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PHILIPPE DE BUCK, DIRECTOR GENERAL, BUSINESSEUROPE

I. Demographic situation

- As one of biggest challenges facing European economies and societies, demographic change needs to be urgently addressed.
- Since the 1960s, life expectancy in Europe has increased on average by 2.5 years each decade.
- This trend is set to continue, albeit at a slower pace - men and women can expect to live 7 years longer in 2060 compared to 2008.
- The fact that we are living longer in Europe is a good thing, however, it brings challenges - pressure on public finances and pension systems; adding to existing shortages of skilled workers on our labour markets.
- In contrast to the growth in the working age population since the 1950s, from this decade onwards the working age population in Europe will start shrinking - by 2020 there will be 3 million less potential workers.
- (Taking out migration), the EU working age population will decline by 10% in 2030 and by 20% in 2060.
- We cannot afford to waste the valuable talent and experience of the 50+ - we must ensure that this “capital” is valued and put to good use on our labour markets.

II. Key economic and social challenges:

1. Sustainability of public finances and pension systems

- Demographic change will continue to place increasing pressure on public finances, as social protection systems have to compensate for increasing numbers of people in retirement and less people working.
- Age-related public expenditure is projected to increase on average in the EU by 4.75% of GDP between 2007 and 2060.
- Member states need to continue taking austerity measures to return to sound public finances. This includes avoiding unsustainable increases in public debt levels and further reform of pension systems.
- Austerity measures have been given bad press. This is about increasing efficiency and productivity, for example in public services.
- It is about making pension systems sustainable, by raising retirement ages. Of course this means that longer working lives must be a real possibility. On average, in the EU the real exit age from the labour market has only increased slightly since 2001 to reach a level of 61.4 years in 2008.



2. Boosting employment and ensuring longer working lives

Framework conditions:

- The economic and financial crisis clearly revealed that there are underlying structural weaknesses on European labour markets – low employment levels (currently 9.5%), chronically high long-term unemployment, alarmingly low labour productivity growth (between 2000-2009, around 0.8% a year on average).
- European labour markets are also too rigid. Strict employment legislation does not encourage employers to take on staff. According to the OECD, there is a strong negative relationship between employment protection and both the employment rates and hiring rates for older workers.
- Demographic change will compound these weaknesses, as the available workforce is reduced.
- The weaknesses have to be dealt with to ensure that the shift towards an ageing population does not have long-lasting negative consequences for our labour markets.
- As part of raising employment rates in general, raising the employment rate of the 50+ has great potential, since current levels in the EU are low (46% in 2010). Some countries only reach around 35%, including Belgium.
- This is necessary to meet the EU2020 target of 75% employment (20-64 year olds), as the latest EU employment rate is 68.6%.
- Low participation of older workers is an inefficient use of labour and a waste of talent and experience.
- Whilst indispensable, raising employment will not be enough to deal with demographic change. When labour supply starts to shrink in the future, raising productivity will become the only way to ensure sustained growth in the EU.
- If the cost of hiring rises more steeply with age than productivity, it will make it difficult for companies to hire and retain older workers, harming their employment perspectives.

Action by individual workers and companies:

- Firstly action by the 50+ is necessary - to adapt to new working methods, new technologies and different working patterns. Else older workers will see a devaluing of their human capital.
- Skills need to be developed and adapted from the start of and throughout the working life.
- On the other hand, employers have a role, for example adapting work organisation to meet the needs of a changing workforce.
- Flexible working patterns should be encouraged for older workers, such as part-time work. This allows a gradual transition from work to retirement, which can encourage older workers to stay on the labour market for longer.
- It is useful for a company to have an overview of its demographic situation, as this can help in human resources planning and in analysing the future impact of demographic change on the company.
- Of course for people to continue to work, they need to remain healthy and active. Employers have a role to play in ensuring health and safety at the workplace, but



individuals equally have a role in taking responsibility for their health and public authorities in supporting the general health of the population.

- Different types of work may impact more or less on an individual's ability to continue working. However we shouldn't generalise, as we all age differently. It is important to look at an individual's real ability to work and the possibility to change roles. Adaptability – on the part of companies and workers - is needed in this respect.

3. Turning to the most serious issue – demographic change makes the problem of skills shortages much more acute:

- We are already experiencing shortages of skilled workers in the EU. It is estimated that 20 million skilled workers are lacking. In science and technology the situation is even worse. BUSINESSEUROPE has outlined this in its recent publication on STEM skills, "Plugging the skills gap – the clock is ticking".
- There is a paradox - whilst unemployment is high, vacancies remain unfilled. This was even the case during the economic crisis.
- Add demographic change to this and the situation will become even worse through a combination of two factors:
 - A mass of skills will be lost as a generation of experienced and skilled workers goes into retirement.
 - At the same time, there will be a reduction in the number of people entering the labour market.
- Compounding this, in the next ten years there will be an even greater demand for highly skilled workers.
- Businesses will continue to create jobs. However, finding workers with the necessary skills will become more difficult.
- The root of the problem is a mismatch between skills demand and supply.
- There is therefore an urgent need to upgrade skills, ensure a much better match between demand and supply and invest in lifelong learning.
- Also, education and training systems need to be better adapted and more responsive to the labour market.
- Active labour market policies and modern welfare benefit systems are also needed to ensure that people are encouraged to return to the labour market.
- Concerning STEM skills in particular, shortages will have a negative impact on companies, putting at risk planned investment, for example in infrastructure.
- Since large-scale retirements are foreseen in STEM professions, businesses will need to find replacements in the coming years. Further collaboration between companies and education institutions is needed.

4. Flexicurity is the way forward

- Let's be clear about what flexicurity means and what it doesn't:
 - Flexibility not rigidity on the labour market
 - Flexible and reliable contractual arrangements
 - Effective active labour market policies
 - Successful lifelong learning strategies
 - Modern social security systems, which encourage people back to work



- These measures are not bad for workers. On the contrary, they help workers return to and remain on the labour market, providing them with employment security.
- This is why we still believe flexicurity is the best way forward.

III. Situation in Belgium:

- Employment rate older workers - 37,3% (nearly worst in western Europe)
- Legal retirement age – 65 years, but actual age of retirement – 59 years
- Actual age of retirement is 3 years below average in western Europe of 62 years
- Currently there is an available workforce of 550.000 people aged 50 - 64 years, not encouraged to integrate on the labour market. This is without taking into account the 150.000 workers over 50 years old currently unable to work for health reasons – (incapacité de travail ou invalidité).
- According to a study by IDEA Consult conducted on behalf of FEB, people over 50 years old and companies agree that the following initiatives can help increase employment of older workers: the possibility to work less hours, benefiting from training, flexible working hours.
- The same study highlights that 8 companies out of 10 employ workers of 50+ and 7 companies out of 10 are willing to employ workers of 50+.
- However, it highlights that the majority of workers are not ready to work until 65 years old: 3 out of 4 wish to stop working before the legal retirement age.
- According to a 2011 OECD report on Belgium (Vers un marché du travail plus accessible pour les 55+), the Belgian labour market is one of the least accessible of OECD countries, i.e. there are serious obstacles to entering the labour market.

IV. Good practices in other EU countries/ European companies

Pension systems:

- ***Sweden – flexible pension system***
 - The pension system allows a high degree of flexibility regarding the choice of the retirement age and the possibility of combining earned income and a total or partial pension.

Financial incentives:

- ***Estonia – Financial incentives to stay on the labour market longer***
 - In addition to raising the retirement age, a reduction in the pension entitlement (by 0.4% for every month) was introduced in the case of early retirement and an increase in the pension entitlement (by 0.9% for every month) where the pension is deferred over the retirement age.
 - Higher than EU average employment rate of 55-64 year olds (2009 - 60.4%). Even after reaching retirement age, workers stay on the labour market longer. 2009 - 25% of 65-66 year olds (and 17% of 69-70 year olds) were working.
- ***Netherlands – tax changes***
 - Tax facilities for early retirement schemes have been abolished.



Increasing employability of older workers:

- **Poland – lifelong learning to cope with the demographic challenge**
 - Polish government launched the 50+ programme in 2008 - provides workers of age 50 and above with lifelong learning opportunities in order to develop their qualifications, skills and efficiency.
 - Aim to reduce labour costs in case of declining productivity and increase the employment rate of people 55-64 years from the current 28% up to 40% in 2013.
- **Finland – programmes to increase workability of older workers**
 - Finland has a range of programmes on rehabilitation, training, improvements in occupational health and raising awareness of the work needs of older workers.

Cost and productivity:

- **Sweden – linking pay to performance**
 - In Sweden, seniority clauses in public-sector pay arrangements have been replaced by performance clauses.
- **Different countries – reduction in costs of employing older workers**
 - A number of countries have taken action to reduce the cost of employing older workers through wage subsidies or a reduction in social security contributions.

Flexible work arrangements:

- **Sweden - flexible work arrangements**
 - Flexibility is given in terms of work patterns. The rate of employment of older workers in Sweden is one of the highest in the EU.
- **Netherlands – part-time employment of older workers**
 - Large share of part-time employment of older workers. Average employment rates in the Netherlands are projected to remain among the highest in the EU-25 by 2050

Company planning:

- **BMW – dealing with an ageing workforce**
 - Pilot project to set up a production line with workers with an average age of 47. This is likely to be the average age of the BMW workforce by 2017.
 - The people working on the line were supported by senior managers and technical experts to develop measures which improved productivity, including managing health care, developing workers' skills and improving the workplace environment.
 - The changes increased productivity by 7% over the course of one year. Project now being developed in further production sites.

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