps us distinguish four types of mixes with different results in relation to active ageing.

4.1 The Danish and Swedish mix: A wide range of active employment policies and welfare reforms for making these systems more employment friendly

There are active labour market policies for massively investing in preventive actions with regard to human capital throughout the working life. At the same time, welfare is reformed to create conditions that are favourable to the employment of older wage-earners and appropriate in the context of demographic ageing, but while maintaining a high level of protection and of fairness between generations. Sweden and Denmark are examples of this mix.

During the last two decades, Sweden has reinforced its active labour market policies by improving working conditions and occupational health so as to make work bearable for a longer time, as explained in the chapter on Sweden. This is a necessary condition for prolonging the work life. A high employment rate for seniors is strongly correlated in Europe with a high score for the quality of the working life. The scores of Sweden and Denmark, respectively 2,15 and 2,14, are higher than those of the six other countries (See Table 4 in the chapter on Denmark).

Furthermore, these two countries have invested heavily in education and training over the last two decades. The levels of educational attainment and of skills thus reached have turned Sweden into one of the European countries where life-long learning is no longer a goal but has actually been achieved (See Graph 1 on learning by age in the Appendix). The difference between age-groups in the access to training is much smaller in Sweden and Denmark than in Germany, France, Italy or Poland, where the differences between the participation in training of 25-34 year-olds and of 55-64 year-olds are considerable and the participation rate of each age group is lower than in Denmark and Sweden.

The active labour market programmes designed as part of this policy mix do not mainly target seniors. They address all age-groups and are, therefore, age-neutral. These interventions are **preventive**. They try to maintain the fitness to work and employability, regardless of age. This strategy seeks to stimulate the supply of labour as much as the demand for it, like the Swedish "job line". A precondition for prolonging careers and delaying retirement is to maintain abilities, motivations and skills till the end of careers; otherwise, there will be no job opportunities.

These employment policies lift age barriers to employment and thus lessen age-based stereotypes. They call for strategies for managing human resources with less age-based discrimination. Attention thus turns toward occupational itineraries and transitions and toward the difficulties of keeping specific workers categories in work or returning them to work (*e.g.*, the handicapped, persons with a low level of education, parents with young children who have to reconcile the working life with family obligations …).

In Denmark, unlike Sweden, governments did not, till the mid-1990s, withstand the temptation, in the fight against rising joblessness, of implementing generous schemes for allowing seniors to withdraw early from the labour market. Nonetheless, the Danish strategy of compensating ageing wage-earners for early exit was not permanent and never had the same scope as in continental welfare states. In the latter, a minority of persons between the ages of 55 and 64 is still at work (about 30% in 1996 in France, Italy, Germany and the Netherlands) as compared with 49% in Denmark and 36% in the EU-15 (Table 6). The Danish labour market is not characterized by an entrenched early exit culture, unlike these other countries.

Since the mid-1990s, Danish authorities have sought to relaunch active employment policies so as to encourage seniors to work longer. An active fiscal policy and "flexicurity" (a mixture of weak job protection, active labour market policies and high protection under Social Security) have stimulated both the demand for labour (including senior labour) and the supply of labour through a combination of sticks and carrots and multidimensional measures, as Jensen and Madsen have explained in the chapter on Denmark. Employers are encouraged to adopt a new "age management" that balances individual resources and work requirements in a life-course perspective and that provides extensive public training opportunities for older workers. These new "life course policies" are requested in order to prolong the working life as the advent of a more flexible labour market and a flexible destandardized life course cause for more flexible and individualized way of providing for security (Guillemard 2005b).

In Sweden as in Denmark, active labour market policies have been launched along with welfare reforms. The employment policies seek to reduce the factors that **push** the least prepared out of the labour market in response to fluctuations in the demand for labour. The welfare reforms seek to make welfare systems more work friendly and to limit the factors in these systems that **pull** people out of the labour market. Sweden's extensive pension reform achieved this. For one thing, it reinforced the system's "contributivity" by directly relating the working life to the amount of pension benefits. For another, it left individuals more room to make decisions, in particular, to choose after the age of 61 the right moment to go on retirement (given the amount of the pension to be served) and/or continue working. The decision about going on retirement is now separated from the one about whether to continue working.

A series of welfare reforms conducted between 1999 and 2006 in Denmark have tried to shut down all early exit pathways, which are pull factors attracting older wage-earners out of the labour market. At the same time, financial incentives have been provided to encourage 62-64 year-olds to delay retirement[12]. In addition, the conditions have been loosened for combining work and retirement. The reforms of pension systems and of early retirement schemes were intended to delay retirement and gradually raise the retirement age to 67.

[12] The retirement age used to be 67 in Denmark; but the early retirement reform of 1999 set the age for a pension at 65 in 2004.

In conclusion, this first policy mix is both comprehensive and coherent. Employment policies and welfare reforms support and complete each other. On the one hand, active employment policies stimulate the supply of labour, in particular from older wage-earners. Better equipped with up-to-date skills and qualifications, seniors are more attractive to potential employers. Meanwhile, the improvement of working conditions and more end-of-career employment opportunities, thanks to an adapted management of ages, make it possible, and desirable, to prolong careers. On the other hand, welfare reforms prolong the working life by making welfare play in favour of employment. This has entailed narrowing early exit pathways, in particular those running through the disability or unemployment insurance funds. Above all, it has entailed pension reforms with incentives for individuals to delay going on retirement and with wider possibilities for choosing the time to go on retirement, which, in Sweden, is no longer a legally set standard age. These welfare reforms do not take issue with the principles of social justice and of a guaranteed income that underlie the legitimacy of welfare states.

This combination of a wide range of policy instruments related to both employment and welfare reform is effective thanks to its coherence. This is a major conclusion of our comparison, one that sheds light on the successes and failures observed in other EU member states.

4.2. The United Kingdom: A contradictory policy mix

The British employment rate for seniors is high; but according to Casey and Lindley in the chapter on the United Kingdom, government actions in the field of employment, especially for encouraging older people to participate in the labour market, are "sometimes characterized by a degree of schizophrenia" and the actions implemented fall short of stated objectives. In line with the Third Way and its "welfare to work" orientation, several programmes were launched, some of them targeting older workers (*e.g.*, New Deal 50 Plus). The social investment strategy led to efforts to boost the skills of the workforce. However these investments have benefited older workers much less than other groups, such as young people or the unskilled. Activation programmes mainly provide for actions on the labour supply (New Deal 50 Plus and Flexible New Deal), but with an apparently limited effectiveness. According to the few assessments made of these programmes, the results in terms of reintegrating people in the labour market have been moderate, but in contrast, they have been more effective in cutting back the benefits served by the unemployment insurance fund or other welfare programmes to the "discouraged workers" (Laczko 1987), who were not actually job-seekers.

When activation programmes seek to stimulate the demand from companies for senior workers, public interventions amount to what the authors have called "exhortations", for instance, the Age Positive Programme and Code of Practice on Age Diversity. The ASPA Survey in the UK found that barely half of employers were aware of these programmes. These moralistic exhortations probably have little impact on employers' behaviours, not during a period of "economic turbulence" when the short term trumps the long term.

We do not observe, in the United Kingdom, an integration of labour market with welfare policies. Quite to the contrary, there is a tendency to consider that "activation" can be a **substitute** for conventional income maintenance programmes. Esping-Andersen (2002:5) has insisted on how counterproductive this is, since the reduction of poverty and income insecurity is a "precondition for an effective social investment strategy". If the retreat on retirement and guaranteed income schemes is not preceded or accompanied by active labour market policies that provide opportunities for employment later in life and maintain the qualifications and aptitudes of the workforce, the working life cannot be made significantly longer except at a considerable cost to individuals. This orientation leads to insecurity and poverty at the end of careers and in old age and to deeper social inequality. Economically, it risks eventually lowering the country's productivity as the labour force ages.

The senior activity rate directly depends, in the British case, on the state of the labour market. When the economy grows and labour is short, the senior employment rate rises. When the economy slows down, as during the 2008 recession, ageing wage-earners have no other choice: they are forced to be inactive. The welfare safety net will not keep them from falling into poverty unless they have access to early exit schemes negotiated in their firms. The rising unemployment of older workers since 2008 is evidence of this.

4.3 The Dutch and German mix: Putting an end to the early exit culture and developing activation programmes for seniors through active employment policies coordinated with welfare reforms

The Netherlands and, to a lesser degree, Germany illustrate this third policy mix. After having provided generous compensation to persons who withdrew early from the labour market, these two countries have worked on the paradigms governing their actions.

Making a break with the early exit culture calls for a cultural revolution (Guillemard 2010). The mentalities and practices of all parties in the labour market have to be changed; and their motivations for prolonging careers and going on retirement, transformed. This entails new incentives/disincentives and preventive policies for maintaining human capital throughout careers and granting more room to individuals to make decisions, in particular about entitlements. This is a far cry from adjusting the parameters of the welfare system by moving age thresholds and resetting the duration of contributions required for going on retirement. It entails curbing or shutting down early exit schemes. Institutional adjustments that are limited to the existing framework and its parameters turn out to be ineffective for countering a deeply rooted early exit culture. Radically changing course so as to mobilize ageing wage-earners who have long been “inactivated” entails a global, integrated strategy for coordinating actions on employment in order to affect both the demand and supply of senior labour and for conducting welfare reforms.

The analysis of the Dutch case sheds light on the policy mix that has enabled this country to figure among the best in Europe with regard to the activation of seniors. The employment rate of 55-64 year-olds has risen by 84% from 1996 to 2009 (Table 6).

The Netherlands started changing course to steer its way out of its early exit culture during the second half of the 1990s. Welfare reforms narrowed early exit pathways, the major one running through the system of disability insurance (WAO). The government wanted to limit the pull effects of these pathways for both employers (for whom early exit was an easy and not very costly way to get rid of unadapted older employees and reduce the payroll) and employees (for whom early exit was a way to stop working earlier in favourable financial conditions).

The government implemented a strategy for reforming the three institutional pillars of early exit: disability insurance, early retirement schemes and unemployment insurance. The Dutch welfare reform concentrated on restructuring the institutional pathways for early exit from the labour force. It did not, in an authoritarian way, shut down these pathways, nor attack fundamental social entitlements. The latter were kept but as part of a new system that lent strategic weight to the rational decision-making of the persons concerned. The new policy instruments used for this purpose have less to do with "rights" and legal regulations than with incentives, mainly the financial ones for orienting the decisions made by individuals and firms. To understand the fundamental change in this country's welfare paradigms, let us recall the quite useful distinction that Van Der Veen *et al*. (2000) have made in their analysis of institutional changes in the Dutch welfare system. They have distinguished between **entitlements** and the "**provisions**" to which entitlements give access. The reform reconfigured the "provisions" and thus affected the ways of exercising entitlements but without reducing their scope.

The way disability insurance was reorganized in 1998 to favour the prolongation of careers illustrates the Dutch strategy for reforming welfare. First the new system encourages employers to maintain and develop the aptitude for work of persons over 45 and to introduce rehabilitation programmes. Employers have to pay insurance premiums for disability, these now being calculated on the basis of the risks related to practices in the firm, specifically the risk as measured by the number of employees that a firm has placed on disability. Second a system of incentives and disincentives targets beneficiaries, the aim being to modify their behaviours and encourage them to enroll in rehabilitation. The disability insurance reform did not dismantle entitlements and services; instead, it fit them in a system of incentives/disincentives that target motivations and the decisions of all parties to resort to disability insurance.

These welfare reforms for acting on the supply of labour by prolonging the working life turned out to be insufficient. At the turn of the new century, Dutch policy-makers adopted active labour market policies with the intent of acting on the demand side of the labour market, as Schippers *et al*. have described in the chapter on the Netherlands. A set of new instruments (Taskforce on Older People and Employment in 2001 and Grey Works in 2005) was developed. As in Finland, there were communication campaigns and training programmes for changing public opinion and the mentalities of managers, human resource departments, labour market experts and politicians. Regulations for combatting age-based discrimination were introduced in 2004. Meanwhile, financial incentives were provided to stimulate the demand for senior labour in firms, in particular by lifting the impediments to keeping seniors on the workforce or hiring them. An example of an incentive to employers for keeping wage-earners on the payroll, even during a recession, was the introduction of temporary part-time unemployment benefits. Another incentive was public financing to cover the risks related to long-term sick leaves or disability or the additional training to be provided to newly hired seniors. Although these measures lacked “coherence and continuity”, in the words of the authors, and did not sufficiently take into account employers’ preoccupations, they did — along with welfare reforms — activate the senior labour force while maintaining a generous welfare system. We might take notice that this country has not reformed yet its pension system.

Germany launched active employment policies much later: the Act on Enhancing Employment Prospects for Older Persons in 2007. Till then, public policies concentrated on reforming pensions and curbing early exit schemes. Welfare reforms have proven incapable of increasing the senior employment rate, but this new strategy on the employment front seems to be bearing its fruit. Undertaken to make the system financially sustainable on the long run, the German pension reform could portend a gloomy future for upcoming generations. Given the development of "labour market flexibility", this reform will limit the benefits served to future generations. It thus threatens the system's social sustainability. Financial sustainability might be obtained but at the cost of benefit adequacy in the long run (Hinrichs 2011). The pension reform might put an end to the pact of solidarity between generations, which it sought to reinforce, and deepen both intra- and intergenerational inequality.

4.4 France, Italy and Poland: A single focus on the lever of welfare reforms with the aim of financial sustainability

This fourth mix concentrates on reforming pension systems and on curbing or phasing out early exit schemes. There are no active employment policies with coordinated actions on the demand and supply of senior labour; or if there are, they are incoherent. France, Italy and Poland are our examples. Their poor results with regard to the senior employment rate and the very slight increase in it are evidence that pension reforms by themselves cannot overturn the early exit culture, nor significantly reverse the early exit trend. Reinforcing the supply of senior labour by increasing legal pension age and upping the requirements for admission into retirement is useless if it is not closely associated with a set of coordinated labour market for providing job opportunities to seniors and stimulating the attractiveness of life at the workplace. As shown in the chapter on France, pension reforms there have not much affected the length of the working life, the mid-age of effective withdraw from the labour market has remained stable around 58 years old. They have, however, increased the age of admission into the retirement system (61,6 years old in 2010) and thus prolonged the ever more precarious transition between work and retirement, as successive early exit schemes have been narrowed or phased out.

Worse yet, the excessive focalization on a single policy instrument, namely pension reform, with the unique aim of balancing the books of the retirement system can be counterproductive. Not only does it have disappointing results with regard to the length of the working life, it also undermines the legitimacy of the retirement system and of the pact of solidarity between generations which founds it. Concern for balancing the books has led to reductions in the coverage of welfare and in the benefits served through the pension system as a consequence future retirees risk paying a high price without return for the increased "contributivity" of pension systems after having been subjected to more labour market flexibility in the form of atypical jobs.

The same holds for young people in France and Italy. The young generations will have smaller pensions, close to the level of "means-tested minimum security schemes". The return on the contributions they paid into the pension system will be small. As a consequence, the legitimacy of the retirement system will come under question (Hinrichs & Jessoula 2011), since these reforms risk deepening the inequality between those already covered by the retirement system and the younger generations affected by the reforms. Besides this intergenerational inequality, there is also a risk of intragenerational inequality between men (with full careers) and women (with incomplete careers) and between workers who are unskilled and vulnerable (the most exposed to flexibility in the labour market) and white-collars.

As a consequence, France, Italy and Poland risk falling into a vicious cycle and not having a grip over their demographic, economic and social problems. In contrast, the public policies conducted in the Netherlands have set off a virtuous cycle in which welfare reforms and active labour market policies have made it possible to reconcile welfare and work in a long-life postindustrial society where the life course is flexible. They have been successful in introducing a new, preventive "age management" for all ages.

5. Lessons for action: Recommendations for active ageing

It is necessary to break free of a shortsighted view that sees pension reform as the major response to demographic ageing. Our comparison shows that effective policy responses have to be comprehensive and address issues related to both the labour market and welfare. A longer life span is not a catastrophe, but good news. It raises, however, new questions about the distribution of work and welfare over life and across generations. As a consequence, it must be addressed from a life-course perspective. This entails changing the paradigms guiding the interventions made by public authorities.

The major issue has to do with working out a new pact of sustainable solidarity between generations having to do with retirement and employment in a long-life society. Pension reforms do not by themselves provide employment opportunities for all ages, nor even prolong the working life. To establish this pact, a multidimensional, preventive employment strategy must be implemented for maintaining the ability to work at any age. This requires inventing a new management of the population that is neutral with respect to age. Age-based management has reached its limits. We must switch from it to a management of age diversity and a synergy between generations.

Through the examples of Sweden, Denmark, Finland and the Netherlands (Guillemard 2010), we have identified the labour market policies that have proven to be more effective for promoting active ageing. The pursuit of this goal entails implementing the following programmes:

— Provide career prospects and employment opportunities to all age-groups with special attention to horizontal mobility.

— Develop job training programmes related to career propects with a focus, if necessary, on wage-earners over the age of 40. Lifelong learning is the key.

— Improve working conditions as well as health and safety at the workplace in order to make a longer working life sustainable.

— Redesign the organization of work so as to boost cooperation between age-groups at the workplace and favour the transfer of skills and experiences between younger and older wage-earners.

These measures are for all ages. They seek to keep the individual's fitness for work and employability from being impaired. They stimulate the demand from companies for the labour provided by seniors by making it more attractive. They also stimulate the supply of senior labour by making work more bearable and by motivating older wage-earners to remain in the labour force (*e.g.* better career prospects for the 45 plus). These measures should mainly be preventive if they are to be effective and to be for all age-groups. We know that remedial programmes are less efficient, even though they might be necessary. Wage-earners between 40 and 50 should be targeted to help make up for any loss of employability and mobility, and make their labour efficient and attractive. These actions are essential for convincing firms that ageing is not to be systematically associated with lower productivity. Given that the "productivity pay gap" is a major impediment to senior employment, a priority is to encourage companies and labour organizations to reduce the impact of seniority on wages. We recommend analysing the factors that, for firms, weigh negatively on the demand for senior labour. They are the obstacles to be lifted in order to stimulate the demand for senior labour.

Along with this coherent set of active labour market policies, measures for activating welfare systems, including retirement pension system reforms, should be implemented to reinforce the supply-side of senior labour.

All these measures have to be implemented "proactively" with strong educational efforts directed toward all parties. Besides, actions with incentives have proven more effective than coercive ones, as we see in the Dutch case.

Far from being a fatal catastrophe, the demographic challenges of ageing and longevity could lead to developing a social Europe that is more generous and cohesive, with a renovated form of solidarity between generations. Demographic trends do not imply that pensions inevitably shrink and be served later in life, or that the welfare state be dismantled. They can be an opportunity for building a society for all ages of life, one with more solidarity and more attention for "diversity". Achieving this is demanding. It calls for a strong determination on the part of public authorities. When examining the countries in northern Europe that have taken up this challenge, we notice that their economies are innovative. They have fully entered into the new knowledge-based economy and have modernized by developing a social investment state for supporting the autonomy and aptitudes of individuals throughout the life course.