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POPULATION EUROPE ACTIVE AGEING AND REDISTRIBUTION OF WORK IN EUROPE: CHANGES AND CHALLENGES FOR POLICIES AND SOCIETY

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General comments

- The EC White Paper on pensions clearly acknowledges the massive challenges due to an ageing population - budgetary consequences, loss of economic growth potential and pressure on public finances.
- More than 10% of GDP on average today is spent on pensions in the EU. In some countries it is as high as 15% and that is not sustainable.
- This is why we need longer working lives, as this is the best way to maintain replacement rates in the future, ensuring adequacy.
- In addition, a Eurobarometer survey in 2011 stated that 70% of respondents believe that they would be capable of carrying out their current work until the age of 60-64, and one third stated that they would like to continue working after they reach the statutory retirement age.
- Another reason we need longer working lives is that demographic developments bring challenges for labour markets. The working age population will decline by 10% in 2030 and by 20% in 2060.
- In spite of the currently high unemployment rate, we expect that this decline will result in unacceptable shortages on the labour market in the years to come. This can be problematic for companies in terms of their ability to recruit and retain the workers they need to compete in the global market.
- Demographic change will make the situation worse in terms of shortages of skilled workers: 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.
- Of course raising the retirement age has to be combined with policies on active labour markets, education and lifelong learning and active and healthy ageing.

Redistribution of work across the life-course

- A broader approach to demographic change can be useful, reflecting on and if necessary rethinking how careers are organized over the whole life course.
- However, we do not agree that there can be a trade-off between extending working lives and reducing working hours in earlier periods of life. Extending working lives aims to ensure the sustainability and adequacy of the social protection system, by ensuring that there are enough people in work to finance the systems which support those currently not in work, including in retirement. Reducing the working



hours of people in earlier periods of life will mean in fact diminish this, exacerbating rather than improving the situation.

- We also do not agree that if people worked fewer hours per week, more people would be employed. This is part of the lump of labour fallacy, i.e. the fallacy that there is a fixed amount of work to be done to be shared out between workers.
- The EC White Paper on pensions also pointed to this fallacy, regarding the relationship between employment of older and younger workers. If older workers remain on the labour market for longer, this does not mean that they will keep jobs that would have otherwise been available for younger workers. Quite on the contrary, in those countries where we see higher levels of employment of older workers, we generally also see higher levels of employment of younger workers.

Improving overall functioning of labour markets

- The reality is that if we want to promote longer working lives, we must improve the overall functioning of labour markets.
- The approach should be to remove the obstacles preventing the integration of any category of worker across the whole of their life course.
- Based on a comprehensive flexicurity approach, this requires:
 - Less rigid/better designed employment protection rules.
 - Allowing for use of different forms of employment contracts by employers and making permanent contracts more employment-friendly to stimulate hiring.
 - Ensuring that unemployment traps do not exist, avoiding that high benefits make it economically irrational for workers to work or return to work.
 - Ensuring workers' skills and competences match labour market needs and developing skills from the start of and throughout the working life.
 - Where necessary adapting work organization, including facilitating flexible working arrangements.
 - Encouraging active age management in companies and workforce mapping or planning.