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### **CONFERENCE ON CHALLENGES AND OPPORTUNITIES FOR EMPLOYMENT VIS-À-VIS DEMOGRAPHIC CHANGES**

**10-11 OCTOBER 2011, WARSAW**

### **“EFFECTIVE POLICY AGAINST AGEING LABOUR FORCES – TO AVOID BARRIERS AND GRASP CHANCES”**

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We are in the midst of a huge financial crisis and unsure about the economic developments. Unemployment has risen in the last four years from less than 7% to 9.5% and we don't know whether we are on our way up or down. At the same time, we have to deal with the demographic challenge and the fact that it – amongst other challenges - will result in unacceptable shortages on the labour market.

One major concern is whether our companies will be able to recruit and retain the workers they need to compete in the global market. But it is clear that the demographic developments will have other serious consequences for our societies, putting pressure on public finances, health care and pensions systems. This has become worse with the crisis. Therefore comprehensive reforms are necessary.

Given the theme chosen for this conference I will now concentrate on the labour market impact of the ageing of our societies.

The EU's working age population (15-64) will decline by 10% by 2030 and by 20% by 2060. So, if we don't act quickly, in less than twenty years, companies will be forced to relocate their business to other continents due to serious shortages on our labour markets. This would seriously threaten the level of prosperity in Europe.

But fortunately, there are alternatives.

Firstly, further reform of pension systems is necessary to make them sustainable and to serve labour market needs. The working age population can be extended by ensuring higher levels of employment and broadening the age group through longer working lives. This is in fact a plea to increase the formal retirement age and the age at which people actually retire. Other options are to firmly increase productivity and to augment immigration.

And this is not a choice, even if politically this proves to be a difficult process. All options have to contribute to dealing with the consequences of the demographic developments for the labour market. The financial crisis has at least convinced most (if not all) people that reforms are necessary and increasing the retirement age is unavoidable. The crisis and the seriously negative budgetary situations of most member states forces them to act.



I will now turn to the responsibility of management and workers to create the right conditions for people to work longer and to be more productive.

Recently BUSINESSEUROPE published a brochure, titled 'Putting Europe to Work'. It starts with a clear diagnosis about the economic and social situation of the EU. You can easily download it from BUSINESSEUROPE's website. Main conclusions: economic growth is lagging behind, employment rates are low, there is high unemployment and low labour productivity growth. More important is that this brochure also makes suggestions for solutions. I will mention some that are in particular relevant for active ageing.

1. To improve labour market flexibility the internal flexibility of companies should be improved for example by introducing working time accounts and part-time possibilities. External flexibility should be increased by allowing for different forms of employment contracts, including temporary ones. Contrary to what is often feared, this leads to job creation and not to job substitution. So-called 'permanent' contracts should be made more employment-friendly to stimulate hiring. Ideally this should be embedded in a comprehensive flexicurity approach.
2. Another essential element of the flexicurity approach is the need to invest more in education and training. There is a growing demand for highly-skilled workers and we expect this trend to continue. To a lesser extent the same applies for people with medium level qualifications, in particular technical vocational skills. Management and workers should therefore give more priority to investing in lifelong learning. This is also an important condition for the creation of an ageing workforce that is productive. Moreover, employable workers will be able to find another job if necessary.
3. Finally I want to mention wage bargaining and wage setting systems. These should be flexible enough to support job creation and competitiveness. In this context I would in particular point to special provisions that increase costs for employing older workers or other obstacles for hiring older workers. I'll come back to this in the Dutch example that I will now shortly report about.

The social partners in the Netherlands recently concluded an agreement on active ageing. This agreement was made in the context of another social partner agreement about raising the retirement age in the state and occupational pension systems. The aim of this agreement is to increase the labour market participation of older workers through incentives for both employers and workers.

Firstly a joint analysis was made and we came to the following observations:

1. We saw that after 2007 a sharp increase in participation of workers between 55 and 60 years of age was realized. This increase was quite modest with respect to those aged 60-65. One of the main problems is that the rate of success of older workers finding new jobs after losing old ones is very low.



2. Second observation is the bad image older workers have in the eyes of their employer and colleagues. The introduction of special provisions for older workers in CLA's (such as extra leave and special working time arrangements) has contributed to this. The impression is that they are more expensive for companies while being less flexible and mobile. But research also shows that employers view older employees as having more knowledge and experience in their current position and that they are viewed as more loyal, more reliable and committed than their younger colleagues. In spite of these positive qualities that are attributed to older workers, their image is on balance negative.
3. Third observation is that as workers age, their participation in training proportionally decreases.

In order to get the same participation rate for older workers as for other workers by 2020, the following solutions were identified:

1. There must be a drastic cultural turnaround in thinking and attitude when it comes to the labour participation and employability of older workers. This must be achieved by employers and workers through the implementation of a HR-policy that temporarily gives special attention to the participation and employability of older workers.
2. Training and employability are seen as fundamental elements for workers' participation in the labour market. It should be more career-focused instead of job-focussed. Training for a job in another company or sector should also be considered. In case of redundancies this can also be partly paid out of the redundancy or social plan.
3. Comprehensive vitality and health policies are advocated to keep workers fit, in particular for jobs that are physically or psychologically demanding. Introduction of partial retirement could also be considered.
4. In order to align labour costs and productivity it is recommended to modify generic special provisions for older workers and to examine the remuneration structure to determine whether there are differences between older and younger workers that cannot be justified.
5. With respect to mobility recommendations are made to increase internal and external mobility for older workers. With respect to external mobility efforts will be made to create 'from work to work' structures to prevent workers becoming unemployed.

So far the Dutch example. I hope that I made clear to you that further action cannot be delayed and that social partners can make a difference by jointly agreeing to remove barriers for the participation of older workers.