

EMPLOYMENT PAPER  
2003/50

Employment promotion  
policies for older workers in  
the EU accession countries,  
the Russian Federation and  
Ukraine

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**“To ensure that the values of this World Assembly on Ageing are fully taken into account we must rid ourselves of the subjective stigma attached to the word *retirement*. In a way that is both revealing and unjust, this term links the moment at which an individual acquires the right to a pension with final exclusion from the life of his or her enterprise, community, society, or even family.”**

Juan Somavia, ILO Director-General, Second World Assembly on Ageing, Madrid, 8-12 April 2002

## 1. Introduction

In the course of their transition to a market system in the 1990s, the countries of Central and Eastern Europe (CEECs) have experienced a significant fall in employment. Systemic and structural changes have led to large job destruction, which has only partially been counterbalanced by new job creation. The majority of employed persons have voluntarily or involuntarily changed their jobs, either directly from one job to another or after an unemployment spell. However, a certain portion of the redundant workers have not been able to find a new job and remained long-term unemployed. Older unemployed workers often “solved” their situation by accepting old-age pension through early or disability retirement. The availability of early retirement or pre-pension benefit schemes has frequently become the way of mitigating tensions connected with an enterprise downsizing at the expense of older workers. A hope that jobs vacated by older workers would increase employment opportunities for young labour market entrants facing even harder labour market problems was entertained. This led to a substantial drop in the average age at which individuals retire from the labour market, which was already rather low at the beginning of economic transition.

However, a substantial decline in employment rates has sharpened the problem of the financial sustainability of national social security systems as the proportion of persons benefiting from the system to persons contributing to the system has reached very high levels. Many transition countries have thus increased statutory retirement age for men and even more so for women to counterbalance negative dependency trends. However, the positive effect on pension funds so far has been limited. This is due to the fact that the change in the age when people really retire has been minimal due to persistent unemployment problems, employers’ discrimination against older workers and pressures to maintain early retirement schemes or to use disability pensions for the above-mentioned reasons.

After a temporary decline experienced by a number of transition countries, average life expectancy is on the increase again, which makes the prolongation of working life even more important for providing decent income to the retired persons while ensuring longer-term sustainability of the pension systems. Currently, low pensions push many pensioners back to the labour market to earn additional income, plus a large number of them prefer work to inactivity for societal and psychological reasons. Therefore, a key challenge is what type of policy should be used in order to promote higher participation and employment of older workers, instead of their labour market withdrawal, by extending their working life and at the same time improving and making the best use of their capacity.

This paper's aim is to reflect on the complex phenomenon of ageing in some CEECs and its effects on social security and pension systems as well as on labour markets. It will analyse the importance of increasing the flexibility and employability of older workers, especially by means of improving their access to vocational training and retraining adjusted to their special needs and limits. The paper will also recommend appropriate reforms in national education and training systems laying the basis of lifelong learning for all workers.

The countries covered by the paper are the 13 EU accession countries – Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey - and two CIS countries – the Russian Federation and Ukraine. For simplicity this group is called the EU accession countries although for the last two countries the accession is still much ahead. In all these countries the ILO launched a small survey last year, directed to labour market institutions at the national and local level and to several enterprises. The questionnaire is included in Annex 1. The purpose was to find basic labour market data on employment performance of older workers, collect relevant information on national labour and social legislation concerning this age category of workers. The attitudes of labour market institutions and employers towards older workers, the assessment of their skills, work performance and adaptability to new conditions was considered. Furthermore we looked into the existing labour market, training and social policies and their targeting at older workers and desirable modifications in these policies from the point of view of labour market institutions and employers. The findings of this survey are summarised in the report and compared with the experience of the European Union member states.

We are fully aware of the relevance of a comprehensive discussion on pension systems and pension reform options, as well as their economic and social feasibility, to the topic of this paper. However, due to restraints concerning the length of the paper, these issues will not be covered in an extensive manner.<sup>1</sup>

The paper is structured as follows. First, it describes the main demographic trends in the region to show that the share of older persons in total population is rapidly increasing in all the studied countries. These trends will call for the extension of productive age and an increase in economic participation of older persons in order to prevent future labour shortages and the collapse of national pension systems.

The third chapter will present and analyse the key labour market data on older workers such as labour market participation, employment, unemployment and educational attainment for the total population as well as disaggregated by sex.

Chapter 4 analyses the conditions for recruitment and termination of employment of older workers as fixed by national legislation and their enforcement in reality. This chapter concludes with some considerations on desirable changes in national employment protection legislation and collective bargaining, which could overcome discrimination against older workers and promote their longer and better employment.

The next chapter discusses the controversy between policies encouraging withdrawal of older workers from the labour market in order to moderate labour market tensions and new pension reforms as well as other policies encouraging older workers to stay longer in employment. It analyzes statutory and effective retirement age and their

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<sup>1</sup> An extensive discussion of pension systems and pension reform options, see e.g. Gillion et al. (eds.), *Social security pensions – development and reform*. International Labour Office, Geneva, 2000.

changes within the group of the 15 countries and compares them with the situation and trends in the EU countries. It also studies national early retirement schemes and the application of disability pensions for labour market purposes. While such schemes are still necessary for certain groups of workers unable to cope with new labour demand conditions the overall policy trend should be towards replacing such passive approaches by activation of older persons, providing them with effective employment services and active programmes to improve their flexibility and employability and to stimulate them to extend their productive working life.

Finally chapter 6 makes a review of existing active labour market policies focusing on older workers in the accession countries and assesses them as to their appropriateness for solving employment problems of older workers. By using examples of good policies applied in the EU countries, the chapter draws on relevant policy recommendations for the improvement of existing policies or the introduction of new policies to promote employment of older workers.

Chapter 7 deals with the importance of skill development for older workers. It discusses the importance of implementing policies - both public as well as enterprise based - to train and retrain older workers in order to help them adapt to new demands and opportunities. It also explores the potential of new technologies to open up employment and training opportunities for older workers. Finally, it emphasizes the importance of lifelong learning as a long-term preventive strategy given the need to renew and update skills on a continuous basis. The chapter presents examples from both accession and OECD countries.

Chapter 8 discusses how to combat negative attitudes and stereotypes towards older people as principal obstacles which older workers face in the labour market. It argues that the extension of working life in decent and satisfactory conditions demands changes in attitudes towards older workers among employers, colleagues, the older workers themselves and the society as a whole. It notes that the media has a crucial role to play in this respect and that changes are becoming noticeable. Finally it reviews national and international efforts towards older workers such as the Second World Assembly on Ageing that took place in Madrid, April 2002 and the UNECE Ministerial Conference on Ageing that took place in Berlin, September 2002.

## 2. Demographic trends

### 2.1 Introduction

Before starting the analysis on demographic and labour market trends concerning older persons it is important to define who in fact older workers are. For purely demographic purposes and to allow for cross-country comparisons, the old age category of the population is fixed at 65 years and older. However, the ILO questionnaire has shown that there is no uniform national definition of older persons and that in fact the specification of older workers varies across countries, from already 40 years up to some 72 years of age<sup>2</sup>. This variation in the definition reflects the diversity of labour market situations of each country, the speed of technological and economic changes the country is going through but also different national policy priorities and cultural perspectives of the society. While richer countries are able to devote more resources to improving the labour market and social situation of older workers it does not automatically mean that older workers would enjoy greater employment protection, new employment opportunities and higher incomes. The national policy may however accentuate different objectives. And vice versa, there may be poorer countries with a clear focus on a national policy of improving the employability of disadvantaged groups of workers so that the employment rate of older workers may be fairly high there.

This chapter provides data on two age groups: population aged 50 and above (50+) and 65 and above (65+). Unfortunately, in the next chapter this division could not always be kept for the lack of data.

### 2.2 The speed of demographic ageing

Economic and social reforms in Central and Eastern Europe and the Commonwealth of Independent States have had a profound impact on the population development trends. Although the fertility rates had started to decline already in the late seventies and continued declining in the eighties, the introduction of the reforms accelerated this fall dramatically. At the same time all the countries experienced an increase in morbidity and mortality rates in the initial period of economic transition due to economic crisis which led to the deteriorating quality of medical care in general and a worse access of large parts of the population to health services. This resulted in the shortening of the life expectancy. Most countries have managed to reverse this temporary negative trend after achieving economic recovery. However the economically worse-off transition countries still experience shorter life expectancy, compared with their pre-transition situation. The combined effect of the sharp decline in fertility rates and the fall, stagnation or even a certain increase in mortality rates has contributed to a rapid ageing of the population.

According to the UN demographic projection revised in 2000 (see Tables 2.1 and 2.2), the shares of the 50+ and 65+ age groups, both sexes, are projected to increase significantly in the region over the next 30 years.<sup>3</sup> The average share of males aged 50+

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<sup>2</sup> According to the United Nations definition adopted for the 1982 World Assembly on Ageing older persons are those above age 60.

<sup>3</sup> See United Nations, *World population prospects. The sex and age distribution of the world populations: The 2000 revision*. United Nations, New York, 2001.

equalled 27 per cent in our group of transition countries in 2000 and is expected to reach 40 per cent in 2030 while the average share of women aged 50+ will grow from 34 per cent in 2000 to 46 per cent 30 years later. For the age group of 65+ the shares are projected to increase from 10 per cent to 18 per cent for men and from 16 to 25 per cent for women. The gap between male and female life expectancy will thus further increase a bit.

**Table 2.1 The rate of demographic ageing (shares of males and females aged 50+ as percentage of total male and female population), 1980-2030**

	Males 50+						Females 50+					
	1980	1990	2000	2010	2020	2030	1980	1990	2000	2010	2020	2030
<b>Bulgaria</b>	28	30	32	34	37	43	30	33	37	41	44	50
<b>Cyprus</b>	21	22	25	30	33	35	24	25	28	33	36	39
<b>Czech R.</b>	26	24	29	34	38	46	32	31	35	40	44	52
<b>Estonia</b>	22	24	26	30	34	38	33	34	36	40	43	47
<b>Hungary</b>	27	27	28	33	35	42	33	34	36	41	43	49
<b>Latvia</b>	23	25	27	31	35	39	34	35	38	42	45	48
<b>Lithuania</b>	21	23	25	29	35	40	29	32	33	38	43	48
<b>Malta</b>	23	23	28	34	37	40	24	27	33	38	40	43
<b>Poland</b>	21	22	24	31	34	39	27	28	30	37	40	45
<b>Romania</b>	23	26	27	30	33	39	27	30	32	35	38	45
<b>Russia</b>	19	23	23	29	33	37	31	33	33	38	42	47
<b>Slovakia</b>	22	21	23	29	33	40	26	27	29	35	39	46
<b>Slovenia</b>	22	25	28	36	41	47	29	32	34	41	47	53
<b>Turkey</b>	12	13	15	18	22	28	14	15	16	20	24	30
<b>Ukraine</b>	22	26	26	30	33	39	34	36	36	39	43	48

Source: World Population Prospects. The sex and age distribution of the world populations: The 2000 revision (United Nations, New York, 2001)

**Table 2.2 The rate of demographic ageing (shares of males and females aged 65+ as percentage of total male and female population), 1980-2030**

	Males 65+						Females 65+					
	1980	1990	2000	2010	2020	2030	1980	1990	2000	2010	2020	2030
<b>Bulgaria</b>	11	12	14	14	16	18	13	14	18	19	23	26
<b>Cyprus</b>	9	10	10	12	15	18	11	12	13	15	18	21
<b>Czech R.</b>	11	10	11	13	18	21	16	15	17	19	25	28
<b>Estonia</b>	8	7	10	11	13	16	16	15	18	20	23	26
<b>Hungary</b>	11	11	11	12	15	17	16	16	18	20	24	26
<b>Latvia</b>	9	8	10	12	13	17	16	16	19	22	24	27
<b>Lithuania</b>	9	8	10	12	13	18	13	14	17	20	22	26
<b>Malta</b>	9	9	10	13	18	22	11	12	14	17	22	26
<b>Poland</b>	8	8	10	10	14	18	12	12	15	16	21	25
<b>Romania</b>	9	9	11	12	14	15	12	12	15	16	18	20
<b>Russia</b>	6	6	8	9	12	16	14	14	16	16	20	25
<b>Slovakia</b>	9	8	9	9	13	17	12	12	14	15	19	23
<b>Slovenia</b>	9	8	11	13	18	23	14	15	17	20	25	30
<b>Turkey</b>	4	4	5	6	7	10	5	5	6	7	9	12
<b>Ukraine</b>	8	8	10	11	13	16	15	16	17	19	21	25

Source: World Population Prospects. The sex and age distribution of the world populations: The 2000 revision (United Nations, New York, 2001)

For the period 2000-2030, the total population is projected to decrease in all the analyzed countries, except for Malta, Cyprus and Turkey. In contrast, the number of older males will grow everywhere but in Bulgaria. The highest increase of males aged 50+ (by 65 per cent) is anticipated in Slovakia, for the 65+ group of males in Malta (by 126 per cent). In the case of women aged 50+, their number will also increase in all the studied countries with the exception of Estonia while in Bulgaria it will only stagnate. For the female age group of 65+, which will increase everywhere, the fastest growth is expected to occur in Cyprus (by 92 per cent).

The speed of ageing is depicted in Table 2.3.

**Table 2.3 The velocity of ageing: an increase of the share of males and females aged 50+ and 65+ in total population between 2000 and 2030, per cent**

	Males 50+	Females 50+	Males 65+	Females 65+
<b>Bulgaria</b>	34	35	29	44
<b>Cyprus</b>	40	39	80	62
<b>Czech R.</b>	59	49	91	65
<b>Estonia</b>	46	31	60	44
<b>Hungary</b>	50	36	55	44
<b>Latvia</b>	44	26	70	42
<b>Lithuania</b>	60	45	80	53
<b>Malta</b>	43	30	120	86
<b>Poland</b>	62	50	80	67
<b>Romania</b>	44	41	36	33
<b>Russia</b>	61	42	100	56
<b>Slovakia</b>	74	59	89	64
<b>Slovenia</b>	68	56	109	76
<b>Turkey</b>	87	87.5	100	100
<b>Ukraine</b>	50	33	60	47

*Source: World Population Prospects. The sex and age distribution of the world populations: The 2000 revision (United Nations, New York, 2001)*

The difference in the velocity of ageing among the countries is significant. On the one hand, Bulgaria is projected to achieve the lowest speed of ageing over the whole period. On the other hand Turkey, Slovakia and Slovenia are expected to have the fastest speed of ageing for both men and women aged 50+. Malta, Slovenia and Turkey for the age group 65+ will reach more than double the values of the Bulgarian population, in particular for men. With the exception of Bulgaria for males and Romania for both sexes, the speed of ageing will accelerate over the period 2000-2030, as the share of persons aged 65+ is growing more rapidly compared with the share of those aged 50+. Also, with the exception of Bulgaria, the speed of ageing is faster for men than for women. While this difference is rather small for the countries like Romania or Cyprus, it is very high and further widening for the Russian Federation, Slovenia and Malta.

### 2.3 Dependency ratios

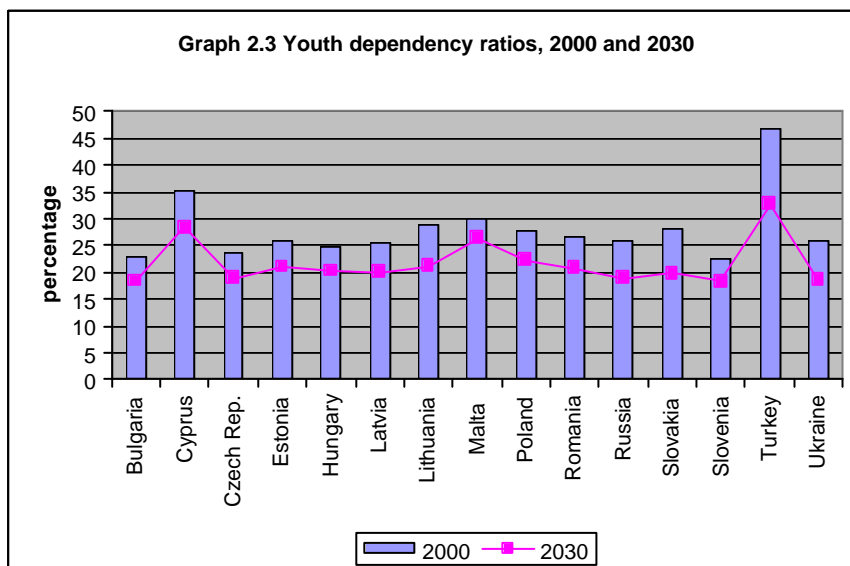
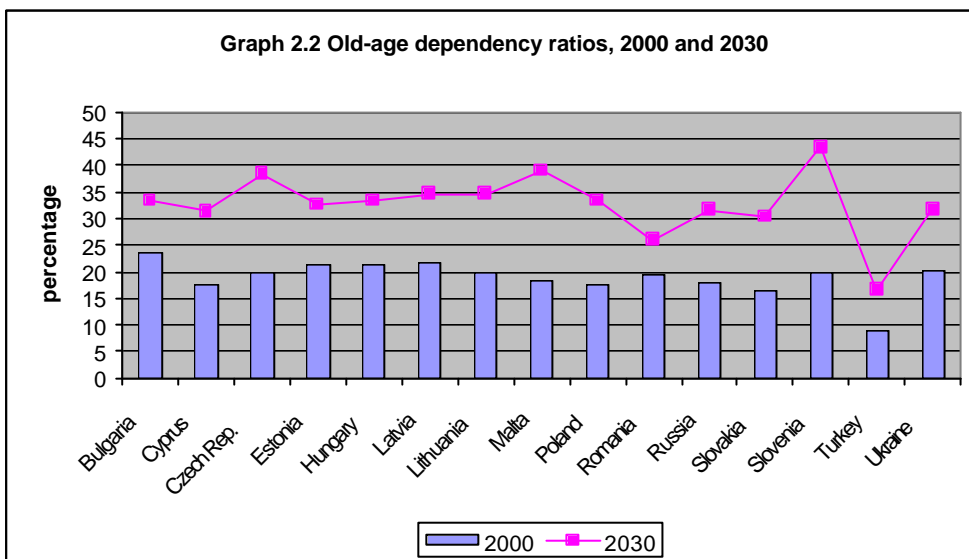
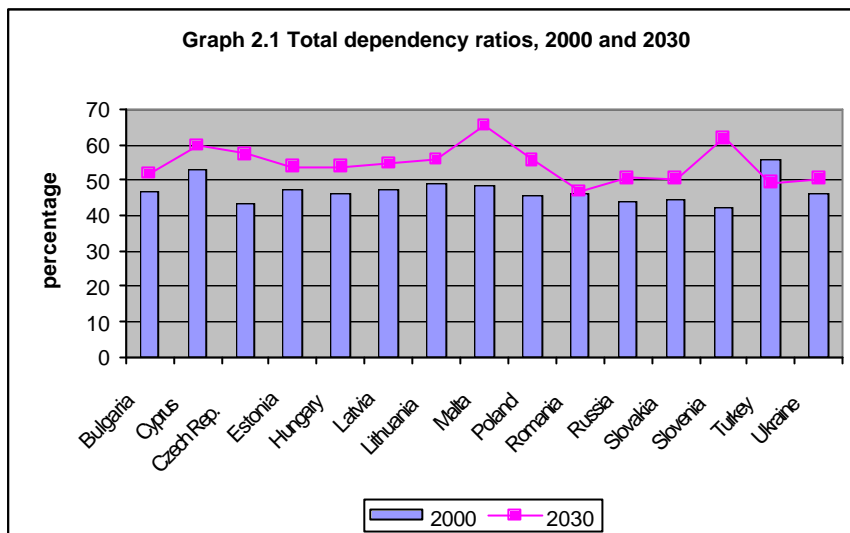
The dependency ratios (see Graphs 2.1 - 2.3) clearly show that the working-age population is expected to support an increasing number of old people (aged 65 and more) and this holds true for all the 14 countries. Both, the total dependency ratio (of both children aged 0-14 and old persons aged 65+) and the old-age dependency ratio are projected to increase in all those countries over the next 30 years and will even accelerate

after 2010. The most dramatic increase in both the total and old-age dependency ratios is projected for the three countries with the highest economic level – Czech Republic, Malta and Slovenia. In contrast, in Romania the total dependency ratio in 2030 will remain at the level of the year 2000 while the old-age dependency ratio will grow the least of all the analyzed countries. The youth dependency ratio in 2030 will be lower than in 2000 under the assumption that the fertility rate will continue to fall. It is interesting to note that the total dependency ratio started decreasing in 1995 and is expected to continue declining until 2010. This can be explained by a dramatic decline in the fertility rates, to a large extent caused by economic difficulties and high employment and income insecurity (perceived by workers as a consequence of economic reforms and structural changes). An additional factor is a shift in preferences of young people in response to emerging new career opportunities. There has also been a significant migration outflow of young people seeking opportunities abroad. As regards the quality of health services during the transition years, it has significantly dropped in a number of countries and in combination with the difficulties of finding enough resources to afford quality medical treatment, it has led to the shortening of the life span in some of the countries.

The majority of older people in Eastern and Central Europe now live in cities. During the communist period there was a heavy emphasis on urbanization closely connected with fast industrialization of the command economies. This led to massive flows of young people into towns while mostly older persons stayed in rural areas. Many of the latter continue living in small and scattered villages. Moreover, during the transition period a migration process has been observed among the low skilled, low paid or jobless, usually older population to go back to rural areas to live on their plots of land in their home villages or in locations of their weekend/summer houses (the ownership of which is widespread in many transition countries). They often rent out their flats in the cities or leave them to their children. This is a way to complement their social benefits or pensions as their purchasing power has considerably decreased and the social transfers do not even cover basic needs of the recipients.

Property changes in rural areas strongly contributed to such migration flows. The state-owned farms were privatized and agricultural cooperatives dissolved or transformed into privately or collectively owned production units. Formerly nationalized or collectivized land together with often devastated buildings was returned back to the previous owners or their heirs. They in turn had very limited access to credits and therefore could not start effective farming. Moreover, former concessions in agriculture like fixed and heavily subsidized agricultural prices or direct subsidies to farms and cooperatives have been largely abolished. As a result, profitability of agricultural production and real wages in agriculture dropped dramatically pushing the remaining or newly coming younger, more competitive workers again to the cities to find better paid jobs while leaving behind older or low skilled workers with few employment opportunities.





Source: World Population Prospects. The sex and age distribution of the world populations: The 2000 revision (United Nations, New York, 2001)

### 3. Labour market trends for older workers

#### 3.1 Introduction

The chapter will present and analyze the labour market participation, employment and unemployment rates of older workers in total and separately for both sexes for the accession countries in a cross-country comparison and as they developed through time. The rates will be compared with those of the member states of the European Union. The chapter will provide an explanation for the divergent trends in participation, employment and unemployment of older workers both among “our” group of countries and in relation to the EU countries used as a reference. Besides the demographic factors studied in the previous chapter, the explanatory factors include the overall economic and labour market situation and the educational attainment of older workers, which will be further discussed in this chapter. Other important factors are labour legislation regulating recruitment and termination of employment, statutory retirement age and its change in line with the national pension reform, as well as supply-side and demand-side oriented labour market policies (discussed further in the paper). Again for the comparative purposes older workers are specified as those aged 50-64 (if not otherwise stated), regardless of existing national regulations.

#### 3.2 Labour market participation of older workers

Labour market participation of older workers as well as employment and unemployment should be discussed in the context of overall economic and labour market development experienced by the analysed countries after 1989. While Malta, Cyprus and Turkey needed to adjust their economies “only” to effects of globalisation of production and markets and to technological changes, former command economies had to absorb, besides these factors, also economic and social reforms associated with their transition to a market system. The combination of the external shocks (imposed by globalization but also by the break-up of the CMEA market<sup>4</sup> and the dissolution of several states, such as the Soviet Union, Yugoslavia and Czechoslovakia, replaced by a dozen of new countries) and the internal shocks (caused by the reform process and subsequent stabilization programmes) pushed thousands of people out of their old jobs. The effect on labour market developments in different countries varied depending on their starting conditions, the scale of initial imbalances, the speed and consistency of economic, social and institutional reforms, the method of privatization, economic policy and its adequacy to economic conditions, proximity to Western markets, the overall business climate and approach to small entrepreneurs as well as applied social and labour market policy and the level of social dialogue.<sup>5</sup>

As also the ILO survey proves, labour market tensions were in the first place solved by pushing working pensioners out of the labour market. Employers were usually those who initiated this practice, often with the consent of the trade unions protecting their prime age members. However, some countries reinforced this selective firing rule by implementing regulation, which made remuneration activity of pensioners disadvantageous (for more details see chapter 5). In line with mounting unemployment and under pressure from the trade unions, the majority of countries have also introduced

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<sup>4</sup> A common market of the former Soviet Block countries, the so-called Council of Mutual Economic Assistance.

<sup>5</sup> See Nesporova, “Why unemployment remains so high in Central and Eastern Europe.” *Employment Paper 2002/43*. ILO Geneva.

early retirement schemes to allow older workers facing redundancy problems and with a minimum chance of re-employment to retire either directly from employment or after a certain period of unemployment. Disability pension schemes were also used for this purpose (disability pensions were given to people with less severe impairment, in particular the older ones who had been capable and also used to work under the command system). Earlier resignations thus spared older persons from hardships and humiliation connected with protracted unemployment. The idea behind this policy was that older workers would leave their job for young workers as youth unemployment was considered as much more dangerous for the economy and the society due to its long-term effects.

Table 3.1 displays the participation rates of older workers compared with other age groups for the analyzed countries. The table reveals that in the background of a deep fall in the aggregate participation rates in all the transition countries with the exception of Slovenia (and obviously Cyprus, which is not a transition country), the steepest fall in economic activity has been recorded for the 15-24 age group. First, this is due to the increasing returns to education which stimulate young people to extend their studies and enter the labour market later. And second, due to the difficult transit from education to work associated with the mismatch between acquired skills of youth and skills actually demanded in the labour market (which often require further investment in retraining or on-the-job training of young people to be born by employers).

In contrast, the age group of older workers (50-65) seems to be best-off of the three age groups, better than even the prime-age group. While on average their participation rate has declined by 4 percentage points over the 1990s, there have been large differences among the countries. In some countries like Estonia, Latvia, Poland, the Russian Federation, Slovakia, Slovenia or Ukraine, the participation rates of older workers declined considerably, usually more than for the prime-age group and in Poland even more than for youth below 25. All the other countries in our sample actually recorded either only a mild decline or stagnation or even an increase (Czech Republic, Hungary, Romania), which in the case of Romania has been very high.<sup>6</sup> There are also large differences among the countries in participation levels of their older population, ranging from 62.2 per cent for Estonia and 61.2 per cent for Cyprus to as low as 37.9 per cent for Hungary and 38.2 per cent for Slovenia.

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<sup>6</sup> This surprisingly steep increase is partly caused by the return of the previously nationalized land to the former owners or their heirs, as mentioned above, while the ownership of land which is not “officially” rented out automatically means that the person is counted as economically active even if collecting old-age pension, studying, etc. Many persons previously counted as inactive have thus become active.

**Table 3.1 Labour market participation rates by age group and sex, 1990-1999 (per cent)**

Country		1990			1999		
		15-24	25-49	50-64	15-24	25-49	50-64
Bulgaria	Both sexes	51.9	95.1	55.3	Na	Na	Na
	Male	46.6	95.4	68.7	Na	Na	Na
	Female	57.3	94.6	42.7	Na	Na	Na
Czech Republic	Both sexes	57.7	96.0	55.3	48.7	89.3	59.4
	Male	58.2	97.5	68.6	54.3	96.1	71.3
	Female	57.3	94.4	44.2	42.8	82.3	48.3
Cyprus	Both sexes	59.8	80.5	63.6	55.1	82.0	61.2
	Male	71.2	96.7	88.1	60.8	98.0	87.0
	Female	48.0	63.9	39.1	49.1	65.8	36.9
Estonia	Both sexes	53.0	95.6	68.5	43.5	88.2	62.2
	Male	55.4	96.7	78.9	48.8	93.1	71.4
	Female	51.0	93.5	60.5	38.1	83.4	55.1
Hungary	Both sexes	51.5	86.0	36.0	40.7	79.0	37.9
	Male	58.2	92.5	49.2	46.2	86.5	47.8
	Female	44.6	79.6	24.9	35.0	71.5	29.5
Latvia	Both sexes	56.1	95.1	67.4	41.6	87.0	53.1
	Male	56.8	96.9	79.1	47.2	91.1	64.9
	Female	55.1	93.4	58.3	35.8	83.1	44.0
Lithuania	Both sexes	49.5	93.9	61.9	39.8	92.6	59.8
	Male	53.0	97.2	75.1	45.1	93.7	72.2
	Female	45.5	90.9	51.1	34.3	91.4	50.1
Poland	Both sexes	44.3	87.3	60.6	37.3	85.0	47.8
	Male	49.1	94.4	70.3	40.9	91.3	56.9
	Female	39.3	80.0	52.1	33.7	78.7	39.8
Romania	Both sexes	59.8	87.7	42.9	45.8	84.8	58.1
	Male	63.3	95.8	52.9	52.0	91.8	67.1
	Female	53.1	79.4	33.6	39.4	77.7	50.0
Russian Federation	Both sexes	52.4	95.2	57.7	41.9	87.7	48.8
	Male	54.2	97.0	70.9	47.0	90.5	59.4
	Female	50.5	93.4	47.3	36.7	84.9	40.5
Slovakia	Both sexes	58.8	95.6	55.3	45.6	89.5	45.6
	Male	59.3	97.4	69.0	48.6	94.8	59.8
	Female	58.2	93.7	43.8	42.6	84.0	33.4
Slovenia	Both sexes	50.4	93.1	42.0	41.8	91.3	38.2
	Male	52.4	95.7	57.3	42.3	93.1	49.7
	Female	48.2	90.5	28.7	40.3	89.1	27.1
Turkey	Both sexes	54.7	65.1	44.1	46.6	62.1	41.3
Ukraine	Both sexes	51.5	94.7	55.5	42.1	86.0	46.0
	Male	52.3	97.0	68.6	45.6	88.6	56.7
	Female	50.8	92.6	45.2	38.5	83.5	37.8
Average	Both sexes	53.6	91.7	55.6	43.6	86.9	51.5
	Male	56.2	96.2	69.0	48.2	92.4	63.7
	Female	50.7	87.7	44.0	38.9	81.3	41.0

Note: Data for 1999 are based on labour force surveys while estimates for 1990 are based on data collected with the use of different methodologies (population census or micro-census and extrapolations based on them, establishment census) and therefore they are not fully comparable.

Source: Nesporova (2002), op. cit.

In light of the above mentioned “solution” of firing working pensioners first and pushing older persons to accept early retirement or disability pensions this finding may seem rather surprising. However, the table covers only the beginning of the transition period and the end of the decade while actually hiding a reversal of the steep downward trend from the initial period of transition. This reversal has been connected with several factors. First, after the country had achieved economic recovery, employment decline gradually came to a halt or in some countries employment even slightly increased. Higher overall demand for labour has also led to higher demand for older workers. Second, one major element of pension reforms introduced in all the non-CIS countries has been a gradual extension of statutory retirement age (as will be thoroughly discussed in Chapter 5). Third, due to low level of pensions, pensioners have been forced to complement them with additional income from work. On the other hand, as they received some income, they were more willing to accept even precarious and low paid jobs, unacceptable for regular workers. In this segment of labour demand, working pensioners have been competitive, especially when considering their reliability and fidelity to their employers. While some countries introduced disincentives to work for retired persons in the initial period of economic transition to vacate jobs for younger persons, most of these countries have abolished these disincentive rules as also shown in Chapter 5. Fourth, as social and health insurance contributions were covered by the state in case of unemployment, some older persons ineligible for early or disability retirement registered as jobseekers, even if they have been inactive in job search and actually did not want to accept available jobs.

Looking at the participation rates of the older age group disaggregated by sex, males were more economically active than females mainly because of their higher retirement age in almost all these countries. However, the gap between both sexes has narrowed everywhere with the exception of Cyprus and Slovakia (in Latvia this gap remained unchanged). While in the Czech Republic, Hungary and Romania the participation rate of women increased more than for men (in Hungary the rate of men declined), in all the other countries the overall trend for both sexes was declining and in the majority of countries the male rate fell more than the female one. One evident cause of this narrowing gender gap (on average by 2.3 percentage points – from 25 per cent in 1990 to 22.7 per cent) has been a trend towards gradually closing the sex-related difference in retirement age (compare again Chapter 5)). Another striking feature is that the participation rate of older men declined more than for the male prime-age group, most probably due to a stress-related increase in the morbidity rate of men during the transition period.<sup>7</sup> In the case of women these trends were the opposite – female prime-age participation rate declined on average by 3.4 percentage points more than that of older women – pointing to withdrawals of younger women due to childcare.<sup>8</sup>

Finally, the trends in participation rates for both sexes, men and women, are compared for the group of the EU accession countries plus Russia and Ukraine and the EU average (Table 3.2), to see where the major differences are.

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<sup>7</sup> See Cornia and Paniccia (eds.), *The mortality crisis in transitional economies*. Oxford University Press, 2000.

<sup>8</sup> Part of this decline is also to be attributed to methodological changes as before major reforms of national statistical methodologies in the first half of the 1990s women on extended maternity leave (now parental leave) had been counted as employed if holding employment contract while after the reform they have been counted as inactive regardless of whether they are formally employed or not.

**Table 3.2 Average labour market participation rates for EU countries, 1990-2000, per cent**

		1990	1996	1999	2000
<b>15-24</b>	Both sexes	54.0	47.2	48.0	48.6
	Men	57.7	51.2	52.1	52.7
	Women	50.2	43.1	43.8	44.5
<b>25-54</b>	Both sexes	78.3	81.1	81.3	81.8
	Men	93.3	92.6	92.1	92.4
	Women	63.1	69.5	70.5	71.1
<b>55-64</b>	Both sexes	41.4	40.3	41.6	42.2
	Men	56.2	52.4	52.7	53.1
	Women	27.6	28.8	30.9	31.6

Source: OECD

Unfortunately, the data are not fully comparable as the prime-age group in the EU covers also persons between 50 and 54 while the old-age group includes only those aged 55-64. The activity levels thus cannot be directly compared for both the prime-age and old-age groups of population. Nevertheless, from the comparison of the prime-age group in the EU and in the accession countries, assuming a decline in the participation rates already in the age group of 50-54 due to health reasons, the rate for prime-age males is most probably now higher in the EU compared with the accession countries. In contrast, the rate for prime-age women is for sure still higher in the latter group of countries as a legacy of the full employment policy of the command economies and the encouragement of female work. For the old-age group such a comparison is not possible to make.

The major differences between the two regions are, however, in the trends. In the 1990 decade the EU countries experienced a certain decline in youth participation but much milder compared with the candidate countries. If in 1990 the two regions were on a par in this respect for total youth, men and women, in 1999 the accession countries fell much behind, and a bit more for women than for men. However, the major difference is in the other groups where the EU countries on average recorded an increase in the participation rate for prime-age population due to steeply rising participation of women while that of prime-age men slightly declined. For the old-age population their economic activity more or less stagnated as a certain decline in male participation was counterbalanced by an increase in female economic activity. This tendency has contrasted with the trends in the accession countries described above.

### 3.3 Employment levels of older workers

Comparable data on the employment rates, measured as the share of employed population aged 15-64 in total population of this age group, disaggregated by age and sex, are available only for those transition countries applying for the EU accession. Table 2.3 shows first, that the average employment rates for the age group of 55-64 are less than half the prime-age group although still higher than for youth aged 15-24. Also, the largest differences in the employment rates among the accession countries concentrate into the group of older workers, ranging from 21.5 per cent for Slovakia and 21.9 per cent for Hungary to 52 per cent for Romania and 43 per cent in Estonia in 2000. In none of the other two age groups the employment levels varied so much across the countries. The fall in employment rates when shifting from the prime-age group to the old-age one was the steepest in Slovenia (60.3 percentage points), followed by Slovakia (52.7 points), while the smallest drop occurred in Romania (26.6 points) followed by Estonia and Lithuania (33.8 points).

**Table 3.3 Employment rates disaggregated by age and sex, EU accession countries, 2000, in per cent**

<b>Total</b>	<b>15-24</b>			<b>25-54</b>			<b>55-64</b>		
<b>COUNTRY</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Bulgaria	20.5	23.0	18.0	69.7	72.1	67.4	22.1	34.9	11.2
Czech Rep.	36.4	39.3	33.6	81.5	89.2	73.7	36.1	51.6	22.1
Estonia	27.4	31.4	23.2	76.8	79.5	74.2	43.0	50.2	37.5
Hungary	33.1	37.0	29.2	72.8	79.0	66.7	21.9	33.0	13.0
Latvia	30.4	35.2	25.6	74.2	75.4	73.0	35.4	48.3	25.9
Lithuania	26.7	30.2	23.2	76.0	75.1	76.8	42.2	52.2	34.5
Poland	24.1	26.4	21.9	71.0	77.5	64.5	29.0	37.4	21.8
Romania	34.0	36.9	31.1	78.6	84.6	72.7	52.0	57.4	47.3
Slovakia	28.3	28.7	27.9	74.2	79.1	69.3	21.5	35.2	10.2
Slovenia	31.2	34.7	27.4	82.6	85.5	79.6	22.3	31.0	14.3
<b>Average</b>	<b>29.2</b>	<b>32.3</b>	<b>26.1</b>	<b>75.7</b>	<b>79.7</b>	<b>71.8</b>	<b>32.5</b>	<b>43.1</b>	<b>23.8</b>

Source: Eurostat (Labour Force Survey data)

The old-age male employment rate was nearly twice as high as the old-age female rate in the year 2000, reflecting higher retirement age for men in all the analyzed countries. Again, the cross-country differences are significant, with the male-female gap in employment rate ranging from only 10 percentage points in Romania to 29.4 points in the Czech Republic. The highest male employment rate in the age group 55-64 was recorded in Romania – 57.4 per cent – but the rates above 50 per cent were also achieved in other three accession countries – the Czech Republic, Estonia and Lithuania. The lowest rate for older males was characteristic for Slovenia and Hungary. As for the employment rate of women aged 55-64, the highest level was recorded again in Romania – 47.3 per cent – contrasting with 10.2 per cent in Slovakia and 11.2 per cent in Bulgaria.

In this context it is interesting to present the employment rates of the population aged 65 and above. In 2000, the total employment rates for the age group 65+ moved well below 10 per cent, ranging from 0.8 per cent in Slovakia to 7.8 per cent in Lithuania. For men the rates were higher – from 1.6 per cent in Slovakia to 12 per cent in Poland and for women from 1.1 per cent in Hungary to 6.8 per cent in Lithuania. Only Romania was a striking exception in the group of the accession countries with the 38.2 per cent rate for the total 65+ population, of which 43.5 per cent for men and 34.4 per cent for women. Again, the exceptionally high employment rates are to be attributed to the specifics of Romania's statistical methodology.<sup>9</sup>

If using the average employment rate in the EU as a benchmark for the candidate countries, the comparison of the two regions showed that the total rates for prime-age group of population were almost the same (but disaggregation by sex showed a remarkably higher rate – by 6 percentage points - for EU men and similarly higher rate for women from the accession countries). However, the difference is considerable both for the young age group and for the old age one (compare Tables 3.4 and 3.3). This concerns the total rate as well as that for men and for women. All of them are higher for the EU countries than for the accession countries – in case of older workers in total the gap equals almost 7 percentage points. To a large extent this difference can be explained by higher

<sup>9</sup> Romania counts persons possessing arable land and performing themselves or helping their family members in subsistence farming as employed without age limit while in most other countries such persons, especially when they have retired, are counted as inactive although doing the same activity.

retirement age of both sexes in the EU (see Chapter 5). Rather surprisingly, the difference between employment rates of older men and women was almost identical for both regions, despite still considerably lower statutory retirement age of women in the accession countries, compared with men.

**Table 3.4 Average employment rates by age and sex in the EU countries, 1990-2001, per cent**

		1990	1996	1998	2000	2001
<b>15-24</b>	<b>Both</b>	45.1	37.3	38.8	41.2	40.6
	Men	49.3	41.1	42.9	45.3	44.5
	Women	40.7	33.2	34.5	36.9	36.5
<b>25-54</b>	<b>Both</b>	72.7	73.5	73.8	75.8	76.4
	Men	88.2	85.0	85.1	86.8	86.8
	Women	57.1	61.9	62.3	64.8	66.0
<b>54-64</b>	<b>Both</b>	38.1	36.5	37.3	38.7	39.2
	Men	51.8	47.5	47.7	48.8	48.9
	Women	25.3	26.2	27.3	29.0	29.8

Source: Eurostat, LFS data.

### 3.4 Unemployment rates for older workers

Older-age unemployment rates for the selected EU accession countries disaggregated by age and sex are presented in Table 3.5.

**Table 3.5 Unemployment rates by age and sex in selected EU accession countries, 2000, per cent**

COUNTRY	15-24			25-54			55-65		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Bulgaria	33.3	36.1	29.6	14.6	14.6	14.7	12.2	12.6	10.8
Czech Rep.	17	17.4	16.4	7.8	6	10	5.3	5.3	5.2
Estonia	23.7	24.7	22.4	12.8	13.9	11.5	8.2	11.4	4.8
Hungary	12.3	13.7	10.4	5.9	6.3	5.3	3.1	3.8	1.6
Latvia	21.2	21.1	21.3	14	15	13	9.4	10.5	7.9
Lithuania	27.5	27.6	27.4	15.1	17.5	12.8	9.2	12.4	n.a.
Poland	35.7	34.3	37.2	14.2	12.3	16.3	9.7	9.1	10.6
Romania	17.8	19.3	15.9	6.9	7.1	6.7	1.1	1.7	0.4
Slovakia	36.9	40	33.3	15.9	15.8	16	12.7	14.2	8
Slovenia	16.4	14.2	18.5	5.8	5.7	6	6.1	7.6	2.9
<b>Average</b>	<b>24.2</b>	<b>24.8</b>	<b>23.2</b>	<b>11.3</b>	<b>11.4</b>	<b>11.2</b>	<b>7.7</b>	<b>8.9</b>	<b>5.2</b>

Source: Eurostat (LFS data).

Unemployment tends to decline with age in the accession countries. The unemployment rates for older workers between 55 and 64 are thus the lowest among the three age groups. While the difference between the prime-age group and the old-age group accounted for some 3 percentage points, the gap for men was half that as the women's, as the unemployment rate for older men was 50 per cent higher compared with the female rate. This declining tendency of unemployment with age was true for all the accession countries and both sexes with the exception of Slovenia where the total old-age rate is slightly higher than the prime age rate due to much higher male unemployment.

There are significant differences among the countries in the level of old-age unemployment, more or less in line with their aggregate level of unemployment. Only in



the case of Romania, the level of unemployment of older workers, both men and women, is negligible. This surprisingly low unemployment of older workers in Romania, in particular when compared with their highest employment rate among the accession countries, is again most probably connected with the prevalent ownership of land by older people (which disqualifies them as unemployed even if they have lost jobs in another sector and even regardless of whether they actually work on their plot of land or not).

Older men are much more affected by unemployment than older women in all but one transition country – Poland, while in the Czech Republic the rates are the same for both sexes. The markedly worse situation of older men is to be explained by their higher retirement age so that women retire earlier and according to statistical methodology they cannot be counted as jobseekers even if they fulfil ILO criteria for unemployment. Moreover, women also become sooner eligible for early retirement when facing unemployment problems.

A comparison with the EU countries in Table 3.6 reveals a striking difference both in unemployment levels in general and for all the age and sex groups and their mutual relations between the two regions.

**Table 3.6 Unemployment rates by age and sex for EU countries, per cent**

		1990	1996	1998	2000	2001
<b>15-24</b>	Both sexes	16.1	21.0	18.5	15.4	13.9
	Men	13.9	19.6	16.9	14.1	13.1
	Women	18.8	22.8	20.4	17.0	15.0
<b>25-54</b>	Both sexes	6.7	9.4	8.7	7.3	6.5
	Men	5.1	8.2	7.3	6.0	5.5
	Women	9.1	10.9	10.5	8.9	7.9
<b>55-64</b>	Both sexes	6.0	9.2	9.2	8.2	6.4
	Men	6.1	9.2	8.9	8.0	6.3
	Women	5.9	9.2	9.7	8.4	6.6

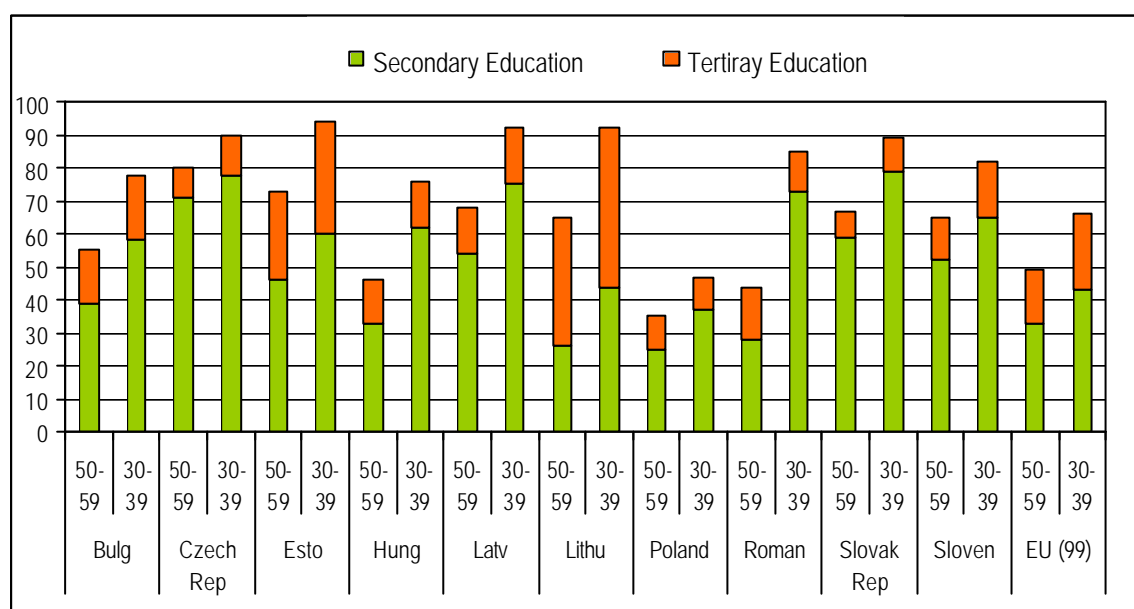
Source: Eurostat, LFS data.

First of all, the unemployment levels were on average significantly lower in the EU region compared with the average for the accession countries in 2000. The difference between these two regions in unemployment levels declines with age and for all workers aged 55-64 the accession countries recorded already lower unemployment rates – slightly higher for men but more than 2 percentage points lower for women. The EU countries managed to reduce unemployment levels for the working age population in general and also for all the age groups after 1996. However, until 2000 this reduction was slower for the older generation of workers in the EU. It was primarily due to the systematically higher unemployment rates for older males compared with prime-age workers while for women this relation was reversed. Unlike the accession countries, unemployment rates for older generation of workers tended to be at least at the same level as for prime age workers and for men systematically higher. Again in contrast with the accession countries, EU women suffer on average from higher unemployment than men but this gap declines with age and is the lowest for the oldest group of working age population.

### 3.5 Education, employment and unemployment of older workers

Over the last 25 years, the accession countries have witnessed an increase in the number of working age people obtaining secondary level education. Furthermore, as seen in graph 3.1, a comparison between the 30-39 year old and 50-59 year old age groups at ISCED level 3 (secondary education) shows that in all 10 accession countries the younger age group obtained higher education levels than the older age group. The most significant differences in education between both age groups can be found in Romania, Hungary and Bulgaria. The share of people aged 30-39 that have obtained ISCED 3 is more than double that of the 50-59 age group in Romania, almost double in Hungary and 50 per cent higher in Bulgaria. At higher levels of education, ISCED level 5-7 (tertiary education), differences between age groups become smaller. For instance, in Poland the proportion of people aged 30-39 that have obtained tertiary education is exactly the same as in the 50-59 age group. In the EU, differences between the education levels of both age groups are less pronounced.

**Graph 3.1 –Educational attainment of the population by age groups, 1998, per cent**



**Source:** Vocational educational and training in Central and Eastern Europe. In: Key Indicators 2000, European Training Foundation.

Table 3.7 shows that participation rates increase with education regardless of age. However, this rule becomes more apparent for older workers. Better educated older people remain longer in employment. Differences in activity rates among older people with different educational levels are also more pronounced for women than for men. Due to different retirement ages, the activity rate for the group aged 50-59 varies substantially among the countries as well as when we compare it with the EU average. For people with low qualifications the activity rates for men within this age group ranged between 41 per cent in Hungary to 78 per cent in Lithuania compared with the EU average of 72 per cent. For women it ranged from 21 per cent in Hungary to 57 per cent in Romania compared with the EU average of 42 per cent. However, for people with higher qualifications the activity rates for men within this age group ranged from 79 per cent in Romania to 94 per cent in the Czech Republic compared with the EU average of 90 per cent. For women, it ranged from 65 per cent in Hungary to 85 per cent in the Czech Republic compared with

the EU average of 78 per cent. In the accession countries, older people with higher education thus participate on average more in the labour market than in the EU region.

**Table 3.7 Activity rates of older workers by educational attainment and sex, 1998 (per cent)**

	Bulgaria			Czech Rep			Estonia			Hungary			Latvia			Lithuania		
<b>MEN</b>	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39
ISCED 0-2	4	62	74	7	69	88	15	74	81	3	41	70	14	73	80	15	78	81
ISCED 3	9	79	92	14	84	98	32	82	95	8	65	91	23	83	95	21	89	95
ISCED 5-7	16	84	96	30	94	99	47	89	98	22	81	97	34	91	98	36	89	94
<b>WOMEN</b>																		
ISCED 0-2	1	32	65	3	41	69	6	49	62	2	21	54	8	43	53	6	51	56
ISCED 3	3	56	86	7	66	84	12	74	85	6	48	75	11	59	82	6	63	86
ISCED 5-7	7	68	92	24	85	82	26	81	86	17	65	84	20	75	87	21	78	91

	Poland			Romania			Slovak Republic			Slovenia			EU (99)		
<b>MEN</b>	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39	59+	50-59	30-39
ISCED 0-2	17	58	92	55	77	85	1	66	82	22	61	86	13	72	93
ISCED 3	18	70	96	20	69	94	6	78	97	12.6	64	96	15	81	96
ISCED 5-7	35	90	99	22	79	97	24	95	99	18.1	83	99	26	90	98
<b>WOMEN</b>															
ISCED 0-2	10	39	72	38	57	64	1	26	68	12	34	87	5	42	60
ISCED 3	7	58	83	7	45	81	4	54	87	4.9	38	95	7	62	68
ISCED 5-7	21	73	94	6	67	96	25	82	87	*	71	94	16	78	88

ISCED 0-2: primary and lower education, ISCED 3: secondary education, ISCED 5-7: tertiary education.

Source: Vocational educational and training in CEECs. In: Key Indicators 2000, European Training Foundation.

Table 3.8 gives some tentative conclusions on the link between the level of education, employment and unemployment for older workers compared with the whole population for some accession countries.<sup>10</sup>

<sup>10</sup> Table 3.6 is based on national statistical sources, which use different age distributions and also vary in national classification of education. Therefore the figures are not fully comparable across the countries.

**Table 3.8 Employment and unemployment of older workers and all workers by educational attainment for selected accession countries (shares of persons holding certain level of education in per cent of the total number in the respective category), 2000 or 2001**

	Employed				Unemployed			
	Primary	Lower second.	Upper second.	Tertiary	Primary	Lower second.	Upper second.	Tertiary
<b>Czech Republic</b>								
All workers	8.6	42.0	36.1	13.3	26.2	44.9	24.6	4.0
45+	12.1	41.0	32.2	14.7	32.0	44.1	18.5	4.7
<b>Hungary</b>								
All workers	17.5	65.5		17.0	35.0	60.4		4.6
45-59	22.0	58.8		26.7	37.8	55.8		6.4
60+	35.6	26.7		37.7	60.0	30.0		10.0
<b>Estonia</b>								
All workers	10.9		57.9	31.3	21.7		62.6	15.7
45-54	10.1		55.5	34.4	19.5		62.8	17.7
55-64	18.7		46.1	35.2	32.2		42.8	25.0
<b>Romania</b>								
All workers	14.9		76.8	8.3	n.a.		n.a.	n.a.
Men 50+								
Women 40+	76.5		20.1	3.4	77.7		19.4	2.8
<b>Poland</b>								
All workers	14.8		67.5	17.6	n.a.		n.a.	n.a.
55+	44.3		36.8	18.9	n.a.		n.a.	n.a.
<b>Bulgaria</b>								
All workers	5.4	25.5	49.7	19.4	55.0		38.2	6.8
45+	9.8	36.9	34.5	18.7	59.3		33.2	7.5

Source: National reports from the ILO survey.

Table 3.8 confirms the major finding of graph 2.1 that older workers tend to have on average lower education than younger generations for almost all the transition countries. In Estonia and the Czech Republic (and probably in other transition countries as well) this does not concern so much workers born after 1950 but rather those now around 55 or older as the former could already benefit from the new education policy of the communist governments. This policy largely expanded access of young people to higher education but strictly regulated the entry of primary school leavers to different types of secondary school or apprenticeship schools or directly to jobs and similarly the entry of secondary school leavers to universities. Lower education can thus be one aspect, which puts at a disadvantage older workers in the labour market as the unemployment data clearly show that unemployment incidence declines with the increasing level of education of workers.

However, in the case of workers closer to or above retirement age there is another aspect which affects the distribution by level of education of those employed, namely the polarization of labour demand on high-educated and low-educated old workers, as their representation in the employment structure by level of education is significantly higher compared with total employed population. The explanation has been suggested by several national reports in the framework of the ILO survey. Firstly, highly educated workers are more able and also more motivated to adjust to changes in job requirements even at an older age and secondly, employers often value their experience. Many of them are in senior managerial positions, academic positions or in politics where a higher age is considered equivalent to a higher experience and a more balanced decision making. The

transition process seems not to affect this consideration as much as in the case of lower positions. On the other hand, employers also demand low skilled older workers for simpler jobs because of their modest wage requirements, loyalty and readiness to agree to precarious working conditions unacceptable for younger workers. In contrast, older workers with secondary blue-collar or white-collar education are relatively less represented in total employed population as their skills are often obsolete and the workers unable and often unwilling to update or change them in line with labour demand.

### **3.6 Conclusions**

The analysis of the labour market situation of older workers in the accession countries has shown that their labour market participation is considerably lower (by 40 per cent on average) than that of the prime age group. The activity rate for men is some 50 per cent higher than the rate for women. In the course of economic transition the participation rate of older workers followed the same declining trend as the rates for other age groups but the decline was slower than for the prime age group. This is due to a milder decrease of activity of women while the decrease for men was steeper.

Employment rates of older workers aged 55-64 drop on average to slightly over 40 per cent of the prime-age rates but there are large differences among the accession countries both in the extent of this fall and the level of employment of older workers. The employment rates of older men are on average almost double those of older women but for both sexes significantly lower in comparison with the average EU rates.

Older workers in the accession countries have also significantly lower unemployment rates than any other age group and even slightly lower than this group in the EU countries (while the opposite is true for youth and prime-age workers). Also, women face lower unemployment than men in all age groups but the difference is most favourable for older women.

In sum, older workers seem not to be in a particularly disadvantageous situation in the labour markets of the accession countries. However, their lower unemployment is mainly the result of early withdrawals from the labour market, part of which, as will be discussed later, is stimulated by labour supply reduction measures. However, many of them would like to work further for professional or economic reasons but cannot find a job while others are looking for additional sources of income due to low pensions. Reasons for their employment problems are connected with average lower education of older persons in comparison with younger age groups but even more so with obsolete skills of a large part of persons holding secondary level of education.

#### 4. Recruitment and termination of employment of older workers

National labour force surveys of the analyzed countries usually do not provide any information on reasons for leaving the last job for older workers. Only Poland gives this information for the group of 55+ workers where more than a half of the departures was to early retirement (51.6 per cent) usually connected with economic redundancy, skill mismatches or lack of adjustment capacity and capability of the concerned older workers. Another almost one-quarter (23.5 per cent) has retired because of disability and only 18.4 per cent used normal retirement, the rest being for other reasons.<sup>11</sup>

The Lithuanian report within the ILO survey indicates as the main reason for employment termination of older workers retirement because of reaching entitlement to old-age pension, followed by termination due to the end of fixed-term contract, sickness and allowance of disability pension, however, no figures are provided. Estonian, Latvian and Cypriot reports both give old-age retirement as the main cause of departure of older workers from the labour market while for Estonia the second most frequent reason is redundancy and the third sickness while disability is mentioned as the second most frequent reason in the case of Cyprus. Only Bulgaria indicates termination of labour contract as the reason number one before normal retirement, termination of short-term job and sickness. However, this information may be misleading as the employer may terminate labour contract of a person reaching retirement age with one-month notice and compensation without mentioning retirement as the reason. On the other hand, eligibility for old-age pension is one of the reasons for possible termination of contract on the side of employer permitted by law (although the law stipulates that it can be used not earlier than 2-3 years after reaching retirement age).

Apart from Bulgaria with the above-mentioned condition and Estonia where the age of 65 and eligibility for old-age pension is also the legal reason for employment termination on the employers' side, the fact that the employee reaches statutory retirement age does not by itself give the legal reason for terminating employment with this person. The exception are public sector employees in Cyprus and civil servants in Ukraine and the Russian Federation who are obliged to retire at the age of 60 but in the two latter countries they have an option to shift to another work with the appropriate change of their contract. However, in Poland and Romania an employee who has reached retirement age can continue working only with the consent of his/her employer. On the employee's side the entitlement to old-age pension is the reason for terminating his/her employment.

Interviews with officials from national employment services and with personal managers of selected enterprises conducted within the ILO survey revealed that in all these countries if the enterprise faces economic problems and decides to solve them through redundancies or agreed voluntary termination of employment the preferred category of workers to go are those who are eligible for early or regular old-age pension. Personal characteristics of these workers naturally play their role in the decision whether the employer continues to see them as productive and useful workers or not. However, many respondents tended to hold older workers as much less flexible, adaptable and productive than younger workers. As a result, for example in Cyprus the share of workers aged 50-64 in total redundancies was 33 per cent in 2000 while their proportion in employment was only 17 per cent.

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<sup>11</sup> Early retirement is in this case defined as retirement before reaching statutory retirement age while normal retirement is any retirement at or above statutory retirement age.

The perception of older workers as less productive compared with their younger colleagues was less emphasized in the enterprise interviews of the managers, when assessing their own workers whom they knew well, but was much stronger in the consideration of possible new recruits.

Most of the companies surveyed noted that differences in productivity between younger and older workers must be seen in the context of production processes, state of health and specific job requirements. For instance a large machine building enterprise from Ukraine noted that “the labour productivity of older workers depends on the kind of work and the state of health of the concrete worker”. There were mixed responses regarding older workers’ readiness to learn new skills and to change workplace within the company. A large mail delivery Turkish company noted that “older employees have difficulties to adapt to new duties because in Turkish society older people usually give up on developing themselves. Learning new things is often considered unnecessary in older years”. However, several companies noted that older women workers are more open and flexible to change than older men. For instance, in Bulgaria all employers were unanimous that older women are more flexible and are more ready to undertake training and retraining than men. A Latvian large company in the sector of public services said that “women are more flexible and productive; also they have willingness to train”. Several employers also praised older workers’ work attitudes. In Russia, all the employers agreed that older workers demonstrate higher diligence. “Manifestations are many. When older workers get a new assignment they are ready to work overtime to complete it. If older workers fail to do something at first attempt they will try again and again”. A small engineering company from Hungary said that “older workers are the most faithful and the most reliable”. A large automobile company from the same country stated that “illness and disability happen more often with the older employees, but this is compensated by the fact that their motivation is stronger and they are more faithful to the company”.

Regarding redundancy policies, several companies admitted that early retirement is used as a way of reducing staff level. In the Czech Republic a medium- sized bank noted that “if dismissing is necessary, we try to take an advantage of early retirement”. A large machinery production company from Romania noted that “when redundancies have been necessary these have been oriented mainly towards older workers, especially towards those close to the retirement age. The solution was to resign older workers to unemployment followed by retirement”. However, some companies manifested most positive attitudes. A large Estonian textile company noted: “When a worker reaches 65, depending of his/her capability and skills on connected specialties, flexibility to continue learning, willingness to stay in the firm, they can be offered to continue working on a suitable job.

The prejudices against older workers in recruitment were strong in most of the countries and wage subsidies were the most popular measure under which enterprises would hire older workers. These prejudices seemed to be the strongest in the Baltic countries, while more moderate in Ukraine and the Russian Federation. Pressures against older workers, shifting the “old age limit” downwards intensify with the worsening of the overall economic and labour market situation in the country and within the country in the crisis regions. Also the age criterion seems to play a more important role in recruitments for higher managerial and technical positions, in the private sector and it disadvantages more women than men. However, regarding older women, some companies presented a certain preference for them compared to younger women mainly because they “passed the child bearing age”. A manager from a small trade company in Russia noted that “older women workers are easier to deal with. They have balanced minds, smoothly developing

lives. Younger female workers are either pregnant or getting married or move behind their husbands; their lives are unstable and unpredictable. Hence, if the workers meet my professional criteria I would prefer to hire those who are older”.

In most countries surveyed, public employment service officials assessed older jobseekers in comparison with younger ones as much more passive in job search, fearing new technologies and requirements of new employers, as well as the prospect of having to learn new skills, and thus seeking jobs which required the same qualifications as they possessed (but that may often be no longer demanded). Furthermore they are often unwilling to commute to work, in particular when offered remuneration is lower (constantly increasing transportation fares and difficulties to reach the place of work because of the necessity to use several means of public transport and to travel longer further discourages them). These workers also often face health limitations.

In some countries older workers enjoy higher protection in employment and against employment termination by the employer by law. For example, Slovenian labour legislation stipulates that workers within 5 years of retirement can be made redundant only if guaranteed the opportunity of purchasing the missing years of social insurance – in the first half of the 1990s this was done by the employer often with co-financing up to 50 per cent by the employment fund – or receiving unemployment benefits until becoming eligible for the old-age pension or if, in agreement with the worker, appropriate (higher) severance pay is offered. In Lithuania, older workers within 5 years prior to their retirement are entitled to a 4-month notice before planned dismissals while other workers have only 2 months. In Poland, workers within 2 years prior to retirement cannot be dismissed if the reason for termination of their employment is other than bankruptcy or closure of the enterprise. The Latvian Labour Code stipulates that in case of redundancies the selection criteria are performance and qualifications of employees but if they do not differ substantially then employees within 5 years to their retirement should be given preference to stay.

However, seniority rules in employment termination and compensation in case of redundancy (severance pay) are more dependent on the length of service for the same employer than on the age of the person (although the two are obviously related). In some countries it is fixed by law, in others this may be part of enterprise or higher-level collective agreements. For example, in Latvia, redundant workers are entitled to a severance pay equal to their average one-month salary in case of their work for the last employer for less than 5 years, a two-month salary when having worked for this employer from 5 to 10 years, a three-month salary for the service between 10 and 20 years and four months for work longer than 20 years.

Estonia differentiates both the length of notice period and severance pay by duration of service of the laid-off worker. If the person worked for less than 5 years for the current employer and the reason of redundancy is staff reduction due to economic problems of the enterprise or bankruptcy or closure of the enterprise or its part, he/she has to get notice at least 2 months prior to the planned lay-off and the severance pay amounts to 2 months of his/her salary. For those having worked for the actual employer between 5 and 10 years both the notice period and the severance pay equal 3 months, and for more than 10 years of service 4 months. The same level of compensation is guaranteed when the reason for redundancy is reaching the age of 65 and eligibility for old-age pension while the required length of notice period is a bit shorter – 2 months for those with less than 10 years of service and 3 months for workers with 10 years of service or more.



Polish labour legislation provides for a notice period differentiated according to the length of service – the longest one being 3 months for work exceeding 3 years, of which two months can be converted into severance pay in case of redundancy for economic reasons. In contrast in Bulgaria, notice period of one month is uniform for all and can be extended up to 3 months by collective bargaining while severance pay is normally equal to 2 months of salary but for people employed more than 10 years by the same employer it is extended to the equivalent of 6 months.

The Czech Republic has uniform notice period and severance pay for all workers in case of redundancy fixed by law. However, the law also stipulates that collective agreement and internal directives of industries or individual enterprises may increase the level of severance pay and leaves it fully on collective bargaining without fixing any maximum level. While other transition countries do not explicitly stipulate in their labour legislation that collective bargaining may go above the levels fixed by national employment protection legislation, taken as the compulsory minimum, this practice is widespread. It mainly concerns traditionally more unionised industries such as mining, steel production, chemical industry, production and distribution of gas, electricity and water and construction but also large companies in telecommunications, financial sector and others. As a rule, workers in smaller companies with usually no unions or other workers' representation are less protected regardless of the years spent with the same employer or regardless of their age.

Several enterprises, both large and small and from different economic sectors, were covered by our survey in each country and interviewed on their personnel policy in relation to older workers. Interestingly enough, a large majority of them claimed to have no special seniority rules for their long-serving employees made redundant but many of them admitted applying social regards in case of necessary redundancies. Here are included first of all the aspect of long service but also older age if the workers concerned complied with skills and productivity requirements of the enterprise. Based on the law (national employment protection legislation in the Czech Republic, Estonia and the Russian Federation explicitly obliges enterprises planning to dismiss redundant workers first to seek their internal redeployment) or on collective agreements or even without these two institutional settings enterprises usually try to redeploy their redundant employees internally if appropriate jobs are available and the employees have the required skills and productivity and are able to adjust to new assignments, regardless of their age. However, some employers are not able for financial reasons (or willing) to invest in skills upgrading or retraining of their personnel, in particular when these are older, and indeed prejudices against older workers and their ability and readiness to learn anything new, take up new working methods etc. play an important role in personnel decisions.

Another question is how the employment protection legislation is applied in practice. There is a lot of evidence that despite considerable differences among the analyzed countries in terms of their law enforcement smaller or bigger problems exist everywhere in this respect, particularly in the small enterprise sector.<sup>12</sup> Unfortunately, only scanty information exists on the number of law suits launched by unfairly dismissed

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<sup>12</sup> See e.g. the five ILO studies on labour market flexibility and employment security prepared for Bulgaria (Beleva et al, *Employment Paper 2001/30*), Czech Republic (Vecernik, *Employment Paper 2001/27*), Estonia (Eamets et al, *Employment Paper 2001/25*), Poland (Kwiatkowski et al, *Employment Paper 2001/28*) and the Russian Federation (Tchetvernina, *Employment Paper 2001/31*) or the OECD reviews of labour market and social policies for different transition countries.

employees against their former employers and any further investigation on this issue goes beyond the scope of this paper.

Employment stability felt by older workers in a cross-country comparison can be measured by so-called job tenure, measuring the length of stay in the current job. 1999 data on average job tenure by age for six EU accession countries and for comparison for OECD countries are given in Table 4.1.

**Table 4.1 Average job tenure by age for selected accession countries and the EU. 1999 (years)**

Country	All workers	15 – 24	25-44	45+
Czech Republic	9.0	2.5	7.2	13.9
Estonia	6.9	2.1	5.5	10.1
Hungary	8.8	2.6	7.6	13.6
Lithuania	7.6	2.3	5.8	12.3
Poland	11.9	2.1	8.6	19.0
Slovenia	12.1	1.9	9.3	20.8
Average for the 6 accession countries	9.4	2.2	7.3	14.9
EU average (1998)	10.4	1.9	8.0	18.2

Source: National labour force surveys, see also S. Cazes, A. Nesporova, "Labour market flexibility in the transition countries: How much is too much?" *International Labour Review* 2001/3..

Table 4.1 shows that the EU accession countries have on average shorter job tenure than the EU countries. The main cause for this difference is much shorter average job tenure for older workers above 45. There are also large inter-country variations in both the average job tenure for all workers and for older workers, with Estonia having the shortest tenures closely followed by Lithuania while Slovenia and Poland have the longest tenures in general but mainly due to long tenures of older workers.

Older workers in the accession countries are thus exposed to considerably greater job instability and insecurity than their counterparts in the old EU countries and this also explains their fear of changes, readiness to stay in their current job even at the cost of lower wage or downgrading and unwillingness to move to another, even better job. They expect large difficulties in finding a new job, which increase for those with lower outdated education and when they lose their job, the reality is often even worse than anticipated by them and forces them to many compromises unless they can get early or disability retirement. This situation is confirmed by replies of PES officials in all the surveyed countries with a certain exception of Cyprus due to its almost full employment state.

This implies that national labour legislation in the EU accession countries should strengthen employment protection to older workers and national institutions should considerably improve its enforcement in practice. However, legislation cannot solve the problem by itself, there is a need to change the attitude of employers to older workers and prove that they can be good productive workers. Therefore this legal approach should be combined with appropriate labour market training and social policies allowing older workers to and assisting them in improving their skills and employability and in finding new productive activity with regard to their health state, capabilities and needs while preventing their fall into poverty due to job loss. Possible solutions and conditions for their acceptance will be discussed further in this report, including the currently preferred but often condemned option of early retirement for those unable to get employment for health or capacity reasons.

However, an effective solution also requires energetic steps to overcome *discrimination against older workers*, which is troublesome especially in recruitment, less so in layoffs (apart from those eligible for early, old-age or disability pension). Currently, out of the 15 analyzed countries only 5 have prohibition of discrimination based on age in their labour legislation (Labour Code or Employment Act or both) – Bulgaria, Slovakia, Malta, Latvia and the Czech Republic. According to our survey, the Slovak Republic has the most comprehensive legislation prohibiting age discrimination. A summary is presented in this box.

### **Slovak Republic legislation prohibiting age discrimination**

The Act of the National Council of the Slovak Republic No.387/1996 prohibits employers to publicise job offers containing age limitations and discrimination based on race, skin colour, language, sex, social origin, age, religion, political or other opinions, political membership, professional activity, allegiance to nation or ethnic group or other status. The National Labour Office monitors the observance of these statutory provisions.

The National Employment Plan approved by the Government of the Slovak Republic in November 2000 contains measures to ensure the implementation of legal and institutional measures to eliminate discrimination and to monitor the implementation of the right to employment by groups at risk of discrimination in the labour market. Measures to promote this area will be included in the National Action Employment Plan for 2002-2003.

The new Labour Code which entered into effect on April 1, 2002 stipulates the following: Natural persons shall have the right to work and the free choice of employment, to fair and satisfying working conditions and to protection against unemployment. These rights belong to them without any sort of restriction and direct or indirect discrimination on grounds of sex, marital and family status, race, colour of skin, language, age, state of health, belief and religion, political or other conviction, trade union activity, national or social origin, national or ethnic group affiliation, property, lineage or other status, with the exception of cases established by law, or in the case of tangible reasons for the performance of the work consisting in aptitudes or requirements and the nature of work, which the employee is to perform.

Source: ILO Survey

All the other countries prohibit discrimination in general in their constitutions but sometimes age is not explicitly mentioned there. Some reports also pointed to serious problems connected with the overt discrimination against older persons in job advertisements in journals or in vacancy offers in labour offices. Therefore prohibition of discrimination on age should be made part of the labour legislation in all the countries.

Legislation to prohibit age discrimination is crucial to building equality of opportunity. Virtually all industrialized countries have enacted legislation prohibiting discrimination in employment or occupation on the basis of race, religion, sex and various other grounds. Very few have laws banning age discrimination. Within the OECD countries, the United States has the best established legislation. Age discrimination laws have been adopted at the federal level and by most states. The principal federal legislation is the *Age Discrimination Employment Act (ADEA)* of 1967. ADEA seems to have been effective at eliminating the most blatant forms of discrimination, particularly in hiring and has also made mandatory retirement age generally unlawful. Other countries that have age discrimination laws (some adopted quite recently) are Australia, Canada, Finland, Ireland and New Zealand. A few more countries have laws offering some protection to older workers particularly against dismissal but this tends to be very limited.

An important development in late 2000 was the promulgation by the European Union of a major Directive on Discrimination which includes age among several other grounds not previously covered by EU texts. The Directive requires all the Member States to introduce legislation prohibiting direct and indirect discrimination at work based on age

and other grounds over the next five years. An important issue, however, will be how this legislation will be enforced.

Also, there are a number of complex and sensitive issues which need to be addressed and resolved. For example, it recognizes that differences of treatment on grounds of age can sometimes be justified. The challenge for implementation is to identify which types of differences of treatment are acceptable and which are not. For example, it might be sometimes necessary to make special provisions for younger or older workers in order to protect their safety and welfare. Another issue is whether small enterprises should be exempted. The United States Age Discrimination in Employment Act does not apply to private employers with fewer than 20 employees. Another controversy will be over mandatory retirement. In many industrialized countries, requiring employees to retire at a fixed age is a well entrenched practice and is not considered discriminatory. Issues such as these need to be thoroughly examined and discussed in the employment and labour relations and cultural context of each country<sup>13</sup>.

Besides making discrimination on age unlawful there is also a need for changing the minds of employers with regard to older workers, changing the attitudes of older workers themselves towards accepting the necessity of adjustment and readiness to adapt themselves to new conditions and also the need for changing the attitude of the whole society. Section 7 will deal with these issues.

## 5. Retirement trends

### 5.1 Introduction

All the former command economies are running state pension systems to which employers, employees and the self-employed are obliged to contribute while the system provides social transfers to persons having retired due to age or disability.

At the beginning of the 1990s, the transition countries of Central and Eastern Europe were suddenly confronted with a sharp decline in labour demand and accelerating unemployment which coincided with large inflow of new labour market entrants from the 1970's baby boom generation. In order to ease tensions in the labour market, they turned to the options widely used by Western industrialized countries, i.e. labour supply reduction measures, directed first of all to working pensioners. A number of countries also introduced early retirement schemes. In addition, actual conditions for providing disability pensions were relaxed and persons with disabilities encouraged to leave the labour market.

However, wider application of early and disability retirement in some countries like Poland, Romania, Bulgaria, Hungary, Slovakia or Slovenia and later also in the Czech Republic, Estonia and Latvia led to a considerable increase in the number of new pensioners creating a heavy burden for the national pension systems, although in many countries the pension systems were reimbursed for early retirement from the employment funds. The pension systems thus fell into large financial deficits despite the fact that real pensions declined considerably everywhere due to a widespread policy of indexation of pensions lagging behind price increases. While in the initial years of economic reforms

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<sup>13</sup> [www.agepositive.gov.uk](http://www.agepositive.gov.uk) and Taki, "Older people, work and equal opportunity". *International Social Security Review*, Special issue 2002 for the Second World Assembly on Ageing.

the governments decided to cope with the pension fund deficit by subsidizing the fund from the state budget in order not to lose support of the population for the reform process this approach became sooner or later unworkable for financial reasons. Therefore, the countries have started reforming the national pension systems and have modified also labour supply policies in order to encourage higher participation of older age groups of workers<sup>14</sup>. Also, it is important to keep in mind that as a result of ageing the EU as well as its accession countries will soon face growing shortages of labour supply. Unless there is a substantial increase in the labour force participation at all ages, this will pose a major threat to the future economic potential of the continent<sup>15</sup>.

While any systematic analysis of the old pension systems and new pension reforms goes beyond the scope of this paper, this chapter studies modifications of labour supply policies made so far from the point of view of their impact on longer economic activity and employment of older workers and discusses further desirable direction of labour market policy in general.

## **5.2 Statutory and effective retirement age**

### **5.2.1 Statutory retirement age**

Table 5.1 provides information on changes in statutory retirement age for the 15 analysed countries. The table depicts the initial state before the pension reform, the year of introduction of changes and the year of completion of changes with the final statutory retirement age (the increase in retirement age between the initial year and the year of completion is gradual for both sexes and all the countries).

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<sup>14</sup> However, stimulating later retirement and extending working lives may go against the economic phenomenon of people's preferences. As people become wealthier leisure becomes much more valued and desired. This is an already well visible phenomenon in economically developed countries, less so, for the time being, in the countries discussed. However, the same trend can be expected as the countries grow richer. See discussion in Gillion, op. cit.

<sup>15</sup> See for example Hagemeyer, "Demographic and labour market challenges to social security in Europe: Results of simulations with a simple model", in: *Social security and changes in the world of work*; International Social Security Association, Social Security Documentation, European Series no.28, Geneva 2002, pp. 111-123.

**Table 5.1 Changes in statutory retirement age for the analysed countries**

Country	Pre-reform retirement age		Changes in statutory retirement age within the pension reforms				
	Men	Women	Year of change	Year of completion of change in retirement age		New final retirement age	
				Men	Women	Men	Women
<b>Bulgaria</b>	60	55	2000	2005	2009	63	60
<b>Cyprus</b>	65 (60 for public sector)	65 (60 for public sector)	No change				
<b>Czech Republic</b>	60	53-57*	1996	2006	2006	62	57-61
<b>Estonia</b>	60	55	1994	2007	2016	63	60
<b>Hungary</b>	60	55	1998	2001	2009	62	62
<b>Latvia</b>	60	55	1995	2003	2008	62	62
<b>Lithuania</b>	60	55	1999	2003	2006	62.5	60
<b>Malta</b>	61	60	No change				
<b>Poland</b>	65	60					
<b>Romania</b>	62	57	2001	2015	2015	65	60
<b>Russia</b>	60	55	No change				
<b>Slovakia</b>	60	53-57*	No change				
<b>Slovenia</b>	60 (58**)	55 (53**)	1999	2000	2000	63 (58**)	61 (58**)
<b>Turkey</b>	55	50	1999	2000	2000	60	58
<b>Ukraine</b>	60	55	No change				

\* Retirement age of women depends on the number of raised children – 57 for childless women, 56 for women having raised one child, 55 women with 2 children, 54 for those with three children and 53 for women with 3 and more children.

\*\* The earliest possible age with the service length of 40 years in case of men and 35 years (after the 1999 reform 38 years) in case of women.

Source: ILO survey.

The pre-reform statutory retirement age was fairly low and similar in all the transition countries with the only exception of Poland. The retirement age of women was 5 years lower than that of men. In addition, certain occupations performing hard physical work (coal miners, steel workers) or work dangerous for health (some occupations in chemical industry, production of construction materials, etc.) or others (e.g. pilots, police, armed forces) were entitled to retire earlier under more advantageous conditions.

The transition crisis eroded the old pension systems and their funding as revenues sharply fell in real terms due to a declining number of contributors and the impossibility of raising already exceedingly high tax wedge while demands for social transfers were mounting. Increasing deficits of public pension funds have thus pushed the transition countries to prepare and most of them also to implement the pension reforms where one important element has been the extension of the retirement age. This is being done gradually over a longer period of 8 – 20 years. Nevertheless, despite this extension, *the average statutory retirement age in the transition countries has still and will remain well below the EU average* (see Table 5.2). This gap between the average EU statutory retirement age in 1999 and the average age in the group of 15 accession countries achieved after a full completion of the pension reforms launched so far will still be 2.4 years for men and 3.5 years for women.

As to the non-transition EU candidate countries, Cyprus is on a par with the current EU member states while Malta is below the EU average. Turkey has a rather exceptional position among the 15 countries, with much lower age required for becoming entitled to old-age pension. The difference is also in a much lower share of working

population covered by the public pension scheme. The dependency ratio as well as the relation between the number of contributors and beneficiaries are, however, still favourable.<sup>16</sup>

The gap between the accession and the EU countries is usually explained by lower life expectancy in the former countries so that the average period spent in retirement for total population is actually still shorter there than in the EU member states. Nevertheless, the voices to increase the statutory retirement age further to the EU average are strengthening in line with the declining dependency ratios and the ageing of the population.

**Table 5.2 Statutory pension age in the EU countries**

	Males			Females		
	1975	1995	1999	1975	1995	1999
<b>Austria</b>	65	65	65	60	60	60
<b>Belgium</b>	65	65	65	60	60	61
<b>Denmark</b>	67	67	67	67	67	67
<b>Finland</b>	65	65	65	65	65	65
<b>France</b>	65	60	60	65	60	60
<b>Germany</b>	65	65	65	65	65	65
<b>Greece</b>	62	62	62	57	57	57
<b>Ireland</b>	68	66	66	68	66	66
<b>Italy</b>	60	62	64	55	57	59
<b>Luxembourg</b>	65	65	65	60	65	65
<b>Netherlands</b>	65	65	65	65	65	65
<b>Portugal</b>	65	65	65	62	62.5	65
<b>Spain</b>	65	65	65	65	65	65
<b>Sweden</b>	67	65	65	67	65	65
<b>United Kingdom</b>	65	65	65	60	60	60
<b>EU average</b>	64.9	64.5	64.6	62.7	62.6	63

Source: US Department of Health and Human Services, *Social security programs throughout the world*, various issues.

Table 5.2 shows that in the EU countries the average retirement age for male workers is slightly below 65 and for women 63 – the lowest in some southern European countries and the highest traditionally in northern Europe. Around one half of the EU countries have lower retirement age for women compared with men, another half have the same age for both sexes. From the 1960s until 1990, increasing unemployment pressures led towards lowering the statutory pension age. Ireland, Greece, Norway, France and Sweden reduced the age of eligibility to old-age pension by 2-5 years but most other countries maintained the same level. Nevertheless in the 1990s, some EU countries with lower retirement age have started increasing it slowly (Italy for men and women and Belgium, Luxembourg and Portugal for women) to improve the dependency ratio and also to abolish the gap between both sexes, which contributes (besides lower earnings on average) to lower levels of pension of women workers.

<sup>16</sup> See the national report on Turkey for this statement, which however is not supported by any statistical data.

### 5.2.2 Incentives and disincentives to work beyond statutory retirement age

It is also important to emphasize that in a number of the EU countries according to the pension system rules persons in retirement cannot work and simultaneously get old-age pension while in some other EU countries there are upper limits on earnings otherwise the pension is significantly reduced. Also the opportunity cost of continuing in employment after reaching statutory retirement age is considerably increasing as the person loses pension income and often has to contribute further to the pension fund with no or low increments to the future pension. The only reward then is no job loss associated with retirement. Current pension reforms in some countries like Finland try to remove the work discouragement measures and at least partially reduce the opportunity costs of employment continuation above the statutory age.

Before 1990, some national pension schemes in the command economies encouraged workers to postpone retirement by increasing individual replacement rates up to a certain limit. However, workers usually preferred to retire and then collect both old-age pension and earnings from work. As labour demand exceeded labour supply the easiness of finding a job stimulated retirement and work of pensioners while low pension levels made of it an economic necessity. As already mentioned above, after political and economic changes when unemployment rate started to accelerate, the first reaction was to discourage old-age pensioners from work, although some countries introduced later (mild) earning limits for pensioners performing certain, usually white-collar occupations. For example, the former Czechoslovakia introduced a strict upper cup on earnings of pensioners in 1991 so that within one year the number of working pensioners dropped by almost one-half. Later on, with economic and employment recovery this regulation was moderated. Nevertheless, until the end of 2001, there was an upper limit on earnings equal to twice the subsistence minimum for two years after retirement. Since the 1<sup>st</sup> of January 2002, this limit has been abolished. In Hungary until the end of 2001, work of pensioners was penalized by higher income tax. While pensions are not subject to the income tax, earnings were added to the pension and were taxed at a higher rate corresponding to the sum of earnings and pension according to progressively increasing tax. Since the beginning of 2002, the work penalization has also been discontinued. Also in the Russian Federation, pensioners were penalized for continuous work by reducing the pension only to the basic part (which cut on average the level of pension by some 50 per cent) in the period 1997 – 2001 but this regulation was abolished in January 2002. In Latvia, there is still an upper cup upon pension (until 2001 LVT 60, since then LVT 90) above which the pension is reduced when working. Other accession countries do not discourage pensioners from work.

In contrast, many accession countries (e.g. Romania, Slovakia) encourage later retirement beyond the statutory age by increasing the replacement rate by a certain percentage up to the fixed maximum or providing bonuses on later retirement (Slovenia) although the opportunity cost still remain higher. In Cyprus, workers above 65 do not pay contributions any longer (regardless of whether they collect old-age pension or not when working) while in Turkey employers' contributions are considerably lower to encourage hiring of working pensioners. In addition, labour shortages lead to the encouragement of re-activation in certain occupations in Cyprus.



### 5.2.3 Effective retirement age

The effective retirement age may differ from the statutory age due on the one hand to the possibility of retiring earlier for health reasons or after 1989 also for labour market reasons and on the other hand due to incentives to remain longer active as described above.

Available information on the effective retirement age for the accession countries is provided in Table 5.3.

**Table 5.3 The effective retirement age for selected accession and transition countries**

Country	Effective retirement age for men/women in		
	1992	1996	2000
<b>Bulgaria</b>	56.6 (m), 55.3 (w)	n.a.	53.8 (m), 53.2 (w)
<b>Czech Republic</b>			
<b>Cyprus</b>		63.3 (m), 63.2 (w)*	
<b>Hungary</b>			52.5 (m+w)**
<b>Latvia</b>			60.3 (m), 56.8 (w)
<b>Poland</b>			59 (m), 56 (w)
<b>Romania</b>	57 (m), 55 (w)***		55 (m), 53 (w)***
<b>Slovakia</b>		59 (m), 54 (w)****	59.6 (m), 54.8 (w)
<b>Slovenia</b>	56.2 (m), 52.6 (w)	57.6 (m), 54 (w)	59.2 (m), 55.5 (w)
<b>Ukraine</b>			58.8 (m), 53.8 (w)

\* 1997

\*\* average figure for the whole population in 1999

\*\*\* figures only for early or old-age retirement; if disability retirement is included the figures for 2000 are 53 for men and 50 for women.

\*\*\*\* average for the period 1997-1999.

Source: National reports for the ILO survey. Administrative data.

Despite probable inaccuracies in Table 5.3 (as the national reports do not always clearly indicate whether the effective retirement age is calculated with or without retirement due to disability), the data illustrate that the effective retirement age is lower, and in some countries like Hungary, Bulgaria or Romania substantially lower, than the statutory retirement age. In addition, there has been a tendency towards increasing this gap over the 1990s although the extension of statutory retirement age in the framework of the pension reforms has led towards the trend reversal at least in some of the countries. Slovenia has experienced an opposite trend in line with the restriction of early retirement massively used in the initial years of economic reform (see below). Although any cross-country comparison can only be very tentative, the data show large differences among the countries in the effective retirement age. These differences are obviously connected with variations in national statutory retirement age across the countries and also with the availability and accessibility of early retirement schemes while, rather surprisingly, only weak correlation can be discovered with their actual labour market situation (compare this Table with Table 3.5).

For illustration of differences between the EU accession countries and the EU countries, Table 5.4 presents effective retirement age for men and women in the EU member countries.

**Table 5.4 Estimates of the average age of transition to retirement by sex in the EU countries, 1980-1995**

Country	Effective retirement age					
	Males			Women		
	1980	1990	1995	1980	1990	1995
<b>Austria</b>	60.1	58.7	58.6	58.2	56.7	57.2
<b>Belgium</b>	61.1	58.3	57.6	57.5	54.7	54.1
<b>Denmark</b>	64.5	63.3	62.7	61.0	59.9	59.4
<b>Finland</b>	60.1	59.6	59.0	59.6	59.4	58.9
<b>France</b>	61.3	59.6	59.2	60.9	59.0	58.3
<b>Germany</b>	62.2	60.3	60.5	60.7	58.2	58.4
<b>Greece</b>	64.9	62.3	62.3	62.6	60.6	60.3
<b>Ireland</b>	66.2	64.0	63.4	66.0	61.8	60.1
<b>Italy</b>	61.6	60.9	60.6	59.5	57.5	57.2
<b>Luxembourg</b>	59.0	57.6	58.4	60.8	56.0	55.4
<b>Netherlands</b>	61.4	59.3	58.8	58.4	55.8	55.3
<b>Portugal</b>	64.7	63.9	63.6	62.9	61.0	60.8
<b>Spain</b>	63.4	61.6	61.4	63.6	59.7	58.9
<b>Sweden</b>	64.6	63.9	63.3	62.0	62.4	62.1
<b>United Kingdom</b>	64.9	63.2	62.7	62.0	60.5	59.7

Note: The calculation of the average retirement age is based on aggregate data on active and total population by gender by quinquennial age groups. The mathematical derivation of the retirement ages is from Latulippe, "Effective retirement age and duration of retirement in the industrial countries between 1950 and 1990", *Issues in Social Protection Discussion Paper No.2*, ILO Social Security Department, Geneva 1996. Accordingly, there are a number of assumptions concerning the distributions of the population and retirement with each age group: i) minimum retirement age is set at 45 years of age; ii) within each age group, the population is assumed to be normally distributed; and iii) retirement within each age group is assumed to be linear with age.

Source: Blöndal S. and Scarpetta, S. "The retirement decision in OECD countries", OECD, Economics Department Working Paper, Number 202, 1998.

Table 5.4 shows the declining overall trend in effective retirement age both for men and women in the EU region, which continued in a moderate pace even in the 1990s despite a more favourable labour market situation in this period. There are significant differences among the countries in the average age at which men and women actually retire but they do not seem to correlate strongly with the variations in unemployment similarly as in the accession countries (compare Table 5.4 with 3.6). Also here the main factors explaining the cross-country differences seem to be variations in the statutory age and the application of early retirement and disability retirement.<sup>17</sup>

In 1995, the average effective retirement age for the EU was 60.8 years for men and 58.4 years for women, i.e. around 4 years below the average statutory age (see Table 5.2). Although Tables 4.4 and 4.3 use different methodologies for estimating the average effective retirement age as indicated there, nevertheless their comparison shows that people in the EU member states tend to retire significantly later than workers in the accession countries, with the exception of Cyprus. However, no unambiguous conclusion can be made as to the difference in the statutory and effective retirement age between the two regions due to incomplete and imprecise information available for the accession countries.

<sup>17</sup> See also Auer and Fortuny, "Ageing of the labour force in OECD countries: Economic and social consequences". *Employment Paper 2000/2*, ILO Geneva.

### 5.3 Early and disability retirement

Of the 15 analysed countries, three – Lithuania, Malta and Turkey - do not have any early retirement scheme at the national level but in Malta early retirement schemes are possible at the enterprise level. While the overall trend is from their rather wide use towards reduction to special categories of workers, few countries such as Estonia (since April 2000) and Latvia (since 2000 for men while for women it has been in existence since 1996) have recently introduced the scheme. Table 5.5 provides brief description of the national early retirement schemes.

**Table 5.5 Early retirement schemes in the accession countries**

Country	Previous schemes after 1989	Current schemes
<b>Bulgaria</b>	1990-1991 3 years before statutory retirement, reduction of pension level only until becoming eligible to old-age pension 1992-1999 same scheme but only for selected industries under-going restructuring	Since 2000 – only for work categories I (necessary 10 years of service there), earliest possible age of retirement 52 for men and 47 for women; and II (necessary 15 years of service), earliest possible age of retirement 57 for men and 52 for women.
<b>Czech Republic</b>		Since 1996 – two alternatives: 1. within 3 years before statutory retirement, after 25 years of insurance with <i>permanent reduction of pension</i> (earnings-related part is reduced by 0.6 per cent of pension base for each 90 days “lost”) 2. within 2 years before statutory retirement, after 25 years of insurance and 180 days of registered unemployment with <i>temporary reduction of pension</i> (0.3 per cent for men aged 60 and women 53-57 according to the number of raised children until 2006 or 0.6 per cent for each 90 days “lost”)
<b>Cyprus</b>		Since 1993 – at 63 if completing the minimum number of years of insurance (equal to 70 per cent of the insurance period from 16 to 63)
<b>Estonia</b>		Since April 2000 – within 3 years before statutory retirement, permanent reduction of pension by 4.8 per cent a year (14.4 per cent for 3 years)
<b>Hungary</b>	Two parallel schemes: 1. 1990-1995 – “early retirement” scheme: within 5 years prior to statutory retirement; pension covered by the employer through the Pension Fund, possibility of 50 per cent subsidy from the Labour Fund; no reduction of pension. 2. 1990 – 1998 – “pre-pension” scheme: within 3 years prior to statutory retirement, after termination of unemployment benefits; due to shorter service lower level of pension.	Two parallel schemes: 1. Since 1996 – “early retirement” scheme: within 5 years prior to statutory retirement; pension covered by the employer through the Pension Fund but the amount for the whole period until statutory retirement has to be paid as a lump sum in advance unless the employer is public institution. No reduction of pension. 2. Since 1998 – within 3 years prior to statutory retirement; unemployment allowance before retirement equal to 80 per cent of the minimum old age pension. No reduction of pension (paid from the Labour Fund).
<b>Latvia</b>		Since 1996 women and 2000 men – within 2 years before statutory retirement (since 2000 at age 58 for women and 60 for men) after at least 30 years of service. Temporary reduction at 80 per cent of pension until reaching statutory age. Envisaged to be terminated in 2005.

<b>Lithuania</b>	No early retirement scheme	
<b>Malta</b>	No national early retirement scheme, existence of individual enterprise schemes.	
<b>Poland</b>	Two parallel schemes: 1. 1990-1997 – “early retirement” scheme: for women aged 55 after 30 years of service, for women with service of 35 years and men with service of 40 years made redundant by the employer. 2. 1990 – 1995 – within 2 years prior to statutory retirement, extension of unemployment benefits until reaching statutory retirement, also for women over 55 and men over 60 dismissed under group redundancies.	Two parallel schemes: 1. Since 1998 – “early retirement” scheme: within 5 years prior to statutory retirement. Available to special categories of workers stipulated by law, until recently also to women . 2. Since 1996 – “pre-retirement” pay: (1) women aged 58 and men 63 or (2) women aged 55 and men 60 with required years of service for pension entitlement and made redundant by the employer, or (3) women with 35 years of service and men with 40 years of service if made redundant by the employer. Pay equal to 80 per cent of the amount of pension until reaching statutory age.
<b>Romania</b>	1990 – 1991 - within 5 years before statutory retirement for men with 30 and women with 25 years of service, no reduction of pension 1991- 2000 - at 60 for men and 55 for women in work category III, at 55 (men) and 50 (women) in work category II, and at 50 (men) and 45 (women) in work category I	Since 2001 two schemes: 1. early retirement without reduction of pension: within 5 years before statutory retirement for men with 40 years of services and women with 35 years of service. 2. early retirement with reduction of pension: within 5 years before statutory retirement for men with 30 years of service and women with 25 years of service. Pension is reduced depending on the number of years “lost” before statutory retirement (if less than one year, the reduction is 0.5 per cent, if more than 1 to 2 years 0.45 per cent, if 2-3 years 0.40 per cent, 3-4 years 0.35 per cent and 4-5 years 0.30 per cent for each lost month.
<b>Russian Federation</b>		Within 2 years before statutory retirement if completed full service required for entitlement to old-age pension. Then full pension.
<b>Slovakia</b>	1988-1999	Since 2000 only for special categories of workers performing arduous work, risky for health listed in the Labour Code after having reached the age of 55 (58) with 25 years of service, of which 10 in category I or 20 in category II or 25 in risky work in category III.
<b>Slovenia</b>	1992-1999 – in case of redundancy within five years before full retirement. If not full contribution period (40 years for men and 35 years for women), it could have been “purchased”, typically by the employer. For each missing year before 58 for men and 53 for women one per cent deduction applied until reaching this age.	Since 1999, if dismissed within 5 years before completing 40 years of service (men) and 38 (women) with possibility to purchase the remaining years of work. No reduction of pension. If retiring at age 58 and with full service, again full pension. Any retirement before 63 (men) and 61 (women) with incomplete service subject to pension reduction.
<b>Turkey</b>	No early retirement scheme	
<b>Ukraine</b>		Within 1.5 years before statutory retirement with 30 years of service (men) and 25 (women), full pension.

Source: National reports.

Table 5.5 shows that on top of low statutory retirement age characteristic for all the transition countries in the first half of the 1990s, most of them were running early retirement schemes with favourable conditions for the retirees (no or mild actuarial

reduction of pensions). These schemes together with the wide use of disability pensions for labour market purposes caused the huge outflow of mainly older workers close to retirement age but also many younger workers for health reasons but actually for labour market reasons. Early retirement schemes were originally mostly paid from national pension funds, later many countries switched to the reimbursement of early retirement pensions from employment funds.

Table 5.6 illustrates the excessively wide use of early and disability retirement in the accession countries, mainly based on labour market reasons.

**Table 5.6 Shares of early and disability retirements in total new retirements in the accession countries, the 1990s – selected years, per cent**

Country	1992		2000	
	Early retirement	Disability retirem.	Early retirement	Disability retirem.
<b>Bulgaria</b>	19.4	14.4	26.3*	20.1
<b>Czech Republic</b>	10 (1996)	45 (1996)	41.7	29.2
<b>Cyprus</b>	70 (1993)	n.a.	77	21
<b>Estonia</b>	-	21	13.1	33.5
<b>Hungary</b>	26.5	35.5	3.6	54.6
<b>Latvia</b>	-	n.a.	45	32
<b>Lithuania</b>	-	n.a.	-	41
<b>Poland</b>	39.9 (1996)	57 (1996)	32.3	57.8
<b>Romania</b>			25	14
<b>Slovakia</b>	51.5	18.1	27.4*	13.9
<b>Ukraine</b>	19.7 (1993)	14.5 (1993)	18.5 (2001)	24.2 (2001)

\* Early retirement procedure for these persons started before the 2000 reform.

Source: National reports for the ILO survey.

Data in Table 5.6 show that in many accession countries like the Czech Republic, Latvia and Cyprus only a rather small proportion of the older population are working until statutory retirement age, while the vast majority of workers retire before this age. This indeed puts a heavy burden on the present pension systems even if they are partially or fully compensated for early retirement costs from the employment funds.

The availability of early retirement further weakens the labour market position of older workers as employers consider it socially more acceptable in the case of downsizing to push older workers towards early retirement while keeping younger workers in employment. It is also important to admit that many older workers actually welcome the possibility of early retirement due to poor working conditions in their jobs, fatigue after long working lives and a high level of psychological stress provoked by huge changes during the transition process both at work and in everyday life. However, as pension levels are low pensioners are often forced to supplement them by earnings from formal or informal economic activity implying tax losses for the public budgets. Moreover, such jobs are often below the capacity of older workers and underutilize national human resources.

#### **5.4 What are the possible policy options?**

Current discussions in the accession countries on the pension reforms agree on the actual unfeasibility to increase contribution rates in order to make the pension funds financially sustainable. The contribution rates are already very high and relatively excessive (in relation to wages) non-wage labour costs are blamed as one reason for high

unemployment and large tax evasion caused by a switch from formal labour to informality.<sup>18</sup>

Another possibility would be to reduce the pension levels. This has actually been done during the transition period so far when some countries directly reduced the replacement rates but all the countries kept indexation of pensions below price and wage developments. However, this approach has clear limits as it cannot lead to the impoverishment of the elderly and indeed, the majority of the transition countries have been quite successful in avoiding this socially unacceptable policy option.

Besides increasing statutory retirement the reforms go in the direction towards a multi-tier system, with the first tier based on a flat rate basic pension, the second tier depending on earnings-related contributions and another tier on capital-funded private pension. The specific features and shares of each component in the reformed pension systems as well as their compulsory or voluntary character differ by country. Countries also vary in the time horizon of full implementation of the new systems.

A further option is to increase the *statutory* retirement age and the necessary length of pension insurance. As already stated earlier in this chapter, the majority of the accession countries have already adopted this policy. The extension of the statutory retirement age in combination with certain recovery in labour demand has already brought some positive results in the increase of participation and employment rates of older population. Nevertheless they are still suboptimal.

In order to extend the *effective* retirement age, it is also important to reduce early retirement and disability retirement as much as possible. As mentioned earlier, some countries have already discontinued early retirement or reduced it to strictly defined categories of workers whose ability to further work has deteriorated after long-term exposure to health-detrimental environment or arduous working conditions. While early retirement should still remain a valid option in particular in cases of mass layoffs hitting many older workers in regions with very high unemployment, the schemes should be made actuarially neutral so that decisions on retirement versus continued employment associated with commuting to the new job or acceptance of low quality jobs could be taken after proper consideration of the costs and benefits of the taken decision.

The ILO in its Older Workers Recommendation No. 162 from 1980 recommends to the member states to adopt policies encouraging the gradual transition from work to retirement. It is also recommended to ensure voluntary retirement and flexibility of retirement age qualifying a person for an old-age pension. The argumentation in favour of gradual retirement emphasizes the possibility (i) to overcome a certain “pension shock” from an abrupt transit from work to non-activity; (ii) to adjust the amount and length of work to any decline in capabilities associated with age; (iii) to stay longer at work and reduce pressures on pension or other social welfare schemes; (iv) to make fuller use of human capital of the country and transfer experience of older workers to younger generation; and (v) to open additional employment opportunities through job sharing and/or vacating jobs for younger workers and thus improving their employment chances (see Casey, *Incentives and disincentives to early and late retirement*. ILO-OECD Workshop on the development and reform of pension schemes. Paris, 15-17 December 1997. ).

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<sup>18</sup> See e.g. The World Bank, *Poland – labour market study. The challenge of job creation*. The World Bank, Washington 2001.

Some OECD countries have recently introduced such a possibility of gradual retirement. For example, Denmark offers partial early retirement pension at the age of 60 to 66 if the person was employed full time for at least 10 years out of the last 20 and continues to work 12-30 hours a week. Finland has introduced part-time pension for people aged 56-64 after having worked for at least 5 years in the last 15 years. Also Germany has made available partial retirement for persons under 65 working part-time with reduction in full pension depending on the level of earnings from this job. France has introduced a scheme which enables employees aged over 55 years to transfer to half-time working. In addition to the salary paid by the company, the employee receives an additional allowance equivalent to between 25 and 30 per cent of the previous salary. Since 1994, it has been possible for working hours to be varied between 20 per cent and 80 per cent of the original full time annual working hours, provided that the reduction in hours worked over the entire period of phased early retirement averages 50 per cent. Similarly in Sweden partial pension in combination with part-time work is made available for persons above 61.

It would also be recommendable to turn to such a possibility of partial retirement combined with part-time work for older workers in the accession countries as well. It is the matter of discussion between the policy makers and the social partners what should be the conditions for such an option. Should it be made available to all older workers after a certain age or only to those completing the number of years of service required for old-age pension or to those encountering unemployment problems, is one question. What would be the formulae for the partial replacement rates and the extent of part-time work and the level of earnings is another question. This will also require appropriate amendment in national labour and social legislation.

## **6. Active labour market policies for older workers**

### **6.1 Introduction**

When demand for labour abruptly weakened and unemployment of the working age population including older workers started to accelerate after the introduction of economic and social reforms the transition countries responded by amending labour legislation and setting up labour market institutions. They established national employment services (NES) with the network of regional and local labour offices to help persons losing their jobs as well as new labour market entrants to find new employment opportunities and in the period of job search to provide them with income support. As many jobseekers have been confronted with problems of obsolete skills, poorer health or simply lack of vacancies in their place of residence NES have launched a range of active labour market programmes to improve the situation. The labour market programmes have been modelled on similar programmes applied in industrialized countries and have been designed to intervene on the supply side or the demand side of the labour market or to facilitate their matching. Also special vulnerable groups of jobseekers have been identified who need more attention to alleviate their disadvantages and more intensive assistance in re-employment. In many countries one of these special groups are older workers.

This chapter will first give an overview of labour market policies applied in the accession countries and their outcomes. Further, it will analyze their targeting at older

workers and discuss the appropriateness of such a targeting in relation to the objective of promoting employment of older workers. It will then discuss whether available labour market programmes suit the special problems and needs of this group of working population and what could be better solutions. Policy recommendations will conclude the session.

## **6.2 Labour market policies in the accession countries<sup>19</sup>**

The accession countries apply a wide range of labour market programmes, which have often been introduced with the assistance of public employment services from West European countries. The programmes usually called as passive measures include unemployment insurance benefits, unemployment assistance (usually means-tested income support provided to registered jobseekers who have already exhausted or are not eligible to unemployment benefits), pre-pension benefits and early retirement. So-called active measures applied so far in the accession countries cover, apart from job counselling and mediation provided by labour offices, labour market training, direct job creation, subsidized employment, internships for school leavers, sheltered workshops/workplaces (a form of subsidized employment for disabled or socially marginalized persons), public works, self-employment promotion measures, and mobility promotion measures. These “traditional” labour market programmes are usually targeted at registered jobless persons, and occasionally also at workers still employed but threatened by layoff. Some countries have also launched programmes assisting enterprises in crisis. Special programmes stimulating the social and economic (re-)integration of disadvantaged groups, such as disabled persons, the Roma, socially marginalized youth or recovering addicts, are now increasingly gaining on importance in a number of the accession countries as well. The countries use job quotas for certain vulnerable groups of workers when medium-sized and large enterprises are obliged to reserve a fixed share of all jobs to such workers otherwise they have to pay a levy to the employment fund. Many NES also run Job Clubs and provide short courses in job application skills, directed among others to long-term unemployed persons.

Passive labour market policies are aimed at moderating the fall in income of individuals in connection with the job loss but also at reducing total labour supply by offering social transfers to jobseekers with little chance to find a job. And one can say that this orientation of labour market policy towards labour supply reduction through early retirement, disability retirement, extended parental leave or extended unemployment benefits/assistance to less competitive workers, in particular those in pre-retirement age, was actually prevalent in the majority of the transition countries. For financial reasons national unemployment insurance schemes were quickly reduced in terms of the eligibility of unemployed persons to and the level and length of payment of benefits after unemployment had accelerated in the early 1990s but this stricter stance did not push jobseekers to quickly find new jobs as demand for labour remained relatively weak even when national economies recovered.

The maximum duration of benefits ranges from six months in the Czech Republic to one year in Bulgaria, Hungary, Ukraine and the Russian Federation but in crisis regions

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<sup>19</sup> This section relies heavily on chapter 3 of the Manual on evaluation of labour market policies in transition countries by O’Leary, Nesporova and Samorodov (ILO Geneva, 2001) where more information can be found on these programmes, their design, the number of participants, funding and outcomes in terms of the re-employment rates after their completion in selected transition countries.



it may be longer (e.g. 1.5 years in Poland). Also older workers, as mentioned in the previous paragraph, may receive benefits for a longer periods, two years or more, and in a number of the accession countries those in pre-retirement age up to becoming eligible to old-age or early retirement (in Hungary, Slovenia, Poland or Ukraine early retirement schemes have been replaced by pre-retirement benefits enabling older jobseekers with minimum employment prospects to bridge the time to old-age pension while placing no additional burden on the pension fund). Detailed comparison of national unemployment insurance schemes in selected transition countries can be found in O'Leary, Nesporova and Samorodov, op. cit. Table 6.1 gives an idea on how many registered jobseekers are recipients of unemployment benefits/assistance in selected transition economies.

**Table 6.1 Participation in labour market programmes in selected transition countries in 1998** (Per cent of average monthly registered unemployment if not otherwise stated)

Country	Benefit recipients	Placed with assistance of NES*	Participation in ALMP <sup>+</sup>	Percentage in:			
				Labour market training	Public works	Self-employment	Subsidized employment and other policies
<b>Bulgaria</b>	24.8	40.5 <sup>++</sup>	18.4	1.4	15.3	0.02	2.1
<b>Czech Rep.</b>	48.8	56.9	17.2	5.2	3.8	N/A	8.2
<b>Estonia</b>	59.3	28.4	38.3	24.9	11.8	1.2	0.4
<b>Hungary</b>	73.9	20.7	73.0	18.8	27.4	1.7	25.1
<b>Hungary</b>	73.9	20.7	26.3 <sup>**</sup>	5.2 <sup>**</sup>	6.9 <sup>**</sup>	0.3 <sup>**</sup>	13.9 <sup>**</sup>
<b>Poland</b>	23.1	48.1	22.7	7.9	5.9	0.6	8.3
<b>Poland</b>	23.1	48.1	7.9 <sup>**</sup>	0.9 <sup>**</sup>	2.2 <sup>**</sup>	0.5 <sup>**</sup>	4.3 <sup>**</sup>
<b>Russian Fed.</b>	89.5	62.6	35.4	16.3	19.1	N/A	N/A
<b>Slovakia</b>	27.0	N/A	17.0 <sup>**</sup>	0.7 <sup>**</sup>	3.2 <sup>**</sup>	1.4 <sup>**</sup>	11.7 <sup>**</sup>
<b>Ukraine</b>	53.1	19.2 <sup>***</sup>	24.4	12.8	11.6	0.0	0.0

\* The ratio of job placements of registered jobseekers to newly registered unemployment in the course of the year.

\*\* The average monthly participation in active labour market programmes (ALMP) as a percentage of average monthly registered unemployment.

\*\*\* Non-employed jobseekers (registered jobseekers both with and without unemployment status).

+ The ratio of the number of all participants in ALMP over the year (regardless of the length of participation) in the average monthly number of registered jobseekers in the same year; in per cent.

++ Including placements within ALMP.

Sources: Reports of National Employment Services.

The cross-country differences in the shares of unemployment benefit recipients in registered unemployment depend on many factors connected with the level of unemployment, strictness of unemployment insurance schemes or whether further income support paid after exhaustion of benefit entitlement is covered from the employment fund or from other social budgets. As in Estonia, the Russian Federation or Ukraine the level of benefits is very low and eligibility rules are rather strict, many jobseekers are excluded from or not interested in registration at NES. Therefore, the share of benefit recipients in registered unemployment is relatively high but in proportion to total unemployment, which is much higher than registered unemployment, it is actually low.

Job mediation and job counselling are the most frequently used active labour market policies in the accession countries. Nevertheless, there are substantial differences among the countries in the ability of NES to find jobs for the unemployed. Job placements depend primarily on the overall labour market situation: a sufficiently high demand for

labour pulls unemployed persons back to work while unemployment turnover is low in a period of depressed demand as employers prefer to recruit workers directly from another job. The reputation of national employment services among employers is another important factor. Although enterprises in most transition countries are legally obliged to notify the employment service of vacancies, many job openings are not reported. Moreover, the relations between employment offices and employers determine whether applicants sent by the employment offices are accepted or whether employers rely on other ways of recruiting new workers. Usually the placement record improves a lot if employment services screen jobseekers properly to ensure that they meet the needs of employers and if they give some additional support in the case of harder-to-place jobseekers. Table 5.1 also shows the placement rates of registered jobseekers recorded by national employment services in a cross-country comparison.

As to active labour market programmes, Table 6.1 demonstrates that in the late 1990s some countries, such as Hungary, put greater emphasis on ALMP while others like Estonia, Bulgaria or the Czech Republic relied mostly on the labour market to absorb unemployment.

Also the attention given to individual programmes differed by country, reflecting their special needs and the available funding. Transition countries with high long-term unemployment tend to run broad-based public works programmes to alleviate poverty among the long-term jobless and keep up their contact with the labour market. Public works are also increasingly combined with infrastructure or ecological programmes, to benefit regions hit by economic or ecological crises and are widely used for repairing damage caused by recent disastrous floods.

Countries facing high structural unemployment and skill mismatches in the labour market invest heavily in the labour market training of jobseekers with low or obsolete skills. A number of the accession countries also subsidize the retraining of employed persons before their internal redeployment in enterprises undergoing major restructuring or they finance the retraining of redundant workers with obsolete skills before layoff, to facilitate their re-employment.

Subsidized employment programmes belong to more expensive programmes but they have the advantage that the employment service can select the people who are placed on the jobs. These subsidized employment programmes often target disadvantaged groups or they are applied in regions suffering from very high unemployment. Such programmes (often called internships) combined with on-the-job training, if necessary, are also frequently used for facilitating transfer of youth from school to work and belong to the most successful programmes in terms of the placement rate.

In contrast, programmes encouraging the self-employment of jobless persons are rather modest in most transition countries, partly because few people are willing and able to run a business successfully unless they are forced into it. Also labour mobility programmes are very small, despite widespread regional disparities in unemployment and local mismatches between labour supply and demand in all transition countries, in due to very high market price of housing in prosperous regions, they concentrate mainly on subsidizing transportation costs of commuting to work. Table 6.1 provides figures on the participation of registered jobseekers in these ALMP in selected transition countries.

Proper evaluations of the applied ALMP as to their outcomes (usually job placement rates of the participants after completion) and effectiveness (the costs of participation and job placement of the participants) are not made systematically in any of

the accession countries and even performance monitoring of the programmes is still rather rare. In most countries, labour market training is the only regularly monitored programme. Its gross re-employment rates (without eliminating the impact of other factors on the job placement) moved between 35.3 per cent in Bulgaria to 89.2 per cent in the Russian Federation but were usually around 50 per cent in the late 1990s. Self-employment promotion programmes place first in terms of re-employment and the rates move usually above 80 per cent due to the improved screening of potential entrepreneurs and a generally low number of the participants. Subsidized employment has led to job placement of more than half the participants in Poland and Hungary and in Poland and Bulgaria these programmes are also considered as very cost-effective. In contrast, public works schemes usually lead to regular employment of less than 10 per cent of the participants but the countries appreciate their economic effects for local communities and also use them for testing the readiness of jobseekers to take up work and use them as a poverty relief programme.

Labour market programmes in transition countries are usually financed from special employment funds raised by contributions from employers and workers, often supplemented by government subsidies. In the majority of countries the employment funds are independent of the state budget but in some countries like the Czech Republic or the Russian Federation they are part of the state budget. In 1998, the total amount of funds devoted to labour market interventions ranges from 0.2 per cent of GDP in Estonia and the Russian Federation to 1.1 per cent in Slovakia and 1.3 per cent of GDP in Hungary and as a rule the correlation between the level of funds on labour market interventions and the unemployment rate is rather weak. Between 50 and 70 per cent of the employment funds are spent on passive policies, 10 – 34 per cent on ALMP and the rest are the costs of running the NES.

### **6.3 Active labour market programmes for older workers**

According to the ILO survey national employment services in all the accession countries recognized older workers as one of the vulnerable groups experiencing labour market pressures in periods of economic restructuring and if jobless then facing particular problems in re-employment. As already mentioned in Chapter 4, labour legislation requires special employment protection and more intensive job placement assistance for this group only in some of these countries like Lithuania, Russian Federation, Slovakia, Slovenia and Ukraine. National employment acts of Lithuania, the Russian Federation and Ukraine specifically mention older workers in pre-retirement age as one group eligible for job quotas but it is up to the regions to decide the necessity and the level of such a quota (up to 5 per cent) for older workers depending on the specific labour market situation.

Interviews with the national and local labour offices in the surveyed countries revealed that older workers indeed get intensive assistance in job placement especially in the initial period after job loss. However, labour offices in general are rather sceptical about the employment chances of many older jobseekers, in particular those who are jobless for an extended period. The officials mention reasons for such scepticism as lower and obsolete skills of older workers, health constraints, lower labour productivity, low mobility, difficulty and unwillingness to acquire new skills and new working methods, and general passivity in job search, (as stated before stemming from their fear against the need to learn new things and adjust to new conditions of work, etc.). Therefore the labour offices often give up intensive job search assistance and provide them with unconditional income support or an offer of early or disability retirement if such schemes are available.

These are also the reasons for generally lower participation of older unemployed persons in active labour market programmes mentioned by the national reports although very few figures were provided. We find as well that the re-employment rates after completing the programmes seem to be generally lower for older workers. In Estonia for example, the share of persons above 50 in registered unemployment was 17.7 per cent in 2000 but their share in ALMP was estimated only at some 10 per cent. In Poland, the estimate of the share of jobseekers above 50 in ALMP is as low as 1 per cent. But some countries mention higher shares of older participants in ALMP. For example in Latvia, older workers having up to 5 years before statutory retirement age contributed 35.7 per cent to the total number of participants in ALMP in 2001 and also their re-employment rates were generally similar as for other age groups – 37.2 per cent on average for women and 32.1 per cent for men in the same year. Many of them, in particular those long-term jobless, have individual employment plans to assist them better in re-employment. In Lithuania, the proportion of older persons in registered unemployment equalled 5.3 per cent while their share in individual ALMP moved between 3 and 10 per cent. In Romania, the share of older workers (this time men aged 50 and more but women 40 and more) participating in ALMP among all the unemployed older persons constantly increased over the 1990s from 6.1 per cent in 1992 to 20.3 per cent in 2000, three-quarters of the participants, however, being offered “only” vocational guidance and job mediation (most other countries do not count vocational guidance and job mediation as separate active labour market programmes but rather as two forms of job placement services).

As to the shares of older workers and jobseekers participating in different active labour market programmes, the programmes most often offered to them due to their frequent long-term joblessness are public works and subsidized employment. In contrast, older workers are generally underrepresented in labour market training, despite their lower and often obsolete skills. Thus in Latvia, the proportion of older participants with 5 years or less before old-age retirement in labour market training amounted for 3 per cent while in public works they contributed 8 per cent and in subsidized employment 10 per cent. But it is also important to mention that 8 per cent of the participants in retraining provided to redundant but still employed workers were older persons.

In Estonia, the share of older workers above 50 was also the highest in public works while only 8.2 per cent of them participated in labour market training (of whom almost three-quarters were women) in 2000. However, the Estonian Ministry of Social Affairs is aware of the challenges faced by older workers and within the new long-term programme “Policy for the Elderly in Estonia” approved by the Government of Estonia in September 1999 much attention is devoted to improving the employability of this group. This programme is described in further detail in Chapter 7 but here it would be useful to mention that increased access of workers in pre-retirement age to labour market training and subsidized employment is stipulated there as one of the key tasks ensuring better employment position of older workers.

In Romania, the share of older persons (men above 50 and women above 40) among the labour market training participants equalled 9.7 per cent in 2000 but it went down both absolutely and relatively from the 33.3 per cent share in 1992 and 19 per cent in 1996. Participation of older workers in other programmes like public works, subsidized employment or business start-up promotion was very low.

Slovenian labour offices place older workers mainly in public works (due to high incidence of long-term joblessness among them) where they constitute almost 50 per cent of all participants. Older persons are also more represented in the business start-up

programme (nearly one-third of all participants) while labour market training is offered to them much less although special training programmes adjusted to the needs of older trainees do exist in Slovenia.

In contrast in Malta, workers above 45 get, apart from special job counselling, labour market training (persons above 40 constitute two-thirds of the trainees) according to their needs despite their much lower re-employment rates after completion (25 per cent in comparison with 53 per cent for younger workers below 40).

Older workers (men over 50 and women over 45) in Slovakia are mostly participating in general public works (38 per cent of all participants in 2000) and public works for long-term unemployed persons (24 per cent), self-employment schemes (20 per cent), subsidized employment (21 per cent), temporary employment (28 per cent), sheltered workshops (28 per cent) and self-employment in sheltered workshops (19 per cent). In contrast, their involvement in labour market training and retraining was more modest – 9.3 per cent in 2000. Moreover, focused research revealed that much larger proportion of older workers leave these programmes before their completion, mainly for health reasons, so that they are benefiting less from active policies than other age groups. Besides these more general programmes, the Slovak NES has recently launched special programmes for older workers indicated in the following box.

#### **2001 Programme of ALMP for older workers in the Slovak Republic**

In the terms of the 1997 Employment Act, this programme's objective is to intensify and make more effective work with the registered unemployed belonging to specific groups of jobless persons difficult to place in the labour market such as older workers. Some individual pilot schemes involving older workers are:

##### *Programme supporting employment of citizens over 50 years of age*

The project's purpose is to enable senior citizens to re-orientate and assert themselves in the labour market. It concerns a group of registered jobless workers older than 50 with preference given to those registered as unemployed for longer than 6 months who have lost their jobs for organisational reasons. The project focuses on removing psychological barriers with the aim to specify inborn talents and practical skills by means of active cooperation with potential employers and/or individually directed retraining. A total of 906 registered unemployed persons are to be involved in the project launched in nine Slovak districts.

##### *Home-care social service in communities*

The project's intention is to increase the employability of the risk group of registered unemployed women over the age of 40, improve social and health care and prepare qualified home-care workers for communities from the ranks of women above 40 with suitable personal properties and attitudes to older and sick people. The project aims at providing full-time jobs for women over 40 and at the same time improving care for old people and people with long-term illness and/or lonely community inhabitants. A total of 140 unemployed persons are to be involved in the project, launched in six districts.

##### *Consultancy for the long-term registered unemployed*

The project's intention is to help the group of long-term registered unemployed place themselves in the labour market, join the working process and renew their lost working habits. The main objective is to reduce the number of long-term unemployed, to improve their social and economic situation and to secure their independence. A total of 869 long-term unemployed persons will participate in the project.

Also Hungary has launched special employment promotion programmes for older jobseekers in several districts. The programmes were designed after a thorough analysis of the labour market situation of older workers in order to respond properly to their special needs. One of the programmes targeted at jobseekers above 50 with college or

university degree combined tailor-made training in informatics and foreign languages with motivation and personal development training, psychological support and job placement assistance. The programme was run in close partnership of the employment centre with relevant NGOs and its first phase was assessed as successful and worth continuation and expansion to other regions. As to general ALMP programmes, older persons participate more often in public works and subsidized employment (12.3 per cent of all the participants were above 50 in 2000), much less so in labour market training. Surprisingly however, re-employment rates of older workers after programme completion are above the average for most programmes, with the only exception of labour market training.

In the Russian Federation and Ukraine, older jobseekers are usually offered participation in public works. In the former country, 23,900 unemployed persons in pre-retirement age took part in public works in 1999 up from 9,500 three years earlier, while 4,700 older persons were placed in subsidized employment.

#### **6.4 Policy recommendations for improving active labour market policies for older workers**

The ILO Older Workers Recommendation, 1980 (No. 162) emphasizes the importance of ensuring equal access of older redundant workers or older jobseekers to vocational guidance and placement services. Vocational counselling and job search assistance are indeed among the most effective active labour market measures according to a number of studies.<sup>20</sup> An evaluation study undertaken by the World Bank on retraining programmes for adults concluded that retraining is in general not more effective than job search assistance in increasing either re-employment probability or post-intervention earnings and that they are 2-4 times more expensive than job search assistance.<sup>21</sup>

Despite these strong conclusions, career guidance and more intensive job search assistance are still provided to jobseekers in a much lesser extent than needed. These two types of intervention are of even greater importance for older workers due to their more frequent constraints and disadvantages. This finding is valid for the OECD and even more so for the accession countries. According to a progress report of the OECD Career Guidance Policy Review<sup>22</sup>, OECD countries have not yet addressed the potential role of guidance services in helping older workers to remain integrated in the labour market. The report notes that for this age group there is a great deal of scope for using helplines and web-based services to extend their access to guidance, and for integrating such services more creatively with face-to-face services. Although not specifically targeted to older workers, Romania is developing an electronic labour exchange system and supporting modern labour exchange methodologies with the support of the World Bank and the

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<sup>20</sup> See e.g. Phan-Thuy, Ellen Hansen et al, *The Public Employment Service in a changing labour market*, ILO, Geneva. A. Dar and Z. Tzannatos. *Active labor market programs: A review of the evidence from evaluations*. January 1999, Social Protection Unit, The World Bank.

<sup>21</sup> A. Dar, I. S. Gill, "Evaluating retraining programs in OECD countries: Lessons learned". *The World Bank Research Observer*, vol. 13, no. 1 (February 1998), pp. 79–101.

<sup>22</sup> The OECD Career Guidance Policy Review: A Progress Report -Paper prepared for the World Congress of the International Association for Educational and Vocational Guidance, Warsaw, 29-31 May 2002.

Government of Canada.<sup>23</sup> Some other accession countries are even more advanced in this respect but within the system more care needs to be given to older workers.

The attention paid to older workers in mediating jobs for them, helping them improve their own job search techniques and promoting their active attitude towards taking up available jobs and being prepared to new assignments, thus needs to be strengthened everywhere. The approach of Latvia requesting preparation of individual action plans for older long-term jobless persons in line with the EU Employment Strategy should be replicated in other accession countries as well.

However, job counselling and intensive job search assistance may not be enough for successful placement of older unemployed persons in jobs due to the difficult labour market situation in some of these countries and even more so in regions with high unemployment. Older jobseekers need to get a chance in employment to demonstrate that they may be as productive as their younger colleagues and able to acquire new tasks, skills and working methods. In order to stimulate employers to give preference in recruitment to older persons, there may be a need for job creation measures or wage subsidies for improved job placement of older workers. Many interviews with enterprises conducted within the ILO survey confirmed their interest in such measures and their readiness to apply them in favour of older workers.

Also the new Estonian Labour Market Service Act (2000) makes reference to active measures for older workers and includes a provision that employers who intend to hire unemployed persons within five years prior to their retirement age may apply for a wage subsidy. The amount of the wage subsidy is the minimum monthly wage during the first six months and 50 per cent of the minimum monthly wage during the following six months. Also, the new Estonian Employment Act (2002)<sup>24</sup> includes guidelines to develop a policy on active ageing:

**Estonian Employment Act (2002)**  
**Developing a policy for active ageing – guideline 3**

The difficult labour market situation of the elderly and the desired policy response are addressed in the document, approved by the Government of the Republic of Estonia in September 1999 “The policy base concerning the elderly in Estonia.”

The document stipulates the following principles:

- It is necessary to promote working at retirement age while maintaining income tax free full pension and to generate opportunities to work part-time.
- Special attention will be paid to employment of people at pre-retirement age in order to make sure that they will not remain in the background among other jobseekers.
- Conditions for smooth transition from work life to retirement will be created.
- Older workers (at pre-retirement age) should have the opportunity to get training and retraining, as well as receive benefits equally with younger employees.

The state welfare program “Implementation of the principles of the policy for elderly in Estonia” has been prepared and will be co-ordinated with different institutions in June 2001.

People who have less than 5 years to retirement belong to the target group for the employment measures – subsidy to the employer.

Source: [http://www.sm.ee/gopro30/Web/gpweb.nsf/HtmlPages/thtk2002/\\$file/thtk2002.pdf](http://www.sm.ee/gopro30/Web/gpweb.nsf/HtmlPages/thtk2002/$file/thtk2002.pdf)

<sup>23</sup> Employment and labour market in Romania, ETC.

<sup>24</sup> [http://www.sm.ee/gopro30/Web/gpweb.nsf/HtmlPages/thtk2002/\\$file/thtk2002.pdf](http://www.sm.ee/gopro30/Web/gpweb.nsf/HtmlPages/thtk2002/$file/thtk2002.pdf)

Many other accession countries have similar provision but these should be more applied for job placement of older persons.

As stipulated in the ILO Older Workers Recommendation, 1980 (No. 162) and also above-mentioned in the Estonian Employment Act, active labour market policy should promote the gradual reduction of hours of work prior to statutory retirement age for those workers who request such reduction for health or family reasons. In order that this provision does not lead to any reduction in the pension level of the worker (as many pension schemes calculate the level of pension on the basis of the average earnings in the last 5 or 10 years) missing contributions to the pension fund caused by part-time work should be subsidized by the NES or part-time work combined with partial pension schemes as discussed in the previous chapter.

Promotion of business start-ups or self-employment has also been rather frequently mentioned by NES in the accession countries as one of the promising programmes improving the labour market position of older persons. While older persons are in general more cautious in starting their own enterprise they can benefit from their rich experience and many personal contacts and usually they have also accumulated certain wealth, which can be used as seed capital. Therefore indeed such programmes including business management training, financial support and other support services could be rather successful among older persons if they gain better access to it.

While “classic” public works oriented to cleaning of public areas or maintenance of infrastructure are less appropriate for jobseekers in pre-retirement age due to their often poorer health and physical forces with the exception of unskilled persons, examples of promising innovative programmes in community services are worth replicating. For example, the programme of care provision for the elderly performed by older workers in Slovakia and now also considered in Bulgaria seems to be very useful for all the participating sides at the community level. Combination of such programmes with initial or on-the-job training ensures continuation of such employment even after termination of its subsidization.

Labour market training is very important for new longer-term employment of older workers and should be much more encouraged. With regard to often longer time needed by older persons to fully acquire new knowledge and skills and to their rather frequent health constraints or fear to attend the same courses with younger persons, training courses should be adjusted to their needs. These issues and the need for lifelong learning will be more developed in the following chapter.

The Hungarian research specifically focusing on employment problems and promising policies for older workers revealed the diversity of constraints and potentials of older persons and emphasized the importance of a complex approach to their employment promotion in line with their individual (and subgroup) characteristics. This should be the future philosophy of formulation of appropriate active labour market policies, which will lead to much stronger and more effective use of this valuable resource of human capital.



## 7. Employability of older workers

### 7.1 Introduction

This chapter will focus on the importance of skill development for older workers. First of all, it will deal with the participation of older workers in public as well as enterprise-based skill development programmes. Secondly, it will look at the importance of adopting a life cycle approach to education and training. And finally it will discuss the central role of training and retraining of older workers in order to adapt to technological changes as well as the contributions of new technologies in extending working lives.

### 7.2 Skill development

#### 7.2.1 Participation of adults in education and training

In the countries surveyed public education and training programmes are not specifically targeted to older workers. They tend to be designed for the workforce as a whole or they mainly target younger people. In some of these countries, a national system for improving the training of adults functioned till the beginning of the transition. However, in most of the countries there were no national adult training programmes as large enterprises had their own training institutes providing periodical retraining and skills upgrading for their workforce. Smaller enterprises could use public training facilities for this purpose. The collapse of the system and the acute drop in the ability of the state and of companies to finance adult training sharply reduced the opportunities for training the workforce and therefore to meet the new economic challenges.

Currently in Bulgaria, the share of expenditure for labour market training and retraining, made by the Professional Qualification and Unemployment Fund is about 1 per cent of total expenditure. Only 5 per cent of expenditures have been spent on programmes for specific target groups (e.g. education for literacy of adults). The rest is used for general training, retraining and motivation programmes for the unemployed<sup>25</sup>. In Cyprus, about 17,000 adults are enrolled in public Adult Education Centres where they take courses in a variety of personal development subjects. However, the vast majority of students are young people trying to improve their chances for various entrance examinations, especially in foreign languages. In 1996-97 almost 20,000 primary school students followed tuition courses in private part time institutions as well as almost 30,000 students of secondary schools, compared to only about 3,000 adults. In addition, another 3,200 primary school students took tuition courses in public evening gymnasiums and State Institutes for Further Education so did 19,000 secondary school students as compared to only 1,300 adults.<sup>26</sup> In Romania, training programs are also not specifically targeted at older workers. As any other category, older workers can participate in training and retraining programs. However, the total number of persons who after completing their training and retraining courses succeeded in finding a job was very low and it was even lower among older workers. According to our survey, an important reason for this situation is the weak correlation between the labour market offers and the professional and other characteristics of the training courses. Secondly, it appears that the vocational

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<sup>25</sup> Background study on employment and labour market in Bulgaria, European Training Foundation, 1999 [http://www.etf.eu.int/etfweb.nsf/pages/vetdown/\\$file/BULGARIA\\_BACK.pdf](http://www.etf.eu.int/etfweb.nsf/pages/vetdown/$file/BULGARIA_BACK.pdf)

<sup>26</sup> An overview of vocational education and training in Cyprus, European Training Foundation, 1999.

training system for adults is not prepared to organize necessary courses for a number of new professions.

In Estonia, the Ministry of Social Affairs, with its National Labour Market Board, is in charge of organizing labour market training, including training for the unemployed. No coherent national training policies covering adult training are currently available. It is an NGO - the Estonian Adult Training Association<sup>27</sup> - that undertakes substantial work in this field. It takes active part in formulating the educational and training policy, organises training, seminars and conferences, gathers and distributes information concerning adult education, and undertakes research. In Poland, NGOs play also a key role in the organization of vocational training. The biggest Polish provider of vocational training is the Association of Vocational Training Institutes which is an NGO with more than one hundred years of tradition. The Association has a national network with more than 350 local training centers and offers significant opportunities for implementing training programmes for older workers. However, the situation of still high unemployment is forcing many people to invest their own resources in training.

Education and training of the older workforce is becoming slowly but increasingly important in all the accession countries. In 1999 Estonia adopted a "Policy for the Elderly" whose aim is to promote the internationally accepted principle of a Society for All. It is based on the consideration that society comprises people of different age groups who must have the possibility to participate in social and economic life, irrespective of age. The policy guidelines include the promotion of education and training programmes for the elderly and the goal is to implement them by 2010.<sup>28</sup> Hungary's adult education and training programmes are also developing rapidly to meet market demand. However, their legal framework is fragmented and there is a need to develop a comprehensive legal framework. Quality control is also an important priority. The Hungarian Government is developing a comprehensive adult education policy and a new Adult Education Act is under preparation.<sup>29</sup>

In Lithuania, more and more employers are realizing the importance of continuous education. For instance, some companies are changing their field of activity and are consequently planning to dismiss employees whose qualifications do not meet new requirements. In such cases the NES offers employers the option of retraining their staff instead of dismissing them. In 1998, 451 employers accepted this offer from the employment services, which is 1.5 times more than in 1997. At the same time, the distribution of job vacancies also encourages individuals to develop their skills. In 1998 the vacancies for non-qualified persons or persons with elementary occupations made up only 4.68 per cent of all job vacancies<sup>30</sup>.

In OECD countries, older workers also do not represent a significant proportion of the recipients of public employment and training programmes but they are an increasingly important target group. Research undertaken in 11 developed countries shows that young adults in the 25-34 age group are almost twice as likely to undergo training as older

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<sup>27</sup> <http://www.andras.ee/>

<sup>28</sup> <http://www.sm.ee/gopro30/Web/gpweb.nsf/pages/socialpolicy0005>

<sup>29</sup> Background study on employment and labour market in Hungary, European Training Foundation, 1999. [http://www.etf.eu.int/etfweb.nsf/pages/vetdown/\\$file/Hung\\_Back.pdf](http://www.etf.eu.int/etfweb.nsf/pages/vetdown/$file/Hung_Back.pdf)

<sup>30</sup> Background study on employment and labour market in Lithuania, European Training Foundation, 1999.

people aged 55-64<sup>31</sup>. The relatively short pay back period prior to retirement for investment in older workers is often used to justify the unwillingness of employers to invest in training for these workers. Next box presents some statistics from Statistics Canada which highlights the importance of training and education amongst older workers.

### **Training and education amongst older workers in Canada**

According to Statistics Canada, the unemployment rate in 1997 for workers aged 55 and more ranged from 9.1 per cent for those with the lowest levels of education to 3.1 per cent for those with graduate degrees.

The risk of layoff is much greater for older workers with low education levels. The majority (56 per cent) of workers aged 55 and over who were laid off in 1995 and 1996 had not graduated from high school, and a further 27 per cent had no post-secondary education.

Once laid off, older workers are much less likely to find new employment. Their level of education also makes a large difference in the probability of obtaining a new job. In 1995-1996, more than two thirds of older workers without post-secondary education were still without a job a year after layoff, as compared to about a third of those with post-secondary degrees. This explains in part why older workers with lower education levels also tend to leave the labour force at a younger age.

Source: Statistics Canada, Labour Force Update: Older Workers, Spring 1998.

Regarding enterprise based training for older workers, in the countries surveyed, no company offered specific training or retraining programmes for older workers. In OCED countries, despite the apparent reluctance of many employers to invest in older workers, which still predominates at present, there are signs that attitudes are changing.

More and more enterprises are taking a long-term view of their staffing needs and recognize older workers as a valuable resource. Companies also increasingly recognize older people's contribution to work shadowing and mentoring<sup>32</sup>. This allows older workers to help organizations preserve their institutional history and values by passing such elements on to newer and younger employees. The next box presents some examples.

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<sup>31</sup> Lifelong learning in the twenty-first century: The changing roles of educational personnel. April 2000 Geneva. <http://mirror/public/english/dialogue/sector/techmeet/jmep2000/jmep1.htm>

<sup>32</sup> Mentoring: Students or new employees are 'teamed' up with an appropriate mentor who will provide a number of hours over the year to offer advice and guidance. This may involve some industry specific advice – how to get jobs, the skills employers are looking for – as well as support for developing personal skills. Work shadowing: Usually a short-term activity – a few days at most, where the student or the new employee will follow an experienced employee, observing his/her day-to-day work activities to understand what the role involves.

[www.graduatecareersonline.com/workexperience/findwe-shadow.asp](http://www.graduatecareersonline.com/workexperience/findwe-shadow.asp)

### Enterprise based training of older workers

**Westbury Homes (UK)** is a house-building service, which has recently introduced its own financial services company, and is developing a modular construction approach to house building that was originally introduced to the company by a 62 year old who is now employed as the Group Research & Development manager. All new staff attend induction, regardless of level or age. Training is provided on a 'needed-to-do-the-job' basis regardless of age - for example it takes 2 years to be fully trained as a sales negotiator. The company has taken on many older workers as sales negotiators even though their working life may be relatively short once they have completed their training. The identification of individual training needs is part of this process. The training needs identified are then consolidated into regional and group training plans. Where training requirements cannot be met, alternatives such as work shadowing and self-driven projects are looked for.

**Grace NV (Belgium)** This is an industrial producer of absorbent materials for radar and polymers for the electronics industry. The company devotes annually five hours of training to older employees specifically. This training consists of two parts: a theoretical and an on-the-job section. During this training, which is not compulsory but is strongly advised, company employees learn the basic principles of the new machines or of those, which have been recently modernized. Particular attention is paid to directions for use and safety regulations. In this way older workers are given the opportunity of bringing themselves up to date with the newest technologies in the field of capital goods.

**Professional Training Center of the Bavarian Employer's Federation (Germany)** This organization has developed a range of pilot training initiatives for older workers from industrial companies. The background to these initiatives was the economic crisis in this region. Production levels have fallen considerably during the recent economic recession and this has placed many jobs in jeopardy. This training initiative – promoted by the German Federal Institute for Vocational Training and the European Social Fund- is targeted at older workers, who have been forced or wish to leave their industrial jobs, and is designed to create employment opportunities in smaller and medium-sized companies. The primary target is the 45-55 age group. The measures consist of refresher courses to update existing vocational skills supplemented by training in the skills required for the use of new technology. The aim is to expand vocational skills which have become restricted by long years of specialization in industrial jobs where division of labour is highly developed. To avoid or minimize periods of unemployment, training is combined with work experience and job placement services.

Source: A. Walker and P. Taylor, "Combating age barriers in employment: a European portfolio of good practice", European Foundation for the Improvement of Living and Working Conditions, 1998 and [www.agepositive.gov.uk/casestudy.cfm?sectionid=91](http://www.agepositive.gov.uk/casestudy.cfm?sectionid=91)

In Canada, an interesting study on Collective agreements and older workers<sup>33</sup> concluded that although no training provisions specifically designed for older workers have been found in major Canadian collective agreements, some contract language can help protect the interests of ageing employees or even give them an advantage in obtaining a fairer share in training, retraining and education resources. This is typically the case when provisions stipulate that age cannot be used as a criterion to exclude older workers from training. Even more important is the use of seniority to determine eligibility for training or retraining. Furthermore, the study reveals that many training and education provisions specifically refer to senior workers. Next box presents some examples of provisions regarding training and retraining encountered in Canadian collective agreements which concern older employees.

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<sup>33</sup> Collective agreements and older workers in Canada: <http://labour.hrdc-drhc.gc.ca/worklife/caowc-dftacc/presentation.cfm>

## Collective Agreements and Older Workers in Canada

### On-the-Job Training

Several agreements require that training opportunities be allocated according to seniority, and that senior employees who apply for promotion must be given a trial and training period. This is beneficial to older workers as they generally have more seniority. **Government of New Brunswick & Canadian Union of Public Employees** (1998-2001) "Consideration for promotion shall be given to the senior applicant who does not possess the required qualifications but is preparing for qualifications prior to filling the vacancy. At the discretion of the employer, such an employee may be given a trial period to qualify within a reasonable length of time and will revert to his former position if the required qualifications are not met within such time."

Clauses pertaining to mentoring programs are also found in major agreements. Involving older workers in such activities formally recognizing their expertise, ensuring that corporate memory is not lost. **Ontario Hospital Association & Ontario Nurses' Association** (1998-2001): "Nurses may be assigned a formal mentorship role for a designated nurse. (...) The Hospital will pay the nurse for this assigned additional responsibility."

Some agreements contain provisions guaranteeing employees no loss in wages, benefits or seniority when attending training that takes place within work hours and are authorized by the employer. **Board of School Trustees of School District No. 36 (Surrey, B.C.) & Canadian Union of Public Employees** (1999-2001): "Where the Board has authorized an employee to take a course(s) of instruction the employee will not suffer a loss in wages, benefits or seniority."

### Apprenticeship Programmes

Some agreements contain provisions that specifically indicate that age cannot be used as a criterion to reject applicants. This is a way to ensure that older workers are not discriminated. **Inco Ltd and United Steelworkers of America** (1999-2002): "It is understood that age alone will not prevent entrance into the apprenticeship training program."

### Right or Reference to Retraining

Some retraining provisions seek to ensure employee job security by implicitly stating that future human resource needs will be met internally by retraining current employees. **Hudson Bay Mining and Smelting Company Limited and United Steelworkers of America** (2000-2002): "It is understood that if new skills are required, the Company shall take steps to provide training for employees so that, by and large, new skill requirements are met from within the existing work force."

### Functional Flexibility or Multiskilling

Providing older workers with the opportunity to acquire new skills not necessarily related to their duties enhances their flexibility and job security. **Hudson Bay Mining & Smelting Company Ltd and United Steelworkers of America** (2000-2002): In this agreement, both parties recognize the relationship between "employment security, employment empowerment and the flexible use of employee skills" aimed at meeting production targets and cost-cutting goals. This would allow employees to perform any work, provided they possess the necessary knowledge and skills to do so safely.

Source: Collective agreements and older workers in Canada: <http://labour.hrdc-drhc.gc.ca/worklife/caowc-dftacc/presentation.cfm>

The ILO's resolution concerning human resources training and development<sup>34</sup>, adopted at the 88th International Labour Conference in June 2000, noted the crucial role of high-quality education and training to prevent and combat social exclusion and discrimination, particularly in employment and that, in order to be effective, they must cover everyone, including older workers.

<sup>34</sup> [www.ilo.org/public/english/standards/re/m/ilc/ilc88/resolutions.htm#III](http://www.ilo.org/public/english/standards/re/m/ilc/ilc88/resolutions.htm#III)

### 7.2.2 A lifelong learning framework

There is a great deal of debate about a lifelong learning approach to education and training. Implicit in the concept of lifelong learning is the rejection of a society structured on the basis of age in which education and training are one-off undertakings experienced early in life. In the European Union, lifelong learning has been the subject of policy discussion and development for many years now.

The European Commission has undertaken substantial work on lifelong learning including for the accession countries. In November 2000 the Commission issued a Memorandum on lifelong learning<sup>35</sup> and a consultation process about the Memorandum was proposed to the candidate countries as well as to the member States. The main conclusions from the consultation in the accession countries were the following: Continuing training has not been given proper consideration until now; institution development is still an important issue at national and even more at regional and local level, social partners' involvement in vocational education and training issues is still very weak in almost all countries. However, the consultation also revealed an awareness of the main challenges and obstacles on the part of stakeholders, social partners, regional bodies and others. It also revealed a shift towards more active policies in the forms of new laws, white papers on lifelong learning and the implementation of significant initiatives. It was concluded that countries in Central and Eastern Europe need lifelong learning and in particular an integrated approach to it<sup>36</sup>.

In November 2001, the Commission adopted a Communication on making a European area of lifelong learning a reality<sup>37</sup> involving the candidate countries as well. According to the Communication, the objectives of a European area of lifelong learning must be both to empower citizens to meet the challenges of the knowledge-based society, moving freely between learning settings, jobs, regions and countries in pursuit of learning; and to meet the goals and ambitions of the European Union and the candidate countries to be more prosperous, inclusive, tolerant and democratic. The Communication identifies six priorities for action: (1) Valuing learning, information, guidance and (2) Counselling, (3) Investing time and money in learning, (4) Bringing together learners and learning opportunities, (5) Basic skills and (6) Innovative pedagogy.

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<sup>35</sup> A memorandum on lifelong learning, <http://europa.eu.int/comm/education/life/memoen.pdf>

<sup>36</sup> Supporting document to the Communication from the Commission. Making a European area of lifelong learning a reality. Summary and analysis of the feedback from the candidate countries as part of the consultation on the Commission's Memorandum on lifelong learning.

[http://europa.eu.int/comm/education/life/communication/etf\\_en.pdf](http://europa.eu.int/comm/education/life/communication/etf_en.pdf)

<sup>37</sup> [http://europa.eu.int/comm/education/life/what\\_islll\\_en.html#coherent](http://europa.eu.int/comm/education/life/what_islll_en.html#coherent)

## **Communication: Making a European area of lifelong learning a reality**

### **Key concrete action points**

- Valuing learning is a key element in the creation of a culture of learning and for realising a European area of lifelong learning. The Communication stresses that a comprehensive new approach both to the mutual recognition of qualifications, and to the identification, assessment and recognition of non-formal and informal learning is needed. Such an approach must be based on increased cooperation and voluntary minimum quality standards in education and training.
- By the end of 2002, the Commission will also introduce a "portfolio" system, which will enable citizens to present their competences and qualifications anywhere in Europe. The system will comprise the European CV.
- As part of strengthening the European dimension of information, guidance and counselling services, the Commission will launch in 2002 an Internet portal on learning opportunities, aimed at bringing learning opportunities and learners together, and making learning more visible.
- The Commission urges the European Investment Bank to support lifelong learning as part of the "Innovation 2000" initiative. To supplement this, the European Investment Fund could help to locate risk capital funding dedicated to the development of human capital – e.g. by supporting SMEs' access to learning.
- The European Social Fund and the European Regional Development Fund can be utilized to support lifelong learning, as can the EQUAL initiative. The ESF in particular is the main Community financial tool for supporting lifelong learning.
- The Commission will encourage quality control through the granting of a European label to firms, in order to reward and publicize best lifelong learning practice.

Source: [europa.eu.int/comm/education/life/what\\_islll\\_en.html#coherent](http://europa.eu.int/comm/education/life/what_islll_en.html#coherent)

While the United Kingdom is one of the countries at the forefront of initiating action in this area, lifelong learning is being well accepted across a range of industrialized countries as the strategy required for continued development.

### **Lifelong learning in the United Kingdom**

The Access to Learning for Adults Division of the Department for Education and Skills (previously the Department for Education and Employment) is undertaking several actions to promote lifelong learning. For example:

#### **The Learning and Skills Council**

The national Learning and Skills Council and its 47 local councils have been set up to take responsibility for planning and funding all post-16 education and training (excluding higher education) in England. The importance of learning for older people has been highlighted in the Learning and Skills Council remit letter, which sets out the Government's priorities for the Council:

... I look to the Council to increase the demand for learning by adults, and to increase the supply of flexible, high-quality opportunities to meet their needs ... This includes provision for the growing proportion of older people (paragraph 46).

... many adults, including large numbers of older and retired learners, will want to pursue high-quality and rigorous study for its own sake, and I expect provision to be made available to meet their needs (paragraph 26).

#### **Demonstration projects**

Over the past four years, the Department for Education and Skills has funded a number of demonstration projects. These have explored innovative ways of encouraging older people into learning, highlighted the benefits of learning in later life and celebrated the achievements of older learners. These projects have seen the Department work in partnership with a range of organizations, including the University of The Third Age and Age Concern.

Source: An inclusive society for an ageing population: The employment and social protection challenge. Paper contributed by the ILO to the Second World Assembly on Ageing, Madrid, 8-12 April 2002

Also, more and more transition countries are joining the European-wide debate on the preparation of an overall strategy for lifelong learning. In Bulgaria, a life long learning policy is being designed and implement in partnership between government agencies, trade unions, employers and NGOs. It is planned to expand further the range of stakeholders in the process of implementation of the lifelong learning policy, with direct involvement of associations and organizations that are representative for the older people<sup>38</sup>.

However, lifelong learning raises fundamental questions about how well equipped traditional education and training systems in both EU and accession countries are to keep pace with the developments outlined above. The scale of the challenge is highlighted by data on participation. The Labour Force Survey in 2000 found only 8 per cent of EU 25-64 year olds participating in education and training – some way off the vision of lifelong learning for all.<sup>39</sup> In this context, there is an increasing recognition across Europe that a fundamentally new approach to education and training policies should be developed and implemented within the framework of lifelong learning.

### **7.2.3 The role of new technologies**

#### *7.2.3.1 Skill development and new technologies*

The overall importance of investment in education and skills is underscored by the structural changes societies and economies are undergoing. Rapid technological developments call for a continuous renewal and updating of skills.

However, negative stereotypes often label the discussion about older workers and information technology. The stereotypes are often related to older workers being unable or unwilling to adjust to new technologies. Almost unanimously, companies interviewed for the ILO survey claimed that, despite the important role of new technologies in the workplace, older workers present difficulties in using new technologies. This opinion was unanimous regardless of the sector and size of the company enquired. Next box illustrates this.

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<sup>38</sup> National Report on the Problems of Older People in Bulgaria, Ministry of Labour and Social Policy, Sofia 2002.

<sup>39</sup> <http://europa.eu.int/comm/education/life/index.html#comm>



**Country answers to the question on whether ICTs could play an important role in extending working lives of older workers**

Country	Company	Number of staff	Answer
<b>Czech Republic</b>	Broadcast transmission	62	“Older workers face difficulties with using new technologies. In individual cases, there are older employees in our organisation who are able to manage those problems.”
	Mediation of cosmetics sales	46	“Older workers face marked difficulties using new technologies. They are not able to manage some computer programmes.”
	Anti-fire techniques	29	“The company has recently invested considerably in an IT course, which all employees have followed. However, older workers do not use acquired knowledge.”
<b>Estonia</b>	Textile production	770	“Young people are more flexible and easier to train. There are a few persons in older age, who are also capable to learn.”
	Retail trade	643	“Older workers have more difficulties to learn and use ICTs. Only young workers are using computers.”
<b>Poland</b>	Brewery	350	“ICT could extend the working lives of older workers if they understood the need to use them and were motivated to take challenges... However, it is more effective to train a younger person than to adapting an older worker”.
<b>Turkey</b>	Technology services	10	“This has to do with the educational background. Those with a higher level of education are more open to learning and using ICT. Those with a lower level of education have a harder time learning how to use them. But older workers in general have a harder time in using ICT”.
<b>Cyprus</b>	Bank	593	“ICT play a vital role in extending the working lives. In the past, it was more difficult for older workers to adjust to new IT changes, but today it is easier to learn as most workers are used to PCs”
	Travel agency	311	“Older workers present difficulties in learning and using new technologies due to their resistance to change”.

Source: ILO Survey.

Some of the companies interviewed noted the strong relationship between education and the use of new technologies. That is, the better educated older workers are, the more they will be ready to use and learn about new technologies. This supports the argument that literacy and education cannot be leapfrogged; in fact, they are the fundamental building blocks on which the use and development of ICT are based. A well educated workforce is a prerequisite for harnessing the potential of ICT<sup>40</sup>. Nevertheless, CEECs are making efforts towards the inclusion of older people in the information society.

The European Union is making substantial efforts to exploit the potential of information technology for the elderly population and an Action Plan has been adopted.

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<sup>40</sup> World employment report and Learning and training for work in the knowledge society. International Labour Office, (Geneva 2002)

One of the three objectives of the Plan is to invest in skills placing special emphasis on older people.

**Europe Action Plan 2002**  
**Objective 2: Investing in People and Skills**

<p><b>Objective 2b:</b></p> <p><b>Working in the knowledge based economy</b></p> <p><b>Challenges</b> Digital literacy, as it is an essential element of the adaptability of the workforce and the employability of all citizens. The responsibility of enterprises for training 'on the job' will be of crucial importance for life-long learning. Improve employment prospects of groups with low employment rates, especially women and older workers. Modernization of work organization. Greater flexibility brings the technological benefits of variable time and place of work to people in work</p> <p><b>The eEurope response</b> Improve digital literacy through life-long learning. Support greater flexibility in the workplace, eg. teleworking and part-time work through agreements by Social Partners and backed up by Member States. Increase IT training places and courses promoting gender and age equality in such courses.</p>	<p><b>Objective 2c:</b></p> <p><b>Participation for all in the knowledge based economy</b></p> <p><b>Challenges</b> Combat info-exclusion ensuring the widest possible accessibility of citizens with special needs such as older people and people with disabilities to information technology as well as their compatibility with assistive technologies.</p> <p><b>The eEurope response</b> Policies to avoid info-exclusion more effectively coordinated at EU level through benchmarking of performance and exchange of best practice. Publication of "Design for all" standards for accessibility of IT products. Review legislation and standards to ensure conformity with accessibility principles. Adoption of Web Accessibility Initiative guidelines for public websites.</p>
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Source: [http://europa.eu.int/information\\_society/eeurope/action\\_plan/pdf/actionplan\\_en.pdf](http://europa.eu.int/information_society/eeurope/action_plan/pdf/actionplan_en.pdf)

Increasingly, in the OECD countries, companies are also investing in training older workers in information technology and public and private partnerships have also been formed to increase the awareness of older people of the new technologies' potential, and to offer guidance and training. Next box present some examples.

### Enterprise investment in older workers and ICT

**Hellas Can (Greece): Participation and involvement.** Older workers participate in all the training programmes offered by this organization including training in the use of information technology. Older workers' experience is valued by management. Thus older workers are frequently involved in providing on-the-job training. In addition, workers with particular skills may remain with the organization past the normal age of retirement.

**Industrie und Handelskammer Chemnitz (Germany): Modular training for older workers in SMEs.** In the former East Germany, a considerable increase in the number of small and medium-sized enterprises has led to a need for training, which will enable their workforces to adapt to the changing demands of the market. The focus in this initiative is on teaching computing and commercial skills, the learning of new production techniques, and methodological and social skills. Recently, the training measures were modified to adapt more to the needs of older workers. As a result, there has been a closer link between practical and theory sessions and a wider range of teaching methods. In addition, refresher courses and more advanced sessions have been introduced.

**Fontijne Holland (Netherlands): Training of production workers aged 40 and above.** This company has set up a refresher course in workplace technology for staff aged 40 and over. The course is intended for older employees who have not attended a course on the production process for a considerable time, feel less involved in the production process, want to study new techniques in depth or expand their professional knowledge. Those attending the course are expected to show commitment and motivation, since two thirds of it takes place in employees' own time. (<http://www.fontijne.nl/>).

**Computer Service Dienst (Germany): Integration of older employees by expanding into new business areas and training with others of a similar age.** This organization has developed an alternative strategy to enable older employees to remain within the company. It has expanded into a new area of activity and opened a "Repair Service Center". The Centre has provided alternative work for about 30 per cent of its older service engineers. Other older engineers have been trained to work on new computer systems. In addition, approximately 20 per cent of the older service engineers have been transferred to consultancy and customer care functions within the Sales Department.

Source: A. Walker and P. Taylor, "Combating age barriers in employment: a European portfolio of good practice", European Foundation for the Improvement of Living and Working Conditions, 1998.

Public and private partnerships are also increasingly important in promoting a higher involvement of older workers in ICT training. Next box presents some examples.

### Public and private partnerships

**Rabobank (Netherlands): A Century for 50+: Computer and Internet courses for people over 50** Rabofacet, the ICT division of the Rabobank, supported the initiative of SeniorWeb. SeniorWeb is a foundation that aims to enlarge the participation of elderly and their organizations within the community by encouraging and training them in the use of ICT. Rabofacet created the opportunity for local Rabobanks to cooperate with SeniorWeb and organize an internet course for people over 50. SeniorWeb sends a volunteer, usually a person over 50, to give the course. Rabobank provides computers and a place to give the courses. Also, employees of the bank volunteer to coordinate, organize and assist in the courses.

**Senior-to-Senior Internet Training Week, an inter-generational programme sponsored by AT&T** has been launched to help bridge the digital divide for senior citizens in northwest Denver. Internet-savvy senior high school students from North High School share their knowledge with senior citizens by training them on ICT. AT&T donated computers, along with AT&T@Home high-speed cable Internet service, while North High School Technology Coordinator provided the curriculum for senior high school students to train local senior citizens. Seniors participating in the training programme have expressed interest in discovering new information on the Internet. Online training programs also offer flexible schedules to seniors who choose to update their skills to participate in the new economy.

In **Germany, Seniors in the Knowledge Society** was formed to assist seniors enter the information society. The goal is to make seniors familiar with IT. With support from the government and major private companies (e.g. IBM and Vobis) it has organized a campaign called "Senior-Info-Mobil: Internet and Home Technology". The campaign includes a bus with an Internet café and a mobile "intelligent house" that people can visit to learn about the Internet.

Source: <http://www.rabofacet.nl/>, [www.uni-ulm.de/LiLL/senior-info-mobil/flyer-english.htm](http://www.uni-ulm.de/LiLL/senior-info-mobil/flyer-english.htm), [www.seniornet.org](http://www.seniornet.org) and World employment report, ILO Geneva 2001.

Beyond the inclusion of older workers, the inclusion of older people into the information society is a broader challenge. The Internet and other ICT offer possibilities for overcoming isolation among older people. Government policies as well as the initiatives of the trade unions and employers will play a role in the inclusion of older people both in society and at work. Next box presents some initiatives.

### **Including older people in the information society**

#### **Sweden, An information society for all; Government Bill 1999/2000:86**

Sweden's overall IT policy objective is to create an information society for all. Government investment on IT policy is mainly focused on: (i) Confidence in IT, (ii) Competence in IT application, investing on the provision of basic skills to all, and (iii) Accessibility to the services of the information society.

#### **France, Senior-Planet**

Senior Planet is a website targeting older people. It was established by a French advertising agency specializing in people 50 years old and up. The website offers information of special interest to seniors, such as health care, legal rights, travel, and leisure. The site also provides companies with an opportunity to market directly to seniors online.

#### **The Netherlands, Senior-Web Ambassadors project**

The project has 350 volunteer ambassadors who deliver demonstrations and training sessions on computers and the Internet throughout the country. The programme, sponsored by national and local government, has delivered courses to over 10,000 seniors.

#### **United Kingdom, "IT For All" campaign**

This is a four-year initiative to help people of all ages better understand and use information and communications technology. Older people are targeted sponsored by local and national government, non-government organizations and industry, the initiative includes a telephone inquiry line and mobile demonstration vehicles.

Source: [naring.regeringen.se/pressinfo/faktablad/PDF/n2000\\_18e.pdf](http://naring.regeringen.se/pressinfo/faktablad/PDF/n2000_18e.pdf) and WER

#### *7.2.3.2 Digital possibilities in reorganizing and extending working lives*

The independence of location, particularly when work involves an intangible product, may offer one solution to the problem of the declining labor supply. New technologies can contribute to extend working lives, allowing older workers and *especially those with disabilities* to maintain their ties with the labor market. Telework can provide the means for older people to decrease their active involvement in the labour market gradually, rather than retiring abruptly. It also broadens their employment opportunities, especially for those with disabilities, if they are not confined to jobs within reasonable commuting distance. For employers, teleworking can help them to retain access to critical skills, and to do so in a way that saves on office space.

In the conclusions of Tripartite Conference organized by the ILO and the Estonian Government on "ICT and Decent Work"<sup>41</sup> it was stressed that CEE countries are well equipped for the information society thanks to their very well educated workforce. Amongst the steps to be taken in order to catch up with the EU it was noted that devising new ways of work organization through for instance, teleworking, is crucial and that the promotion of new work practices can be guided by collective bargaining. National, sector and local level agreements can be useful not only in maintaining or extending worker protection, but in encouraging work opportunities where agreed upon. Next box presents some of the good practices that were considered specifically on teleworking.

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<sup>41</sup> ICT and Decent Work: Finding Solutions in the Information Society. A tripartite conference organized by the ILO and the Estonian Government in cooperation with the Ministry of Labour of Finland, 25-26 April 2002, Tallinn, Estonia.

### **Good practices on teleworking**

- Maintenance of employee status where possible, and parity between teleworkers and on-site employees concerning conditions of employment, pay, career development, equipment used, working environment, access to information and training.
  - Telework should be voluntary, with the right to return to the company office, and combined with periods of time at the office.
  - Employers should be responsible for providing suitable and ergonomically appropriate hardware, software and communication lines, and for their maintenance and insurance.
  - Teleworkers should receive information, including on best practices, and be trained in the safe use of equipment and how to avoid and diminish adverse effects of potential health hazards associated with ICT.
- Teleworkers should have rights to representation, to elect, and be eligible as, representatives.

Source: ICT and Decent Work: Finding Solutions in the Information Society. A tripartite conference organized by the ILO and the Estonian Government in cooperation with the Ministry of Labour of Finland, 25-26 April 2002, Tallinn, Estonia.

### **7.3 Conclusions**

Education and skill development are important determinants of a worker's ability to perform and adapt to workplace changes. They are therefore key to providing improved employment opportunities and, in turn, job security for the economic well-being of older workers. Training is also conducive to better and, especially, safer working conditions. Technological and organizational change may render an employee's skills obsolete and depreciate the value attached to previously accumulated work experience. Training and retraining are therefore essential if older workers are to update their skills, adapt to technological changes and remain competitive in the labour market. The importance of education and training throughout the life cycle is further emphasized by the extension of working lives. Thus education and training within a lifelong learning framework is of crucial importance.

## **8. Changing attitudes and stereotypes towards older people: National and international policy guidelines**

### **8.1 Introduction**

Attitudes and stereotypes towards older people are the principal obstacle to opening up employment opportunities. The stereotypes are numerous such as that older workers are less productive, physical capacities decline with age, older workers are slow to learn etc. As discussed in chapter 5 some of these stereotypes have been reflected in the answers to the ILO survey. This chapter will argue that most of these stereotypes are myths and will underline the key role of different actors in changing such misperceptions. It will also highlight that ageing is high in the agenda at both, national and international levels.

## 8.2 Myths about older people

A great deal of research has been carried out to ascertain the validity of assumptions and myths about older people. The conclusion being drawn from research is that the average difference in work performance between age groups tends to be significantly less than the differences between workers within each age group.<sup>42</sup> Next box presents some results from research, which have been presented in a recent publication of the US Department of Labour.<sup>43</sup>

### US Research on misperceptions about older people

According to a study conducted by the **National Council on the Ageing (NCOA) and the McDonald's Corporation**, 97 per cent of employers surveyed stated that older workers are thorough and reliable in completing their work. Employers affirmed that, in general, older workers had low turnover rates, were flexible and open to change, possessed up-to-date skills, were interested in learning new tasks, did not experience transportation problems, were willing to take on challenging tasks, had low absentee rates and had few on-the-job accidents.

Another study, conducted by the **Society for Human Resource Management (SHRM) in conjunction with the American Association of Retired Persons**, confirmed the majority of these findings, and added a few of their own. Of the nearly 400 human resource professionals surveyed, 77 per cent agreed that older workers have a higher level of commitment to the organization than younger workers (only 5 per cent disagreed), 68 per cent concluded training older workers costs less or the same as training their younger counterparts (6 per cent disagreed), 57 per cent reported that age does not affect the amount of time required to train an employee (14 per cent disagreed), 49 per cent determined that older workers grasped new concepts as well as younger workers (18 per cent disagreed).

Other studies report that older workers *are* trainable in "high technology skills" and are "comfortable" learning them. According to the **American Society on Ageing**, "50+ Americans love technology." They are the fastest growing group of Internet users and are well aware (75 per cent agree) that computer skills are necessary to work in the 21<sup>st</sup> century. If older workers are shying away from company technology, perhaps it is due to the lack of encouragement and opportunity.

In a case study of **Days Inn of America**, researchers demonstrated that the contributions of older workers outweighed their costs to the company. Although older employees drew higher wages and larger pension contributions, they also quit less often, which, in the long run, saved the company money in recruiting and training costs. Furthermore, even though they tended to spend more time on the telephone with customers, they also had higher booking rates.

Source: "An employment guide to older workers: How to win them back and convince them to stay." (DOL/ETA, Jan. 2001).

Surveys, studies and anecdotal evidence all confirm that older workers are a valuable resource. However, despite their own very positive reviews, 85 per cent of the same human resource professionals quoted in the Box above said that they had no special recruitment strategies targeting older adults, and 66 per cent still failed to see a reason to encourage these workers to stay on the job. It is therefore critical that we turn our attention to specific ways to reach this under-appreciated and under-utilized segment of the labor force<sup>44</sup>.

Older women tend to experience additional problems in the labour market facing double discrimination in the form of sexist and ageist stereotypes. For older women, socio-cultural factors play a significant role in determining when a woman worker is

<sup>42</sup> World employment report, 1998-99

<sup>43</sup> "An employment guide to older workers: How to win them back and convince them to stay." (DOL/ETA, Jan. 2001).

<sup>44</sup> "An employment guide to older workers: How to win them back and convince them to stay." (DOL/ETA, Jan. 2001).

considered “old”. Evidence suggests that women working in certain countries, such as those in the Baltic States, are especially vulnerable to age and sex discrimination.<sup>45</sup> As these women workers grow older it appears that they are more likely to be made redundant, and less likely to find alternative employment than other groups within the labour market.

For older people with disabilities longer lives should mean greater employment and skill development opportunities and more time to achieve self-determination<sup>46</sup>. It is increasingly apparent that older people with disabilities not only have a valuable contribution to make to the national economy that their employment reduces the costs of disability benefits. However, older workers with disabilities encounter dual discrimination attached to their age and impairment. Many organizations and their networks –including employers’ and workers’ organizations and organizations of people with disabilities – are promoting employment, job retention and return to work opportunities for persons with disabilities. Measures adopted by these organizations include policy statements and provision of advisory and supportive services. The ILO has recently published a Code of Practice to guide employers to adopt a positive strategy in managing disability related issues in the workplace.

### **ILO Code of Practice on Managing Disability in the Workplace**

The objective of this code is to provide practical guidance on the management of disability issues in the workplace with a view to:

- ensuring that people with disabilities have equal opportunities in the workplace;
- improving employment prospects for persons with disabilities by facilitating recruitment, return to work, job retention and opportunities for advancement;
- promoting a safe, accessible and healthy workplace;
- assuring that employer costs associated with disability among employees are minimized – including health care and insurance payments, in some instances;
- maximizing the contribution which workers with disabilities can make to the enterprise.

**Source:** ILO Code of Practice on Managing Disability in the Workplace (2002). <http://www.ilo.org/public/english/employment/skills/disability/download/code.pdf>

It is clear that the key to progress is with employers and their own initiatives are particularly important. One impressive example is the Employers Forum on Age (EFA) from the United Kingdom whose purpose is to provide employers with info and services aimed at promoting age diversity and overcoming age related stereotypes and age discrimination. The EFA promotes the realization of an all-inclusive workforce across age groups and stresses the clear advantages for business. An all-inclusive workforce brings into the company a wider and more diverse range of skills and abilities and contributes to avoid skills vacuums caused by a number of skilled and experienced employees leaving the business. It can also help companies adapt successfully to new markets, and keep them aligned with evolving legislation and social trends. The next box presents some of the advantages for employers of having an “age diverse” workforce.

<sup>45</sup> ILO: *Realizing decent work for older women workers*, 2000, Geneva.

<sup>46</sup> In Europe, for example, approximately 70 per cent of the population with disabilities are now 60 years old. *Disability and the Life Course, Global Perspectives*. Nancy Breitenbach (2001)

### Employers Forum on Age: The business case for age diversity

According to the Employers Forum on Age, by abandoning their prejudices about what makes a “younger” or “older” worker, “smart” companies are gaining competitive advantage and financial benefit:

<b>Employer</b>	Reduced costs as a result of improved employee retention. Access to a wider labour pool.
<b>Market</b>	Increased focus on new opportunities in their marketplaces. Opportunities to get closer to customers and reflect their interests and needs.
<b>Reputation</b>	Exemplary corporate citizenship helps build commitment from all stakeholders ... ... and supports and encourages brand loyalty.

“Prepare for change” would be a good motto for the twenty-first century, at a time when businesses are constantly reinventing themselves to cope with the fast-moving global economy.

In such an environment, where every opportunity for commercial advantage must be seized, age diversity would seem heaven-sent as a means of coping with change.

Senior executives need to recognize opportunities for competitive advantage and to exploit them quickly and efficiently, while their employees must have the experience, flexibility and imagination to turn opportunity into reality.

Source: Employers Forum on Age, [www.efa-agediversity.org.uk/](http://www.efa-agediversity.org.uk/)

However, it is not only employers who should change attitudes towards older workers. Changes should also come from colleagues, older workers themselves and the society as a whole so that the enormous potential of older workers may be fulfilled.

In this sense, the media has a key role to play in combating stereotypes. During the last years the media has been portraying the desirability of a youth culture, which has contributed to negative perceptions of older people. For instance, in the United Kingdom, a survey undertaken by the independent television commission, found that 57 per cent of over-55s thought their views were often ignored on TV. About half of them felt their age group was not realistically presented on screen. The BBC, in particular, has been criticised for failing to address this audience in its plans for new digital services and for not having channels dedicated to the interests of older viewers. There has also been concern that older people are presented in drama and light entertainment as incapable or the butt of jokes<sup>47</sup>. This eagerness of reaching young people is based on past evidence that younger people are the biggest consumers.

However, this is no longer the case and therefore, media attitudes are changing slowly. The increasing importance of “grey” consumers is nowadays more and more recognised. A research study undertaken by a UK based consultancy firm<sup>48</sup> noted that “a key target market for many firms should be mature people aged 50-64, most of whom are still in work, have relatively high disposable incomes, are frequently demanding but loyal customers, and who spend more on many items such as holidays than do younger people”. The study helps clients to understand the spending behaviour and market importance of older workers. If advertisers and marketing specialists are to have any success with older consumers, they will have to stop treating age as a social stigma. Recognizing and reflecting the validity of older people in society through their advertising strategies is the first step. This will require research and development of advertising messages which are

<sup>47</sup> “Sir Trevor tops list of news presenters” March 19, 2002

<http://media.guardian.co.uk/tvnewsbattleofthebulletins/story/0,7521,670007,00.html>

<sup>48</sup> <http://www.business-strategies.co.uk/consumerfutures/matureconsumers.php>



relevant to the over-50s. Below, two good practice examples on media campaigns from two companies that show that attitudes are changing.

### **UK Advertising Campaign and The Body Shop Australia Campaign on Self-Esteem**

An advertising campaign which is currently proving successful in the UK is that for **Bachelors Pasta'n'Sauce Helpline**. The product is targeted at advertising-literate young single people who want to eat in a hurry, but has also appealed to the older market as a result of the advertisements depiction of a middle-aged “mumsy” figure who constantly gets the better of her nervous young assistant (Mills, 1999). The success of the campaign lies in the fact that it uses an older woman to reach a younger audience, but does so without patronising or stereotyping.

As part of **The Body Shop** campaigning on self- esteem:

In 1999 The Body Shop Australia celebrated 1999, International Year of Older Persons with a Body Image and Ageing Campaign. The campaign celebrated ageing and encouraged people to respect the differences in ageing.

The Body Shop Australia also produced 'The Body and Ageing' Full Voice magazine. Distributed Australia-wide, this publication aimed to raise awareness of the issue of self-esteem, ageing and generate debate.

Source: “In pursuit of youth: what's wrong with the older market?” Marylyn Carrigan and Isabelle Szmigin, Department of Commerce, University of Birmingham, Birmingham, UK, 1999. <http://www.thebodyshop.com.au>

### **8.3 Action at national level**

More and more governments also realize about the important potential that older people represent and are taking steps to adopt comprehensive action plans for their older workforce. For instance, Russia adopted in 1997 the Older Generation Federal Targeted Programme, which aims at improving older people’s security and social integration<sup>49</sup>. Cyprus has set up a Body, chaired by the minister of Labour and Social Insurance, with a view to advising on the formulation of comprehensive policies for the elderly and the coordination of relevant services and programmes<sup>50</sup>. Within the accession countries Estonia has one of the most comprehensive government policies for older people.

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<sup>49</sup> National Report, The Elderly in the Russian Federation: situation, problems and prospects. Moscow 2002.

<sup>50</sup> Services and programmes for older persons in Cyprus. Ministry of Labour and Social Insurance. Coordinating Body for Older Persons. September 2002.

### **Estonian Policy for the Elderly**

Following the International Year of Older Persons in 1999, the Estonian Government officially endorsed the Policy for the Elderly in Estonia and established a Commission of Policies for the Elderly. The policy for the elderly focuses on the following issues: family and environment; healthcare and social welfare; employment and coping; education, cultural activities and sports; non-governmental organisations and self-help, and regional and international co-operation.

The policy provides an excellent starting point for raising awareness of age discrimination in Estonian society, and is the first official acknowledgement that age discrimination is “unethical”. The policy “deems it unethical to discriminate against people on the basis of their age” and addresses, to some extent, discrimination in employment. In order to facilitate the implementation of the Policy for the Elderly in Estonia, the Gender Promotion Programme (GENPROM) of the ILO has developed awareness-raising-cum-training materials on older women workers. These materials have been used in the context of a National Plan of Action for More and Better Jobs for Women in Estonia. The project entails awareness raising and capacity building of local stakeholders, including grass-roots women’s groups, on women workers’ rights and employment creation. The project has a special focus on the problems of older women workers in rural areas. Group discussions with older women revealed several examples of age and sex discrimination.

Source: Estonian Ministry of Social Affairs [www.sm.ee/gopro30/Web/gpweb.nsf/pages/indexeng.html](http://www.sm.ee/gopro30/Web/gpweb.nsf/pages/indexeng.html) and ILO Gender Promotion Programme

In the EU, the most integrated and comprehensive policy programme on older workers is the Finnish National Programme on Ageing Workers (FNPAW). The programme aims to build a wide consensus at the policy level, both to value the experience of the ageing workforce and to rise the actual age of retirement. Its slogan “Experience is National Capital” emphasizes the ageing workforce as a resource. The main goal of the FNPAW is to promote the employability of people over 45 and to reduce their exclusion and premature retirement.

### **Finnish National Programme on Ageing Workers**

The main responsibility for the programme as a whole is borne by the Ministry of Social Affairs and Health, which is responsible together with the Ministry of Labour and the Ministry of Education for the implementation of the programme. Other agencies taking part in the project are the Ministry of Trade and Industry, the Ministry of Finance, the Ministry of Agriculture and Forestry, the most representative labour market organisations, the Association of Finnish Local Authorities, the Social Insurance Institution, the Institute of Occupational Health, and pension companies.

Within the sector of **Ministry of Social Affairs and Health**, a considerable part of the measures related to the Programme on Ageing Workers is taken within occupational health service and occupational safety and health activities, in particular in small and medium-sized enterprises. The aim of the projects is to bring about new means to survey the working conditions and working capacity of ageing employees. Instead of concentrating on maintaining the physical working capacity as before, the emphasis is today on mental coping, individuality, flexibility, methods of management, and discussions as a means of interaction. The programme includes a national information campaign and information to different target groups, as well as training to boost the activities to maintain and improve the working capacity of ageing employees and to increase related information. Information and training is directed in particular to occupational health service personnel, actors at workplaces and employees. The goal is to enhance the activities to maintain working capacity and the adoption of the new strategy to that end at workplaces of different sizes. The campaign for maintaining working capacity pays attention in particular to the issues brought to focus by the project "The working capacity of tomorrow".

The various measures to improve the situation of older job-seekers are the responsibility of the **Ministry of Labour**. The most important of these measures is to diversify and develop the employment services. The employment offices and the labour and trade centres shall take into account older persons' chances of finding jobs at their own initiative. The share of older persons in employment-promoting adult education and among those employed with the help of employment subsidy will be increased. An objective is to expand the use of the job alternation system reformed at the turn of the year, as well as the use of the part-time pension introduced earlier.

The purpose of the amendment of the Act on Cooperation within Undertakings, that entered into force last year, is that the needs of older employees shall be paid more attention to in enterprises' personnel and training plans. Flexible working time arrangements and measures to develop work communities are important in promoting the employment of ageing persons and maintaining their working capacity. Their training is going to be improved by experimenting with methods to converge the working life and the training of ageing employees. One objective of the projects related to the Ministry's national programme to develop working life is to promote the interaction between labour force of different ages at workplaces.

The **Ministry of Education** is responsible for about ten out of the 40 objectives of the Programme on Ageing Workers. The starting point is to develop adult education so that it will better meet the needs of the population aged 45+. Converting the principle of lifelong learning into practical solutions is a central objective in the present government's programme. A committee proposal for a national strategy for life-long learning was submitted in the end of 1997. Further action has already been started. One of the most urgent aims is to develop the connections between education and working life. Education and training for adults is provided at 1000 educational institutions subject to public supervision. The expanding supply of open learning environment - distance secondary school, open university, networks of liberal education - facilitate the access of employed adult population to education and training.

Source: <http://www.stm.fi/english/current/ageprog/current.htm>

Other EU countries have also put forward initiatives to ensure economic and social inclusion of the older population. In 1996, the Danish Government set up an independent council with the purpose to monitor and assess the conditions of older people in Denmark in all relevant areas. Next box presents some of its functions.

#### **Age Forum in Denmark**

- It follows the development in the field of ageing, e.g. the trends in old people's needs in relation to the labour market, housing, leisure, culture, traffic and health, the social field and other relevant areas.
- It evaluates aggregate efforts for the elderly carried out by public authorities, private bodies, voluntary organisations and the old themselves.
- It contributes to making the resources of the elderly more visible and point to possible barriers that prevent elderly from making use of their own resources.
- It contributes to the coordination and dissemination of information on the conditions of the old and their rights.
- It proposes initiatives that improve the conditions for the old, as for example coordinating and preventive activities.

Source: <http://www.aeldreforum.sm.dk/english.htm>

Austria also developed a "Policy for all Ages"<sup>51</sup>, which is based on the following principles: The Strengthening of intergenerational solidarity as the basis for the peaceful and productive co-existence of the generations; Shaping policies "with" older people instead of "for" older people in order to ensuring inclusion of older people; and Focusing on (older) people with their skills and resources. The intention of this is to make it clear that older people are indispensable contributors to society and have a place in the mainstream of society.

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<sup>51</sup> *Our policies for all generations strategies and best practices of Austrian policies on ageing*. Federal Ministry of Social Security and Generations, Austria, 2002.

## 8.4 International action

The ILO has long been committed to the issue of older workers, specifically elaborating international labour standards on older workers in employment, invalidity, old-age and survivors' benefits, standards and guidance on retirement policies, the level of pension entitlements, and maintaining the standard of living of pensioners. So far, the most comprehensive instrument on the subject is the Older Workers Recommendation, 1980 (No. 162).

### ILO Older Workers Recommendation, 1980 (No. 162)

The Recommendation was adopted at the 66th Session of the International Labour Conference on 4 June 1980. It defines "older workers" as all those who are liable to encounter difficulties in employment and occupation because of advancement in age.

At the outset it states the principle that employment problems of older workers should be dealt with in the context of an overall and well-balanced strategy for full employment, which gives due attention to all population groups and ensures that employment problems are not shifted from one group to another. It calls on all member States to adopt a national policy to promote equality of opportunity and treatment for workers of all ages and take measures to prevent discrimination against older workers, particularly with regard to access to vocational guidance and placement services; access to employment of their choice that takes into account their personal skills, experience and qualifications; access to vocational training facilities, in particular further training and retraining; and employment security.

National policy should further aim to improve working conditions and the working environment at all stages of working life and devise measures designed to enable older workers to continue in employment under satisfactory conditions.

It further recommends that measures be taken with a view to ensuring that the transition from working life to freedom of activity is gradual, that retirement is voluntary and that the age qualifying a person for an old-age pension is flexible.

Source: [ilolex.ilo.ch:1567/english/docs/recdisp.htm](http://ilolex.ilo.ch:1567/english/docs/recdisp.htm)

The issue of ageing populations is currently high in the international agenda. The United Nations General Assembly, at its 54th Session, decided to convene the Second World Assembly on Ageing in 2002, on the occasion of the twentieth anniversary of the First World Assembly, which was held in Vienna in 1982. The Assembly took place in Madrid, from 8 to 12 April 2002<sup>52</sup>. Its objective was to respond to the opportunities and challenges of a rapidly ageing population and to promote the development of a "society for all ages", the theme of the 1999 International Year of Older Persons.

The Assembly adopted two outcome documents: The Madrid International Plan of Action on Ageing 2002 and a Political Declaration<sup>53</sup>. The Madrid Plan calls for changes in attitudes, policies and practices in all sectors to realize the enormous potential of ageing. According to the text, all older persons should be able to age with security and dignity, and continue to take part in society as citizens with full rights. The recommendations for action are organized according to three priority directions: older persons and development; advancing health and well-being into old age; and ensuring enabling and supportive environments. The priority directions are designed to guide policy formulation and implementation towards the specific goal of successful adjustment to an ageing world. The first priority direction of the Plan entitled "Older persons and development" focuses on eight issues which call for urgent action to ensure the continuing integration and empowerment of older persons. Employment issues are included in this first section of the plan and are summarized in the next box.

<sup>52</sup> The official web site of the Assembly is: [www.madrid2002-envejecimiento.org](http://www.madrid2002-envejecimiento.org)

<sup>53</sup> <http://www.un.org/esa/socdev/ageing/waa/>

## **Madrid International Plan of Action on Ageing 2002**

### **Priority direction I: Older persons and development**

#### **Issue 2: Work and the ageing labour force**

**Objective 1: Employment opportunities for all older persons who want to work. Actions include:**

- Place employment growth at the heart of macroeconomic policies;
- Enable older persons to continue working as long as they want to work and are able to do so;
- Take action to increase participation in the labour market of the working age population and to reduce the risk of exclusion or dependency in later life;
- Make special efforts to raise the participation rate of women and disadvantaged groups;
- Promote self-employment initiatives for older persons;
- Promote a new approach to retirement that takes account of the needs of the employees as well as the employers, in particular by applying the principle of flexible retirement policies;
- Remove disincentives to working beyond retirement age;
- Promote new work arrangements and innovative workplace practices aimed at sustaining working capacity and accommodating the needs of workers as they age;
- Support workers in making informed decisions about the potential financial, health and other impacts of a longer participation in the workforce;
- Promote a realistic portrait of older workers and their skills and abilities by correcting damaging stereotypes about older workers or job candidates;
- Take into account the interests of older workers when policy or decision makers approve business mergers so that they are not subject to greater disadvantages, reduction of benefits or loss of employment than are their younger counterparts.

#### **Issue 4: Access to knowledge, education and training**

**Objective 1: Equality of opportunity throughout life with respect to continuing education, training and retraining as well as vocational guidance and placement services. Actions include:**

- Achieve a 50 per cent improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults;
- Encourage and promote literacy, numeracy and technological skills training for older persons and the ageing workforce, including specialized literacy and computer training for older persons with disabilities;
- Implement policies that promote access to training and retraining for older workers and encourage them to continue to use their acquired knowledge and skills after retirement;
- Ensure that the benefits of new technologies, especially information and communication technologies, are available to all, taking into account the needs of older women;
- Develop and disseminate user-friendly information to assist older persons to respond effectively to the technological demands of everyday life;
- Encourage the design of computer technology and print and audio materials that take into account the changes in the physical abilities and the visual capacity of older persons;
- Encourage further research to better determine the relationship between training and productivity so as to clearly demonstrate to both employers and employees the benefits of continuous training and education of older persons;
- Raise the awareness of employers and workers organizations of the value of retraining of older workers, particularly women.

Source: <http://www.un.org/esa/socdev/ageing/waa/>

Resulting from an initiative of the Federal German Government, a Ministerial Conference on Ageing was held in the Foreign Ministry, Berlin, from 11 to 13 September 2002. The Conference was organized by the United Nations Economic Commission for Europe and it was convened as a regional follow-up to the Second World Assembly on Ageing. The UNECE member States adopted two outcome documents: The Regional Implementation Strategy of the Madrid International Plan of Action on Ageing 2002 and the Berlin Ministerial Declaration. The Regional Implementation Strategy includes ten commitments. Employment and skill development issues are dealt under the following commitments: (i) to enable labour markets to respond to the economic and social consequences of population ageing; (ii) to promote life-long learning and adapt the educational system in order to meet the changing economic, social and demographic conditions.

**Regional Implementation Strategy  
of the Madrid International Plan of Action on Ageing 2002**

**Commitment 5: To enable labour markets to respond to the economic and social consequences of population ageing**

Policy objectives:

- Seek a significant reduction in rates of unemployment, especially for older persons;
- Improve the employability of older workers;
- Raise participation rates for all women and men;
- Take steps to raise the average effective age at which people stop working and make retirement more flexible and gradual.

**Commitment 6: To promote lifelong learning and adapt the educational system in order to meet the changing economic, social and demographic conditions.**

Policy objectives:

- Facilitate and encourage life-long learning;
- Ensure that the educational system achieves better employability of all persons;

Source: <http://www.unece.org/ead/pau/age/conf2002frame.htm>

## 9. Conclusions

In the selected transition countries, the elderly population is growing faster than all other age groups and is projected to continue doing so. In the last 50 years, life expectancy in these countries has increased from 63 to 72 years and during the next 50 years, a further increase to 80 is foreseen<sup>54</sup>. This is one of the most positive, crucial and relevant demographic phenomena in the history and future of these countries.

From the statistics presented in this paper we can conclude that older workers are not particularly in a disadvantageous situation in the labour market of the accession countries and that they are even better off than in some EU countries. Participation rates of older workers followed the same declining trend as the rates for other age groups, however, the decline was slower than for the prime age group. Participation of older people in the labour market is very much related to their level of education. The better educated older people remain longer in employment. And on average, older people with

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<sup>54</sup> United Nations, *World Population Prospects*, UN Population Database 2000. United Nations, New York, 2001.

high education levels have higher participation rates than in EU countries. Older workers experience significantly lower unemployment than other age groups and these are even lower for older women. Compared to EU countries, the unemployment rate of older workers is also lower.

However, lower unemployment is mainly the result of early withdrawals from the labour market, which has been stimulated by labour supply reduction measures. As in the EU countries, longer life expectancy has not been accompanied by longer working lives in the transition countries either. These countries are now sharing serious concerns about the financial sustainability of their pension systems, and about the possibility of a growing socially excluded older population. Policies aimed at ensuring that people maintain a high level physical, social and mental functioning as they age are of critical importance.

In this sense, we have seen that policies related to the promotion of employability of older workers are crucial. These policies should include training and retraining of older workers in order to help them adapt to new demands and opportunities using the guiding principle of lifelong learning as a long-term preventive strategy. The importance of skill development for the older workforce is also underscored by the rapid technological developments that countries are undergoing. These skill development measures adjusted to the special needs of older workers should be accompanied by other active labour market policies such as intensive job counselling and job search assistance, wage subsidies, promotion of self-employment and other programmes such as subsidized community services. Also a substantial improvement of working conditions in many jobs is important for allowing older workers to perform them from the point of view of their health and also for making them more attractive for older workers than remaining on income support.

An important conclusion that can be drawn from the replies to the ILO survey is that attitudes and stereotypes leading to age discrimination are the main barrier that older people face in the labour markets of these countries. Furthermore, older women face double discrimination in the form of sexist and ageist stereotypes. The key for progress in this field is mainly but not solely in the hands of employers. The media, older workers themselves and the society as a whole have an important role to play.

Nevertheless, more and more accession countries realize the important potential that older people represent and are taking steps to adopt comprehensive action plans for their older workforce. Estonia has one of the most comprehensive government policies for older people within the accession countries. The Czech Republic has also recently adopted an action plan and Bulgaria has recently amended its Labour Code in order to include specific provisions for their older workforce.

Finally, we often associate ageing of populations with creating an additional burden for already deficient employment, education and training systems, and social protection. However, it is important to bear in mind that older people represent an enormous potential for economies and societies. In all countries, older people and especially older women play an irreplaceable, albeit frequently invisible role in both economically sustaining younger generations and providing, mostly gratuitous, services to the family and community. The vitality of countries increasingly depends on active participation of older people and therefore, we must foster economic and social conditions that allow people of all ages to remain fully integrated into the economy and the society.

## ANNEX

### **Questionnaire on labour market problems of older workers and policies promoting their employment or solving unemployment**

Current demographic trends (sharp declines in fertility rates and - at least in some countries - increases in life expectancy) lead to the growing average age of population in all transition economies. As a consequence, less young people are entering the labour market and moreover, their entry is often postponed due to their longer studies and difficulties in transfer from education to work. However, older workers are also facing problems to maintain their employment as labour demand has declined considerably and changed as regards to requested skills, adaptability, mobility and flexibility of workers. Many older workers are unable to adjust to these new requirements for a number of objective and subjective reasons, lose their jobs and become unemployed or are forced to withdraw from the labour market. The serious problem of age discrimination militates against the re-employment of older people and makes it more likely that they experience redundancy compared to the younger ones. The national pension and social security systems are currently struggling with serious budget problems due to increasing numbers of pension and benefit recipients in comparison with the number of persons contributing to the system. However, the countries are or in the foreseeable future will be facing labour shortages because of modest inflows of new labour. Therefore their interest is to postpone retirement age and increase employment rates of older persons. This questionnaire intends to map the actual employment and skill development problems of older workers, assess policies addressing these problems and gain opinion of national labour market institutions and employers on how to improve these policies in order to achieve these goals.

#### *1. Part for labour market institutions at national and local level:*

1. From which age are male and female workers considered as "older workers" in your country?

2. What are unemployment rates of older workers (in total and men and women separately) in registered unemployment and in labour force surveys? What is the share of older workers turning for assistance to the public employment service over the year (figures for a few recent years). What is the share of older workers in long-term unemployment (unemployment duration longer than 1 year)?

3. What is the distribution of educational attainment (primary, secondary and tertiary education) of older workers (in total and disaggregated by age), compared with the national average in your country?



4. What is the statutory retirement age in your country? Are workers reaching retirement age legally obliged to retire? How many workers are working after the retirement age? Is there any policy discouraging retired persons from remunerated work?

5. Are older workers, compared with younger age groups, facing special problems in termination of their employment (through layoff or early retirement or retirement due to disability) in case of restructuring or economic problems of their enterprise/institution and in recruitment for a new job? If yes, what are the reasons (e.g. immobility, inflexibility, lack of adequate skills, high wages, health problems, etc. on the side of workers and such assumption on older workers on the side of employers)?

6. What are the main reasons for older people in your country to leave their last job or business (eg. dismissal, illness or disability, job of limited duration has ended, normal retirement, early retirement etc.)?

7. Does early retirement exist in your country? If yes, what are its conditions and how is it funded?

8. What has been the share of early retirement in all retirements during the transition period (in 1992, 1996 and 2000)?

9. What has been the share of newly provided disability pensions among all retirements (the same years as in the previous question)? How many unemployed persons have been de-registered from unemployment register in connection with accepting disability pension?

10. What is the average age of retirement for men and women (i.e. the effective retirement age as opposed to the statutory age)?

11. Besides early retirement and disability pension, what are other (active) labour market policies applied to solve unemployment of older workers?

12. What is the share of older jobseekers in labour market training, public works, subsidized employment, promotion of business start-ups and other policies?

13. Does your country conduct training or retraining programmes specifically targeted at older workers. If so, are these accompanied by vocational guidance and counseling services?

14. If older workers participate less often in labour market programmes than other age groups in your country, what is the reason?

15. Are success rates (i.e. re-employment rates) of older workers after participation in active labour market programmes higher, similar or lower, compared with other age groups?

16. Do you think that currently available labour market policies are less appropriate for older workers to promote their employment? If yes, what should be in your opinion the more promising policies (such as e.g. modification of training to meet special needs of older workers, promotion of part-time employment for them, part-time employment combined with the introduction of partial retirement schemes, etc.)? Are such policies feasible for application in your country and under what conditions?

17. Do you think age discrimination is a problem in your country? Does your country have laws prohibiting age discrimination? If so, are these laws being effectively implemented?

*II. Part for enterprises (1-2 large enterprises, 2 small firms)*

18. What is the share of older workers among your staff?

19. How do you assess older workers (in total and men and women separately) in terms of their productivity, readiness to change their workplace within the enterprise, change their work tasks, learn new skills? In terms of work performance, is there a difference between younger and older workers?

20. Do seniority rules in case of employment termination exist in your enterprise and if yes, what they are?

21. When redundancies have been necessary in your enterprise, have they concerned older workers more often than other age groups, and how have they been solved (through layoffs, voluntary quits, early retirement)?

22. What is your attitude towards hiring older workers? And older women workers?

23. Under what conditions (measures) would you hire older workers (e.g. provision of wage subsidies, subsidized part-time employment, subsidized on-the-job training, etc. financed by the labour office, supposing that such policies do exist in your country)?

24. Do your company undertake specific training or retraining programmes for older workers?

25. Do you think that new information and telecommunications technologies could play (or already play) an important role in extending the working lives of older workers in your company? Do they provide innovative opportunities for training older workers? Or do you think older workers present difficulties in learning and using new technologies?