

FACTORS AFFECTING RETIREMENT



BOOK 9: NORDIC COUNTRIES



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9.1 Summary

- In Denmark the Government is making early exit less attractive and trying to promote employment amongst older workers
- In Denmark it is possible to claim a disability pension and to work
- In Denmark the Government has offered financial support to organisations wishing to set up programmes targeting the recruitment or retention of older workers
- In Finland activity rates among workers aged 60-64 are very low and the probability of re-entering employment after job loss is small
- The Government in Finland has recently targeted a number of initiatives at maintaining the employability of older workers
- In Finland partial pensions seem to be popular with those who are using them but the number of claimants is very low, albeit increasing
- Both Norway and Sweden have high levels of participation among older workers
- Norway has never had a strong policy of early exit but, as with the other Nordic countries studied, it is attempting to extend working life.

9.2 The labour market situation of older people

Denmark

According to Tikkanen (1998a), between 1995 and 2025 the population in Denmark aged 60 or over will increase by over 40 per cent, whereas there will be a slight increase among the 0-19 age group and a slight decrease among the 20-59 age group.

OECD Labour Force Survey (1996, 1999) data (see also Eskelinen and Andersen 1999) show that, among men in the 55-64 age group employment/population ratios declined from 69.1 per cent in 1983 to 61.1 per cent by 1998. Among women in the same age group no clear trend is discernable. The employment/population ratio stood at 41.3 per cent in 1998.

Overall unemployment is currently low in Denmark - 5.1 per cent (4.5 per cent of men and 5.9 per cent of women) (Eurostat 2000). Among men in the 55-64 age group, in the 1980s unemployment rates were lower than among workers in the 25-54 age group. However, the pattern had changed by the mid-1990s. The unemployment rate among men in the 55-64 age group was consistently higher than among men in the 25-54 age group in the second half of the 1990s (OECD Employment Outlook 1996, 1999). Unemployment rates among women in the 55-64 age group have sometimes been higher and sometimes lower than among the 25-54 age group through the 1980s and 1990s.

Older workers are over-represented among the long-term unemployed. Among unemployed people in the 45-64 age group, over two-fifths (43.6 per cent) were long term-unemployed (12 months or more) in 1996 compared to just over one quarter (26.5 per cent) in the 15-64 age group (OECD Employment Outlook 1998).

The proportion of those working part-time is 20.8 per cent (33.9 per cent of women and 9.6 per cent of men) (Eurostat 2000). Figures for 1995 indicate that among women, those in the 67-74 and 75 and over age

groups are considerably more likely to be working part-time than younger women. Only 14.5 per cent of women in the 40-44 age group worked part-time compared to 54.1 per cent of the 67-74 age group. Among men, the amount of part-time working was only significant among the 67-74 and 75 and over age groups. For example, 34.8 per cent of men in the 67-74 age group worked part-time compared to 1.8 per cent of the 55-59 age group and 8.6 of the 60-66 age group (Tikkanen 1998a).

Finland

In Finland by 2005 it is predicted that the proportion of people in the 15-49 age group will fall by 130,000 and the population aged 50-64 will increase by 180,000. This is with a labour force of approximately 2.5 million people (Sorsa 1999; see Forss 1999). According to Tikkanen (1998a) the rate of population ageing is significantly higher in Finland than in Denmark, Norway or Sweden. Between 1995 and 2025 a 66.6 per cent rate of growth in the 60 and over age group is predicted. By contrast, reductions in the size of the 0-19 and 20-59 age groups are predicted. Historically, Finland has had a relatively small older population compared to the other Nordic countries surveyed, but by 2025 its older population is set to be the largest amongst these countries. By 2000 it is predicted that two-fifths of the Finnish labour force will be aged 45 or over and it will be one of the oldest among the OECD countries.

Data presented by Gould and Saurama (1999) show that the recession of the early 1990s caused a sharp reduction in employment rates and a large increase in rates of unemployment. Employment rates improved after 1994. Among older workers employment rates among the 45-49 and 50-54 age groups were relatively stable at around 80-90 per cent until the recession of the early 1990s when they showed a slight dip and then a recovery in the second half of the 1990s. By contrast, among the 55-59 age group the employment rate fell from approximately 60 per cent in the early 1980s, rose

slightly towards the end of the 1980s, and fell away sharply in the first half of the 1990s before showing a slight recovery towards the end of the 1990s. The trend among the 60-64 age group is one of a gradual decline from approximately 30 per cent in the early 1980s to less than 20 per cent by 1994 before showing a slight recovery in the second half of the 1990s.

Part-time working is increasing in Finland but from a low level. Nine per cent of Finnish workers have part-time contracts. Among older workers a lack of full-time job opportunities and a preference for part-time employment are given as reasons for working part-time. There also appears to be increasing interest among older workers in working part-time on a permanent basis whereas the preference among younger workers is for temporary part-time employment (Gould and Saurama 1999; Tikkanen 1998a). However, a problem has been the limited number of part-time jobs that are available (Tikkanen 1998a).

Unemployment and long-term unemployment are major problems among older workers in Finland. Workers aged over 50 account for almost one third of all unemployed people but over half the long-term unemployed. In 1996, 70 per cent of unemployed people in the 55-59 age group had been unemployed for at least 12 months. Long-term unemployment is lower among the 60-64 age group, primarily as a result of being able to access an unemployment pension (Gould and Saurama 1999).

In terms of levels of education, older workers are clearly disadvantaged compared to younger workers. Figures for 1996 show that workers aged over 50 are much more likely than younger workers to only have a basic education. Projections show that the percentage of those older workers who only have a basic education will decline from 1995 to 2015. However, by 2015 this will still leave 28 per cent of people in the 60-64 age group and 21 per cent of people in the 55-59 age group with

only a basic level of education. Moreover, population ageing will mean that the absolute numbers of those older workers with only a basic level of education will not decline over the next 15 years (Forss 1999).

Comparisons of groups with different levels of education in 1997 showed that, in the 20 years leading up to the age of 65, those with a higher level of education would have spent most of those years in employment. On the other hand, those with only a basic level of education could have expected to spend only 10 of those years in employment (Sorsa 1999). However, according to Sorsa it has proved difficult to improve the employability of the older age groups even with educational interventions. On the other hand, older workers receive almost as much training as younger workers (Tikkanen 1998a) but the duration of the training is generally shorter and the preference of employers appears to be for targeting training at workers in the 35-44 age group (Gould and Saurama 1999).

Research also shows that once out of a job, the probability of re-entering employment is very low. Annual flow data from unemployment into employment show that, during the boom of the late 1980s, 40 per cent of individuals in the 45-54 age group were able to find re-employment within 12 months compared to 20 per cent in the years 1995-1996. The situation is much worse for those in the 55-64 age group. The rate of re-employment stood at about 20 per cent at the end of the 1980s but was only around three per cent in 1995-1996 (Forss 1999).

Norway

Population predictions indicate that between 1996 and 2010 the number of individuals in the 20-34 age range will fall by 129,000. Among the 35-49 age group the population will increase by 63,000. Among the 50-69 age group it is predicted that the population will increase by 293,000 (Solem and Overbye 1999).

In the early 1990s the unemployment rate was 5-6 per cent before falling to approximately three per cent by 1998. Levels of unemployment are lower among older workers (Gould and Solem 2000). On the other hand, older workers are over-represented among the long-term unemployed. Among unemployed people in the 45-64 age group, over one third (35.7 per cent) were long term-unemployed (12 months or more) in 1996 compared to 15.4 per cent in the 15-64 age group (OECD Employment Outlook 1998).

The employment rate among men aged 60-66 fell markedly between 1980 and 1994, from 70 per cent in 1980 to just over 50 per cent by 1994. However, since 1994 the employment rate has risen. In the case of women in this age group, participation has been less than among men and shows no clear pattern. Interestingly, although participation rates for women among the 16-74 group as a whole show a steady increase this pattern is not discernible among the 60-66 age group (Solem and Overbye 1999).

Sweden

In Sweden it is predicted that between 1995 and 2010 the population aged 60 and over will increase by just under 40 per cent. By contrast there will only be slight increases in the size of the 0-19 and 20-59 age groups (Tikkanen 1998a).

Employment/population ratios generally show a downward trend among men in the 55-64 age group: from 77.6 per cent in 1979 to 65.8 per cent by 1998. Among women in the same age group the pattern is less clear, although the employment/population ratio was higher in 1998 (60.3 per cent) than it was in 1979 (53.3 per cent) (OECD Employment Outlook 1996, 1998).

Rates of full-time employment are declining among men while rates of part-time employment are on the increase. Between, 1975 and 1993 the proportion of men aged

20-64 employed full-time fell from 88 per cent to 71 per cent. Between 1975 and 1995 the number of men employed part-time increased from two per cent to 9.2 per cent. Sweden is second only to Finland in terms of the number of women employed full-time and it is second only to Denmark in the number of women employed part-time. In Sweden part-time working is more common among older women than younger women and considerably more common among older than younger men (Tikkanen 1998a).

Sweden experienced low levels (1-3 per cent) of unemployment until the early 1990s since when rates have been relatively high (9.8 per cent in 1997). Between 1991 and 1995 the incidence of long-term unemployment grew considerably, with those in the 55-64 age group hardest hit (Mirabile 1999; see also Olsen 1999). In 1996, 27.0 per cent of unemployed people in the 45-64 age group were long-term unemployed (12 months or more) compared to 17.1 of the 15-64 age group (OECD Employment Outlook 1998).

9.3 Social welfare and pension arrangements

Denmark

In Denmark an early retirement scheme was introduced in 1979 and a version of gradual retirement in 1986. The motivation for the implementation of the former was high unemployment among older workers and high youth unemployment. According to Tikkanen (1998a) the popularity of the early retirement scheme exceeded expectations but gradual retirement was much less successful.

As with other countries the Danish pension system is currently undergoing reform. For instance, the pension age has been reduced from 67 to 65, although at the same time, attempts have been made to make retirement less attractive (Jensen 1999).

There are several routes out of the labour market (Jensen 1999). An early retirement scheme administered by the Ministry of Labour exists for people aged between 60 and 65 who contribute to Denmark's voluntary unemployment insurance scheme. The early retirement scheme has been subject to several modifications. In 1992 'transitional early retirement' was implemented, whereby an unemployed person in the 55-59 age group could take a job offered by the public employment service or opt for a transitional benefit until the age of 60, at which point early retirement was granted. In 1994 the age of entry to the scheme was lowered to 50 but that was ended in 1996.

In 1998 the scheme underwent major reforms in order to limit access and to encourage a degree of participation in the labour market. For example, the number of required years of contributions to the unemployment insurance scheme was raised from 20 out of the last 25 years to 25 out of the last 30 years. Also, a limit on the number of working hours an individual could undertake was raised from 200 hours per year to no more than 30 hours per week.

A part-time early retirement version of the scheme had similar entry criteria. A claimant was required to reduce their working hours by 25 per cent and they had to continue to work for at least 12 hours per week. It was possible to move between full-time and part-time early retirement. This version of the scheme was terminated in 1999 when the main scheme was modified.

A part-time pension scheme also exists for individuals who do not have unemployment insurance. The criteria applied to applicants resemble the part-time early retirement scheme. It was introduced in 1987 and is administered by the Ministry of Social Affairs. Eligibility criteria are as follows:

- the individual must have contributed the equivalent of 10 years' worth of full-time contributions to the Labour Market Pension Fund in the last 20 years
- they must have been employed for at least nine months in the last year
- they must reduce their working hours by seven or 25 per cent
- their new working hours must average between 12 and 30 per week.

A disability pension is available to individuals aged 18-67 whose working capacity is reduced by illness or social circumstances. In the case of individuals aged 50-67, working capacity need not be reduced. Different pensions are available depending on the extent of working capacity, with greater capacity associated with reduced benefits. It is possible for an individual to supplement their pension with employment.

Finally, unemployed workers over the age of 50, eligible for unemployment benefit and unable to find work are entitled to claim this benefit until they reach the age of 60.

Finland

The statutory pension system is comprised of two schemes: the national pension scheme and the statutory earnings-related pension scheme. The latter was, but is no longer, universal. From 1996 it only supports those individuals who do not have an earnings-related pension or the income they receive from it is very small (Gould and Saurama 1999).

According to Sorsa (1999) two key problems characterise the state of the pension system in Finland: a low average age of retirement and retirement via unemployment. In Finland pension provision is the responsibility of the firm, with both the employer and employee contributing to pension funds. Pensions are index linked. The pension age is set at 65, although in the public sector it is set at between 63 and 65. In the private sector if an individual postpones their retirement to beyond the age of 65 a deferment increase is added, although this option is not much used (Gould and Solem 2000). Workers in the private sector who are aged 60, and in the public sector who are aged 58 can apply to take an early pension. A disability pension is also available at the age of 58. Finally, an unemployment pension is available for long-term unemployed individuals aged 60 (Sorsa 1999).

Gould and Saurama (1999) set out the main characteristics of the early exit pathways in Finland. First, early retirement options include:

- An actuarially reduced old-age pension from the age of 60
- Farmers' early retirement aid, which supports farmers aged 55-64 who decide to retire
- Company specific schemes which allow retirement before the age of 65

Second is the unemployment route. This combines unemployment benefit with an unemployment pension. Special rules apply to older claimants of unemployment

benefit. Unemployment benefit is only usually paid for a maximum of 23 months, but workers aged 57 are entitled to continue receiving the benefit until the age of 60. After this age they are entitled to an unemployment pension. This route is only open to individuals who are eligible to claim unemployment benefit.

The third route is via sickness and disability. This route involves claiming sickness benefit for one year before proceeding on to claim either a partial or a full disability pension. A particular form of the disability pension is the individual early retirement pension which was introduced for individuals aged between 58-64 with a long work history and reduced work capacity. The eligibility criteria for the latter were less stringent than for the normal disability pension.

Individuals may move from one pathway to another. For example, an individual whose application for a disability pension has been rejected may move across to the unemployment route. The final route is gradual retirement, which will be discussed in detail below. These pension schemes are funded by the national pension scheme and the earnings-related pension scheme with the exception of the part-time pension and support to farmers which is funded by the earnings-related scheme alone (Gould and Saurama 1999).

Gould and Saurama (1999) state that because particular arrangements exist for unemployed older workers, employers have been encouraged to target older workers for dismissals, and some older workers have asked to be dismissed as this will make them eligible for an unemployment pension. Additionally, Gould and Saurama state that, because unemployment benefits and pensions are separate systems, there is an element of cost-shifting with different agencies declining to accept responsibility for borderline cases.

Gould and Saurama also identify three phases to the evolution of early exit in Finland. First, the 1970s saw an expansion of the disability pathway as a result of the maturing of the statutory earnings-related pension scheme. Early exit grew rapidly and was almost exclusively via the disability pension scheme. In the 1980s the focus of public policy was on the exclusion of older workers. Disability was still the main exit route but an alternative pathway was unemployment. Additionally, the 1980s saw the emergence of the early-old age pension and the individual early retirement pension in 1986 and the part-time pension in 1987. High levels of unemployment during the recession of the 1990s saw an expansion of the unemployment pathway. There have also been recent efforts to discourage early retirement. Another feature of the third phase has been growing interest in the use of gradual retirement.

Present Government policy is aimed at extending working life (Forss 1999). There were several changes to the pension system in the 1990s. For example, in 1994 the accrual rate of pensions was increased from 1.5 per cent to 2.5 per cent for each year an individual worked beyond the age of 60. Additionally, the eligibility criteria for the unemployment pension were tightened and the age at which an individual became eligible to apply for an early retirement pension was raised from 55 to 58 years. An additional policy change was that a temporary disability pension was replaced by a rehabilitation benefit aimed at encouraging participation in the labour market (Gould and Saurama 1999).

The Finnish gradual retirement scheme has been reviewed by Takala (1999). This was introduced in 1987 in the private sector and in 1989 in the public sector as part of reforms to early retirement pensions, to increase flexibility in retirement and to harmonise retirement ages in different occupations and in the public and private sectors. The part-time pension was intended to be an alternative to the disability pension. It was also

thought that employment would be created by the implementation of the scheme. A part-time pension is available to workers aged 55-64 in employment and the self-employed who switch to part-time work. Originally the eligible group were those aged 60-64, but in 1994 the earliest age of entry was lowered to 58 and in 1998, for a trial period until the end of 2000, the scheme has been open to people from the age of 56 onwards. Other features of the scheme are as follows:

- The allowable working week is between 16 and 28 hours for employees and half previous working time for the self-employed
- A person claiming a part-time pension must have been working full-time for 12 out of the last 18 months
- The person must have made pension contributions for five out of the previous 15 years.
- The level of earnings will be reduced to between 35 and 70 per cent of previous earnings, and will correspond to the reduction in working hours
- The amount of the part-time pension will equal 50 per cent of the difference between their present part-time and previous earnings
- Part-time working may only be interrupted for up to six weeks
- Pension contributions continue.

Norway

The state pension age in Norway is 67 for both men and women, although people in certain occupations are able to retire sooner on a full pension. A Government Commission recently recommended that some of these opportunities to retire earlier were ended (Solem and Overbye 1999). Individuals are encouraged to remain economically active up to the age of 70 with incentives for pension deferment and the option of gradual retirement between the ages of 67 and 70. Additionally, legislation prohibits the dismissal of older employees before the age of 70 (Gould and Solem 2000).

Tikkanen (1998a) states that, compared to the other Nordic countries, options for early exit have been less developed in Norway. Disability pensions are the most widely used early exit option. In the past an individual could be granted a disability pension on grounds of 'age' alone. However, this route was closed off in 1991 and eligibility conditions tightened (Solem and Overbye 1999).

Disability pension claimants, even those receiving a full pension, are entitled to earn a certain amount without it affecting the level of their benefit. Also, the scheme offers an individual the opportunity to re-enter employment for a trial period and subsequently to return to claiming the benefit without a financial penalty. Solem and Overbye state that there has been a shift away from the disability pension being used as an early exit option.

Norway has offered workers the opportunity to claim a part-time pension between the ages of 67 and 70 since 1973. There is no publicly funded early retirement scheme, but a scheme has been negotiated by the social partners in an effort to manage the problem of increased unemployment. The national AFP scheme was implemented in 1988. Initially it targeted individuals aged 65-66 but was subsequently extended to include those aged 62-64. AFP covers approximately half of workers in the private sector. The Government contributes one third to the scheme. It has been criticised because it excludes the self-employed. A similar scheme operates in the public sector for those aged 62 or over.

Unemployment benefits are paid for 3.5 years and so it is possible to claim this from the age of 58.5 and then move on to claim an early retirement benefit.

Finally, it should also be noted that regulations prevent occupational pensions from being claimed before the

age of 67 in the private sector and 65 in the public sector. Additionally, benefits must be paid as an annuity rather than as a lump sum. According to Solem and Overbye this limits early retirement, particularly among white collar workers who are more likely to have an occupational pension.

Sweden

In Sweden employment has been preferred over welfare (Olsen 1999). Nevertheless, from the 1970s it was made easier to exit the labour force with a generous disability pension, particularly among those aged over 60 (Wadensjö 1994). There have been several routes out of the labour market for older workers (Wadensjö 1991):

- i. The most used has been to draw an old-age pension at the age of 65
- ii. It has been possible to draw an actuarially reduced old-age pension. This has been the least used pathway
- iii. Many workers have started by claiming an unemployment benefit before moving on to claim a disability pension for labour market reasons
- iv. Disability pension for health reasons, possibly commencing with a period of claiming sickness benefits
- v. Occupational injury with sickness benefits
- vi. Partial pension.

In the case of the disability pathway, participants could claim 90 per cent of previous income and early retirement was available if the individual had relatively minor health problems but there was a risk of unemployment (Marklund 1999), and from 1972 being long-term unemployed was sufficient to make an individual eligible for a disability pension. Between 1983 and 1990 workers with occupational injuries and diseases received benefits set at 100 per cent of their previous income. Since 1990 however, policy changes have been aimed at reducing the level of early exit among older workers. In 1991 retirement for labour

market reasons was ended. Also, in 1992 compensation for occupational injuries and diseases was reduced. In 1992 the level of compensation in the disability retirement system was reduced and in 1996 rules concerning the assessment of disability were tightened (Marklund 1999; see also Carlsson 1995).

Older workers have also been protected from dismissal by laws making it difficult and expensive to lay them off. Periods of notice increase with seniority and first-in-last-out applies. Another key feature of Sweden is its active labour market policy. For older workers who are classified as having a disability this has involved working in sheltered employment where they are over-represented. Another program is working with a wage subsidy for disabled individuals. The participants on this programme have been slightly younger than those who work in sheltered employment (Wadensjö 1994). An important feature of the Swedish model has been its use of partial retirement. There have been three models for combining work with a pension (Wadensjö 1994, 1996):

- i. Drawing a partial old age pension between the ages of 60 and 65. This led to a reduced pension after the age of 65. After 1993 it was possible to draw a quarter, half or three quarter pension.
- ii. It has also been possible to combine either a one quarter, one half, two-thirds or three quarters pension with employment.
- iii. Additionally a partial pension scheme was launched in 1976. To be eligible an individual had to be aged between 60 (61 after 1994) and 65; to have reduced their working hours by at least five hours per week and the remaining working hours were required to total around 17 per week; and they must have worked for at least 10 years since they were aged 45. The replacement rate was 65 per cent at launch but was reduced to 50 per cent between 1981 and 1987. This resulted in a marked reduction in the number of claimants. The number of claimants rose again when the replacement rate was increased to 65 per cent in 1987.

Sweden has had a new public pension system since 1999. In the new system an individual can retire at the age of 61. It is possible to defer taking a pension in order to accrue additional benefits. Partial pensions of the kind outlined above are not available in the new system (Thoursie 1999).

9.4 Impacts on labour market and retirement behaviour

Overall figures on numbers of pension recipients for Denmark, Finland, Norway and Sweden for 1996 are suggestive of quite different experiences at the end of working life. These data show that, in the case of Finland and Sweden almost everyone is in receipt of a pension by the age of 65. However, the situation for Denmark and Norway is rather different. In the case of Denmark just over three-quarters (76.5 per cent) of people are in receipt of a pension by the age of 65-66. But in the case of Norway the number of pension recipients at the age of 65-66 is much lower - 44 per cent. It is also interesting to look at what is happening to the 60-64 age group as this shows a slightly different pattern. In the case of Finland over four fifths (81.1 per cent) of individuals were in receipt of a pension in the 60-64 age group compared to just under two fifths (37.9 per cent) in Sweden. In the case of Denmark over three fifths (61 per cent) of individuals in this age group were in receipt of a pension, while just over a third (33.7 per cent) of Norwegians were in this situation (Forss 1999).

Data reported by Marklund (1999) from 1996 show that, in a list of selected countries Norway (72 per cent) and Sweden (66 per cent) came third and fourth respectively in terms of labour force participation rates among men aged 55-64 behind Iceland (90 per cent) and Japan (80 per cent). In the case of women, Sweden was second (61 per cent) behind Iceland (78 per cent) and Norway was third (58 per cent). By contrast, Finland came seventeenth out of 19 countries in term of male participation rates in this age group (38 per cent). It fared rather better in terms of female participation rates coming ninth (32 per cent). In the

case of Denmark the positions were ninth in the case of men (58 per cent) and seventh in the case of women (36 per cent).

Denmark

In Denmark the average age of retirement was 63 in 1969-1970 and stood at 60 years of age in 1995-96. On average, men retired at the age of 61 in 1995-1996 compared to an average age for women of 59. The average age of retirement reached its lowest level in 1994-1995, being 60 for men and 57 for women (Jensen 1999).

There has been a long-term decline in labour force participation rates among older men. The participation rate among men in the 55-64 age group stood at 71.8 per cent in 1981, declining to 64.6 per cent in 1984 before climbing again to 68.3 by 1989 (Yearbook of Nordic Statistics 1991). However, participation rates declined in the 1990s, reaching 61.1 per cent by 1998 (OECD Employment Outlook 1999). Among women in the 55-64 age group, after a sharp fall between 1981 and 1983 participation rates were stable for the rest of the 1980s (42.4 per cent in 1983 and 42.1 per cent in 1989) (Yearbook of Nordic Statistics 1991). In the first half of the 1990s participation declined but began to rise in the second half of the decade, reaching 44.2 per cent by 1998 (OECD Employment Outlook 1999).

In 1996 the early retirement scheme and the transitional retirement scheme were the most commonly used exit routes among the 60-66 age group, with 133,000 claimants followed by the disability pension with 106,000 claimants. Among the 50-59 age group the disability pension had 89,000 claimants compared to 44,000 claimants under the early retirement and transitional early retirement schemes. It is also notable that there was a marked increase in claimants in both age groups between 1984 and 1996. Also claimants of such benefits predominate among those with low skill levels (Jensen 1999).

Finland

The prevailing economic conditions and structural changes in Finnish industry have been the primary determinants of early exit among older workers. As a result of the recession of the 1980s early exit was more likely in those sectors of the economy associated with export activities. However, in the recession of the 1990s exits were more likely in those parts of the economy with a domestic focus (Gould and Saurama 1999).

Labour force participation rates among men aged 55-64 or over are very low, showing a decline over the last 20 years from 56.3 per cent in 1979 to 44.5 per cent by 1998. Among women in the same age group there has been no clear trend in participation rates. It is noticeable that in 1996 the participation rate of older women, at 39.7, was comparable to that among older men.

The main early exit routes at the end of the 1980s when the part-time retirement scheme was introduced were unemployment, disability and early retirement pensions. The importance of each pension has varied. Thus in the early 1990s the main exit routes were disability and early retirement pensions. However, by the mid-1990s both the disability and early retirement routes had declined in importance and the main exit route was the unemployment pension (Forss 1999; Gould and Saurama 1999; Lilja 1999).

According to Lilja (1999) it was noticeable that measures aimed at restricting access to early retirement benefits among those aged 55-60 led to an increase in the unemployment rate rather than the employment rate. Thus, she argues, focusing on supply-side measures may simply change the nature of the problem.

Before 1998 few took advantage of the part-time pension scheme. However, since the earliest age of entry was lowered to 56 usage has increased. In 1998 there were 10,900 part-time pensioners compared to

6,932 in 1997 (Takala 1999). Nevertheless, compared to the number of disability and early retirement pensioners the number of part-time pensioners is very small. The scheme is more used in the public than the private sector. There is little difference in the use of the scheme by men and women (Takala 1999). On the other hand, Gould and Saurama (1999) report that in 1998, the number of individuals opting for a part-time pension was almost the same as the number starting to claim a disability or an individual early retirement pension.

Takala reports findings from an evaluation of the Finnish part-time pension scheme carried out in 1995 when usage of the scheme was low. This consisted of a postal survey of part-time pensioners in the private sector, of whom there were 1,200 at the time. The response rate was high - 89 per cent. The number of male respondents slightly outnumbered the number of females, although women were slightly more likely to respond than men. The sample was followed up three years later.

The majority of both male and female respondents were employees (59 per cent and 82 per cent respectively). Turning to the industrial sectors where part-time pensioners were employed, in both the case of men and women there was an over-representation of people working in wholesale and retail trades, compared to the labour force as a whole. This was particularly the case for women. The proportion of female part-time pensioners from this sector was 35 per cent compared to 28 per cent of workers in the economy as a whole. Similarly there was a substantial overrepresentation of part-time pensioners in financial services. On the other hand, there was a substantial under-representation of both male and female part-time pensioners working in manufacturing.

The vast majority of part-time pensioners were working in the same job they had been employed in prior to claiming the benefit. Few had encountered problems

prior to claiming the pension. One problem encountered was when the individual was the first to make use of the scheme at their place of work. A small number of respondents had also encountered difficulties subsequent to them claiming the benefit. For example, this had included managing their workload. Also, some claimants found that they were being excluded from meetings or did not receive communications. However, the majority saw themselves as part of the workforce.

In only 15 per cent of cases had part-time retirement resulted in new posts being created. Almost half the respondents stated that the rest of their work was not delegated while one third stated that they had the same duties but they were required to complete them in less time.

The usual approach to managing the part-time arrangement in 59 per cent of cases was to shorten the working day or to work 2-3 days per week. Another, less used approach (12 per cent of responses) was to work for an extended period and then take a period of extended leave. In a third of cases there was no specific working arrangement. Takala states that a factor which may have hindered the introduction of part-time pensions in Finland is a negative attitude towards part-time employment. A feature of both male and female employment has been that it tends to be full-time. The scheme has been most successful in retailing, with a tradition of part-time employment and flexible working hours. Among those responding to the survey the most common occupations were business managers, shop assistants, and bank and office clerks.

The three-year follow-up survey found that the part-time pension scheme had not prevented individuals from retiring on some other form of early retirement pension. In all, 28 per cent of respondents had retired on another early retirement pension. The study could not determine whether or not the part-time pension had extended the working lives of participants.

Finally, a key question concerning the take up of part-time pensions is whether they act as a substitute for a full-pension or full-time employment. In the Finnish case the latter would seem to be the case. Thus, this scheme might be best viewed as a form of early exit, reducing the number of full-time workers (Gould and Saurama 1999).

Norway

In Norway disability pensions have been the most used early exit pathway (Solem and Overbye 1999). The option of claiming a part-time pension has been little used (Lunde 1998).

As already noted, Norway appears to have been successful in keeping older workers in the labour market for much longer than other countries. There was a reduction in labour force participation rates among men in the 55-64 age group in the 1980s but participation increased throughout the 1990s reaching 75.8 per cent by 1998. Among women in the 55-64 age group, participation rates increased in the 1980s and 1990s reaching 60.8 per cent by 1998.

Sweden

According to (Wadensjö 1994) Sweden's approach to labour market policy and its part-time pension schemes have been factors explaining the later exit of Swedish workers compared to workers in other countries.

Research places Sweden alongside the USA and Japan in having low levels of non-work among those aged 55-59 and a low implicit tax on work at older ages (Gruber and Wise 1999). The number of workers claiming partial pensions has varied with the replacement rate and the business cycle, being higher during periods of a high replacement rate and high unemployment (Wadensjö 1996: 33). The most used pathway out of the labour market has been to take a disability pension. In 1998, 420,000 individuals, 55 per cent of whom were women, were in receipt of a full or partial disability pension. A large majority were claiming a full disability pension, which meant that they had exited the labour market completely. The number of individuals claiming a partial pension has declined markedly in recent years from 51,000 in 1994 to 6,000 by 1998 (Thoursie 1999).

Marklund (1999) reports that there has been a long-term, gradual decline in participation rates among men aged 55-65. In 1970 the participation rate among men in this age group was 84.4 per cent. By 1980 this had fallen to 78.7 per cent and by 1990 to 74.5 per cent. By 1998 the participation rate was 65.8 per cent. Turning to the situation of women, overall there has been an increase in participation among this age group. In 1970 the rate stood at 44.5 per cent. By 1980 it had risen to 55.3 per cent and by 1990 to 65.2 per cent. However, it then fell back to 60.3 per cent by 1998.

According to Marklund these data show that the reforms of the Swedish social security system outlined earlier did not have an effect on participation rates. In fact, these continued to fall after the changes were implemented. This he ascribes to the state of the Swedish economy which was in recession during this period. He cites a

study by Kindlund which found that the overall level of unemployment was more important than the generosity of the social security system in explaining variations in participation rates among older workers over time and between countries.

9.5 Role of human resource policies in influencing the labour force participation of older workers

As in other countries Finnish research points to age discrimination in the labour market. Negative attitudes and behaviour among co-workers would seem to be particularly important. Employers also point to poor health and physical strain as factors discouraging the employment of older workers, and have concerns about the ability of older workers to learn new skills (Gould and Saurama 1999; Tikkanen 1998b).

Norwegian studies also indicate that older workers are considered poor recruitment prospects, poor candidates for development and for taking on new work demands. Concern about youth unemployment and collusion between employers and trade unions has led to the targeting of older workers for redundancy, even during periods of relatively low unemployment (Solem and Overbye 1999). Traditionally, trade unions have campaigned for lower pension ages. However, according to Lunde (1998) there is a growing recognition among trade unions that as their membership is now ageing there is an increasing need to collaborate with employers on measures to increase flexibility in retirement.

9.6 Older individuals' orientations to work and retirement

Lilja (1999) cites findings from a recent study of job-seeking behaviour among unemployed people carried out in four Nordic countries. The vast majority of job-seekers of all ages felt that it was important they found a job. When the responses for older workers were analysed separately again, a high proportion were strongly committed to finding employment. According to Lilja, overall between 89 and 96 per cent of respondents stated that it was important for them to have a job. When those aged 50 or over were considered separately between 77 and 90 per cent agreed with this statement. Thus, employment commitment among older workers would seem to be high. Turning to job-search activities, older job-seekers were less active. There were also differences in the job-search methods used by older and younger workers. In Finland for instance, older workers were less likely than younger workers to make direct contact with employers.

Denmark

A study reported by Argervold (1994) among white-collar workers provides evidence of disengagement from work among older workers. Older workers were less likely to be seeking better job opportunities and nor were they as interested in obtaining education opportunities as younger workers. Research carried out by Lund and Borg (1999) examined the predictors of remaining in employment among two groups of men and women aged between 35 and 59. In all 1,674 men and 1,646 women were interviewed twice: in 1990 and 1995. Among men, after controlling for age, predictors of whether or not an individual had remained in employment were self-rated health and opportunities for development in their jobs. Among women good self-reported health, opportunities for development, high decision authority, a medium level of social support and an absence of musculoskeletal problems in the knees predicted employment status five years later.

Jensen (1999) cites the results of a study which examined reasons for retirement among a group of workers age 56 who were about to retire and an already retired group. Among both groups the main factors were having more spare time and spending more time with family and friends. A factor of lesser, although still significant importance for both groups was the avoidance of health problems.

Among those anticipating retirement other important reasons were making room for younger people and that their spouse had retired. Another important reason for many was that they felt they could no longer cope with their job.

For both groups, voluntary reasons were rated as more important than involuntary ones. Thus, poor health and pressure from co-workers and superiors were rated as less important than factors such as having more spare time. According to Jensen, among the already retired, 45 per cent gave voluntary reasons for retirement, 27 per cent gave reasons which indicated that retirement was largely involuntary while 28 per cent gave a mixture of reasons. In the case of those anticipating retirement, 51 per cent gave a mixture of voluntary and involuntary causes, 35 per cent stated that retirement would be voluntary while only 14 per cent cited involuntary causes. More women than men cited voluntary causes.

Marked sectoral differences were also observed. Thus, in the case of social work, poor health was given as a reason for retirement by 27 per cent of those anticipating retirement and 19 per cent of the already retired whereas, in the case of finance, poor health was given as a reason by only nine and four per cent of these groups respectively.

Finland

Research reported by Gould and Saurama (1999) would suggest that it will be difficult to persuade older workers to work longer. Most unemployed older workers and the majority of those working beyond the age of 55 would prefer to retire, although Gould and Saurama point out that factors such as poor health, work stress and the prevailing labour market conditions are important determinants of retirement behaviour, which suggests that a significant amount of early retirement may in fact be involuntary. Tikkanen (1998a) too points out that there is a strong early exit culture in Finland and that the effect of recent efforts aimed at curbing early exit has been to increase the number of rejections of applications for benefits, not the number of applicants.

According to the Ministry of Labour's annual Working Life Barometer survey, older workers are not optimistic about their prospects of re-gaining employment if they lose their jobs. In 1998, 15 per cent of workers in the 55-64 age group believed that it was certain or possible that they would find a new job which reflected their level of education if they became unemployed, compared to 44 per cent in the 45-54 age group (Sorsa 1999).

Finnish studies also show evidence of experiences of age discrimination among older workers. The Working Life Barometer survey found that eight per cent of respondents had noticed age discrimination in their workplaces. Eight per cent of those in the 55-64 age group claimed to have experienced age discrimination. Experiences included reduced promotion and training opportunities and negative attitudes among co-workers. Experiences of job-seekers included finding age limits for jobs and negative comments from prospective employers (Sorsa 1999).

Takala's evaluation of the part-time pension scheme in Finland also provides some insights into the attitudes of Finnish older workers to work and retirement. The majority felt that a part-time pension provided them with a smooth transition to retirement. Gradual retirement was also valued because it provided respondents with additional leisure time. According to Takala, two-fifths of respondents said they found full-time work too strenuous - women more so than men. Two-fifths of respondents also felt that they had worked long enough. In the majority of cases respondents had retired voluntarily. However, Takala notes that at the time the survey was carried out, Finland was experiencing a deep recession and this may have impacted on respondents' behaviour. There is some evidence of this, with a tenth of respondents stating that they would have preferred to have continued working full-time. Also, some respondents stated that they had been told by their employer that the alternative to part-time employment was redundancy.

Findings from another survey reported by Gould and Saurama (1999) suggest that early exit is often far from voluntary. This survey found that less than one third of early retirees had done so voluntarily. The other two thirds had retired on health grounds or for labour market reasons. Other research reported by Gould and Saurama suggests that of all early retirees, those that have left via company schemes or on part-time pensions are happier, healthier and financially better off. It would appear that the unemployment route is least preferred as many take this option only after failing to obtain a disability pension.

A small scale study of 122 individuals born between 1927 and 1929 examined individuals' willingness to work just before retirement, just after retirement and one and a half years after retirement (Tikkanen 1995). Willingness to work was found to decline as a function of time left to retirement.

The most willing to work:

- Had a high-school education
- Were in good health
- Were in professional jobs
- Had a high degree of work autonomy.

Those least willing:

- Had a basic education
- Were in poor health
- Were in blue collar jobs
- Had low job autonomy.

Norway

Lyng (1998) reports findings from research examining predictors of early exit. Key findings were as follows:

- Educational level predicted early exit
- Reduced working capacity because of disease predicted early exit
- Psychosocial factors such as collaboration with colleagues, stressful work and task variation predicted exit patterns
- Ergonomic factors were of lesser importance in predicting exit patterns.

Kilbom (1999) reports the findings of another study which indicated that factors associated with early exit were:

- Reduced work capacity because of illness
- Poor climate/polluted air
- Little variation in work tasks.

Sweden

Kilbom (1999) reports findings from a study which found that 77 per cent of all early retirements could be explained by a statistical model including age (greater than 60 years), gender, country of origin, level of unemployment, educational level and health status. Kilbom (1998, 1999) also reports on a study of risk factors for early exit from the labour market up to eight years before the exits took place. Main findings were as follows:

- Social factors, for example, unemployment, divorce and immigrant status predicted early exit
- Work-related factors, for example, repetitive, monotonous and heavy manual work predicted early exit
- There was no evidence of gender differences.

Pålsoson, Horstmann, Attwell, Ohlsson and Skerfving (1997) also report that women who had been involved in repetitive industrial work were at greater risk of claiming a disability pension than a group of women with more varied work tasks. Also, Jonsson, Kielhofner and Borrell (1996) reported a qualitative study of 32 older workers in Stockholm. The advantage of this study over others was that it sought to capture the complexity of the process of retirement by exploring the expectations of older workers, the choices facing them as they anticipated this transition and the numerous factors that shaped their view of life after work.

9.7 Role of labour market policies and collective agreements in extending/contracting working life

Denmark

In Denmark policy making has shifted in favour of the retention of older workers (Venge 1998). In 1997 the Government set up a committee with representatives of the social partners on policy towards older workers. A number of initiatives have resulted. One scheme offers free consultancy to firms wishing to develop age-aware personnel policies. Another subsidises projects in the public and private sectors aimed at recruiting, retaining or re-integrating older workers. Projects are required to find 50 per cent match funding. The majority of the 86 projects that have been funded have been in the public sector and have been aimed at the retention of existing older workers (Jensen 1999; Madsen 1999).

Finland

In Finland legislation proscribes discrimination on grounds of age. However, its impact seems to have been somewhat limited with very few cases brought. Also, surveys suggest that awareness of the legislation among employers is very low, with one third stating that they understand the legislation either poorly or not at all. Awareness is somewhat greater among larger than smaller businesses. Recently a campaign was launched to raise awareness of the legislation (Sorsa 1999).

Since the mid-1980s policy has moved in favour of the retention of older workers. There have been various policy and research initiatives. Committees have reported on employment and social security policies for long-term unemployed people, reform of the pension system, improvements in working conditions and developing training programmes that are better suited to the needs of older people. There have been several research and development programmes. For example, the FinnAge action research programme aimed to create optimal working conditions, help develop more suitable work activities, promote health and help older workers remain physically able to work. It involved research and

dissemination activities and was carried out in medium and large organisations. Another research project examined the factors affecting the employment of older workers and their educational and rehabilitation needs. Yet another project called the National Workplace Development Programme aimed to increase productivity and quality of life by encouraging the full use of the know-how and innovative capacity in organisations (Tikkanen 1998b). The Finnish National Programme for Ageing Workers was launched in 1997 and will run until 2002. The programme has included the implementation of 40 measures aimed at maintaining the employability of older workers. These include: legislation, pilot projects, information, training and research (Gould and Saurama 1999; Sorsa 1999). Themes of this programme have included education, pension reform and increasing the workability of older workers. For example, it has included a new provision in the Occupational Safety Act requiring that employee safety programmes make reference to issues concerning workforce ageing.

Finally, in 1996 the Government implemented a programme aimed at identifying the service and social security needs of long-term unemployed people aged 50-58. Older people were interviewed at local employment offices from where they were referred to health centres, social security offices and rehabilitation and training organisations (Gould and Solem 2000).

Norway

In Norway too, initiatives are emerging to support the employment of older workers. One programme which will run between 2001 and 2005 aims to support workers and firms to prolong working life. It will involve information campaigns, development projects, financial support for projects, research and the establishment of a national resource centre for policy towards older people. Other initiatives include an education campaign targeting HR managers and a research network: 'Working life, ageing and life course - work environment and personnel policy' (Solem 2000).

Sweden

Wadensjö (1996) states that there is growing concern among policy makers about declining labour force participation among older men. Since 1993 programmes of work experience have been used extensively to place older workers. Older workers are also eligible to participate in programmes for people with disabilities. The most important are working in Government run sheltered workshops and employment with a wage subsidy. Long-term placements - up to the age of 65 - are available under both schemes. It is possible to combine a part-time placement with a partial disability pension. Temporary schemes have also been developed targeting older workers. The most important was public temporary work for people aged over 55 who had been unemployed or participating in programmes for over 24 months (Thoursie 1999). Sweden does not have legislation proscribing age discrimination.

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