Work Participation and Employability of Best Agers in the Baltic Sea Region

Final Report

Thusnelda Tivig and Claudia Korb
Work Participation and Employability of Best Agers in the Baltic Sea Region – Inventory and Policy Frameworks

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Thusnelda Tivig and Claudia Korb

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Preface

This report is on work participation and employability of Best Agers in the Baltic Sea Region. The subject continues to be timely and important – not only for the region here analysed. When this project started, many thought that ageing of the workforce was the problem; now we all know that it is shrinking of the work-force as well. The good news is that we also gradually learn that the problem is part of the solution: the 55+ year-olds are numerous, and they are healthier and better educated than ever; this is why we call them Best Agers. Keeping the older in the workforce for longer may compensate the shrinking of younger generations. It is for this reason that the European Community has declared 2012 as the Year of Active Ageing.

The Baltic Sea Region (BSR) displays strong demographic change, but not all countries and regions are equally affected. Peripheric regions and regions experiencing emigration after the collapse of the socialist regime are particularly concerned. However, we also see large differences in attitudes towards active ageing and in the implementation of EU policies regarding employment of the older. Taking notice and understanding these differences may help to overcome difficulties in adapting to demographic change.

The report is structured into three Parts comprising two Chapters each. Part One, Acquiring Background Information, presents processed and interpreted data on demographic change and work participation of Best Agers in the BSR. The picture we offer is not complete, but it is as detailed as possible without losing track of the main features. Part Two, Research on Continued Employability, offers a scientific review of health and competence related barriers to the employment of the older, and recommendations of how to deal with them. Four case studies deepen the subject. However, employability of the older is an interdisciplinary topic to which psychology, economics, medicine, sociology, engineering and other disciplines are continuously contributing. Overviewing the field was therefore beyond the reach of this report. What we do offer are concise insights into some of the topic’s many facets. Part Three, Policy Frameworks in the Baltic Sea Region, covers strategies, legislations and initiatives concerning employment of the older; four case studies look at national experiences in the field. However, this part is equally incomplete as Part Two, and it is so for the same good reason: because activities in the field keep on multiplying.

We thank all our partners for their engagement and we also gratefully acknowledge the contributions from researchers who were not part of the project but generously shared their knowledge with us. Special thanks go to Antje Ockert for helping finishing the Report.
### Abbreviations

#### General Abbreviations

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<th>Abbreviation</th>
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<tbody>
<tr>
<td>BA</td>
<td>Bundesagentur für Arbeit</td>
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<td>BSR</td>
<td>Baltic Sea Region</td>
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<tr>
<td>IAB</td>
<td>Institut für Arbeitsmarkt- und Berufsforschung</td>
</tr>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ISCED</td>
<td>International Standard Classification of Education</td>
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<td>International Standard Classification of Occupations</td>
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<td>Mio.</td>
<td>Million</td>
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<tr>
<td>NACE</td>
<td>Classification of Economic Activities in the European Community</td>
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<tr>
<td>NRR</td>
<td>Net Reproduction Rate</td>
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<tr>
<td>NUTS</td>
<td>fr. Nomenclature des Unités Territoriales Statistiques</td>
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<td>RDC</td>
<td>Regional Demographic Change</td>
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<td>R&amp;D</td>
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<td>RZ</td>
<td>Rostock Center for the Study of Demographic Change</td>
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<td>StBA</td>
<td>Statistisches Bundesamt</td>
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Part I  Acquiring Background Information

CHAPTER 1
Demographic Change in the Baltic Sea Region

1.1 Introduction

Demographic change means population ageing and (the prospect of) shrinking. The process is generally accompanied by an increase in population diversity. In this study we picture and comment on demographic change and its consequences in the Baltic Sea Region (BSR) in the period of 2008–2030. We consider regions in the following countries: Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden. The focus is on the development of the working-age population; particular attention is paid to the work potential of people aged 55 and above. We call this age group “Best Agers”, because they are numerous, educated, and healthier than ever.

Population ageing is the result of two developments: decreasing or low fertility rates, and individual ageing, with the effect of the former being ultimately stronger than that of the latter. Ageing is measured either as an increase in mean (or median) age, or by the change in numbers or shares of particular age groups, such as the decline in the share of age group 0–14, or the increase in the number or share of 80+ year-olds in a given period. When employing a measure referring to particular age groups, one should be aware that it is not or not exclusively biological criteria which are decisive, but rather activity patterns interacting with social norms. Today we define the 55+ as Best Agers, meaning in fact the 55–64 year-olds. Yet we know that by their health status as well as by their subjective age perception, the 65–74 year-olds may also be regarded as Best Agers. They feel and often act as if they were at least 10 years younger than indicated by their biological age (Mayer/Balthes 1996). However, effects of this subjective perception of ageing do not automatically show up as increased labour participation of the older; employment rates of the 65+ are still low in most countries and regions. For several reasons we expect this to change within the time-span here envisaged. We therefore look at the development of both groups: 55–64 and 65–74 years.

Population shrinking means a decrease in the number of inhabitants, measured as a negative rate of population growth. Shrinking occurs when fertility rates are lower than mortality rates and net migration is not filling the gap. The prospect of population shrinking is measured by the Net Reproduction Rate (NRR). It indicates the number of daughters that would be born to a newborn female, if current age-specific fertility and mortality rates applied throughout her fertile period. If a population
displays a NRR of lower than 1, it will decline. Worldwide most populations still grow, such that population decline is perceived as a local worry. On a global scale it is rather seen as a relieve, e.g. in terms of scarcity of resources. However, our focus here is regional and population decline surely is a major topic in the BSR region.

There is no established measure for demographic change, encompassing ageing and shrinking, so far. One reason may be that ageing and shrinking of a population are mutually dependent in the (very) long run, and the pattern of interdependency is not simple. However, ageing and shrinking may be treated as independent over a short or even middle time span as the one here considered (2008 to at most 2030). We therefore employ a Regional Demographic Change (RDC) Index proposed by Tivig et al. (2008) which allows comparisons of the intensity of demographic change across countries or regions and periods.

Population diversity has many dimensions. It may come about by migration processes, implying ethnical, religious and cultural diversity, but it may also result from changes in social norms. Older people are a very heterogeneous population subgroup. They had the longest time to differentiate according to their education and experience and they are no longer constrained by social norms in showing and living their differences. The latter is also true for younger people. Family and partnership structures are diversifying, life-courses are less predetermined by social norms than in the past. However, diversity in this sense is not a topic of the present study. We only deal with regional demographic diversity and some labour-market relevant aspects as education.

In what follows we first give a brief summary of our main results concerning demographic change in the BSR. Then we present a summary of demographic development for each country and a comparison of the intensity of demographic change by means of the RDC Index. Appendix 1.1 contains standardised profiles for each of the 76 NUTS2 Baltic Sea regions here considered. A map offers an overview of RDC Index results for the period 2008–2030 (Appendix 1.2).

1.2 Executive Summary of Results

Our findings regarding demographic change in the Baltic Sea Region (BSR) in the period of time 2008–2030 may be summarized as follows.

1. **Ageing is global, while shrinking of the total population is a local, yet widely spread phenomenon in the Baltic Sea Region.**

The total population is ageing in terms of an increase in mean age in all but one of the 76 NUTS 2 Baltic Sea regions. The average extent of ageing is 4.4 years. The
exception as well as the minimum and the maximum of projected ageing are found in Germany: The region facing juvenescence is Hamburg; the minimum extent of ageing is expected with +0.25 years in Trier, and the maximum of +7.2 years in Brandenburg-Nordost.

On the country level, shrinking of the total population occurs in Latvia (−10%), Lithuania (−8%), Estonia (−5%), Poland (−3%) and Germany (−2.5%). In Denmark (+6.1%), Finland (+5.1%) and Sweden (+11.8%), the population is still and substantially growing. On the regional level, population growth is expected in 2/5 and population shrinking in 3/5 of Baltic Sea regions. Population growth is thereby projected for all Danish, four of the five Finnish and seven of the eight Swedish regions; furthermore for eleven out of the 39 German and for four out of the 16 Polish regions.

2. However, when looking at the working-age population (15–64), shrinking proves almost global in the BSR, as well.

Ageing and shrinking differ between total population and the working-age subgroup. Ageing is generally much less pronounced in the latter because longevity gains are increasingly observed at very old ages, which bear no relevance for labour markets. Shrinking is, to the contrary, generally observed in the working-age subgroup, even where the total population still grows. One reason, besides low natality, is that the large cohorts of baby-boomers are gradually exiting the workforce.

On the country level, shrinking of the working-age subgroup 15–64 years is projected for all BSR countries but Sweden. While the latter may see +2.4% of growth, the former are likely to experience shrinking in the following order of magnitude: −3.1% in Denmark, −8.2% in Finland and −12% to −17% in Germany, Estonia, Poland, Lithuania and Latvia (in increasing order). Even if we add the oldest working-age group, thus looking at 15–74 year-olds, the result is reversed only for Denmark (+1.8% in this case); however, in the other countries the shrinking rate is substantially lower for the 15–74 than for 15–64 year-olds. On the regional level, shrinking of the working-age population 15–64 years is projected for nearly 90% of regions, the only exceptions being the Danish and Swedish capital regions, with 0.5% and 13% of growth, respectively; four German regions (Hamburg with +27%, Oberbayern and Trier with +13% and Weser-Ems with +1%); and two further Swedish regions (Sydsverige with 10% and Västsverige with 4%).
3. This means that the working-age population often shrinks in the BSR while the total population still grows.

In nearly one third of regions (23), the working-age population of 15–64 years is projected to decrease, although the total population is still growing in these regions until 2030.

4. The extent of demographic change strongly differs between regions in the BSR, even within a country.

This is particularly visible in Germany, but some BSR-countries with smaller populations and a low density, like Finland and Sweden, also show regional demographic diversity. In fact, it is only under very special conditions that regional demographic diversity is low.

5. (Projected) demographic development may heavily change over time, sometimes even within a few years.

For a multitude of reasons, the (projected) demographic development may heavily change over time, sometimes within a few years. In times of peace the main demographic explanation for considerable changes is migration. However, projections for the same region and period of time may sometimes be strikingly different even without wars or large migration movements, probably because forecast methods are still too simple. This should be kept in mind when using population forecasts. Striking examples are offered by a comparison of the 2004 and 2008 Eurostat population projections for the same period of 2008–2030. According to the 2004 Eurostat projection, the German regions Hamburg, Trier and Stuttgart were expected to grow by 2%, nearly 0% and 2.9% (in this order). According to the 2008 Eurostat projection, the same regions were expected to evolve dramatically different in demographic terms. Without any major economic, social or natural change occurring between 2004 and 2008, Hamburg’s population is since expected to grow by almost 29%, that of Trier by almost 19% and Stuttgart’s population to shrink by some 5% over the period of 2008–2030. The problem is, of course, that sound regional planning is not possible on such a basis.

6. The Active Share of the population is shrinking all over in the BSR.

The Active Share is defined as the ratio of working-age population to total population. Its time-path is also known as First Demographic Dividend. No BSR country or NUTS2 region may expect a positive first demographic dividend through 2030.
1.3 Results for Single Countries

Germany, 2008–2030

Population Development

Regional demographic development is very diverse in Germany. This is not surprising, given the high number of regions and the demographic consequences of Reunification. Natural Population Development is increasingly negative on the country level. The same applies to all but three of German regions (Hamburg, Oberbayern and Trier). Net Migration is often positive, thereby adding to positive natural population development in the three regions just mentioned; partly compensating a negative balance of births in 23 regions; and fully compensating it in eight regions. In the remaining five German regions net migration is negative over the whole period of 2008–2030, adding to the shrinking process in natural terms.

Total Population Development is negative on the country level (−2.5%) and in most regions, though with considerable regional variation. A comparison with the period of 1990–2008 reveals that 10 West-German regions are projected to continue growing: Karlsruhe, Ober- and Niederbayern, Berlin, Hamburg, Weser-Ems, Köln, Trier, Rheinhessen-Pfalz, and Schleswig-Holstein. Nine regions are expected to continue shrinking: Brandenburg-Nordost and Brandenburg-Südwest, Mecklenburg-Vorpommern, Saarland, Chemnitz, Dresden, Leipzig, Sachsen-Anhalt and Thüringen; with the exception of Saarland, they all lie in the New Länder. Positive growth is thereby accelerating in only a few regions, while shrinking-rates increase almost everywhere. Half of all regions (19) are seen to turn from growth to shrinking. Bremen, finally, is the only German region likely to change from past shrinking to future growth.

The Working-Age Population is shrinking on the country level: by 12% for the 15–64 and by 7.1% for the 15–74 year-olds. Diversity on the regional level is lower than for the total population. The age group 15–64 is shrinking in most regions, with the notable exceptions of Oberbayern and Trier (+13%) as well as Hamburg (+27%); Weser-Ems is likely to see a 1% growth. When regarding the age group 15–74, Karlsruhe and Bremen add to the regions with an increasing working-age population, though showing low growth rates of 1%–2%. Interestingly, in Hamburg the growth rate of the older subgroup of 15–74 year-olds is lower than the corresponding rate for the subgroup 15–64 years; this exception is consistent with the region being projected as one of juvenescence.
Age Structure

Ageing in Germany roughly follows the EU average, which is not surprising, given that the country has by far the largest population in the EU. The Mean Age is expected to increase in Germany by 4.1 years; for comparison: the EU is projected to age by 3.7 years until 2030. Regional diversity in age and ageing is still high, although on different levels. Within the 40 years period of 1990–2030 the minimum regional value for the mean age will have risen from roughly 35 to 41 years, with the 6 year increase being all seen through 2008. The maximum regional value will have increased by far more, from almost 36 years in 1990 to 52 years in 2030, and gradually over the period. Interestingly, according to the 2008 population projection of Eurostat Hamburg will have changed from the oldest German region in 1990 to the youngest in 2030. Western regions will generally age much less than the former younger East German regions.

The age structures, as pictured in the Age Pyramids, show the typical development brought about by heavy demographic change: decreasing shares of the younger than 55 and strongly increasing shares of older age groups. Additionally, we see some demographic consequences of World War II and, for East German regions, the effects of fertility changes after Reunification. The Time Path of 5-years age groups of Best Agers reveals enormous differences in their development, demonstrating the importance of taking a more detailed look at this group. While the number of 55–59 year-olds is decreasing in the majority of German regions, both from the new and the old Länder, the number of 60–64 year-olds is projected to increase all over, mostly at double-digit rates up to an exceptionally 82% in Trier. This is of high concern for labour markets. For while employment rates of the 55–59 have well improved the last years, much higher efforts seem necessary to extent employment among the 60–64 year-olds. Furthermore, given the fact that they are a working-age group experiencing an unprecedented growth, increased attention should be paid to their capabilities and needs.

The Active Share is the proportion of persons aged 15–64 (15–74) in the total population. A higher share implies the opportunity to absorb and productively employ more workers from the national labour market; for this reason its development over time is called First Demographic Dividend. In all German regions the active share is likely to decrease between 2008 and 2030. In 2008, the highest active share of 15–64 year-olds was found in Berlin (70%), the lowest in Lüneburg and Detmold (64%). By 2030, the highest projected level is 68% in Hamburg, the lowest 53% in Chemnitz. The extreme values of the active share of 15–74 year-olds in 2008 were 82% in Brandenburg-Nordost and 75% in Detmold; by 2030 they are projected...
to be 77% in Hamburg and 71% in Chemnitz. However, the active share is only measuring a potential. We need to also look at employment data, if we want to know to what extent the opportunities it offers are taken advantage of, and to what part it burdens social security systems through unemployment and early retirement. This will be the subject of Chapter 2 and Part II of this report.

**Denmark, 2008–2030**

*Population Development*

Denmark has only recently been split into 5 NUTS2 regions, but surely not for reasons of demographic diversity. There are, of course, some regional differences, but they are limited in extent, compared to the other countries. *Natural Demographic Development* is positive on the country level, as well as in Midtjylland and in the capital region Hovedstaden. In the other three regions it is negative throughout or for most of the period of 2008–2030, although the number of births is projected to increase over long sub-periods in all but the capital regions, where it fluctuates; however, the number of deaths increases also. *Net Migration* is projected always positive on the country level. On the regional level, it is expected positive most of the time (in the capital) or throughout the period studied for the other regions.

The positive natural population development and the positive migration balance both contribute to sustain positive *Total Population Growth* in Denmark and its regions. The development is remarkable stable, though future growth rates are somewhat lower than past ones. On the country level, total population growth decreases from 6.6% over 1990–2008 to 6.1% in the period of 2008–2030, being still much higher than the average of −1.4% in the BSR or the average of +2.5% for the entire EU. However, despite substantial total population growth, the Danish *Working-Age Population* (15–64) is decreasing. This applies on the country level (−3.1%) as well as for all regions but the capital, where it is expected nearly constant (+0.5%). The larger subgroup of 15–74 year-olds is instead projected to grow on the country level (+1.8%) as well as in the regions Sjælland and Midtjylland.

*Age Structure*

The Danish population is and remains younger than the EU27 and the BSR average. The increase in *Mean Age* between 2008 and 2030 amounts to 2.9 years on the country level and between 2 and 3.5 years on the regional level, which is below the EU average ageing in all cases. The *Age Pyramids* look very different from German ones. The share of the 65–80 is increasing less, and the projected shares of the oldest-olds are lower than in most German regions. Furthermore, the age structure is and remains quite balanced and similar in three of the regions (Nordjylland,
Midtjylland, Syddanmark), while the capital region and Sjælland present some particularities. The 5-year subgroups of Best Agers also show radically different time paths compared to German regions. The number of 55–59 year-olds is somewhat increasing on the country level as well as in all regions but Nordjylland. The age group 60–64 shows the same pattern of low growth in general, and shrinking in Nordjylland. However, the next age groups, of 65–69 and 70–74 year-olds, show much higher growth rates than in most German regions and hence on average in the country, and the 70–74 year-olds are the fastest increasing subgroup of Best Agers.

The Active Share is projected to fall in all regions, no matter whether defined to encompass 15–64 or 15–74 year-olds. Regional differences between the maximum and minimum level are rather low, amounting at most to eight percentage points when referring to age group 15–64 in 2030. Maximum values are always found for Hovedstaden, while values in Sjælland all belong to the minima. On the country level, the active share of 15–64 year-olds is decreasing from 66% to 60%, that of age group 15–74 from 75% to 72%.

**The Baltic States (Estonia, Latvia, Lithuania), 2008–2030**

**Population Development**

Demographic change in the Baltic States is similar qualitatively, but not quantitatively. The number of births is projected to first increase and then decrease, at latest after 2016 in Lithuania. The number of deaths is likely to decline. **Natural Population Development** will nevertheless always be negative in all three Baltic States. **Net Migration** is projected negative, meaning that more persons will emigrate than immigrate over the whole period in Latvia. In the other two Baltic States the migration balance fluctuates, being sometimes positive. **Total Population Development** was and will continue to be negative, but annual average shrinking rates become much lower compared to the period of 1990–2008. The **Working-Age Population** of 15–64 year-olds is estimated to shrink with rates lying between −17% in Latvia and −12% in Estonia; the corresponding values for 15–74 year-olds are −14% and −9%.

**Age Structure**

The populations of Baltic States were rather young in 1990 as measured by **Mean Age**, but show considerable ageing until 2030; the least so in Estonia (+7.5 years), the most so in Lithuania (+9.2 years), yet no more than many German regions. The **Age Pyramids** for 2008 and 2030 display increasing shares of some age groups older than 35 and almost all age groups older than 55 years, while the share of those aged 10/15–35 strongly decreases. There is a striking female surplus in all Baltic States, particularly at older ages, but also among younger ones. Furthermore,
there are some gaps in the 2008 age pyramids around age 62 to 64, which are due to World War II consequences and post-war deportations between 1940 and 1950. Finally, after declaration of independence in 1990, birth rates broke down in all three States. The 55–59 year-olds among Best Agers are projected to develop very differently in the three countries. In Estonia the subgroup will shrink by −3%, in Lithuania it will increase by 10%, while in Latvia it is projected to stay almost constant (+0.3%). For all other Best Agers subgroups the development is positive, with highest growth rates being expected for Lithuania. As in Germany, the fastest growing group are the 60–64 year-olds, though at comparatively moderate rates of 14–32%.

The development of the Active Share is very similar in all three Baltic States. The share of the 15–64 year-olds falls from 68%–69% by five percentage points, whereas the share of the 15–74 year-olds decreases from a level of 78%–79% by three percentage points.

**Finland, 2008–2030**

**Population Development**

Regional demographic diversity is in Finland higher than in Denmark, which is not surprising, given the differences in density between the two countries with similar population size. *Natural Population Development* is positive on the country level until 2024. On the regional level, it is positive for a longer period, extending to at least 2020 in four of the five regions. From among these, the northernmost region Pohjois-Suomi is the only one likely to display a positive, though decreasing, balance of births and deaths throughout the period of 2008–2030. In the fifth region, Itä-Suomi, the natural development is, to the contrary, increasingly negative. The *Migration Balance* is again positive in four of the five regions (at least for a long sub-period for Itä-Suomi); Pohjois-Suomi is projected to experience negative net migration in all years between 2008 and 2030. The resulting *Total Population Development* continuous to be, as in the period of 1990–2008, positive all over, except in Itä-Suomi. The population that has declined by 7% in the past will shrink by an additional 8% through 2030. For all other regions, total population development continues to be positive, future growth rates ranging between 4% and 11%. Projected growth on the country level amounts to 5.1%, after it has been 6.5% over the period of 1990–2008.

The development of the *Working-Age Population* differs strikingly from the total population development. No region is projected to display growth among the 15–64 year-olds in future. Shrinking will range from −2% for Åland to −25% for Itä-Suomi,
resulting in −8.2% on the country level. Projected development for age-group 15–74 is more positive, insofar as growth is positive in the capital region Etelä-Suomi and in Åland and less negative in the other three regions.

**Age Structure**

The Finnish population ages in terms of *Mean Age* less than the EU on average, except in Itä-Suomi where the projected increase in mean age amounts to 4.2 years between 2008 and 2030. The regional *Age Pyramids* display growing shares of the roughly 60+ and (strongly) decreasing or constant shares of the younger. Shrinking of the middle age groups is particularly pronounced in Itä-Suomi. The share of the oldest-olds almost doubles in all regions. From among the Best Agers subgroups, the 55–59 year-olds will decrease at double-digit rates in all Finnish regions; strongest in Itä-Suomi (−42%), lowest in Åland (−13%), and by a quarter (−26%) on the country level. The next 5-year age group, 60–64 is also expected to decline in numbers in three regions as well as on the country level, though much less (−4% on average). However, Pohjois-Suomi is presenting near constancy and Åland +4% of growth. The remaining two Best Agers subgroups (65–69 and 70–74) are strongly increasing in size, growth rates ranging between 26% and 61%.

The *Active Share* of 15–64 year-olds is projected to decline heavily in all Finnish regions. The strongest decline is at twelve percentage points expected in Itä-Suomi, where the active share is projected to shrink from 65% to 53%. The changes in the active share of 15–74 year-olds is with five to seven percentage points less dramatic.

**Poland, 2008–2030**

**Population Development**

Regional demographic diversity is limited in Poland, despite the country’s size. The *Natural Population Development* is increasingly negative in almost all regions. The number of births is projected to start decreasing in 2016 at latest, while the number of deaths will mostly increase or stagnate. As a result, natural population development is generally negative and only temporarily and at most until 2022 positive in six regions. *Net Migration* is expected positive in seven regions, at least for part of the period of 2008–2030. The other regions display a negative migration balance until 2030. *Total Population Development* is mostly negative. Only four Polish regions are likely to witness population growth at rates of 1%–4%. On average the population is projected to shrink by 3% over the period of 2008–2030, after having almost stagnated between 1990 and 2008. Regional differences in future growth rates are relatively low, compared to e.g. Germany; they range from −10% in Świętokrzyskie to +4% in Pomorskie.
The development of the Working-Age Population of 15–64 year-olds is negative in all regions. Shrinking rates range from −20% in Lódzkie and Swietokrzyskie, to −6% in the capital region Mazowieckie; the national average is −12.8%. The number of 15–74 year-olds is expected to decline as well, though to a lesser extent; the shrinking rates lie between −13% in Lódzkie and Podkarpackie, and −0.1% in Mazowieckie and Pomorskie, the country average value being −6.1%.

**Age Structure**

Poland’s population is expected to age by 6.1 years through 2030, in terms of Mean Age; regional values lie between five and seven years of ageing. This is by far the fastest ageing in the Baltic Sea Region. The Age Pyramids in 2008 and the projection for 2030 look similar for all Polish regions. The general features are a drastic decline in the share of the younger than 35 years, the increase or constancy of middle age groups and a large increase in the shares of the elderly. The youngest group of Best Agers nevertheless declines on average by 10% and regionally by −22% (in Dolnoslaskie) to −2% (in Mazowieckie). Only three regions will witness moderate growth in this age group: Malopolskie (+6%), Podkarpackie (+3%) and Podlaskie (+1%). The three older five-year Best Agers subgroups are all projected to increase in numbers, on average by +18% (60–64 year-olds), +46% (65–69 year-olds) and +69% (70–74%). The only region not expecting growth in one of these age groups is Lódzkie, where the number of 60–64 year-olds shows near constancy (−0.9%).

The Active Shares are projected to decline in both definitions, though that of 15–74 year-olds much less than that of 15–64 year-olds. The country average will nevertheless continue to lie for both groups (much) higher than in Germany, Denmark, Finland and Sweden, and similar only to the 2030 values in the Baltic States. The decline from 71% to 64% in age group 15–64 is comparable in extent with the projection for Sweden, but at a level four percentage points higher than in Sweden. The decline in age group 15–74 is with two percentage points from 78% to 76% the lowest in the BSR, on the country level.
Box 1.1: Demographic Change in the Pomeranian Voivodeship, 2010–2020

Voivodeships are regional units represented as NUTS2 in statistics. Since 2008, the NUTS2 region Pomeranian Voivodeship (Pomorskie) comprises four NUTS3 subregions: Gdański, Ślupski, Starogardzki, and Trójmiejski (the tricity Gdańsk-Gdynia-Sopot); before 2008 it were only three; regional comparisons between periods are therefore difficult to perform.

The Pomeranian Voivodeship has an area of 18,293 km², which is 5.9% of the area of Poland. With roughly 2.3 million it is inhabited by 5.6% of the population of the country; the density is with 119 inhabitants per km² thus similar to the national average. It is an urbanised region: 68% of the population lives in cities.

Population Development

Total Population Development in the Pomeranian Voivodeship shows large differences in its subregions between 2010 and 2020. Whereas in Gdański and Starogardzki the population is expected to grow by almost 14% and around 3%, respectively, the population of Ślupski and Trójmiejski is projected to decrease by nearly 5% each.

Age Structure

In 2009, the youngest subregion in terms of the share of children ("preproductive age"), was Gdański: roughly 19% of its population were aged under 14; followed by Starogardzki (18%), Ślupski (17%) and Trójmiejski (13%). The oldest subregion in terms of what is called "post-productive age" (60+ for women and 65+ for men) was Trójmiejski, with a population of around 19% that was older than 60/65 years; followed by Ślupski (14%), Starogardzki (13%) and Gdański (12%). The highest increase in this age group until 2020 is projected for Trójmiejski (to almost 29%), and Ślupski (to 20%). In all regions the share of the young was declining since 1995, while that of the older rises. This trend will continue, with the exception of Gdanski. The share of the younger Best Agers group (55–64 years) in the total population is similar in all four subregions of the Pomeranian Voivodeship: 15% in Trójmiejski, nearly 13% in Ślupski, almost 12% in Starogardzki, and 11% in Gdański.

Source: Anita Richert-Kazmierska (2011a), “NUTS 3 Demographic Profile within Borders of Pomeranian Voivodeship”. The complete study is found in the Appendices.

Sweden, 2008–2030

Population Development

The average Swedish balance of births and deaths is expected positive, but decreasing after 2021. On the regional level, the demographic development is diverse but less so than in other BSR countries. Natural Population Development is projected constantly positive in Stockholm, Sydsverige and Västsverige, while only temporarily positive in Småland med öarna and Östra Mellansverige. The Northern regions Norra Mellansverige, Mellersta Norrland and Övre Norrland will see a negative natural population development throughout the period of 2008–2030. Net Migration contributes positively to Total Population Development in all Swedish regions. Five regions are thus projected to show strong total population growth; three of them at double-digit rates (Stockholm, Sydsverige and Västsverige). The Northern regions will probably roughly keep their number of inhabitants, regional growth rates reaching from −0.4% to +0.5%. On the whole, the Swedish population is projected to further grow by 11.8%, after it had increased by 7.7% in the period of 1990–2008.
The development of the *Working-Age Population* is quite different across regions. Stockholm, Sydsverige and Västsverige will see a positive development of both working-age subgroups (15–64 and 15–74 year-olds). Looking at the 15–64 year-olds, their number will decline in five regions; in the three Northern ones at double-digit rates. Yet, the average future development of this age group is projected positive in Sweden (+2.4%). Regarding the 15–74 year-olds, only four regions register shrinking while the remaining four are likely to see growth. The strongest increase in the workforce aged 15–74 is expected for the capital region Stockholm.

**Age Structure**

Sweden’s population is ageing slowly in terms of *Mean Age*. Values lie regionally between 1.2 and 2.6, and at 1.9 years on average for the period of 2008–2030; this is roughly half the average ageing in the EU. The age structure pictured in the *Age Pyramids* is and becomes even more equilibrated until 2030. Only the capital region is expected to continue displaying comparatively low shares of the 65+ year-olds, both in 2008 and in 2030. However, the rather high shares of 25–45 year-olds are shrinking much more in Stockholm than in other Swedish regions, such that the shapes of the pyramids converge to a more similar pattern. The two younger subgroups of Best Agers (55–59 and 60–64) evolve differently on the regional level, showing substantial shrinking in the Northern regions and a somewhat lesser decline in Småland med öarna; the number of 60–64 year-olds also declines in Östra Mellansverige. The national average change for the two age groups is nevertheless +4% and +1%, respectively. The number of Best Agers in the older subgroups (65–69 and 70–74) increases in all Swedish regions, mostly at double-digit rates, such that the national averages are at 25% and 43% high as well.

The *Active Shares* of 15–64 and 15–74 year-olds decline in all regions; the reduction is expected lowest in Stockholm and Sydsverige. In 2008, Mellersta Norrland, Småland med öarna and Norra Mellansverige displayed at 64% the lowest active share of 15–64 year-olds (equal to the Polish average and that for several other Baltic Sea regions as well). In 2030, three Swedish regions will show at 69% a very low share of 15–74 year-olds (expected slightly lower only in two Finnish regions).
Box 1.2: Demographic Change in Norrbotten and Västra Götaland, 2008–2020/2025

The NUTS3 Swedish regions Norrbotten and Västra Götaland belong to the NUTS2 region Övre Norrland and Västsverige, respectively. Norrbotten is a sparsely populated region: 2.6 persons per km²; it is Sweden’s largest county, representing about a quarter of the country’s total area. Västra Götaland is with 66 persons per km², to the contrary, a relatively highly populated Swedish region. It hosts about 17% of the Swedish population in an area little smaller than Belgium. Västra Götaland consists of 49 municipalities, including larger and smaller cities as well as rural areas.

Population Development

The two regions show a very different development in the period considered. Norrbotten’s Total Population will experience a decrease of about 6% between 2008 and 2025, while the total population in the Västra Götaland region is likely to show an average annual increase of about 0.5%, from 1.56 million in 2008 to 1.62 in 2020, but with large variation on the level of municipalities. In Norrbotten it is particularly the Active Population that is expected to decline; by 2025 the number of 15–64 year-olds will be more than a fifth smaller than in 1990. In Västra Götaland the currently high share of the population 18–64 is expected to remain high through 2025; a large part of the positive development is due to immigration.

Age Structure

In 2008, Norrbotten’s population was on average older than the total Swedish population (42.3 years in Norrbotten to 41.0 years in Sweden). Mean Age had increased from 1990 to 2008 and is further expected to rise, both for the total and for the active age subgroups (15–64 and 15–74 year-olds). The development of the total population is mainly driven by the only growing age group of 65+ year-olds. Considering the Best Agers subgroups in Norrbotten there are large differences in the development between 2008 and 2025. The two older Best Agers subgroups (65–69 and 70–74) will increase by 6% and 22%, respectively, which yields a total growth for the 65–74 year olds of 13%.

The two younger subgroups of Best Agers (55–59 and 60–64) will face a decrease of 11% and 14%, respectively, resulting in almost 13% of shrinking for the 55–64 year olds. The Active Share of the 15–64 year-olds is projected to decline from 65% to 58% between 2008 and 2025. The development for the 15–74 year olds is similar: the active share referred to this age group will decline by 5 percentage points, from 75% in 2008 to 70% in 2025.

Västra Götaland has also an ageing society, despite population growth. In 2008 the share of the 65+ was 17% (271,000); the prognosis is 20% for 2020, (335,000). For men, the expected increase is about 35,000 persons, for women 28,000. At the same time the number of 0–19 year-olds remains constant and the population aged 20–64 increases moderately by about 30,000 persons.

Source: Marianne Öhmann and Ewa Hedkvist Petersen: “Demographic Change and Best Agers’ Work Participation. Regional Case Study–Norrbotten (NUTS 3 Region)”, and Roland Kadefors: “Regional Case Study – Västra Götaland (NUTS 3 Region)”. The complete studies can be found in the Appendices.

1.4 RDC Index Values (2008–2030)

The Regional Demographic Change (RDC) Index allows a comparison of demographic change across regions or countries and between periods (Tivig et al. 2008). It is built on the basis of information about ageing and shrinking, the two dimensions of demographic change. Ageing is thereby measured as increase in mean age and shrinking as a negative growth rate of population. The RDC Index takes values between 0 (weakest RDC) and 1 (strongest RDC). The 10%-percentile of slowest
ageing and highest growing regions in the periods considered is taken as the minimum and assigned the value of 0. The 90%-percentile of fastest ageing and least growing regions is taken as the maximum and assigned the value of 1. Remaining values are normalised to the [0,1] interval in the usual way. Choosing the minimum and maximum in this way makes the Index values comparable not only between regions in a given period but also over different time periods.

The RDC Index is computed as arithmetic mean of normalised ageing and shrinking rates. Calculations for the 76 NUTS 2 Baltic Sea regions here considered over the period of 2008–2030 with data from the 2008 Eurostat population projection yielded an Index value of 0.0 for Hamburg, Trier (both Germany), Stockholm and Sydsverige (both Sweden). An RDC Index value close to 1.0 is assigned to four German regions: Sachsen-Anhalt: 0.94; Brandenburg-Nordost: 0.96; Thüringen: 0.97, and Dresden: 1.0. Intermediate values are interpreted as “weakest demographic change (DC)”, if they are lower than 0.2; as “weak DC” if they range between 0.2 and 0.4; as “moderate DC” if they lie in the interval 0.4–0.6; as “strong DC” if they fall into the range 0.6–0.8; and finally as “strongest DC” if they lie above 0.8. A map offers an overview of all RDC Index results for the period 2008–2030 (see Annex 1.2). In what follows we comment briefly on the Index values for each BSR country here considered.

**Germany**

The spread of future regional RDC Index values is projected to be high. It ranges from 0.0 to 1.0 and hence from lowest to highest values. Eleven out of the 39 German NUTS 2 regions are expected to display strongest demographic change, meaning RDC Index values of 0.8 and higher, while only five German regions are projected to experience weakest demographic change, implying a RDC Index value of less than 0.2.

**Denmark**

Demographic change in Denmark’s regions is expected to be weak all over except for the capital, which is likely to experience weakest demographic change in the period of 2008–2030. RDC Index values range from 0.15 for Hovedstaden to 0.37 for Nordjylland.

**The Baltic States**

Demographic change in Latvia and Lithuania will be strong between 2008 and 2030, while it is expected moderate in Estonia. The RDC Index takes the values: 0.49 for
Estonia, 0.67 for Latvia and 0.72 for Lithuania. Ageing and shrinking contribute both to these results.

**Finland**

The intensity of demographic change in the five Finnish regions is expected weakest for Åland with a RDC Index value of 0.14 and strongest for Itä-Suomi with 0.66. Etelä-Suomi, Länsi-Suomi and Pohjois-Suomi will experience weak demographic change; as well; the RDC Index values are estimated to lie between 0.22 and 0.31.

**Poland**

In Poland, there are only two out of the 16 regions, which are likely to show moderate demographic change: the capital region Mazowieckie with a RDC Index value of 0.51, and Pomorskie with 0.59. All other regions are expected to experience strong to strongest DC, the RDC Index values ranging from 0.66 for Małopolskie to 0.93 for Swietokrzyskie.

**Sweden**

Swedish regions show weak to weakest demographic change. The Northern regions are expected to see weak demographic change with RDC Index values lying between 0.27 and 0.33; values for the other five regions lie below 0.16.
CHAPTER 2
Work Participation of the Elderly in the Baltic Sea Region

In this Chapter we start dealing with the key aspect of the Best-Agers project: their labour potential. We present a brief overview of interpreted data regarding the labour force participation of Best-Agers in 2008 in the Baltic Sea Region. First we look at general participation rates of the 55–74 year-olds (2.1), and then at employment rates by education, gender and nationality (2.2), by type of job arrangement (2.3), and finally at work participation by professions and branches (2.4). The data is taken from the Labour Force Survey (LFS, Eurostat); it refers to the NUTS2 regional level or, in a few cases, to the next available level. Annex 2.1 contains the complete set of data.

2.1 General Labour Force Participation Rates

The Labour Force Participation Rate of the elderly is calculated by dividing their labour force (number of economically active persons aged 55–64 or 65–74 years) by the population of same age. The labour force includes the employed and unemployed. We also calculated working-hour adjusted rates, whereby the numbers of persons are weighted with the regional age-specific usual working time.

Work Participation of the 55–64 Year-Olds

Work participation of the 55–64 year-olds is extremely diverse in the Baltic Sea Region, ranging from 26% in the Polish region Śląskie to 78% in the Swedish region Småland med öarna, the latter being hence three times higher than the former. Values for all German, Danish, Finnish, Swedish, and Baltic States regions lie above the 50% mark, while none does in Poland. In Poland the 45+ are often seen as being at near-retirement age and the 60+ females as being post-productive (Richert-Każmierska 2011). A closer look at the data reveals that regional differences within countries are much lower than between countries, with the exception of Germany, where they still amount to a maximum of 14 percentage points. Furthermore, no country reaches the Swedish labour participation rates of the population aged 55–64 years. That is, even the highest regional rates (67% in the German region Trier, 61% in the Danish capital region Hovedstaden and 65% in Estonia), are lower than the lowest Swedish rate of 69% for Övre Norrland. No doubt, there are structural differences behind this diversity.

The picture does not substantially change if participation rates weighted by hours usually worked are considered instead: they range from 25% in Śląskie to 70% in the Swedish region Småland med öarna. Flexible working-time arrangements obviously
Work Participation of the 65–74 Year-Olds

In BSR countries, work participation after the age of 64 years is to a large extent meaning work after retirement. Regional results are extremely diverse; differences are almost of factor 10. Participation rates range from 2.2% in the German region Sachsen-Anhalt to 21% in Latvia. Differences are also large within countries, particularly in Poland, Sweden and Germany. In Poland the values range from 3.2% for Dolnoslaskie to 19% for Podkarpackie, in Sweden from 5.1% for Mellersta Norrland to 17% for the capital region Stockholm; in Germany, the highest share of 65–74 year-olds still active is found at 10% in Trier. In Denmark, the lowest value (8.3% for Nordjylland) is nearly equal to the highest value in Finland (8.2% for the capital region Etelä-Suomi). Finally, the highest employment rate of 65–74 year-olds (in Latvia) comes close to the lowest employment rate of the younger age group of 55–64 year-olds (in Slaskie).

However, the picture changes, when participation weighted by hours usually worked are considered. Values are generally (much) lower, showing that work after retirement is mostly part-time, with the exception of the Baltic States, where the difference is low (see also 2.3). The extreme values in the BSR now range between 1.1% for Sachsen-Anhalt and 19% for Latvia. In Denmark the highest labour participation rate of 65–74 year-olds is found at 7.2% for the capital region Hovedstaden and the lowest at 4.4% for Nordjylland; in Germany the highest rate is 6.1% for Oberbayern, in Finland the minimum rate is 2.5% for Itä-Suomi and the maximum 5.2% for Länsi-Suomi. The lowest rates in Poland and Sweden are equally 2.3%, whereas the highest weighted work-participation rates of 65–74 year-olds are 13% in Poland (in Podkarpackie) and 11% in Sweden (in Norra Mellansverige).

2.2 Employment by Education, Gender, and Nationality

In this and the following sections we only look at employment rates, ignoring unemployment. We thus compare actual situations of Best Agers and not their potential. The major reason is the poor availability or quality of regional data, particularly for unemployment by nationality. Another reason is that work participation by full-time and part-time as well as by regular or temporary jobs in the next Section (2.3) and information on work participation by professions and branches in Section 2.4 refers only to employment. We have thus chosen to present general information on work participation including unemployment (2.1), and specific information on work participation by education, gender, and nationality (2.2).
participation only for the employed. However, in the detailed studies on selected NUTS3 regions in Poland and Sweden as well as in some of our case studies in the subsequent Chapters, there is also some information on the unemployed by some of the criteria here referred to.

**Employment by Education**

The *Employment Rate by Education* indicates the share of 55–64 or 65–74 year-olds of a certain educational level which is employed. We thereby consider three educational levels: low, medium and high, corresponding to the ISCED 1997 levels 0–2; 3–4; 5–6. For example, a share of 78% for the highly educated 55–64 year-olds in Estonia means that from all 55–64 year-olds with high education, 78% are employed. There is large regional diversity regarding employment of Best Agers by education between as well as within countries.

**Employment by Education of 55–64 Year-Olds**

For those with low education, participation rates ranged from 14% to 70% in 2008, the difference being hence of factor five; for people with middle education from 24% to 77% (hence factor 3.2), and for the highly educated Best Agers from 40% to 84% (factor 2.1). The general tendency is thus “higher rates for higher education” and a lower regional spread for the higher educated. All minima are thereby found in Poland (in Slaskie or Podlaskie) and all maxima in the Swedish region Småland med öarna. Furthermore, the lowest Swedish value for the low educated (56% for Mellersta Norrland) was higher in 2008 than the highest corresponding values in Denmark (46% for Midtjylland), Finland (49% for the capital region Etelä-Suomi) and any Baltic State (42% for Latvia), and quite close to the highest German rate of 60% for Trier. Employment opportunities for and labour orientation of older workers with low education are thus by far highest in Sweden. The largest diversity within a country is found in Germany, with 36 percentage points difference between the least (24% for Sachsen-Anhalt) and best performing region (Trier).

Employment rates of the medium educated are much closer within BSR countries. In Germany the rate was at 45% lowest for the capital region Berlin and at 63% highest in Freiburg; a comparable regional diversity albeit at a higher level shows Sweden, where rates lied between 62% for Övre Norrland and 77% for Småland med öarna. Regional diversity was in contrast low in Denmark (58% to 61%), Finland (51% to 60%), the Baltic States (55% to 61%) and Poland (24% to 34%).

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1 Data which is not reliable is marked by the superscript b.
Employment rates of the highly educated are even less diverse within countries than those for the medium educated. Interestingly, the minimum values per country for the former lie close or mostly well above the respective maximum values for the latter. In Germany, the range is 61% (in Dresden) to 79% (in Oberpfalz); in Denmark 66% (for Nordjylland) to 74% (for Midtjylland); in Finland 62% (for Itä-Suomi) to 71% (for the capital region Etelä-Suomi); in the Baltic States 73% (for Lithuania) to 78% (for Estonia); in Poland 40% (for Podlaskie) to 68% (for Pomorskie); and finally in Sweden 79% (for Övre Norrland) to 84% (for Småland med öarna). The rate of employment of younger Best Agers (55–64 years) is thus obviously positively linked to their educational level.

**Employment by Education of 65–74 Year-Olds**

Employment rates of the 65–74 year-olds are much lower, but the general tendency of higher labour participation in case of higher education still holds (with a few regional exceptions in Germany). Employment rates for those with a low educational level ranged from 3.0% to 24% (both in Poland) in 2008, for those with medium education from 2.2% in the German NUTS1 region Sachsen to 21% in Latvia, and for the highly educated from 6.3% for Thüringen in Germany to 44% in Latvia. Concerning the middle educated group, the lowest employment rate in a Baltic State (9.5% for Lithuania) comes close to the maximum value in Germany (9.3% in Freiburg), while the lowest value in the highest educational group (25% for Lithuania) is well above the highest value found in Germany (16% for Mittelfranken) which is in turn almost equal to the lowest values found in Denmark, Poland or Sweden. The range of possible outcomes is obviously very large and worth a study. The intensity of past demographic change is surely a major determinant but not the only one. Other reasons are to be found in the economic development, the social security system, distribution of income and wealth, as well as in institutional characteristics of labour markets and the wage bargaining system; last but not least, attitudes towards the activity pattern at older age may differ too.

**Employment by Gender**

The *Employment Rate by Gender* indicates the share of 55–64 or 65–74 year-olds, males or females, which are employed. In some regions the rates are dramatically different for men and women, in others they are close. Data comes from the LFS 2008.

**Employment by Gender of 55–64 Year-Olds**

The employment rate of men ranges between 37% for Zachodniopomorskie in Poland to 79% for Trier in Germany, closely followed by 77% for the Swedish capital
region Stockholm. Regional differences are high in Germany (the lowest value was found at 52% for Sachsen-Anhalt), and low in Denmark and the Baltic States, where they lie between 60% and 65%. The latter value corresponds to the lowest employment rate of men aged 55–64 in Sweden (Mellersta Norrland). The 50% level is (by far) reached for men in all German, Danish, Swedish, and Baltic States regions.

The employment rate of females ranges from 14% for Slaskie in Poland to 69% for the Swedish capital region Stockholm. The 50% mark is reached for women in all Finnish and Swedish regions, while Danish regions and the Baltic States come at least close. In Polish regions employment rates of elderly women lie at 14% (in Slaskie) to 29% (for Lubelskie) far below the values found in the other countries. In Germany, they range between 39% (Arnsberg) and 59% (Tübingen).

**Employment by Gender of 65–74 Year-Olds**

The lowest employment rate of men older than the usual retirement age of 65 years is found at 4.6% in the Polish region Slaskie and at 4.7% in the German region Thüringen. The highest values range between 20% and 30%, e.g. 29% in Latvia, 25% in the Polish region Lubelskie and 21% in the Danish Midtjylland as well as in Stockholm. Remarkably, the lowest employment rates of older men in the three Scandinavian countries here considered come close or lie above the maximum German rate.

The employment rates of older females are generally much lower than those of men of same age; they lie between 1.8% in Sachsen (Germany) and 17% in Podkarpackie. In Sweden, for example, the highest employment rate of women aged 65–74 is at 13% equal to the lowest corresponding rate for men. In the three Scandinavian countries the highest employment rates of older women are found in the capital regions. In Poland the differences between men and women are less pronounced.

**Employment by Nationality**

The *Employment Rate by Nationality* indicates the share of 55–64 or 65–74 year-olds which are nationals, EU27 foreigners or Non EU27 and are employed. Data on the regional NUTS2 level is scarce and not always reliable, particularly for the 65–74 year-olds. We can nevertheless get a first impression of the topic.

**Employment of the 55–64 Year-Olds by Nationality**

The employment rates of Nationals range from 24% for Slaskie in Poland to 76% for Småland med öarna in Sweden, closely followed by 75% for Åland in Finland. Highest

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2 Data on NUTS 1 level (encompassing DED1-DED3).
rates are hence three times higher than the lowest one. In Germany, Denmark, Finland, and the Baltic States the lowest employment rates of Nationals fall into the interval 48% to 55%. In Poland the minimum is at 24% half as much, while in Sweden the lowest rate is 65% in Övre Norrland. The latter value equals or is slightly above the highest employment rate of this age group in Germany and the Baltic States (65% in Tübingen and 63% in Estonia). In Poland the highest employment rate is found in the capital region Mazowieckie (37%). Diversity is hence very large.

The employment rates of EU27 Non-Nationals range from 26% for Bayern in Germany to 69% for the Swedish capital region Stockholm. The difference is hence more than of factor 2.5. The highest employment rates for EU foreigners in the BSR countries for which data is available, lie between 66% and 69%, whilst the lowest value shows a spread of 34 percentage points. Unfortunately, no data was found for the Baltic States and Poland.

Finally, the employment rate of Non EU27 foreigners reaches from 23% for Berlin to 59% for Latvia and Estonia. The extremes are thus only slightly lower than for EU27 foreigners. Some Swedish regions also touch the mark of 50%, while no German or Danish region does. There are no values for Finland, Lithuania and Poland available.

**Employment of the 65–74 Year-Olds by Nationality**

Employment rates for Nationals range from 2.1% for Sachsen-Anhalt in Germany to 22% for Latvia. The difference is hence more than of factor 10, as already mentioned under 2.1. In fact, values are almost equal to those reported in Chapter 2.1, showing that the largest part of the employed are nationals. The only larger difference is in the minimum value for Sweden which is now found at 8.5% for Övre Norrland instead of 5.1% for Mellersta Norrland before. Due to data restriction no regional employment rates for foreigners aged 65–74 years can be calculated, except for Non EU27 foreigners in Estonia (14%) and Latvia (18%); probably mainly Russians.

**2.3 Employment by Type of Job Arrangement**

**Employment by Full-Time and Part-Time**

The *Full-Time Employment Rate* is the share of persons aged 55–64 or 65–74 that are (regarding themselves as) full-time working. *The Part-Time Rate is defined analogously.*

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1 Data on NUTS 1 level (encompassing DE22-DE27).
2 Russians make up for 35% and 29% of Latvia’s and Estonia’s population, respectively; it is therefore easier for their relatives to come to the country for work. This is not the case in Lithuania where only 6.7% are Russians and there is no border with the Russian Federation. (Verbal communication from our Lithuanian partner).
Employment of the 55–64 Year-Olds by Full-Time and Part-Time

Full-time employment rates of age group 55–64 years range from 21% for the Polish region Slaskie to 57% for Estonia, followed by the Swedish capital region Stockholm with 56% and the Finnish capital region Etelä-Suomi at 51%. The highest share of full-time workers within countries is generally found in the respective capital region. The minimum rates are at 40% for Itä-Suomi, 41% for Sjælland and 45% for Mellersta Norrland not much different in Denmark, Finland and Sweden, but at 34% (Saarland) lower in Germany. The maximum rate in Poland is at 33% for the capital region Mazowieckie comparable with the lowest rate in Germany, while the highest German and Danish rates (46% for Tübingen and 45% for the Danish capital region Hovedstaden) are similar to the lowest rate in Sweden and below the minimum rate in a Baltic State (48% in Lithuania).

Part-time employment rates of Best Agers are very much lower, ranging from 3.3% in the Polish region Warmińsko-Mazurskie to 24% in the Swedish Småland med öarna, followed by 22% for the German region Trier. Remarkably, in the Baltic States part-time rates are at 4.6% for Latvia to 5.2% for Estonia not only quite similar but also more than 10 times lower than full-time rates. Part-time labour participation is by far highest in the Swedish regions, while the maximum rate in Finland (11% for Länsi-Suomi) equals the lowest regional value in Germany and Denmark (11% for Leipzig and Nordjylland). Regional diversity in a country is largest in Poland, where rates lie between 3.3% for the already mentioned Warmińsko-Mazurskie to 14% in Podkarpackie.

Employment of the 65–74 Year-Olds by Full-Time and Part-Time

Maybe surprising, there does exist full-time employment of the oldest Best Agers! Shares range from 0.9% for Sachsen (NUTS1) in Germany to 16% for Latvia. Full-time employment of the old is particularly uncommon in Germany and Finland, rates being lower than 4% and 3% in all regions. However, the lowest regional values in the three Scandinavian countries all lie between 2.6% and 2.8%, and the highest between 2.9% in the Finnish capital region and 5.5% in the Swedish region Norra Mellansverige. There is hence limited regional diversity in these countries; the same is true for Germany, where the highest employment rate for the old is registered at 3.6% in Oberbayern. The situation in the Baltic States is different insofar as employ-

Alternatively, a full-time employment rate can be calculated as the share of employed persons regarding themselves as full-time workers, in all employment (full-time and part-time workers). However, we have preferred to relate the subgroups here considered to the same-age population as a common basis. Hence, instead of making statements of the kind "x percent of the employed persons aged 55-64 are full-time employed", our data tells "y percent of the population aged 55-64 is full-time employed".
ment rates are diverse on a rather high level; even the lowest one, in Lithuania, amounts to 7.4%. The intensity of demographic change obviously exerts a positive effect on employment opportunities for the older. Another reason for the older for not leaving their job is the large discrepancy between salary and pension income. Finally, in Poland regional diversity is high as well, albeit on a lower level; full-time employment rates of the old lie between 1.3% for Slaskie and 9.5% for Lubelskie.

Contrary to the younger Best Agers, part-time employment rates of the oldest Best Agers are considerably higher in the BSR with the exception of Baltic States where they are lower. Employment rates range from 1.6% for Sachsen-Anhalt in Germany, closely followed by Slaskie⁶ in Poland and Lithuania⁷, both at 1.7%, to 13% for Podkarpackie in Poland, followed by 12% for the Swedish capital region Stockholm. The maximum regional employment rates in Germany, Denmark and Finland are found at 7.6% (in Freiburg), 8.7% for Midtjylland, and 5.3% for the capital region Etelä-Suomi. Regional diversity is thus highest in Poland and lowest in Finland.

Employment by Permanent and Temporary Jobs

The Permanent Employment Rate is the percentage of 55–64 or 65–74 year-olds that have permanent jobs. The Rate of Temporary Employment is defined analogously.

Employment of the 55–64 Year-Olds by Permanent and Temporary Jobs

The share of 55–64 year-olds in permanent jobs ranges between 12% for Podlaskie in Poland and 58% for the Swedish capital region Stockholm. Regional diversity is large across all regions but less so within countries. The maximum values of countries are, however, quite close, except for Poland, lying in the interval 48% (for the Finnish capital region Etelä-Suomi) and 58% (for Stockholm). In Poland the maximum value is found at 22% in the capital region Mazowieckie. The minimum values are to the contrary widely spread, even if not considering Poland; they range from 36% for Itä-Suomi in Finland to 53% for the Swedish Mellersta Norrland.

The share of 55–64 year-olds with temporary jobs ranges from 1.1% in Köln (DE) to 6.3% for Dolnoslaskie (PL), closely followed by Mecklenburg-Vorpommern (DE) with 6.2%. Temporary jobs do not seem to be an alternative for the elderly, yet.

Employment of the 65–74 Year-Olds by Permanent and Temporary Jobs

The shares of old people in permanent jobs are quite low, falling into the interval 1.3% for Wschodni⁷ in Poland to 16% for Latvia. Differences between regions are nevertheless relatively large. In Denmark, for example, the lowest value is 4.2%⁷ for

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⁶ Verbal communication from our Lithuanian partner.
⁷ Data on NUTS 1 level (encompassing PL31-PL34)
Sjælland and the highest 7.4% for Midtjylland. In Germany, the lowest value is for Brandenburg at 1.8% and the highest that for Freiburg at 4.9%. The share of old people in temporary jobs is very low, ranging from 0.2% for Germany to 3.6% for the Swedish Småland med öarna. For Finland, Estonia and Lithuania no data is available so far. The only Baltic States value available is 0.7% for Latvia. For Poland only three values are available: 0.9% for the national average, 1.6% for Lódzkie and 2.1% for the capital region Mazowieckie. No (reliable) information about 65–74 year-olds in temporary jobs is available.

2.4 Employment by Professions and Branches

Employment by Professions

The Employment Rate by Profession is the share of persons aged 55–64 or 65–74 years which are employed in a certain category. Due to data restrictions we only consider the age group 55–64 years below. Professions are defined following ISCO 1D which encompasses nine professions: 1. Clerks; 2. Craft and related trade workers; 3. Elementary occupations; 4. Legislators, senior officials and managers; 5. Plant and machine operators and assemblers; 6. Professionals; 7. Service workers and shop and market sales workers; 8. Skilled agricultural and fishery workers; 9. Technicians and associate professionals. Data refer to the year 2008.

As usually, the lowest value of any employment rate, here for all professions but agricultural workers, is found in a Polish region at 1%–3%, mirroring the fact that employment of the older is generally low in Poland. The highest values, which were so far in the majority of cases found for a Swedish or German region, are spread larger in case of employment by profession, but still the most often found in Sweden. Regional maximum values lie between 8.4% for legislators, senior officials and managers and 21% for professionals in the Finnish and Swedish capital region, respectively. In all regions considered, the 55–64 year-olds are at most to the extent of 11% employed as clerks; craft and related trade workers; in elementary occupations; as legislators, senior officials and managers; and as plant and machine operators and assemblers. The same is largely true for skilled agricultural and fishery workers: with the exception of some Polish regions, the share of 55–64 year-olds

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8 Data on NUTS 1 level (encompassing DE41-DE42)
9 For Germany and Denmark only values on the national level are trustfully.
10 The definition of employment shares as described above has its merits but proofs unfortunate when applied to employment by education. Had we chosen the alternative definition instead (see Fn 5), the analysis would have allowed statements of the kind: "in profession x, the share of the elderly is higher than in profession y"; additionally we could have compared these shares to the national averages and conclude, in which professions the elderly are under- or overrepresented.
employed in this profession is less than 5% all over. Additionally, in capital regions we find the lowest shares of the older in elementary occupations and often also in plant and machinery operations, as well as the highest shares of 55–64 year-olds working as legislators, senior officials and managers or as professionals. Interestingly, the shares of the elderly employed as technicians and associate professionals are particularly high in Sweden, Denmark, most German regions and the Finnish capital region (all double-digit rates). It will be interesting to remember the result for Germany when coming to Chapter 4.

**Employment by Branches**

The *Employment Rate by Branches* is the share of persons aged 55–64 or 65–74 employed in a certain industry. The analyses is again restricted to age group 55–64 and also to a few (seven) selected branches according to NACE 1D: 1. Agriculture; 2. Construction; 3. Education; 4. Human health and social work activities; 5. Manufacturing; 6. Public administration and defence, compulsory social security; 7. Wholesale and retail trade, repair of motor vehicles and motorcycles. The reason for the selection is that for many branches employment rates of the 55+ are so low that regional comparisons are not instructive.

The minima of the employment rates in the selected branches are – with the exception of Agriculture – all found for Polish regions, while the maxima are found for German or Swedish ones. As was the case with employment by professions, the shares here presented are not informative concerning the age structure of branches. For example, letting apart Poland in all what follows, the shares of older people (55–64 years) working in Agriculture is rather low, ranging from 0.7% (in the German region Nordrhein-Westfalen)\(^{11}\) to 6.4% in Lithuania. Yet it is well-known that the age structure of this sector displays above-average shares of Best Agers, particularly of 65+ year-olds. This is not the case in Construction; the shares presented in the Appendix 2.1 for Construction are similar to those in Agriculture, ranging between 2.3% in Berlin and 5.7% in Niederbayern (Germany), but the age-structure of the branch is different (see Tivig/Waldenberger 2011, p. 71 for Germany). Additionally, construction is a very business-cycle sensitive branch, such that average values for several years would be more instructive.

Quite many Best Agers are employed in Education; the respective share is at 3.6%\(^{b}\) lowest in the Finnish region Itä-Suomi, in which employment of the older is generally much lower than in all other Finnish regions (see Tivig/Kühntopf 2009, p. 26). And it is at 11% highest in the Swedish region Övre Norrland, where employment of Best Agers...

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\(^{11}\) Data on NUTS 1 level (encompassing DEA1-DEA5).
Best Agers is generally high in comparison not only with the BSR but also to all EU27 regions (see Tivig/Kühntopf 2009, p. 23). It is also well-known that the age composition of the educational sector comprises a high share of Best Agers in some EU27 countries, e.g. in Germany (Tivig/Waldenberger 2011, p. 71). Another branch, in which Best Agers are relatively often employed, even more so than in education, is Health and social work activities. The minimum share of 55–64 year-olds working in this sector is thereby (Poland apart) at 3.7% in Latvia close to the minimum value in education, but regional values are much higher in the three Scandinavian countries, reaching 15% for Mellersta Norrland in Sweden. Interestingly, the share of Best Agers employed in health and social work is in comparisons with the other branches quite low in the Baltic States (3.7% to 4.9%) and in Poland. At least in Poland this has surely something to do with the fact that it is mostly women working in this branch and the official retirement age for women being 60 years in Poland.

Manufacturing is the industrial branch in which the highest share of Best Agers works, from among the seven branches here considered. Regional minima fall into the interval 3.5%–7.7%; maxima range between 7.1% and 19%. As usual, the lowest values are for Polish regions, while the highest spread over Germany (19% in Stuttgart and more than 10% in many southern and western regions), Sweden (14% for Norra Mellansverige) and two Baltic State (13% for Estonia, 10% for Latvia). Public administration and defence; compulsory social security is a branch for which the interest and in which the chances of Best Agers seem intermediate (letting Poland apart: minimum 2.4% in the Finnish region Länsi-Suomi and maximum 8.5% for Koblenz in Germany). In Finland, Poland and Sweden, the values are highest for the capital regions which is not surprising, given that capitals are often also administrative centres. For the rest, regional diversity within countries is limited. Finally, the share of Best Agers employed in Wholesale and retail trade, repair of motor vehicles and motorcycles is higher than in Administration, but lower than in Education. Shares range (letting again Poland apart) from 3.3% for Övre Norrland in Sweden to 9.4% for Lüneburg in Germany. As in Administration, differences within countries are rather small.

2.5 Summary and Conclusions

Work Participation of Best Agers, defined as the sum of employment and unemployment shares, is extremely diverse in the BSR. Regional differences are of factor three for age group 55–64 and of factor ten for the 65–74 year-olds. For the former age group, the regional extremes are found in Poland (26%) and Sweden (78%); for
the latter in Germany (2.2%) and Latvia (21%). Flexible working-time arrangements play some role, particularly for work after retirement, which is mostly part-time.

Beside general information on the active population, we have computed employment rates by different criteria, relating them to the same-age population as a common basis. The general tendency of employment by education is “higher rates for higher education” and a lower regional spread for the higher educated, within as well as between countries. For the 55–64 year-olds all minima of the three educational levels low, medium and high are found in Poland, all maxima in the Swedish region Småland med öarna. Employment opportunities for younger Best Agers as well as their labour orientation thus seem by far highest in Sweden. For the older Best Agers (65–74 years) the ranking changes. The lowest and highest regional rates of employment for workers with low education are found in Poland; for the other two educational groups the minima are in a German region, the maxima in Latvia. The reasons for this diversity are manifold. The intensity of past demographic change is surely a major determinant; others are the economic development, institutional characteristics of the social security system and of labour markets and, last not least, attitudes towards the activity pattern at older ages. However, apart all diversity, the striking result is that in 69 of 76 Baltic Sea regions there are two digit shares of highly educated older Best Agers engaging in after retirement work.

Employment rates by gender reveal persistent differences. For men, the 50% target for employment of younger Best Agers is reached (by far) in all German, Danish, Swedish, and Baltic States regions. For women, the 50% mark is reached in all Finnish and Swedish regions, while Danish regions and the Baltic States come at least close. In Germany, there is considerable regional variance in employment rates for females; the maximum thereby lies at 59% which is 20 percentage points below the maximum for men. Finally, in Poland, five regions display employment rates of around 50% for men, but no region touches a rate of 30% for women. Employment rates of older Best Agers (65–74 years) are generally much lower, particularly for women. In fact, for women the rates are comparable to employment rates of the low educated (regardless gender) in the same age group, which is not surprising, given that the educational level of females in the respective cohorts was not high yet.

Employment rates by nationality do not show major overall differences between Nationals and EU27 Nationals. However, when looking at single countries, one does see marking differences. In Denmark, for example, employment rates of younger Best Agers (55–64) are higher for EU27 Nationals than for Nationals, whereas in the

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12 Unfortunately, this does not allow calculating the age composition of e.g. an educational group or a branch.
other countries for which reliable data could be found, it is the other way round. Also, while the maximum regional values in the BSR countries are not much different between Nationals and EU Nationals, the minima show a very large spread. Data on employment rates for Non EU27 foreigners are generally not available or reliable on the NUTS2 level. Nevertheless, existing data points to much lower employment levels than for the other two categories. The same is true for data on work after retirement. A result worth mentioning is that employment rates of older Best Agers (65–74) which are Nationals almost coincide with general employment rates of this age group, thus suggesting that only few Non-Nationals work after retirement.

Employment rates by part- and full-time show regional diversity for both age-groups, ranging for the younger from 21% to 57%; the highest shares of full-time workers within countries are generally found in the respective capital region (but not in Berlin). Part-time employment rates of younger Best Agers are very much lower, ranging from 3.3% to 24%, being generally highest in Swedish regions. Remarkably, in the Baltic States part-time rates are around 5% not only quite similar but also more than 10 times lower than full-time rates. Also, the maximum rate in Finland equals the lowest regional values for Germany and Denmark, showing that the three Scandinavian countries are quite diverse in this respect. Regarding the older Best Agers it is worth mentioning that there are some of them working full-time after retirement. However, full-time employment at after retirement age is uncommon in Germany and Finland, while it reaches around 16% in Estonia and Latvia. Part-time employment of the older Best Agers (65–74) is, to the contrary, higher, but not in the Baltic States.

The share of 55–64 year-olds in permanent jobs is quite high; letting Poland apart, where employment rates of Best Agers are all low, it often reaches the 50% mark. However, for the older among them (65–74) shares are generally low, and of double digit only in Estonia and Latvia. Temporary jobs do not seem to be an alternative for the elderly, yet; the maximum rate is found in Mecklenburg-Vorpommern at 6.2% for the 55–64 year-olds.

When looking at employment by professions and branches, one has to restrict the attention to the younger Best Agers, as data for the older is either not available on the NUTS2 level or not reliable. We looked at nine professions and seven branches. In five of the Professions, the employment rate of the 55–64 year-olds is less than 11% in all regions; this applies to: clerks; craft and related trade workers; in elementary occupations; as legislators, senior officials and managers; and as plant and machine operators and assemblers. The same is largely true for skilled agricultural and fishery workers: with the exception of some Polish regions, the share of Best Agers
employed in this profession is less than 5%. The shares of the elderly employed as technicians and associate professionals are particularly high in Sweden, Denmark, most German regions and the Finnish capital region (all double-digit rates). Regarding Branches, relatively low shares of Best Agers are found in Agriculture and Construction. Shares show intermediate values in Public administration and defence; compulsory social security, as well as in Wholesale and retail trade, repair of motor vehicles and motorcycles. Finally, the highest employment shares of Best Agers are found in Education, Health and social work activities, and Manufacturing (in increasing order). These results do not contradict the findings in other publications for the age composition of professions and branches, showing, for example, that the share of Best Agers in Agriculture or Education is above average.

In short: Regional diversity regarding employment of Best Agers is high, offering ample demonstration that improvements are possible. It is particularly the results for Sweden and sometimes also of a Baltic State which are encouraging and instructive examples of high labour participation of the older, even after the official retirement age.
3.1 What Is It to Be Employable, and What Is Meant by Employability?

Employability is one of the four pillars of the European Economic Area. It is to be understood as the capacity for people to be employed and relates to the adequacy of their skills but also to incentives and opportunities offered to individuals to seek employment. Employability refers both to the unemployed and to the needs of currently employed individuals to live up to further labour market needs.

However, the concept "employability" does not have a universally accepted definition. It has mostly been used to describe an individual’s capacity to keep or obtain employment, from a social and psychological perspective (Garsten and Jacobsson 2004, Berntson 2008). Factors such as initiative, flexibility, and availability have been highlighted. A set of dimensions constituting employability have been suggested by van der Heijde and van der Heijden (2005): occupational expertise, anticipation and optimization, personal flexibility, corporate sense, and balance. They define employability at the individual level as, “the continuously fulfilling, acquiring or creating of work through the optimal use of competences”. Berntson (2008) defined it as “an individual’s evaluation of his or her possibilities to find a new job of equal standing”. He found that perceived employability in a general population is positively related to and predicts self-efficacy (and not the other way around), and that it has effects on how a person relates to events. He concluded that employability is not primarily a self-evaluation, but that it depends on individual as well as situational factors. The self-reported employability of the 40+ has been shown to be positively related to promotions (Van der Heijden et al. 2009).

Garsten and Jacobsson (2004) put forward that the discourse on employability is a consequence of the market orientation in society. This has put pressure on individuals to be adaptable to market needs and to life-long learning. The knowledge-based society of to-day also demands that individuals have to be both able and prepared to learn anew throughout their working life. Both the EU and the OECD focus on the

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13 University of Gothenburg, Sweden, Department of Work Science.
individual and her characteristics and attitudinal changes beside changes in supporting systems and structures.

A majority of studies undertaken concern the continued employability of a person who has a job already, whereas relatively few investigations concern specifically the situation of the unemployed and their chance to re-enter and remain active in the workforce. Only little has been published on the specific dimension added by age in this context.

Employability is a key issue in the discussion of Best Agers' possibilities to remain in or to enter working life. A person of the age of 50+, who is not employable for whatever reason, has only little chance to continue being employed. It is essential that the barriers hampering employment be understood, in order to identify ways to arrive at further employment of the 55+. What are the problems that Best Agers meet when they wish to be able to stay employable throughout a working life? This question was highlighted in a project “Life Competence 50+”, that was carried out under the auspices of the European Social Fund in 2005–2007 (Holmer et al. 2010). The following classes of hindrances could be identified in this study:

- Health related factors
- Competence related factors
- Factors relating to rules and regulations
- Factors relating to attitudes

It was concluded that there are not only individual, but also situational factors that influence a person’s employability. In the following review, this notion is taken into account.

### 3.2 Health Related Barriers

**Physical Performance and Ageing**

The human being is affected by age and ageing in many ways, impairing the possibility of many individuals to continue working up to, or above, normal pension age. Physical capacity is a key issue in this regard. It includes anatomical and physiological factors such as aerobic capacity, muscle strength and flexibility of joints, neurological and psychological factors. Age related changes affect all these components of physical capacity in different ways. For instance, the prospects to sustain work tasks with high or even moderate physical demands decrease with age (e.g. Tracy and Enoka 2002), due to reduced muscle function and decreased aerobic capacity.
It was found in a study comprising employed and unemployed persons older than 50 years (Holmer et al. 2010), that health related barriers were important to many of the interviewees. In particular, problems in the musculoskeletal system (low back, shoulder/neck) were highlighted, not only by those having a base in jobs characterised by heavy physical loading, but also in white collar workers. Several persons reported problems with high work pace and with irregular work hours, particularly shift work. These health related barriers relate in part to effects of natural ageing, but also to ailments caused or aggravated by exposures in previous employments. The concept of work ability, characterising the ability of the individual to meet the demands presented at work, has been operationalised and researched by J. Ilmarinen and colleagues at the Finnish Institute for Occupational Health. They have found that musculoskeletal ailments are among the foremost factors impairing work ability in many occupational groups (Ilmarinen 2006).

**Shift Work and Ageing**

Many researchers have found that health deterioration with increasing age is more pronounced in shift workers than in day workers. Ageing people often show a reduced tolerance to shift and night work related to the weakening of the circadian system (regulating the daily biological rhythm), psychophysical conditions (physical fitness, sleep efficiency, intervening illnesses); social conditions; and working conditions (work load, specific task, stress and fatigue, human relations). In fact, older workers (already aged 45+) may develop intolerance to shift and night work, in particular due to chronic fatigue and sleep troubles (e.g. Koller 1983, Brugère 1997). Sleep troubles in particular seem to be more severe in ageing people in general and even more so in ageing shift workers.

Costa (2005) in a review, concluded that “managers, ergonomists and occupational health physicians should be aware of these aspects and should consider aging workers as more vulnerable subjects in relation to shift and night work, and protect them by arranging shift schedules according to ergonomic criteria and adopting specific supporting measures for aging workers.”

**Coordination and Ageing**

Muscle coordination, the ability to perform fine movements, or to maintain pre-programmed abilities such as locomotion, is affected by ageing. Older subjects exhibit a looser temporal coupling of muscle synergies during postural responses and a temporal asynchrony in reaching tasks. However, coordination in walking appears to be well-maintained with age (Greene and Williams, 1996), although walking speed is reduced, particularly in the age range 65–74 years (Aromaa and Koskinen 2002).
Age differences exist in the ability to divide attention between two tasks (for a review, see Kramer and Madden 2008). Generally, older adults tend to perform more poorly than younger adults when two tasks are combined. This pattern has been interpreted to mean that motor performance requires more cognitive resources in old age. In older adults there is greater variability between individuals, even though increased slowing, and decreased accuracy is found in comparison to younger adults. What is found are differential rather than general age-related changes (Krampe 2002).

Psychology and Ageing

Cognitive functions are affected by age. The process linking perception, learning and memory to knowledge structures encompasses the important dimensions of the cognitive area of study in the context of work science. Craik and Lockhart (1972) proposed that memory is just a by-product of the depth of processing of information and there is no clear distinction between short term memory and long term memory. Why is there then a memory loss in higher age? According to the process perspective there is reduced memory capacity, reduced mental energy or speed. However, the modest decline in certain types of memory functions can be explained by compensatory functions in the structures that are built up during our life course; we capitalize on our increased knowledge and techniques for memorizing.

There is a common distinction made with respect to cognition between the so-called crystallized and fluid intelligence (Horn and Hofer, 1992). The former refers to the psychological and physiological structures formed, and the latter to the executive processes trafficking these structures. Most studies indicate that the crystallized intelligence is stable or improves with age. Only few see their semantic or numeric ability deteriorate before age 70. However, the differences between individuals increase markedly after age 60. It seems that training is a major factor behind these changes (e.g. Schaie 1990).

Fluid intelligence manifests itself in situations involving spatial problems, the ability to draw correct and reasonable conclusions, to see and recognize patterns. There is a general view that these abilities decline with age. However, in some studies the age differences are fully mediated by health and educational level. Studies that indicate changes tend to do so only in age groups over 60. Schaie (1990) found in his major follow up study that about 80% of the 53 year olds retained, or in some cases improved, their logical and spatial performance up to age 60. For the 74 year olds up to age 81, 70% showed unchanged fluid intelligence.
3.3 Competence Related Barriers

Lifelong Learning

Participation in lifelong learning activities can be assumed to contribute to the employability of the older worker. In 2006, an average of 9.6% of Europeans aged 25–64 participated in education and training activities over a period of four weeks (European Commission 2007). There was a pronounced discrepancy between age groups in this context. A majority of 25–34 year olds, regardless of their level of education, participated in lifelong learning activities, whereas the corresponding fraction in the age group 55–64 years was only about one fourth of this number.

The European Commission (EUR-lex 2006) stated that the circumstantial conditions often present the most serious barriers: lack of time due to work or family reasons; lack of awareness and motivation, as people do not see learning valued or rewarded enough and hence fail to perceive its benefits; lack of information on the supply of opportunities; and lack of financing. Other barriers hampering participation in lifelong learning activities included according to the Commission lack of information, difficult entry requirements, high cost, and lacking learning support. But also cultural values attached to education have an impact, as well as the adult’s self-esteem and self-confidence as a learner.

The EU statistics (Eurostat 2006) reveals that digital illiteracy is a particular problem for the older generation: 61% of European people over 55 years of age had never used a computer (in Sweden 27%). When combining age groups with level of education, the differences are even clearer, as almost 80% of people over the age of 55 with a lower-level education had never used a computer. The European Commission concluded that it is important to invest in adult learning. The benefits include greater employability, increased productivity and better-quality employment. But it also means reduced expenditure in areas such as unemployment benefits, welfare payments and early-retirement pensions. Research in older adults indicates that those who engage in learning are healthier (EUR-lex 2006).

In a study carried out in the context of “Life Competence 50+” the most common aspect highlighted by all groups of interviewees with respect to competence related factors was a lack of updated technical abilities, particularly concerning operation of computers and lack of familiarity with currently used computer programs. There were in many cases no or insufficient opportunities given by the previous employers for competence updating, but it was also recognised that many individuals were afraid of new technologies and were reluctant to take part in educational activities (Holmer et al. 2010). These findings agree with the scientific literature dealing with
the concept of employability (e.g. Garsten and Jacobsson 2004), in particular with respect to problems identified in practical implementation of lifelong learning.

**Age and Productivity**

Many employers have a negative view with respect to the productivity of older employees. The fact that there are age related physiological and cognitive changes, which affect all human beings, does however not imply that there is a general relationship between age and productivity at work (e.g. Greller and Simpson 1999). Older workers may perform equally well, or better, than younger ones. Salthouse (1997) concluded that the loss of cognitive function, and a negative influence thereof on job performance, may be balanced by a positive relationship between age, experience, and job performance. It has been stated that older workers often show better performance than younger ones due to e.g., lower turnover, lower absenteeism, higher work satisfaction and higher commitment. In fact, different combinations of knowledge demands and information processing demands may entail positive, negative or no relationship at all with age (Warr 1994).

Longitudinal studies of work ability in relation to work demands have shown that even though there is a statistical decline with age above, say, the age of 50, this does not apply for all individuals. The variability in work ability increases with age, and the difference between individuals is often larger than the difference between age groups (Ilmarinen 2006, Goedhard and Goedhard 2005). These individual differences depend in part on factors such as physical training activities, and chronic diseases and disorders (Baumgartner et al. 1999, Nygård et al. 1991). This complex pattern explains why superficial studies often fail to identify relationship between age and performance (McEnvoy and Cascio, 1989).

**3.4 The Concept of Situational Employability**

It is believed that there is a need for an expanded theoretical concept in order to take into account the full set of barriers met in practice. It is suggested that this concept be called “situational employability”. The classical concept of “employability” relates to the characteristics of the individual, whereas “situational employability” reflects also obstacles that the individual has little possibility to influence. It is essential that the full set of factors be considered when we wish to understand why an older person may not be able to find or to secure employment.
Workplace Related Factors: Examples

In the “Life Competence 50+” study (Kadefors et al. 2007), negative attitudes were reported as a serious problem by many subjects. Many employers were negative and stated openly their reluctance to employ a person older than 50 years. There was among officials in the authorities also often a perceived lack of interest to support an elderly unemployed person. Negative attitudes could also be found in the job-seekers themselves, lacking self-esteem and motivation due to a general feeling of being too old to qualify for employment. In the literature, the attitude of Swedish employers has been studied in a survey carried out in the context of “Senior 2005”. Here, 53% of the employers stated that elderly people have difficulties to learn new things, and a majority declared that they never employed people older than 50 years. It is interesting to contrast these negative attitudes to the fact that no general negative correlation has been established scientifically between productivity at work and age (e.g. Greller and Simpson 1999).

Society Related Factors: Examples

With respect to rules and regulations, obstacles were more often related to the interpretation of these by representatives of the authorities than to the legal framework. However, a formal obstacle mentioned by many interviewees was that older unemployed persons were not given the same economic benefits as younger ones when it comes to joining university programs aiming at new career development. It was also more expensive for an employer to recruit an elderly person than a younger one due to the heavier pension fund costs involved. Some problems were also related to the lack of co-operation of the two main governmental authorities.
involved, sometimes resulting in a limbo situation of a jobseeker. In a bureaucratic, thoroughly regulated society such as the Swedish, such problems are not always easily addressed. The long delay of the Swedish government to implement the European Directive 2000/78/EC, “establishing a general framework for equal treatment in employment and occupation”, addressing e.g., age discrimination in working life, is indicative of the problems encountered in this respect.

3.5 Conclusions and Recommendations

The employability of an elderly person is related to a set of more complex factors than is usually understood. Some of these are related to the individual oriented concept of employability as identified in the literature, but there is also a set of barriers which the individual cannot easily influence, in the workplaces and also in the governmental authorities that people meet when they seek employment. Negative attitudes in the workplaces and in the society at large towards older workers affect the situational employability negatively.

There is ample evidence from this condensed review of scientific studies of ageing and work that even though we all are affected by physical and mental changes as we grow older, chances are that we may stay employable and retain our productivity at work for much longer time than is generally considered possible. Main barriers hampering continued employability are in the areas of health and competence. However, the inter-individual differences with respect to work ability increase with age, which necessitates a more individualised approach than is mostly used in the labour market.

A prerequisite for continued work ability is that the technical and organizational conditions at work comply with the resources of older workers.

A 17 Point Programme for Sustained Employability of Best Agers

For Best Agers themselves:

- Look for employers who have a good record with respect to work environment, competence development programmes, and a positive attitude to older employees.
- Take advantage of offers to join competence development programmes.
- Avoid as far as possible repetitive work, shift work, and physically strenuous work tasks. Listen to your own body.
- Try to establish a good relationship with your supervisors, so that they engage in your work and are aware of your accomplishments.
• Engage in your trade union and try to interest them to open discussions with the employer how to further principles of Age Management in the workplace.

• Engage in physical training in free time.

• Develop a CV that reflects the full range of knowledge that you possess, not only listing exams and jobs.

For employers:

• Develop the work environment so as to make sure that all employees are given work tasks that comply with their capacity, taking into account individual characteristics such as age and sex.

• Implement principles of Age Management in the work organization, in consultation with the trade unions.

• Develop work career plans for all employees, involving competence development programmes.

• Develop mentoring programs where older employees can use time for knowledge transfer to younger ones.

• Develop stepwise pension options in order to retain some older employees and their knowledge longer time, rather than applying strict compulsory retirement based on age alone.

• Work with the organization, in particular middle management, in order to develop a positive attitude towards older employees. This means recognizing the competence of older employees and communicating that they are often able to achieve at least as good results as younger workmates, if they are given adequate working conditions.

At the society level:

• Revoke all sorts of age discrimination in laws and regulations.

• Build safeguards against age discrimination in the operation of governmental agencies having an impact on ageing and work.

• Implement an ombudsman function for appeals from people who consider themselves victims of age discrimination.

Be trendsetters. Involve older people in parliamentary work and other visible governmental operations.
**CASE STUDY:**

**Continued Employability of Best Agers: A Regional Study for Norrbotten**

*based on Marianne Öhmann and Ewa Hedkvist Petersen*

**Introduction**

In the light of demographic change it becomes more and more important for cities and regions in the Baltic Sea Region to uncover and use their economic potentials in a creative way. One of these potentials are people aged 55 and older – the so called Best Agers. The Best Agers project wants to show how an increased inclusion of older people in the area of business and skills development can help to strengthen the competitiveness in the Baltic Sea Region.

Former studies had shown that people with one or several of the following characteristics prefer a lower retirement age: lower health standards, low socioeconomic position, low education, and work in an environment with high physical pressure. For example, about 30 percent listed health or that work has become too demanding as reasons for early retirement. Furthermore, many early retirees had been on long-term sick leave, and every fifth person had been involved in labour market training, rehabilitation or work training. The last aspect is of particular interest, as it highlights that measures currently believed to be a proven remedy against loss of employability at older ages may fail. In a study (2009) of the Swedish government committee, it was found that “Those who have more years of education leave the labor market later. The cohorts that come up in the older working age have progressively longer education, which means we can expect a gradual deferment exit from working life” (page 62).

In an international database on eleven European countries called SHARE, the respondents were asked to estimate their own health status as ‘very bad’, ‘bad’, ‘moderately good’, ‘good’, or ‘very good’. It was found that in Sweden in 2004, 67% of men aged 55–59 years who left the labor force did so because of health reasons, while in the age group 60–64 years it was 42% and for those 65 and older 23%. The corresponding figures for women were 92, 63 and 23 percent. All figures for those younger than 65 are much higher than in countries like Germany and Austria where many leave the workforce early with income compensation that is not related to

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14 County Council of Norrbotten, Department of Regional Development. The complete Study can be found in Annex B.


17 See Börsch-Supan et al. 2008.
health. The results can be interpreted as indicating that – once the health status is given – “the potential for an increased labor supply among the elderly in Sweden is highest among those aged 60 and older, but that possibility is significantly lower among those 55–59 years” (Arbetsmiljöpolitiska kunskapsrådet 2009, Inclusive working-life SOU 2009:93, p. 65).

Data and Results

In 2006, a local survey on the health status and life style among adults was conducted by Statistics Sweden and the Swedish National Institute of Health in cooperation with the counties of Norrbotten and Västerbotten; the questions asked were equivalent to a national survey on health status. The postal questionnaire in Norrbotten was distributed to a random sample of 11,000 individuals, 16–84 years old, and the frequency of responds was about 60%. The present study is based on selected results of this survey. We first show the occupational status by age group in Norrbotten and connect it to information on health status by occupation and age group. Then we present results for the estimated health status by gender, and subsequently on education, health and age group. Finally, we sum up.

Occupational Status, Age, and Health

In Sweden, participation rates of the elderly in the labour market are high. The general age for retirement is 65; therefore 100% of the age group 65–74 will be in the category of 'Retirement pension', but according to the survey for Norrbotten 2% of the respondents in that age group were still working at least part-time. In Norrbotten, about 2/3 of 55–64 year-olds are employed or entrepreneurs. Quite a large share, almost one quarter, of the 55–64 year olds had disability pension (Table 3.1).

A large majority of the inhabitants of Norrbotten find their health status (very) good or moderately good (Table 3.2). This is particularly true for those in employment or entrepreneurs: between 70% and 85% of them declare to feel in (very) good health, while at 48% to 53% it is only half of the unemployed or those not working which feel that healthy. At the same time only 4% of the employed but 8% of the unemployed are in bad or very bad health. When looking at the 65–74 year-olds, from which only 2% were still working, it is obvious that work after retirement is only an option for those with good health. What the data also showed is that men have in general better health than women. An overwhelming majority of men, 91%–95%, in all three age groups seem to have at least a moderately good health. The corre-

sponding share for women is at 86%-93% somewhat lower. For both gender the lowest value is for the 55-64. This suggests that reconciling work with responsibility for the care of home, children and/or elderly parents is particularly difficult for the younger female Best Agers, having maybe a negative impact on their self estimated health status. That the older Best Agers show better health is possibly because older individuals sometimes lower their expectations on what ‘good’ health means, but since the difference between males 55-64 and males 65-74 are very small while for they are 6.5 percentage points for women, there might be a gender issue. After retirement the responsibility and stress eases for women and they have more time to take care of themselves.

Table 3.1: Occupational status by age group in Norrbotten, in %, 2006

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Employed/Entrepreneurs</th>
<th>Unemployed</th>
<th>Long-term sick-listed</th>
<th>Retirement pension</th>
<th>Disability pension</th>
<th>Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>45-54</td>
<td>79.3</td>
<td>8.1</td>
<td>5.6</td>
<td>-</td>
<td>6.7</td>
<td>0.3</td>
</tr>
<tr>
<td>55-64</td>
<td>65.3</td>
<td>6.7</td>
<td>4.0</td>
<td>-</td>
<td>23.8</td>
<td>0.2</td>
</tr>
<tr>
<td>65-74</td>
<td>51.3</td>
<td>5.3</td>
<td>3.4</td>
<td>28.9</td>
<td>10.9</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Table 3.2: Health status by occupation and age group in Norrbotten, in %, 2006

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Occupational Status</th>
<th>Good/Very Good</th>
<th>Moderately Good</th>
<th>Bad/Very Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>45-54</td>
<td>Employed/Entrepreneurs</td>
<td>73</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>55-64</td>
<td>Employed/Entrepreneurs</td>
<td>70</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>65-74</td>
<td>Employed/Entrepreneurs</td>
<td>85</td>
<td>15</td>
<td>0</td>
</tr>
</tbody>
</table>

Education, Health and Age

Good health often corresponds with higher educational level. As good health is required to keep working as Best Ager, particular after retirement, their potential should be promising because the general educational level is rising in Sweden with the younger generations. University education is not very common in the older generations who more often only have elementary school for seven or nine years. Below we present a cross table of health status and highest educational level by the three
age groups (Table 3). The educational levels are defined as short (maximum elementary school), middle (upper secondary school or vocational training), and long (university). As one can expect, the total shares of each educational level show that persons with longer education in general have better health status than those with shorter education. The major differences are thereby found between the short educated group, on the one hand, and the middle or long educated group, on the other hand. While roughly half of the former feel in (very) good health, almost two thirds of the latter do so. And while 40% of the short educated feel in moderately good health, only around a quarter of the higher educated do so.

Table 3.3: Educational level and health status by age group in Norrbotten, in %

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Age Group (in years)</th>
<th>Good/Very Good</th>
<th>Moderately Good</th>
<th>Bad/Very Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short</td>
<td>45–54</td>
<td>60.3</td>
<td>29.5</td>
<td>10.2</td>
</tr>
<tr>
<td></td>
<td>55–64</td>
<td>46.9</td>
<td>43.6</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>65–74</td>
<td>51.4</td>
<td>40.3</td>
<td>8.3</td>
</tr>
<tr>
<td></td>
<td>Total (45–74)</td>
<td>52.5</td>
<td>38.2</td>
<td>9.3</td>
</tr>
<tr>
<td>Middle</td>
<td>45–54</td>
<td>69.0</td>
<td>25.4</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>55–64</td>
<td>64.7</td>
<td>21.9</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>65–74</td>
<td>53.2</td>
<td>40.2</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>Total (45–74)</td>
<td>64.6</td>
<td>26.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Long</td>
<td>45–54</td>
<td>72.9</td>
<td>23.1</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>55–64</td>
<td>59.9</td>
<td>25.4</td>
<td>14.8</td>
</tr>
<tr>
<td></td>
<td>65–74</td>
<td>70.9</td>
<td>24.8</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>Total (45–74)</td>
<td>67.0</td>
<td>24.3</td>
<td>8.7</td>
</tr>
</tbody>
</table>

The picture becomes a little more complex when comparing the three age groups. Interesting enough, the 65–74 seem to have better health than the younger 55–64 year-olds. For example, among those with a middle educational level 13.3% of the 55–64 year olds assessed their health as bad/very bad, but only 6.6% of the 65–74 did. Once again, one can speculate if this is because older individuals have lower expectations on what ‘good’ health means and are less whining about ailments and diseases. However, concerning bad health, three results are worth highlighting. First, that the younger Best Agers feel all the more in bad health, the longer educated they are. Second, that difference between the younger (55–64) and older (65–
74) Best Agers groups are much larger among persons with longer education than among persons with a short education. Third, when comparing the answers with results in Table 1 we see that the percentage of those feeling in bad health is much lower than the percentage of those with disability pensions plus the long-term sick-listed. This applies to the reference group of 45–54 year-olds as well as for the younger Best Agers, but particularly for the latter: while some 28% of the 55–64 year-olds have disability pensions or are long-term sick-listed, only 10%–15% (depending on the educational level) feel in bad health.

**Summary and Conclusions**

Survey data for the Norrbotten County shows that on the one hand that work participation of Best Agers is positively correlated with good health. On the other hand, unemployment and short education are negatively correlated with good health. Health is also a gender issue, as women in general claim more often to have bad or very bad health than men. But after the age of 65, which most often means after retirement, women’s health seems to improve.

As Norrbotten will face a shortage in labour supply in the years to come, the potential in finding more employable workers might lie in encouragement of education and improved health.
CHAPTER 4
Continued Work Participation of Best Agers

4.1 Introduction

Continued work participation of Best Agers presupposes continued work ability (for the self-employed) or sustained employability (for the employees), which are concepts dealt with in the preceding Chapter. However, continued work participation of employees demands more than sustained employability. Whereas the latter is a possibility, the former is its realisation. What could stand between them? One aspect is re-employment; older workers often face severe difficulties to find a new job, once they lost or left the old one. We exemplify this in a Case Study contributed by the partner from Rostock on age-specific reemployment patterns in Germany. Another aspect is early retirement. What role do working conditions play for individual retirement decisions? This is the subject of the second Case Study presented in this Chapter, again a contribution from the Rostock partner for Germany. Finally, a third Case Study summarizes existing results on continued labour participation of Best Agers in Poland; this is based on the contribution of the partners from Poland.

4.2 Summary and Conclusions

The case studies reveal a series of common features regarding continued labour participation of Best Agers in Germany and Poland. First, there is a negative effect of age on re-employment chances: the older the unemployed, the longer their job search. This effect may be exacerbated by nationality, educational level, and gender, leading to early retirement of workers with low education, as a way to avoid unemployment. Second, health is a major determinant of continued labour participation for all Best Agers. A further determinant for the 50–59 year-olds is work satisfaction, while for age group 65 and above it is rather working conditions that count, particularly flexibility of working hours, and in Poland also safety conditions. Third, the retirement legislation plays a major role in the retirement decision; essentially, people retire the soonest they may. The major exception from this rule is self-employment.

Beyond these results, there are more insights to be gained from the brief literature reviews for Germany and the descriptive statistics presented for Poland. For example, one learns that half of the respondents in a survey regarded a complete stop of professional work as the best way for retirement after reaching a certain age, while 38% would prefer work participation and receiving a retirement pension.
CASE STUDY:
Age-Specific Reemployment Patterns in Germany

based on Jana Bruder and Katharina Frosch¹⁹

Motivation of the Study

In many European countries the employment situation of the elderly is not favourable. Not only do they show much lower employment rates than middle-aged groups, but once out of work, their reemployment probability and speed are both found to be lower than for prime-age workers (Hirsch et al. 2000). Age-specific reemployment rates were therefore investigated with the intention to learn more about reemployment patterns after late career job loss. It is thereby assumed that the effect of factors influencing reemployment is not independent of job searchers’ age and that the age effect on reemployment varies over time and across occupations.

Factors influencing reemployment

Human Capital

Educational attainment and reemployment prospects are generally found to be positively related (Kletzer 1998, Gilberg et al. 1999, Lüdemann et al. 2004). However, even when educational levels do not strongly differ between old and young, the formal education of older workers dates back decades. At the same time, participation in on-the-job training is much lower for older than for younger workers, presumably because employers as well as employees take into account the shorter pay-off period of older workers’ efforts and hence the lower rates of returns to training of older compared to younger workers (Eichhorst 2006). It therefore comes as no surprise that the amount of vocational training decreases with age (Ebbinghaus 2006, Tros 2006).

Productivity and the capacity for innovation also seem to decline with age (Börsch-Supan et al. 2005), but a lot of investigation still remains to be done. Physical strength as well as cognitive abilities such as reasoning, speed and episodic memory are reported to start declining by the age of 50 (Verhaegen/Salthouse 1997). Even if for the majority of tasks, maximum performance is not necessary, older workers get less job offers because they are assumed to have lower work productivity and to be less able to innovate. Furthermore, implicit contracts and seniority rules might lead to higher costs for older than for younger workers (Hutchens 1986), and hence to a lower job offer probability for the elderly.

¹⁹ Frosch K (2006) and Bruder J, Frosch K (2006).
Health

Health in general is a key aspect of employability. The elderly are often more afflicted with health problems than younger workers, depending also on the type of occupation. Age and health problems are the main inhibiting factors for reemployment, especially when combined (Karr/Apfelthaler 1981). Health problems reduce the probability to apply for a job and, if perceived, maybe the probability to receive a job offer as well.

Financial Considerations

Previous salaries, the level of unemployment benefits and the volume of already accumulated (private and public) pension entitlements influence the probability to search for and to eventually accept a job. Availability of unemployment benefits has a negative effect on reemployment rates (Fitzenberger/Wilke 2004). Earnings before job loss, however, are positively related to reemployment rates (Gilberg et al. 1999).

Labour Market Situation

A tight labour market might lead to lower job arrival rates, if job searchers experience strong competition (Wilke 2004). Analogously, the availability of open positions differs across regions, industrial sectors, and occupations.

Results

The study was performed with register data from the IAB (Institute for Employment Research) and the German Federal Employment Office. The main result is a significant negative effect of age on reemployment chances (Figure 4.1).

From the youngest age group, 79% got reemployed within two years after job loss. For ages 50–54, this was the case for only 67%. The older the job searchers, the worse their situation: For the upper two age groups (55–59 and 60–64 years), the share of reemployment drops to 29% and 10%, respectively. The relative impact of age increased between 1975 and 1995, most probably due to attractive early retirement opportunities. During the last decade, however, this effect dilutes, which is attributed to the increasing availability of partial retirement (“Altersteilzeit”), reducing the need to use unemployment as a bridge to retirement.

Generally, the driving factors of reemployment display the same pattern for older and younger job searchers. However, the effect of some factors such as nationality, previous salary or occupation is more pronounced for the elderly:
Nationality: On average, the effect of age on reemployment was found stronger for non-Germans than for Germans, with strong differences between nationalities within the group of foreigners. For example, ageing seems particularly hindering re-employment of Greek and Turkish workers, while workers from Italy, the former Republic of Yugoslavia, Africa and Asia display reemployment patterns which are more similar to that of same-age Germans.

Previous Salary: The study yields lower reemployment probabilities for higher previous wage earners. This is not surprising, as high wage earners can afford not to return to employment and to directly move to retirement after late career job loss. Policy options for “bridge unemployment” as well as early and partial retirement options offered either by policy or by companies is more attractive to them, influencing their reemployment.

Occupation: The age of a worker particularly affects reemployment prospects in innovative occupations such as engineering (“negative innovation effect”). The study shows that 50–59 year-olds suffer a more severe age effect, if they are engineers, than do their counterparts in other occupations. Reemployment chances of engineers aged 50–54 are 63% lower than that of engineers aged 35–39, while it is only 47% lower in other occupations (Figure 4.2). This means, that general scarcity of engineers is not of help for elderly engineers. Coming from rather innovative or advanced-level technical occupations, they will most probably experience a higher loss
of human capital over the life course than job searchers in other, less “innovative” occupations. This “negative innovation effect” on reemployment might even be downwardly biased as engineers suffer less from health afflictions than their colleagues in physical strenuous occupations.

Figure 4.2: Reemployment chances: age and occupation

Conclusions

Reemployment chances do differ by age in Germany. First, older unemployed have, other things equal, reduced prospects to find a new job, compared to their younger counterparts, and this negative effect increases with age. Second, Non-Germans have a much lower reemployment probability than Germans of same age. Third, profession may exacerbate the age effect, engineers suffering from a more severe age effect than workers in other professions.
CASE STUDY:
Working Conditions and Individual Retirement Decisions in Germany

*based on Golo Henseke*²⁰

Background and Research Question

The proportion of the population of working age in the total population is decreasing in the course of demographic change. Possible macroeconomic consequences are difficulties in financing social security systems and a negative impact on economic growth. To counter these developments, EU-members states target to reach a total employment rate of 75% among the 20–64 year-old by 2020.²¹ The degree of achievement will depend, among other things, on the extent to which older workers remain longer in the labour force and delay retirement.

The present study seeks to determine the role played by working conditions in individual retirement decisions. Working conditions encompass, among other things, the level of physical and psychical *demands*, the *control* over the content of work and the acquisition of new skills, as well as material or immaterial *rewards* for work. Research results obtained so far suggest that these characteristics influence the retirement age through individual preferences, but also and foremost through their health effect.

Literature and Approach

The basis of the present analysis is an empirical model derived from the existing literature. It assumes that working conditions, health, and retirement are linked in the way described in Figure 4.3. Working conditions influence both the planned²² and the actual retirement age.²³ Exposure to unfavourable working conditions, i.e. a high demands in combination with low control and relatively low rewards lead to stress reactions that endanger the health status (Path 1 in Figure 4.3).²⁴ However, employees select themselves into these jobs according to their skills. It can hence be presumed that it is rather workers that are, for example, particularly robust who select themselves into demanding jobs in the sense just described. The quality of matches between the characteristics of jobs and of workers is therefore expected to play a role when it comes to stress reactions and adverse health effects. Working conditions can also influence individual preferences for leisure and consumption,

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²¹ http://ec.europa.eu/europe2020/targets eu-targets/index_en.htm.
²² See among others Siegrist J et al. (2006).
²³ See, for example, Chirikos TN, Nestel G (1991).
and herewith exert a direct effect on the retirement decision. In the same way, a low quality of the job-match may induce an employee to seek termination of the employment, thereby increasing the risk of early retirement (Path 2 in Figure 4.3).\(^\text{25}\)

Figure 4.3: Relation between working conditions, health and retirement

Source: Own presentation.

Poor health is one of the major causes for early retirement (Path 3 in Figure 4.3).\(^\text{26}\) However, the measurement and delimitation of the relevant health status is posing practical problems. Self-assessed health status is prone to error. Early retirement is partly justified on grounds of poor health, without objective confirmation of it. The measurement error may therefore correlate with the employment situation, that is, with the phenomenon we seek to explain.\(^\text{27}\) This problem is avoided by construction of a general health index, which summarizes the actual variation in the health status, encompassing objective health indicators, control variables, and the self-assessed health status (Path 4 in Figure 4.3). Unobserved individual differences in health outcomes and the retirement decision are summarized by \(U_H\) and \(U_R\).

**Data and Empirical Approach**

The data we use are a stock sample based on the available SHARE waves. The sample is limited to people which were 1. in work by the time the first interview took place; 2. of age between 50 and the official gender-specific retirement age in the respective country at that time; and 3. which also participated in the second wave.


\(^{27}\) Bound J et al. (1999).
Individuals with spells that had finished before the first interview are not considered. Information on variable values which date back before the first interview is taken from SHARELIFE.

The variables to be explained are the transition from work to retirement within the time span between the two interviews (2. Step), and the self-assessed health status (1. Step). The explaining variables are divided into socio-demographic characteristics like year of birth, gender, education, family situation, and socio-economic ones, like pension claims, house ownership, employment status of household members), objective health indicators (drugs consumption, psychical health status, functional limitation), working conditions (demand, control, reward), work satisfaction as a proxy for the quality of the job-match, as well as a set of country-dummies.

The approach chosen is a two-step non-linear regression model. In the first Step, the potentially error ridden, subjective, endogenous indication of health status is regressed on objective health indicators, socio-demographic characteristics and a set of country-dummies using an Ordered Probit procedure. In the second Stage, the age of retirement is formulated as a latent-variables model and estimated as Probit. The subjective, self-assessed health status is thereby replaced by the previously calculated health index.

Main Results

Overall, the considered working conditions exert only weak influences on the retirement decision, compared to the other covariates. First, the retirement decision seems independent of the degree of control and the level of material or immaterial rewards in a job. Second, at higher ages (60 to the official retirement age), high work effort goes along with early retirement. Third, retirement at the age of 50 to 59 years is co-determined by job satisfaction, as an indicator of the job-match quality, and by health. Forth, results change little, if the most important occupational characteristics during work life-course are considered as well.

The degree of job demands thus exerts a negative effect on work continuation at ages between 60 and the official retirement age. However, for early retirement at ages below 60 years, the working conditions here considered do not play a direct role; the explanatory power lies instead in the individual health status and work-satisfaction.

Conclusions

Our results show a mixed picture concerning the relation between working conditions and the individual retirement decision. On the one hand, control over one's
own activities and rewards do not seem to influence the retirement decision. On the other hand, high job demands do increase the probability of early retirement at ages 60 and above. Furthermore, the quality of the match between job and worker characteristics, as measured by work satisfaction, exerts a positive influence on continued employment.

We hence find indications that workers are able to compensate unfavourable working conditions by self-selection on the labour market. However, it is also possible that the variables here considered do not or only partly capture the relevant working conditions and that therefore we do not find a stronger influence of working conditions. But we may also conclude that a reduction of the work-load for older workers could contribute to increasing the incentive for later retirement given the current institutional frameworks. Still open questions are the exact role played by the past working experience and working conditions in retirement decisions, and the influence of the length of exposure of a worker to certain working conditions on the intensity of the observed correlations.

**Box 4.1: Age-Dependent Absenteeism in Germany**

The loss of working days due to injuries and sickness is called absenteeism. Like any loss of working time it implies costs and hence a reduction in profitability and competitiveness. It may also lower productivity defined as output per labour input, because it inflates the figures on working time unless correction for days not worked occurs.

In Germany, the general sickness absence rate shows a negative trend over the period of 1970–2009 (Figure 4.4). It is contrasted with the U-shaped development of the share of 55–64 year-olds in employment over the same time period.

**Figure 4.4: Absenteeism and ageing of the employed in Germany, in %, 1970–2009**


Obviously, a fundamental change took place towards the end of the 1980s, with the sickness absence rate continuing to decrease although the share of the elderly increased. Absenteeism thus seems correlated rather with general labour market conditions than with the age structure. However, a positive relationship between age and absenteeism can be found in cross-sectional data (see Figure 4.5).
The sickness absence rate is thereby measured as the ratio of hours reported being absent due to illness to contracted hours in the reference week, based on micro-data from the Labour Force Survey (LFS). The absence rate increases monotonically with age until the (official) retirement age, suggesting that results are driven by the positive correlation between age and illness, but results may be biased due to cohort effects. The notably lower absence rate of age group 65+ may be explained by a selection effect: On average, it is people who are in good health which continue working after reaching the retirement age. Their low propensity for absence becomes even more evident when observing the post-retirement sample of workers alone (Ercolani 2006, cited by Livanos I, Zangelidis A (2010, p. 7). The findings suggest that the higher the pensionable age (i.e. the more time individuals are required to spend in the labour market), the higher the risk of absenteeism. However, as the higher life expectancy is estimated to be associated with lower rates of sickness, the outcome is indeterminate. Improving not only healthcare but also prevention, and adapting working conditions to the needs of the increasing share of older workers may well prevent the absence rate to increase with the ageing workforce.

CASE STUDY:
Factors Determining the Professional Activity of Elderly People in Poland

based on Anita Richert-Każmierska²⁸

Introduction

System reforms taking place in Poland at the turn of the eighties and nineties of the twentieth century, including reorganisation of the economy and its opening for the market, were related, among others, with promotion of early retirement of people which had worked before in liquidated or privatised national companies. A special system of so-called early retirement and bridge retirement was created. The approved solution was introduced to soften social effects of changes, i.e. to reduce the size of structural unemployment. Withdrawal of older employees with qualifications insufficient for the needs of a modern economy from the labour market was meant to increase the effectiveness and competitiveness of newly established companies. However, unfavourable demographic tendencies, including emigration of highly work-oriented younger people, as well as requirements from EU membership forced Poland to reconsider the policy of human resource reduction. In the meantime programmes were set up on the national and regional level for stimulating the professional activity of elderly people. Yet, on the one hand little is known about the needs and expectations of older workers, including factors that could lead to lengthening of their professional activity. On the other hand, discrimination up to exclusion of elderly people from the labour market before they reach the legal retirement age is still a common phenomenon.

Statistics and studies regarding labour markets are essentially provided by the Central Statistical Office of Poland (GUS). Unfortunately, the age criterion is only used for basic statistical indicators that describe labour markets; a detailed diagnosis of the situation of elderly people is hard to create on this basis. However, in recent years, the topic has also become the subject of European projects carried out with the participation of Poland. In the present study, the labour participation of age group 55 years and older is analysed; the data mostly refers to the national level. First, the professional activity of Poles is presented, especially that of Best Agers. Then, some light is shed on causes for early professional deactivation of elderly people in Poland. Finally, conclusions regarding factors that may stimulate a longer professional activity of Poles are drawn.

²⁸ The complete study can be found in the Appendices.
Professional Activity of Elderly People in Poland

In Poland the highest Professional Activity Rate among elderly people (i.e. of 45+ year-olds) is observed in age group 45–54 years; over the period of 2003–2010 it increased from 73% to nearly 79%. For the younger Best Ager group of 55–59/64 years, a similar increase, of 5.6 percentage points, is registered, but on a level which is roughly half of that for the 45–54 year-olds. In the age group 60/65+ years, i.e. of older Best Agers, the rate of professional activity is lower than 7.5% and between 2003 and 2007 declining (see Figure 4.6). Gender differences are generally pronounced, oscillating around roughly 10 and 20 percentage points for age group 45–54 and 55–59/64, respectively. The largest disproportions are visible among the 55–59/64 year-olds, in which men’s professional activity increased from nearly 42% in 2003 to 48% in 2010, while that of women first decreased heavily from 33.5% in 2003 to 25.3% in 2006, and then increased reaching again 33% in 2010.

Figure 4.6: Rate of professional activity by age in Poland, in %, 2003–2010

![Rate of professional activity by age in Poland](source: Richert-Każmierska, based on Economic activity of Polish population I' quarter 2010, GUS, Warsaw 2010.)

The Employment Rate is, of course, lower, but it decreases with age, indicating that for Best Agers self-employment is only rarely an alternative to employment. Gender differences are comparable for the 45–54 year-olds and somewhat less pronounced, reaching at most around 17 percentage points for age group 55–59. The average

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29 Professional activity includes the categories working (employed, self-employed, and supporting relatives) and unemployed (registered in labour offices as looking for a job).

30 The Best Agers groups are indicated as 55-59/64 and 60/65 and above, because the legal retirement age of women lies 5 years below that of men.
Unemployment Rate had steadily declined between 2003 and 2008 from 19.6% to 7.1%, but it has risen since, reaching 10.6% in 2010. The unemployment rate for the 45+ year-olds shows the same trend but is always (much) lower. This implies a high youth unemployment rate; and indeed, unemployment of 15–24 year-olds amounted to 24.6% in 2010. Further data for the 1st quarter of 2010 shows that employment as well as unemployment decreases with age, while inactivity increases drastically from one 5-years age group to the next. Roughly one third of age group 50–54 was unemployed or inactive in 2010, but more than half of the 55–59 year-olds and four fifth of age group 60–64. Finally, in the group over 65 years, less than 5% people are professionally active (Figure 4.7).

Figure 4.7: Composition of age groups by professional activity in Poland, in %, 2010

The share of people working on their own or supporting relatives thereby increases with age, while that of hired employees decreases. Earlier professional deactivation is obviously „easier“ for the latter, and the self-employed incline to stay professionally active for longer. Working women over 55 years are more often than men employed as hired hands or supporting their relatives. Also, a larger share of women works in the public sector compared to men in the same age group, and the younger generally search statistically shorter for a new job than the older.

Differentiating the composition of Figure 4.7 by gender yields that the pattern of professional activity is comparable among women and men in age group 50–54 and 65+. In the other two groups included in the study significant differences occur. Women definitely withdraw from professional activity sooner: more than 2/3 of
them in age group 55–59 and 87% of women aged 60–64 do not work. The corresponding figures for men are around 40% and 3/4. This means that in the five years proceeding the formal retirement age,31 less than 1/3 of citizens of both genders stay professionally active. The pattern of unemployment in age groups over 45 years shows some common features but also large differences between men and women. A first common feature is that the average duration of the job-seeking process is long; around a year for the younger (45–54) and up to 15 month for the older. A second common feature is that many withdraw from the labour market although with the intention to return. The main differences are first, that while among men aged 45–54 unemployment is mainly involuntary (loss of job), and more than half of women of that age withdraw themselves from the labour market, mostly with the desire to return later on. The second major difference is that women search for a new job statistically longer than men.

Finally, in 2010 the largest group among the unemployed aged 45 years and over consisted of people with low education. Surprisingly, their share is even higher among the 45–54 than among the 55–64 year-olds; the highest value is registered for men: over 50% of the unemployed men aged 45–54 had only basic professional education. If we sum up the shares of those with basic professional, grammar-school, primary or incomplete education, more than 70% of men have education lower than secondary, the corresponding Figure for women being 56%.

**Determinants of Continued Labour Participation of Best Agers**

**Health Status and Continued Education of Best Agers in Poland**

The causes for early secession of Best Agers’ labour participation most often addressed are poor health and improper education (see Chapter 3 of this Report).

In Poland, the share of Disability among 45–74 year-olds increases with age and differs significantly between women and men. Starting at an almost equal value of around 10% for the 45–49 year-olds, it steadily increases for women reaching some 25% in age group 70–74; for men it peaks in age group 60–64, declining thereafter to the same value as for women. Disability thus certainly is an impediment for continued labour participation of Best Agers in Poland. However, only 20% of the 50–64 year-olds display sever or complete inability to work. The rest is equally divided between a moderate or essential inability to work (40%) and a light level or part-incapacity to work (40%). Better prevention or rehabilitation as well as adapting working

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31 In Poland the formal retirement age is 60 for women and 65 years for men; it has been proposed to increase the latter to 67 until 2020 and to let the former unchanged until 2040.
conditions to the needs of the elderly could help at least the latter group to continue their professional activity.

In comparison to other member states of the European Union, the share of adults taking part in Life Long Learning is low in Poland. The general trend is, however, the same: after age 35–39, participation rates in educational programmes and initiatives steadily decline with age. Additionally, they generally depend on the place of residence, being higher among inhabitants of urban areas (but not for informal education). In 2006, some 80% of Best Agers (55–64 years) did not participate in any lifelong learning activity. Among the most often mentioned methods of self-education of adults are study of specialist literature and computer and radio programmes. Given the still low level of computer and internet skills or maybe, more general, of all modern communication technologies among elderly people in Poland, it is not surprising that Best Agers rely rather on radio information and the younger on computer programmes.

Other Determinants

In a study on the determinants of continued labour participation of the elderly, it turned out that working conditions have a limited explanatory power for early deactivation preferences (Table 4.1).

Table 4.1: Determinants of longer labour participation in Poland, in %∗

<table>
<thead>
<tr>
<th>Age group in years</th>
<th>Reasons which may influence the decision to lengthen the professional activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Flexible organisation of work time</td>
</tr>
<tr>
<td>50–54</td>
<td>33.1</td>
</tr>
<tr>
<td>55–59</td>
<td>25.0</td>
</tr>
<tr>
<td>60–64</td>
<td>19.3</td>
</tr>
<tr>
<td>65–69</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>24.7</td>
</tr>
</tbody>
</table>

*Multiple answers allowed.

However, 25% of younger Best Agers (55–59) declared that the flexibility of working time would influence their decision; among the older, the importance of this factor

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32 See "Change from work to retirement" (Przejście z pracy na emeryturę), Central Statistical Office of Poland GUS, Warsaw 2007. The survey was carried out using the additional LFS questionnaire ZD-F. The sample size was 9502 persons which after generalization resulted in a population of almost 4,5 million people. Less than 1% of participants in the main LFS survey to which the module survey had been submitted refused to participate.

33 Persons born in the years 1936-1956, members of households for which the ZD-F was completed, and who, in accordance with the definitions applied to the LFS, are at work or are not at work but who have had any kind of work after the age of 49.
decreases. Almost 15% of the 55–59 year-olds responded that better safety conditions would play a role; the lowest weight is attached to opportunity to rise qualifications. Furthermore, not only working conditions but also the availability of care services for the old seems to play a role nearly as important as better safety conditions.

Another preference aspect which was subject of the survey refers to ways to retire. Three choices were presented to respondents: complete stop of professional work after reaching a certain age; the possibility of mixing full retirement pensions with work; gradual decrease of commitment in professional work with simultaneous receiving retirement pension (Table 4.2)

Table 4.2: Preferred ways into retirement in Poland, in % of respondents

<table>
<thead>
<tr>
<th>Age group in years</th>
<th>Complete stop of prof. work after a certain age</th>
<th>Professional work + retirement pension</th>
<th>Gradual reduction of professional work + retirement pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>50–54</td>
<td>45.0</td>
<td>43.9</td>
<td>11.1</td>
</tr>
<tr>
<td>55–59</td>
<td>49.3</td>
<td>40.0</td>
<td>10.7</td>
</tr>
<tr>
<td>60–64</td>
<td>55.7</td>
<td>33.9</td>
<td>10.4</td>
</tr>
<tr>
<td>65–69</td>
<td>58.3</td>
<td>30.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Total</td>
<td>50.9</td>
<td>38.3</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Source: Change from work to retirement (Przejście z pracy na emeryturę), Central Statistical Office of Poland GUS, Warsaw 2007.

Half of the respondents regard a complete stop of professional work as the best way for retirement after reaching a certain age and 38% would prefer work participation while receiving a retirement pension. It seems worth underlining that while preferences for the former option decline with age, preference for the latter increases. Finally, the third possibility, of gradual reduction in labour participation while receiving a retirement pension, is constantly preferred by some 11% of respondents, no matter their age. In another study, results of a local survey among 1231 inhabitants (616 men and 615 women) of age 45–69 years in Cuiavian (Pomeranian Voivodeship) are reported.\(^3\) Around 35% of respondents were of age 55–59. The questionary included a question about reasons why people decide to retire; 21 possible answers were presented. The reason most often named was bad health (71%), followed by retirement legislation (43%); the latter includes reaching the retirement age but also instability of legal provisions regarding retirement (which are feared to worsen). Conditions and the type of work also played an important role, including

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\(^3\) Wśniewski Z (2009).
severe fatigue from full-time work and inability to find part-time jobs (20% of respondents); lack of satisfaction from work (18%); long commuting times to work and inability to find a less distant work place (13%). Other labour market related factors were earning considerations, including low salaries (earnings) in comparison to possible retirement pension (chosen by 17% of respondents); the possibility of increasing earnings by working professionally while receiving pension (14%); a lacking need to work, as retirement pensions are sufficient (11%) or because the family is financially safe (9%). However, there were also personal reasons indicated for retirement: the necessity of taking care of an ill family member (15% of respondents), of grandchildren (6%), or of providing help for adult children living on their own households (6%); the desire to live a stressless life (17% of choices), to spend time according to one’s own interests and hobbies (10%), to spend more time with family and friends (10%), or to retire with the partner (3%).

Deactivation of people in pre-retirement age is also the subject of a 2008 Report of the Ministry of Labour and Social Policy. The survey was conducted on the national level including a representative sample of 4500 women and 2500 men in pre-retirement age. It was accompanied by a qualitative study in form of interviews (circa 250) with various groups of respondents, including 40 people in pre-retirement age. (Surprisingly, however, the pre-retirement age was defined in this study as 55–70 for men and 50–65 for women, that is starting five years before official retirement and ending five years after that date.) The study revealed that the timing of deactivation by retirement is essentially determined by the requirements to receive a retirement pension in the public insurance system ZUS, that is by legal provisions. However, those earning relatively much, working on their own or part-time, as well as those whose earning had the tendency to increase do not retire despite fulfilling the legal criteria for so doing. Because of the positive correlation between the amount of salary and the education level, people with lowest, primary education deactivate the most often, while those with higher education deactivate most rarely. For the less educated retirement is a way to avoid unemployment. Among factors favourable for longer work is a good health and general competences like driving license, foreign languages, and informatics skills. This means that improving the health and qualifications of the elderly could be a way to delay their early retirement. Finally, a new job is most often considered better than the previous one by older people, when implying lower difficulty, less harmfulness, better organisation and shorter time-

35 This is in contrast to the situation reported in 2011 for Lithuania, where it is rather the other way round: low pension income compared to salaries motivating prolonged labour participation.
tables. It should thus be possible to delay retirement for some people at pre-retirement age by lowering their work-load.

Finally, a survey conducted by Anita Richert-Każmierska as part of this EU Best Agers project among 172 participants of the Third Age University in Gdansk, confirmed the results of the other studies. The determinants most highly scored for the early retirement decision were legal provisions, organisational changes occurring at the current work place, and the desire to have more leisure time available. All other reasons, including health issues, were of relatively minor importance, which is surely to a large extent explained by the composition of the studied group.37

**Summary and Conclusions**

A detailed diagnosis of the employment situation of elderly people in Poland is impeded by the lack of data: the age criterion is only used for basic labour market indicators. Furthermore, data concerning the older are often available only for age groups 45–54 and 55–59/64, which hinders comparisons with other BSR countries and statements about employment of the 55+. Anyhow, employment rates of the 55–59/64 year-olds amount to some 40% and thus to half the rate for age group 45–54. For retirees, that is, for the 60+ (females) and 65+ (males) year-olds, employment is at some 5% very low.

Several studies deal with possible causes for this development. Disability is generally considered a major impediment for continued employment. When asked why they decide to retire, people most often name bad health as a reason. However, selection for disability pensions may also be a way out of unemployment. The fact that disability among men peaks in age group 60–64, declining thereafter, is suggestive for this conclusion. A low level of computer literacy among the older also contributes to their reduced employability. Surveys reveal that among the factors determining the decision to stay active for longer, flexibility of the working time plays a major role. This accords well with the finding that only half of the respondents regard a complete stop of professional work as the best way for retirement, while 38% would prefer work participation while receiving a retirement pension; preferences for the former option thereby declines with age, while preference for the latter increases with age. Also, as generally the case, legal provisions largely determines the decision when to retire. However, in Poland not only do people retire as soon as they legally may, but they often do so because they fear that the legislation will worsen.

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37 See the Report on Activity 4 of the present EU project for details on the study and the results.
Part III Policy Frameworks in the Baltic Sea Region

Part III of this report deals with strategies, policies and initiatives regarding labour markets for the 55+ in the Baltic Sea Region (BSR). It starts with a brief overview of strategies on the European level and its impact in the Baltic Sea Region (Chapter 5). We then present some recent developments regarding policies for Best Agers on national labour markets in four BSR countries: Germany, Lithuania, Poland and Sweden (Chapter 6).

CHAPTER 5
Strategies on the European Level

In the last two decades, the EU has developed two strategies concerning the future of European countries: The Lisbon Strategy set up in 2000 for the period until 2010, and Europe 2020, which started in 2010; the latter can therefore be seen as a continuation of the former. In this Chapter we shortly present the two strategies (5.1) and their presumed impact on national labour markets, particularly for the older (5.2). Section 5.3 contains a summary and some conclusions.

5.1 The Lisbon Strategy and Europe 2020

The “Lisbon Strategy” was launched in 2000 to face the challenges of ageing and globalisation. Its objective, as pointed out by the European Council, was

“... to become the most dynamic and competitive knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment” (Nicole Fontaine, Presidency conclusions, Lisbon European Council, 23rd and 24th March 2000).

It focuses on reforms tending to enhance prosperity in the EU by addressing causes and consequences of globalisation and ageing. The main target for 2010 regarding labour markets was to reach an employment rate of at least 70% for age group 15–64 and of 50% for the 55+. It seemed evident that these targets would not be reached other than by structural reforms e.g. by promoting a lifecycle approach to active ageing or by lessening labour market segmentation. The Lisbon Strategy was renewed in 2005 with a focus on growth and employment, and its scope and aims were additionally clarified. Four priorities were defined: 1. Research and innovation, 2. Investment in people/Modernising labour markets, 3. Unlocking business poten-

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tial, particularly of small and medium size enterprises. 4. Energy/Climate change. Up to 2010, these issues were alongside others on the top of the political agenda in all EU27 member states. The Lisbon Strategy was thus able to set the national agenda for reforms.

The next strategy, “Europe 2020”, was established in 2010. It names five main goals to be reached by 2020; three of them are taken from the Lisbon strategy, demonstrating their past and future importance: labour markets; R&D and innovation; energy and climate change.

The first defined target is promotion of employment. The Commission declared that 75% of the population aged 20 to 64 years should be employed by the end of 2020. The average employment rate of age group 20–64 in the EU27 was 69% by that time. However, in Germany it was already 74.9%, such that the goal is rather to maintain the high employment rate and to further increase it, essentially by raising labour market integration of women, migrants, and the elderly – a recommendation applying to all EU countries.

The increase from 70% for the 15–64 year-olds in 2010 (Lisbon Strategy) to 75% by 2020 is due to the achievement, to a large extent, of the former goal. A second difference is that in “Europe 2020” there is no target employment rate for the 55+ year-olds mentioned any longer. This omission is somewhat surprising as the previously set 50% weren’t attained in many countries and particularly not in all regions in 2010.

The second goal is to reach an investment (public and private combined) in research and development (R&D) and innovation of 3% of the EU’s GDP. The third is related to climate change and energy use, demanding a reduction of greenhouse gas emissions compared to 1990 by 20% (or even 30%, if the conditions are right); use of at least 20% of energy from renewable resources, and a 20% increase in energy efficiency. These targets are thus more concrete in Europe 2020 than they were in the Lisbon Strategy. The target of unlocking business potential in the Lisbon Strategy was replaced by two other goals in Europe 2020: Education, and poverty and social exclusion.

Educational aspects are covered by the fourth target, according to which school drop-out rates should be below 10%, and the share of 30–34 year-olds completing third level education at least 40%. The fifth main goal concerns poverty and social exclusion: It was agreed on the reduction of people in or at risk of poverty and social exclusion by at least 20 million until 2020. For the targets see: http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm.

40 For the targets see: http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm.
each other (Figure 5.1). For example, employability increases with the educational level, while improved, education-based opportunities in R&D foster competitiveness and thus encourage the creation of new jobs which may in turn prevent poverty and social exclusion.

Figure 5.1: Relationship between the main targets of “Europe 2020”

With its strategy, the EU encourages “intelligent growth”, meaning a knowledge- and innovation-based economy which is usually the outcome of the following factors: higher quality of the educational system, increase in research achievements, improved support for innovations and knowledge transfer within the European Union, increased use of information and communication technologies, as well as the guarantee for innovative ideas to be implemented in new products and services that generate growth and create new jobs. A strategy targeting economic growth thus requires educational policies and measures to increase work participation and reduce structural unemployment. But it also demands measures in the field of social security and fostering social responsibility of companies. The modernisation and strengthening of labour markets includes the implementation of national flexicurity principles\(^4\) and the ability of people to adapt to new circumstances and career challenges via the acquisition of new skills. Equally important is the promotion of

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\(^4\) Measures to reduce labour market segmentation and to make it somewhat easier to reconcile private and business life.
healthy and active ageing, to sustain productivity and social cohesion. The lead initiative in this field is an “Agenda for new skills and jobs”.42

5.2 Results of the Lisbon Strategy in the Baltic Sea Region

General Employment

The Lisbon Strategy had a positive impact on labour markets in the EU27 even though the employment target rate of 70% for the 15–64 year-olds was not reached in all countries by the end of the considered period (see Figure 5.243).

Figure 5.2: Employment rates of 15–64 year-olds in the EU27, in %, 2000 and 2010

Data Source: Eurostat, LFS 2010, partly own calculations based on definitions in official EU statistics.

In 2008, the average employment rate had, at 66%, come quite close to the target, but during the subsequent financial and banking crisis it dropped again. Figure 5.2

43 Colours of BSR country-codes in Figure 5.2 correspond to colours of the line-graph in Figure 5.3.
illustrates that five EU27 member states had accomplish an employment rate of at least 70% in 2010, being examples of well-functioning labour market strategies and programmes that are able to weather a crisis: The Netherlands (74.7%), Denmark (73.4%), Sweden (72.7%), Austria (71.7%) and Germany (71.1%). Two further countries came very close to the target: Cyprus with an employment rate of 69.7% in 2010 and the United Kingdom) with 69.5%. However, in the United Kingdom and Denmark the employment rate was lower in 2010 than in had been in 2000, and the same applies for Ireland, Lithuania, Hungary, Portugal and Romania. All other EU member states saw an increase in employment over the given period, which may be the result of implementing the Lisbon Strategy targets into the national policy agenda.

The time-path of employment rates in the Baltic Sea Region countries is illustrated in Figure 5.3. It reveals that the Baltic States display a similar development of employment rates, although on mostly higher levels in Estonia and Latvia than in Lithuania. The employment increased until 2008 (highest in Estonia at 69.8%) and declined drastically thereafter reaching, for example in Latvia in 2010, the same low value of 59.3% as in Poland.

Figure 5.3: Employment rates in the BSR countries, 2000–2010

Data Source: Eurostat, LFS 2010; partly own calculations based on definitions in official EU statistics.

The development in the three Scandinavian countries is also quite similar, with Denmark showing higher values than Sweden and Sweden higher values than Finland. Even though Denmark’s employment rate in 2010 was lower than at the
beginning of the considered period, the actual value is higher than the target of 70%. In Finland the employment was higher than the targeted one in 2007 and 2008 but declined strongly afterwards, returning 2010 to its 2000 value of roughly 68%. In Sweden employment was at all times higher than 70% although it also registered a decline after 2008. However, in contrast to Denmark and Finland, the employment rate started to recover in 2009.

In Germany, the employment rate of 15–64 year-olds lied around 65% between 2000 and 2004 and started to grow thereafter. The positive trend was not interrupted by the crisis, the increase became only flatter. The target value of 70% was reached in 2008.

Poland, finally, is a particular case, as it displays a development of employment that differs from all other BSR countries, resembling at the same time qualitatively the average development in the Baltic Sea Region, albeit on a much lower level. The employment rate was lowest in the BSR until 2009; it fell until 2004 when it reached 51%, then increased until 2008 and almost stagnated at 59% since.

A major determinant of low employment in general is low employment of women and the elderly (Table 5.1 for Germany and average values for the EU and the BSR).

Table 5.1: Employment rates of women and older workers, 2000–2010

<table>
<thead>
<tr>
<th></th>
<th>EU27</th>
<th>Baltic Sea Region</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>Older Workers (55–64 years)</td>
<td>Women</td>
<td>Older Workers (55–64 years)</td>
</tr>
<tr>
<td>2000</td>
<td>53.6</td>
<td>36.8</td>
<td>56.3</td>
</tr>
<tr>
<td>2001</td>
<td>54.3</td>
<td>37.5</td>
<td>57.0</td>
</tr>
<tr>
<td>2002</td>
<td>54.5</td>
<td>38.2</td>
<td>56.7</td>
</tr>
<tr>
<td>2003</td>
<td>55.0</td>
<td>39.9</td>
<td>56.5</td>
</tr>
<tr>
<td>2004</td>
<td>55.4</td>
<td>40.5</td>
<td>55.9</td>
</tr>
<tr>
<td>2005</td>
<td>56.3</td>
<td>42.3</td>
<td>57.7</td>
</tr>
<tr>
<td>2006</td>
<td>57.3</td>
<td>43.5</td>
<td>59.2</td>
</tr>
<tr>
<td>2007</td>
<td>58.3</td>
<td>44.6</td>
<td>61.0</td>
</tr>
<tr>
<td>2008</td>
<td>59.1</td>
<td>45.6</td>
<td>62.2</td>
</tr>
<tr>
<td>2009</td>
<td>58.6</td>
<td>46.0</td>
<td>62.4</td>
</tr>
<tr>
<td>2010</td>
<td>58.2</td>
<td>46.3</td>
<td>62.3</td>
</tr>
</tbody>
</table>

*Data Source:* Eurostat, LFS, partly own calculations based on definitions in official EU statistics.

Even though employment of women increased after 2010, the most so in Germany with eight percentage points through 2010, it remains on average much lower than for men. Fortunately, the crisis of 2008 had only a small negative impact on female average employment in the EU, while average female employment rates stagnated in
the BSR and even increased in Germany. The situation is different regarding older workers. Their average employment rate in the EU increased throughout the whole period of 2000-2010. Until 2008, the increase was particularly pronounced in the BSR countries (on average) and even more so in Germany. However, while this trend continued after 2008 in Germany, it was interrupted in the BSR which nevertheless shows signs of recovery since 2009.

Employment of Best Agers

In the last years, lots of changes took place on labour markets resulting in the development pictured in Table 5.1. A closer look on the time-path of employment in single countries reveals large differences in achievements (Figure 5.4).

Baltic States

Among the Baltic States, Estonia was the first to reach the 50% target employment rate of older workers and it is also the only one that managed to remain above it after the 2008 crisis. From 2002 on, the employment rate of 55–64 year-olds increased to 62.4% in 2008, decreasing thereafter to 53.8% in 2010. Latvia and Lithuania reached the target of 50% in 2006 and 2007, respectively, but employment of the older is below it at present. The highest increase was registered in Latvia, where the employment rate grew by 12.8 percentage points between 2000 and 2010, while it was 10.5 percentage points in Estonia and 7.4 for Lithuania.

Figure 5.4: Employment rates in the BSR countries, 55–64 year-olds, 2000–2010

Data Source: Eurostat, LFS, partly own calculations based on definitions in official EU statistics.
Scandinavian countries

Employment of the older differs significantly in the three BSR Scandinavian countries, being by far highest in Sweden, where it steadily increased over the period of 2000–2010, reaching the 70% mark in 2007. In Finland the employment rate of 55–64 year-olds also increased continuously, reaching the 50% mark in 2004 and never falling below it afterwards, but the difference to the Swedish rate remains at over 14 percentage points in 2010 very high. In Denmark, the employment rate of the older fluctuates around 60%; the gap between the Swedish and Danish values thereby widens since 2004, amounting to almost 13 percentage points in 2010. The development in Denmark is suggesting that a high degree of deregulation of labour markets is not necessarily creating favourable conditions for employment of the older.

Germany

Employment of the older in Germany took a remarkable development in the first decade of the 21st century: Starting from the third lowest level in 2000, it reached the second highest value in 2010, almost equal to the Danish one – under totally different labour market conditions. The strongest impulse certainly came from the abolishment of early retirement agreements. But there are also educational and demographic effects at work. The educational level of the elderly increased continuously in the past, stimulating their employment. However, employment rates remain higher among younger Best Agers (55–59) than among the older (60–64). Given the Baby-Boom in the 1950ies, the number of the 55–59 year-olds increased over the period while that of 60–64 year-olds decreased. This demographic effect may lead to an increase in the aggregate labour participation rate of Best Agers, even if age-specific rates do not change. In Germany, it is documented statistically until 2006; from 2007 the effect reversed (StBA 2011, p. 44).

From 2004 on, the increase in employment of the elderly became stronger each year, being higher than for any other age-group. This could well be the result of German initiatives due to the Lisbon strategy that are implemented in the years 2005–2007 (see Chapter 6.2 of this Report).

Poland

The employment rate of the older is low in Poland compared to all other BSR, as is employment generally. There is nevertheless a positive development to be seen. Starting with 29% in the year 2000, employment of Best Agers reached 34% in 2010. This means that every third of the 55–64 year-olds is employed.
5.3 Summary and Conclusions

The EU has launched two strategies regarding future economic development: the Lisbon Strategy and Europe 2020. Labour markets are a major topic in both, but employment of the older is explicitly addressed only in the Lisbon Strategy.

Over the period of 2000–2010 average work participation of the older increased in the Baltic Sea Region from 39% to 52.5%. The target of the Lisbon Strategy was thus reached for the BSR in the aggregate. However, on the national level the situation remained as mixed as the starting conditions in 2000 had been. The target for overall employment was less successfully pursued, the 70% mark not being reached in the aggregate. Additionally, it was seriously damaged by the 2008 crisis; only two BSR countries managed to remain above the 70% mark for employment of the 15–64 year-olds throughout the 2000–2010 period: Sweden and Denmark.

The encouraging results from BSR comparative analysis are that employment of the older is increasing, that very high rates are possible (example Sweden) – and that both are possible under very different institutional settings. The development also shows that employment of the older is less prone to decline during recessions (which in conjunction with the result for general employment means that employment of the younger varies stronger with the economic development). The explanation could be that labour arrangements for the older are less flexible than for the younger. If this is good or bad is not assessable within the present report; it needs a larger context, which should include fertility, intergenerational comparisons of risks and chances regarding income generation and other factors as well.
CHAPTER 6
National Labour Markets and Initiatives Regarding Best Agers

6.1 National Labour Markets: Introduction

National labour markets in the EU show high diversity regarding the demographic and educational composition of its workforce and even more so with respect to regulations of work and pay. This is particularly true for the Baltic Sea Region which encompasses mature welfare states as well as new member states with market economies dating back no more than some 20 years. Yet, some recent developments are common to the entire BSR.

One of these developments is the increase in temporary employment which all BSR countries with the exception of Denmark experienced recently (Eurostat, 2011). The exception is not surprising, as flexibility of the Danish labour market is anyhow almost total. The highest increase was registered in Latvia with 2.5 percentage points but the starting level was at 4.3% only a third of the EU average in 2009. Another main trend in the EU was – in the same vain – an increase in part-time work, but again with exceptions among BSR countries: in Sweden and Lithuania the share of part-time work decreased slightly. Sweden nevertheless continues to register one of the highest part-time shares in the EU; one third of Swedish women are working part-time. Even if both are forms of flexible working arrangements, a distinctive feature of part-time is that it meets other needs than temporary work; it often serves a better work-life balance of employees.44

While the demand for increased flexibility on EU labour markets may at least partly be attributed to the consequences of the economic crises or generally to business fluctuations on globalised markets, a third major trend is essentially due to demographic development: changes in regulations regarding (early) retirement. The old-age dependency ratio45 increases heavily in all BSR countries. In 2010 it lied between roughly 19% in Poland and 31% in Germany, showing values of around 25% in Denmark, Finland, Estonia, Latvia, and only slightly divergent values in Lithuania (23%) and Sweden (28%); the EU27 average old-age dependency ratio was thereby 26%. By 2030 the EU average is projected to have increased to roughly 38% and national values in the BSR to lie mostly between 35% and 37% and only in Finland and Germany at 43% and 47%, respectively.46

44 For an analysis see e.g. http://web.jil.go.jp/english/reports/documents/jilpt-reports/no.7_anxo.pdf
45 The old-age dependency ratio is calculated as (number of people aged 65+)//(number of people aged 15-64)x100.
46 See http://www.eurofound.europa.eu for this and more comparative data.
All BSR countries have engaged in reforms to increase the sustainability of their pension system. In *Denmark* the early retirement age increases gradually from 60 to 62 and the regular retirement age from 65 to 67 years. *Estonia* increases the regular pension age in a phased way such that by 2026 it will be 65 years for both men and women. In *Germany* the Federal government decided in 2006 to gradually raise the statutory retirement age from the current age of 65 years to 67 years. The measure is implemented between 2012 and 2029. However, for long-time insured persons (with 45 insurance years) early retirement without pension cuts will be possible at the age of 65. In *Latvia*, the government is still seeking its way concerning the pensions system. It had introduced, then cut and afterwards compensated unpaid benefits after 2006 without adequately adjusting the rate of social contributions. In *Lithuania* the parliament is also engaging in recalculation of social benefits. In 2009 it gave a law that provides for a general temporary reduction of old-age pensions in 2010-2011 with exceptions for pensions of smaller amounts but including pensions paid to working pensioners. Reduced pensions will be compensated from 2012 on. In *Poland*, the debate on the financing of the pension system is ongoing. Controversy also arose over changes in the law introduced in December 2010 on combining a full-time job with a pension. Social partners oppose the obligation to terminate employment in order to obtain guaranteed pensions. In *Sweden*, a major topic of controversy since 2006 was taxation of pensioners compared to that of wage earners. Another one was differences between contributions of blue- and white-collar workers in the private sector to the collective occupational pension. Both were settled by decision for equal treatment of the respective groups. In *Finland*, the pension issues discussed over the last few years regarded mostly the retirement age and the increased use of unemployment as a path into early retirement.

In what follows four case studies of national labour markets are presented in some more detail: Germany, Lithuania, Poland and Sweden (6.2). Initiatives and legislations for the same four countries are the subject of Section 6.2. We then present a brief overview of retirement in Europe and focus shortly on the same four countries (6.3).
CASE STUDY: Germany

Germany's working-age population encompasses almost 54 million people, if only 15–64 year-olds are considered and 63.5 million, if the 65–74 year-olds are added. The former roughly corresponds to the total population of Spain and Austria taken together, the latter to the total population of France. The employment status of the German population is pictured in Table 6.1. Definitions thereby follow the ILO concept. The number of persons in each group is written in brackets; red stands for age group 15–64, blue for age group 15–74 years.

Table 6.1: Population in Germany by employment status, in Mio., 2009

<table>
<thead>
<tr>
<th>Total Population (81.8)</th>
<th>Working-Age Population (15–64 years: 53.9; 15–74 years: 63.5)</th>
<th>&lt;15 / 65+ or 75+ years (27.9; 18.3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Population/Workforce (41.1; 41.7)</td>
<td>Employed (37.9; 38.5)</td>
<td>Unemployed (3.2)</td>
</tr>
<tr>
<td></td>
<td>Self-employed</td>
<td>Otherwise employed:</td>
</tr>
<tr>
<td></td>
<td>- Employees with at least one hour of work per week</td>
<td>- Clerks</td>
</tr>
<tr>
<td></td>
<td>- Judges</td>
<td>- Unpaid family workers</td>
</tr>
<tr>
<td></td>
<td>- Not employed but job-seeking in the last 4 weeks;</td>
<td>- Available within 2 weeks</td>
</tr>
<tr>
<td></td>
<td>All age groups;</td>
<td>Not employed, not unemployed;</td>
</tr>
<tr>
<td></td>
<td>Not employed, not unemployed;</td>
<td>e.g. students, pensioners, housewives</td>
</tr>
</tbody>
</table>

Data sources: StBA, Eurostat, LFS, OECD; RZ graphics.

Employment and Self-Employment of the Older

The employment rate of 55–64 year-olds increased substantially within the last two decades, and particularly after the Lisbon Strategy was launched. The strongest rise is thereby observed in age group 60–64 years; their employment rate doubled within 18 years reaching 28.4% in 2009. However, this is a value still lying far below the employment rate of younger Best Agers (55–59). After the official retirement age of currently 65 years, work participation as employee declines heavily, even if there is some growth in this rate as well (Figure 6.1).

Self-employment rates are generally lower, but differences between younger and older Best-Agers are much less pronounced (Figure 6.2). The abrupt increase after 2005 in self-employment rates of age group 60–64 years is partly a consequence of changed legislation. In 2003, a law for the promotion of self-employment was introduced; in 2005 it was revised and further opportunities to foster start ups were
created. As a consequence, self employment in various forms increased drastically.\textsuperscript{47} Self-employment often continues after reaching the official retirement age. One reason is a lack of followers; another one is income. In the Microcensus about 40% of employed respondents in age group 65+ declared that the salary was their most important income source. This is particularly true for those self-employed not included in the compulsory pension system (to which they may contribute voluntarily).

Figure 6.1: Age-specific dependent employment rates in Germany,* in %, 1991–2009

Figure 6.2: Age-specific self-employment rates in Germany, in %, 1991–2009

\textit{Data sources:} Microcensus and Eurostat, own calculations.

*Including clerks, judges and unpaid family workers.

Among the 65+, almost one of two employed persons was self-employed in 2009; this is a share more than three times higher than among the 55–64 year-olds. Correspondingly, cross-sectional data reveals large differences in the age structure of employees and self-employed (see Figure 6.3). In 2009, the self-employed were with an average age of 48.1 years 6.7 years older than all the otherwise employed. The largest age groups among both categories of employed persons are the 40–49 year-olds; however, among the self-employed the share of the older than 49 years is higher that of the younger than 40 years, while the opposite is true for the otherwise employed. Self-employment thus deserves an increased attention in the discussion of employment opportunities for the older. International comparisons with other fast ageing nations may thereby be instructive. To give just one example: In Germany, 2.7% of the population aged 65+ was self-employed in 2009; in Japan it was 12.4% (Tivig/Waldenberger 2011, p.73).

\textsuperscript{47} See also under http://www.huk.uni-bonn.de/aktuelles/s-monitor-2009-aktuell.
Unemployment and Inactivity

Unemployment

When assessing the potential for compensating labour shortages, the unemployed and the inactive are of some interest as well. However, their rates are to a large extent subject to business-cycle oscillations; such that the potential is volatile (see Figure 6.4 for unemployment rates of Best Agers). Unemployment of the older is closely linked to job loss (see also Chapter 4) and early retirement; unemployment thereby often proceeds early retirement. For older cohorts (up to those born in 1951) there even exists an old-age pension because of long-term unemployment which may be drawn starting with age 60. This explains why the unemployment rate of age group 55–59 years was always higher than for the 60–64 year-old.

Additionally, starting in the mid 1990ies, many Best Agers were offered the opportunity to take advantage of a subsidised form of early retirement called ‘Altersteilzeit’. It allowed persons aged 55+ to either work half-time until they retire or to work 100% during the first years and retire fully afterwards. Costs for the policy measure (which was intended to promote employment of the young) exploded rapidly, leading finally to its end. Some big companies are now offering their own early retirement packages; like the public one, these models operate on a voluntary base. What also contributes to explaining the low unemployment rate of the older in Germany is that starting in 1996 unemployed persons aged 55 and above were no

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48 The corresponding Employment Promotion Reform Act (‘Arbeitsförderungs-Reformgesetz’) became fully operational on 01.01.1998.
longer registered as unemployed. Finally, the decrease in unemployment of Best Agers may also be ascribed to the “Initiative 50plus” concerning the Lisbon Strategy employment targets (see Chapter 6.2).

Figure 6.4: Age-specific unemployment rates in Germany, in %, 1991–2009

Data source: OECD, own calculations.

Inactivity

The inactive are a very diverse group, both in socio-economic and demographic terms. In contrast to unemployment, the inactivity rate is higher for older than for younger Best Agers (Figure 6.5) and at all ages higher for women than for men (Figure 6.6). The reasons for differences by age are the 58-rule for the unemployed (see Section 6.2) and early retirement, which is more frequent among 60-64 year olds (only disability pensions are possible for the younger than 60 in Germany). Reasons for differences by gender may be numerous: child care, elderly-care, military service, differences in the legal retirement age, etc.

However, in 2009, 89% of the inactive aged 15–74 did not wish to work. They can therefore hardly be seen as a substantial labour potential (Tivig/Waldenberger 2011, p. 78). Yet, as inactivity rates decreased between 1991 and 2009 (Figure 6.5), we understand that they may be influenced. Furthermore, age-specific inactivity e.g. of the young, may also reflect educational trends; while inactivity of the older is directly influenced by (formerly age-specific) retirement legislation. There may thus still be ways to activate part of this group, but maybe rather through education and pension policy than by labour market measures.
Marginal employment

Marginally employment is a particular, subsidised form of work defined not by a reduced working time but by the maximum of income earned in such jobs (currently 400 Euros monthly in mini-jobs and up to 800 in midi-jobs). Depending on qualifications and the type of activity, the resulting working-time will be shorter or longer. The subsidy takes the form of reduced taxes and social insurance contributions. Marginally employment may be the only employment a person has, but it may also be a side-job. It is usually believed to apply only to low qualification jobs, but in fact there are civil servants and self-employed resorting to it as a side-job, as well as educators or nursery-teachers found among them. However, the largest share is working in services, mostly in private households, many in restaurants or hotel.49

In 2010 18.6% of all the employed, that is 7 240 530 people, were marginally employed. All ages are found in marginal employment, but the older less than the younger (Figure 6.7). The share of 55–59 year-olds among the marginally employed nevertheless grew continuously from 2004 on, reaching 8.8% in 2010. At the same time, the corresponding share of age group 60–64 declined strongly until 2007 and grows slightly since. A different picture is offered by the development of age-specific marginal employment, i.e. the shares of marginally employed in total employment of Best Agers (Figure 6.8). Nearly 40% of the employed aged 60–64 years

49 See the EU project RESORE from the European Commission for an in-depth analysis of marginal employment in the EU. (European Commission, 2007, EU Research on Social Sciences and Humanities, Employees’ Resources and Social Rights in Europe).
were marginally employed in 2003. This share decreased to roughly 25% by 2010, meaning that one out of four working persons aged 60–64 is marginally employed. The share of Mini-jobs in employment of the 55–59 year-olds is much lower and nearly stagnates at around 15%. Nevertheless, the evidence suggests that Mini-jobs are an opportunity for older Best Agers.

Figure 6.7: Age structure of marginal employment, in %, 2003–2010

Figure 6.8: Age-specific shares of marginal employment, in %, 2003–2010

Data source: Statistik der BA and OECD; own calculations.

Temporary work

Temporary work exists in Germany since 1962. It differs from other contractual arrangements by its triangular nature (Figure 6.9).

Figure 6.9: Triangle in temporary work

The workplace of the employed is situated in the borrower company, but the wage payment comes from the rental company.

Temporary work is a boom industry (Table 6.2). In 2009, there was a high share of vacancies in the temporary-work sector in total. On the one hand this could be due to the increasing number of companies looking for new employees via rental companies. On the other hand the positive labour market development offers more opportunities to find a job without resorting to temporary work. The decreasing contribution of temporary work to the growth of the “subject to social insurance contributions employment” is indicative for that (IAB 2009, p. 390).

Table 6.2: Development of Temporary work in Germany

<table>
<thead>
<tr>
<th>Year (always June)</th>
<th>Number (in 1 000)</th>
<th>Share of employees subject to social insurance contributions (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>339</td>
<td>1.2</td>
</tr>
<tr>
<td>2001</td>
<td>357</td>
<td>1.3</td>
</tr>
<tr>
<td>2002</td>
<td>326</td>
<td>1.2</td>
</tr>
<tr>
<td>2003</td>
<td>327</td>
<td>1.2</td>
</tr>
<tr>
<td>2004</td>
<td>400</td>
<td>1.5</td>
</tr>
<tr>
<td>2005</td>
<td>453</td>
<td>1.7</td>
</tr>
<tr>
<td>2006</td>
<td>598</td>
<td>2.3</td>
</tr>
<tr>
<td>2007</td>
<td>731</td>
<td>2.7</td>
</tr>
<tr>
<td>2008</td>
<td>794</td>
<td>2.9</td>
</tr>
<tr>
<td>2009</td>
<td>610</td>
<td>2.2</td>
</tr>
<tr>
<td>2010</td>
<td>806</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Statistik der BA (Arbeitnehmerüberlassungen).

The development of temporary work relative to general employment shows a steep, positive trend due to repeated changes in regulations and legislation (Gutmann/Kilian 2009) and oscillations close to the business cycle (Figure 6.10). The age structure of temporary work is much younger than of total employment (Figure 6.11).
Temporary jobs are often taken by persons with difficulties in finding a job on regular markets. In comparison to the other employed, temporary workers are less educated, both in terms of graduation and occupational background (IAB 2009, p. 390). The high share of persons without any professional qualification is mirrored in the occupational groups to which temporary workers belong. From 2003 on, the largest group works in elementary occupations (nearly 34% of all temporary workers in 2010); followed by metal and electrical occupations (IAB 2009, p. 391; BA 2011). The employment outlook for temporary workers is relatively low; this is also displayed in the employment status before they enter the temporary work sector. Only one third was employed in another company before engaging in temporary work; almost 9% had never been employed before and 57% were unemployed but had already been employed in the past (BA 2011). To this extent, for many employees being a temporary worker is either the first or the only possibility to be employed. From 2000 on, the distribution of the duration of employment for temporary workers hardly changed. The share of enterprises using temporary work increases with the enterprise size. Especially large companies with many employees use the possibility of temporary work; this applies particularly in manufacturing, where roughly 70% of all temporary workers are found (IAB 2009, p. 392 f.).
CASE STUDY: Lithuania
partly based on Tomas Cernevicius

The Lithuanian population is small in numbers compared to other Baltic Sea Region countries; there are 3.3 million people in total. The active share is, however, large: 2.3 million, that is, around 70% of the total population, are aged 15–64 years (Table 6.3).

Table 6.3: Population in Lithuania by employment status, in Mio., 2009

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Working-age Population</th>
<th>&lt;15 / 65+ or 75+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3.3)</td>
<td>(15–64 years: 2.3; 15–74 years: 2.6)</td>
<td>(1.0; 0.7)</td>
</tr>
<tr>
<td>Working Population/ Workforce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1.59; 1.61)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>(1.39; 1.41)</td>
<td>Unemployed</td>
</tr>
<tr>
<td>(0.2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Data Sources: Eurostat, LFS; RZ graphics.

A major demographic challenge is emigration. Between 1990 and 2006 some 300,000 Lithuanians left the country, many of them were highly qualified employees from the public sector, particularly from the fields of health, education and social works. This development even worsened during the global economical crisis starting in 2008 which strongly affected Lithuania. While the yearly number of emigration had lied between 12.6 and 17.02 thousand in the period of 2004-2008, it increased to almost 22 thousand in 2009 and jumped to 83.2 thousand in 2010. Largely more than half of them were aged 25-39 years. This is not surprising when considering that the unemployment rate of the 15-64 year-olds tripled within two years, reaching 18% in 2010 and that the unemployment rate of people aged 25-39 years (considered in five-year groups) lies between 15% and 20%. These circumstances, among others, determine lower GDP growth rates projected for 2013-2014 and limit the possibilities to cover social protection costs of an ageing population.

Employment and Self-Employment of the Older

In 2009, 51.6% of people aged 55–64 years were employed. Employment thereby decreases with age as 63.2% of individuals aged 55–59, 37.3% of the 60–64 year-olds, and only 5.3% of people aged 65+ years were employed (Figure 6.12). These

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50 The study by Tomas Cernevicius can be found in the Appendices.
52 See for this and subsequent data: http://db1.stat.gov.lt/statbank/default.asp?w=1366.
figures are all larger than the corresponding ones for Germany; this is particularly visible for the 60-64 year-olds who display employment rates which are almost 10 percentage points higher in Lithuania than in Germany. Employment rates are thereby different between older men and women. While they were still quite close in 2009 for age group 55-59, amounting to nearly 66% for men and 61% for women, the employment rate for the older (60-64 years) amounted to 43% for men and only 33% for women. As the ongoing decrease in the working-age population will restrict the economy’s potential and might pose threat to competitiveness and economic growth, it is necessary to retain older workers active for the near future. Self-employment could also be a solution, as Lithuania reached comparatively high rates after 2000; however, self-employment rates of Best Agers dropped drastically during the crises (Figure 6.13).

The resulting age structure of self-employment (Figure 6.14) resembles that for Germany for those aged under 60, but reveals much lower shares of self-employment among the 60+ year-olds.

Inactivity

In Lithuania the share of inactive people aged 60+ in the total inactive population is much lower than in Germany (Figure 6.15 compared to Figure 6.6). Only some 8% of

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51 For some years and age groups data is not reliable: 55-59 year-olds for the year 2004; 60-64 year-olds for the years 2004, 2008, 2009; 65+ year-olds for the years 2005-2009.
the inactive are men aged 60-64, while it is 12% in Germany; for men aged 65-74 the difference amounts to roughly 10 percentage points.

A frequent reason for unemployment and inactivity of the older is that due to the industrial development and the occurrence of new technologies their former qualification lost its value. Additionally, older people are on the one hand less motivated to learn and upgrade their skills and display low vocational mobility; on the other hand, they are offered only limited opportunities for life-long learning. Therefore, one of the key barriers to higher labour market participation of the older is the mismatch between their qualifications and the market needs. A second reason for low activity figures of the older is undeclared work which is generally becoming more and more popular among the long-term unemployed of which many are Best Agers. A third reason for inactivity is to be found in attitudes. The majority of older people in Lithuania are inclined to care of constant daily living needs, to help their children and to have close relationship with the family, but they are not used to engage in the labour market.

Figure 6.14: Age structure of employment in Lithuania, in %, 2009*

Figure 6.15: Age-structure of the inactive by gender in Lithuania, in %, 2009

Data sources: Eurostat, LFS; own calculations.
* Data for the self-employed aged 60-64 and 65+ is not reliable.
**CASE STUDY: Poland**

*partly based on Anita Richert-Każmierska*

The Polish population still presents a relatively large share of the working-age group (Table 6.4); at roughly 71%, in 2009 it is comparable to the situation in Lithuania.

Table 6.4: Population in Poland by employment status, in Mio., 2009

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Working-age Population</th>
<th>&lt;15 / 65+ or 75+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>(38.2)</td>
<td>(15–64 years: 27.2; 15–74 years: 30.0)</td>
<td>(11.0; 8.2)</td>
</tr>
<tr>
<td>Manpower/ Workforce</td>
<td>(17.0; 17.2)</td>
<td>Inactive Population</td>
</tr>
<tr>
<td>Employed (15.6; 15.8)</td>
<td>Unemployed (1.4)</td>
<td>(21.2; 21.0)</td>
</tr>
</tbody>
</table>

*Data Sources: Eurostat, LFS.*

**Employment and Self-Employment of the Older**

The professional activity level of people aged 50+ is low in Poland and its development different from the ones observed in Germany or Lithuania. The employment rate of 55–59 year-olds shows a drastic change in Poland between 1997 and 2009, but the maximum level achieved is at some 30% still roughly half of the values close to 60% registered in Germany or Lithuania. The situation is similar for age group 60-64 years, albeit on a much lower level. Roughly 10-15% of 60-64 year-olds were employed throughout the period considered and the trend is negative, while in Germany and Lithuania the positive trend approaches values close to 30%. Only in the group of retirees aged 65+, employment in Poland is somewhat higher than in the other two countries, but the trend is, again, negative (Figure 6.16).

It must thereby be mentioned that the employment rate of younger Best Agers (55-59 years) is the result of efforts to increase their labour participation, undertaken particularly after the Lisbon Strategy was launched. However, while the share of hired employees is lower, the share of people working on their own and supporting their relatives was recently higher in Poland for those aged 55-59 than in Germany or Lithuania, even if it had decreased strongly over the period of 1997-2009 (Figure 6.17). The negative trend in self-employment rates also applies to age groups 60-64 and 60+. Two developments mainly contribute to low employment of the older in Poland: difficulties in finding employment and early retirement.

*54 The underlying study can be found in the Appendices.*
The age-structure of the employed (Figure 6.18) shows much lower shares of dependent employees aged 55+ than in Lithuania and Germany. Regarding self-employment, the shares of Best Agers are similar in Poland and Lithuania but (much) lower than in Germany. For younger age groups, differences are large between all three countries regarding employment, while the age-structure of self-employment is less divergent in Germany and Lithuania.

Data Sources: Eurostat, LFS; own calculations.
Unemployment and Inactivity

Between 2003 and 2010 the average unemployment rate among people aged 45 and over was always significantly lower than the average unemployment rate in Poland. For example, while the average national unemployment rate was 13.8% in 2010, it amounted to only 10.6% for the 45+, and it was even lower within the Best Agers group (Figure 6.19). This means that unemployment impacts on elderly people less than on younger ones. However, elderly people seek a new job statistically longer than younger ones, particularly women. More than 1/3 of unemployed women in age of 45+ seek for a job on average more than a year, while the average length for job seeking of age 55+ is more than 15 months. Among the unemployed aged 45+years, the biggest group consists of people with low or incomplete education; thus, 70% of unemployed men aged 45+ have lower than secondary education.

Economic inactivity in Poland is high. The share of the inactive population in the total population is at roughly 55% higher than in Lithuania (52%) and Germany (48%). Furthermore, a comparison of the age structure of the inactive population between the three countries reveals that while the share of younger Best Agers (55-64 years) in the total inactive population is higher in Poland than in Lithuania or Germany (except for men aged 60-64 where the share is highest in Germany), the corresponding shares of older Best-Agers (65-74) are (much) lower.

Figure 6.19: Age-specific unemployment rates in Poland, in %, 1997–2009

Figure 6.20: Age-structure of the inactive by gender in Poland, in %, 2009

Data Sources: Eurostat, LFS; own calculations.

Passivity of elderly Poles comes about through permanent withdrawal from the labour market because of retiring or bad health condition and disability. Among
people in age group 55+, more than 60% benefits from retirement pension, while amid people in the age 65+ almost 90% draw a retirement pension. Women thereby withdraw definitely sooner from professional activity than men: more than 2/3 of women aged of 55-59 is professionally inactive, while among women between 60 and 64 years of age ca. 90% stay professionally passive. In the case of men, only roughly 1/3 is professionally passive in age group 55-59, and more than 72% in group 60-64.
The total Swedish population amounts to 9.3 million people; 6.1 million of them are of working-age 15–64 years. The number of the 55–74 year-olds grew over the last twenty years. The increase has been greatest in the 55–64 age group.\(^5\)

Table 6.5: Population in Sweden by employment status\(^5\), in Mio., 2009

<table>
<thead>
<tr>
<th>Total Population (9.3)</th>
<th>Working Population (15–64 years: 6.1; 15–74 years: 7.0)</th>
<th>&lt;15 / 65+ or 75+ years (3.2; 2.3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Working Population/ Workforce (4.8; 4.9)</td>
<td>Inactive Population (4.5; 4.4)</td>
</tr>
<tr>
<td>Employed (4.4; 4.5)</td>
<td>Unemployed (0.4)</td>
<td></td>
</tr>
</tbody>
</table>

Data Sources: Eurostat, LFS.

Compared to other EU countries and the EU27 average, the employment rate is relatively high in Sweden (being 78.3 per cent in 2009). However, the employment rate spread between different groups is large. Women have a lower employment rate than men. The same result is mentioned for Germany, Lithuania and Poland. Young and older people as well as the foreign-born have a considerably lower employment rate than the working-age population. They can therefore be seen as a labour potential that can be activated by adequate policy measures. For example, labour market participation in the older age group (55-74) is higher today than it was in 1990. Here, the introduction of a new pension system in the 1990s and increased opportunities to continue working over the age of 65 have probably helped to increase the supply of labour.\(^5\)

Employment and Self-Employment of the Older

Labour force participation among people aged 55–64 in Sweden is the highest in the EU; nearly 1.5 times higher than the EU27 average. However, the labour force rate reduces gradually as people get older and there is a sharp fall for obvious reasons when they reach retirement age at 65. During the 1990s crisis, there was a slight downward trend in the labour force rate for 55–64 year-olds but since the end of the 1990s, the trend turned again into growth. In 2009, the employment rate for 55–59 year-olds was 70%, with the majority being permanently employed; employment of

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\(^5\) The complete study can be found in the Appendices.

\(^5\) Results from Statistics Sweden forecast (Euromonitor International from National Statistics)

\(^5\) Definitions follow the ILO-concept.

\(^5\) Monetary policy report, July 2011, Riksbank, Sweden
the older Best Agers (60-64) was at 52% still relatively high. Among the 65-74 year-olds only 3.4% were employed (Figure 6.21); among these, almost every other person was self-employed or an unpaid family worker. This share was significantly higher than for the younger age groups. Remarkable is also the small difference between self-employment rates of age groups 55-59 and 60-64 years (Figure 6.22), compared to results for the other three BSR countries here focused. Finally, and maybe surprising, the share of full-time employed was higher for the 55-64 year-olds than for people aged 65-74 years.

Figure 6.21: Age-specific dependent employment rates in Sweden, in %, 1995–2009

Figure 6.22: Age-specific self-employment rates in Sweden, in %, 1995–2009

Data Sources: Eurostat, LFS; own calculations.

The employment rate correlates with the level of education. Among people in the 55-64 age group with only a compulsory school education, nearly 60% were employed. The corresponding proportion of people in the same age group with a post-secondary education was 81%. The percentage difference in the employment rate was considerable in the 65-74 age group as well, where the employment rate among people with only a compulsory school education was 8.5%, while the corresponding proportion for people with a post-secondary education was 20.7% during 2009.

The age structure of the Swedish employed mirrors the high employment rates for the older, particularly regarding self-employment (Figure 6.23). Many studies show that self-employed are active up to a higher age compared to employees. Thus, support for self-employed and especially for the older self-employed may contribute to higher employment among older people.
Unemployment and Inactivity

Unemployment among the elderly is quite low in Sweden, but those who are affected, are at risk of long-term unemployment. On average in 2009, the unemployment duration of the 55–64 year-olds was more than 50 weeks, while the average for the 25–54 year-olds was 32 weeks. Reasons include employers’ cost of employing them, employers’ attitudes towards older workers, the design of the occupational pension systems and retirement norms. Similar to the German development, the unemployment rate of the two older age groups came close after the 2008 crises, but on a lower than the German level (Figure 6.24).

Inactivity is comparable to the situation in Germany in terms of the share of the inactive in the total population; it amounts to roughly 48%. The age structure of the inactive (Figure 6.25) is similar to Germany’s and Lithuania’s for the younger Best Agers (55-64 years). The shares of older Best Agers (65-74) in the total inactive Swedish population lie between the values found for Lithuania and Germany. These shares are of importance when thinking about compensation potentials for the shrinking of the active population under demographic change; potentials which could be activated by proper policy measures.

The reasons for inactivity in Sweden are the usual ones. Almost two out of three persons outside the labour force and of age 55-64 considered themselves to be ill, while 23% considered themselves to be pensioners. Being inactive due to sickness was thereby more common among women than among men. Finally, among the
economically inactive in the 65-74 age group, 92.6 percent considered themselves to be pensioners.

Figure 6.24: Age-specific unemployment rates in Sweden, in %, 1995–2009

Figure 6.25: Age-specific inactivity by gender in Sweden, in %, 2009

Data Sources: Eurostat, LFS; own calculations.

Outlook

In 2010, the Swedish labour market began a broad-based recovery following the economic crisis. Employment rose throughout the year and unemployment began to drop. Labour force participation has also begun to increase again. But while the labour market outlook has brightened, the number of people registered with the Public Employment Service remains relatively high. As a result of the economic crisis, the percentage of people with long registration periods at the Public Employment Service has also increased sharply. There have long been groups, namely, young people, people born abroad, older people, people with disabilities and people with lower education, that find it particularly difficult to become established in the labour market. Policy measures in Sweden, as in the other three BSR countries here analysed, therefore target particularly these groups.

6.2 Initiatives and Legislation

The EU27 countries all tried to set the Lisbon Strategy targets regarding employment on their political agenda. The most important step towards rising labour participation of the 55+ year-olds is to prevent early retirement. Many studies show that re-integrating older workers in the workforce is much harder than keeping them continuously active. In what follows, we take a brief look on some major initiatives regarding the workforce 55+ in Europe. However, this is such a dynamic field of pol-
icy, that it is almost impossible to give an up-to-date review. We mainly concentrate on the case of Germany, Lithuania Poland and Sweden.

**Germany**

There are several regulations and legislations regarding the elderly and their employment in Germany; among other things they aim at reaching the target employment of the elderly rate according to the Lisbon Strategy. The main programmes, laws or the like are described in what follows.

**Federal programme “Perspective 50plus – Employment Packages for the Elderly in the Regions”**

This programme was launched in October 2005. It includes in brief three aspects:
- The occupational integration of older long-term unemployed aged 50+
- Their integration into regional structures and networks
- Federal programme for 62 innovative regional pilot projects.

Initially, 62 innovative regional pilot projects that were part of a nationwide design competition were funded for a period of two years by a total of 93 working groups and municipal authorities. By the end of the first step of the programme in 2007, already more than 20,000 older long-term unemployed had found employment. Approximately 81% of these jobs were within the scope of national insurance. In order to perpetuate the work agreements and to expand their regional impact, a second phase of the programme took effect in the years from 2008 to 2010. Altogether, the selected projects focused on the creation and deepening of regional networks and the cross-regional exchange of information and experience between projects’ participants. Regional workshops with the project members and a joint communication platform were supporting this process; it was intended to strengthen structures that will support permanent integration of older persons into the labour market beyond the respective regions and the funding period. Additionally, the most successful projects could become the basis for nationwide strategies and solutions (best practice). The BMAS expected another 50,000 older long-term unemployed to be integrated into the labour market between 2008 and 2010 due to the federal programme (IAB 2009, p. 89 f.).

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59 “Perspektive 50plus – Beschäftigungspakte für Ältere in den Regionen”.
60 BMAS – Bundesministerium für Arbeit und Soziales
Change of law: Fifth Law Amending the Third Social Act and other Laws\textsuperscript{61}

This change of law took effect on 1\textsuperscript{st} of January 2006. The basic content of the law relevant for the Best Agers project is a renewal of temporary measures to promote employment of the older and an extension of the “58 regulation” until the end of 2007.

The law promotes particularly the employment of older workers through the extension of temporarily established instruments, as well as through self-employment. However, it also set a somewhat controversial signal with the extension of the so-called 58-rule until 2007. The 58-rule gives access to unemployment benefits for unemployed persons aged 58 and above; at the same time they were no longer counted as unemployed. The law was justified by stating that there were not enough employment opportunities after job loss due to age; thus one should wait until the structural reforms take effect on the labour market (IAB 2009, p. 90 f.). The government also prolonged another measure for increasing future employment opportunities for older employees: the wage guarantee for the elderly introduced with Hartz I in 2002. According to this guarantee, an unemployed person aged at least 50 years who accepts a job with lower salary than in its former job, is granted a bonus to its pay as well as an additional contribution to pension insurance. Furthermore, employers who hire an unemployed person aged 55 or older are exempted from paying their contribution to unemployment insurance. This arrangement was extended until 2007. Finally, older workers who are threatened by unemployment are being supported through the financing of further training costs; this provision is still valid (see below).

WeGebAU\textsuperscript{62} – The training of low-skilled and older employees in companies

The programme started in early 2006. The essential feature of the programme concerning the Best Agers project is the payment of training costs for older workers in firms with up to 100 employees, thus raising their chance to remain longer in a company. The Federal Employment Agency has been promoting vocational training for older and low-skilled workers since 2002. Part of it is the special programme WeGebAU that has strengthened the preventive instruments and thus, the opportunities for older and low skilled workers in companies since early 2006. The programme was supplied with € 200 million at its launch in 2006 and pursued, among other goals, also the integration of low-skilled and older unemployed people. There

\textsuperscript{61} Gesetzesänderung: Fünftes Gesetz zur Änderung des dritten Buches Sozialgesetzbuch und anderer Gesetze

\textsuperscript{62} Weiterbildung Geringqualifizierter und beschäftigter älterer Arbeitnehmer in Unternehmen – Programm WeGebAU
were only two requirements: the workers had to be at least of age 50 and the employer was obligated to pay the ordinary salary while the employee was absent for training. In 2007, the programme was continued in a modified way. It is now only focused on elderly and low-skilled workers (IAB 2009, p. 94).

**Initiative 50plus: Act to improve employment opportunities for older people**

This initiative started in May 2007. The essential contents of the act are:

- Change of the combined wage: wage protection for older workers
- Transformation of the special rule concerning subsidies for hiring older people
- Extended support for additional training of workers
- Change of fixed-term jobs towards the EU law.

The aim of the “Initiative 50plus” was to raise the employment rate of over 55 year-olds to 50% by 2010 (as pointed out in the Lisbon Strategy), while reducing the early labour force exit of older workers. Therefore, the law contains labour and social law regulations that are aimed at employees and employers. The law is closely related to the increase of the retirement age to 67, since an increase in the retirement age also requires an improvement in the labour market opportunities for older employees.

The wage guarantee was introduced in 2002 with the “First Act for Modern Services on the Labour Market”. It is a combi-wage for unemployed persons aged 50+ who accept a job with a lower net income than the income that will be consulted to calculate their unemployment benefit. This decline in earnings must be at least 50 € and is partially paid by the employment agency to the employee. In addition, pension contributions are increased by the Employment Agency to up to 90% of the previous amount. Thus, the time of the payment of insurance contributions was actually extended: the wage subsidy and the subsidy to the pension insurance are now paid for two years. In the first year, the additional payment is 50% of the net income difference, while in the second year it is 30%. (In the former law, the wage guarantee was paid only for the period in which the unemployed were also entitled to unemployment benefits ALG I. The bonus was then 50% of the net income difference).

The existing arrangement for hiring older workers was expanded with an integrated subsidy for persons aged 50+ years. The following minimum funding conditions were agreed on: The subsidy is paid for at least one year and amounts to at least 30% of the wage. The funding limits are still three years and 50% of the wage and the funding will only be granted if an employment contract is established for a minimum of one year. Older unemployed persons get the grant if they were unem-

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61 Initiative 50plus: Gesetz zur Verbesserung der Beschäftigungschancen älterer Menschen
ployed for six months. Employers are still exempt from the obligation to employ the workers beyond the funding time and from paying back the integration subsidy.

The application of existing regulations to promote the training of workers has been extended for some approved activities. The age limit of participants was lowered from 50 to 45 years; the funding scope was raised from firms with up to 100 employees to those with fewer than 250 employees. Prerequisite for the promotion is (still) that the training takes place under an existing employment relationship and that the employee is entitled to a wage. Funded employees receive an educational voucher with which they can participate in certified training by a freely chosen education provider from an approved list. Finally, with the new regulation of temporary employment contracts of 52+ year-old workers, the legislature responded to a decision of the European Court dated 22.11.2005. A requirement is now, in addition to an age of at least 52 years, that the hired worker was without employment in the last four months (IAB 2009, p. 117 ff.).

Initiative “Economic Factor Age”

The initiative “Economic Factor Age” (Wirtschaftsfaktor Alter) started on 23rd of April in 2008. It originated from the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth in cooperation with the Federal Ministry of Economics and Technology and is complemented by other activities of the federal government. These activities include, for example, initiatives in the field of employment policy, health policy and in the field of volunteering.

"Economic Factor Age" is part of the umbrella initiative "Age Creates Something New" and also supported by it. It aims at improving the quality of life for older people and at demonstration of the market potential for generation-oriented products and services. It uncovers incentives for the development of innovative products and services for all generations, encourages older people to become self-employed or to stay employed, draws attention of a wide public to the economic role of older people and supports the elderly in their role as consumers. The initiative merges senior, business and consumer policy. It uses the experiences, requests and desires of the 50+ year-olds and raises companies' awareness for the economic opportunities of the demographic development. Finally, the initiative also provides a plat-form or forum for exchanging experiences and ideas, entering a dialogue between business, science and seniors.
Box 6.1: National Initiatives in Lithuania

Given the high unemployment and inactivity level of Best Agers and the gap between qualifications required and qualifications offered, the Lithuanian government has undertaken a series of measures to prevent high unemployment from developing into structural unemployment and to improve integration of the older into the labour market. It thereby aims at making work more attractive and balancing security and flexibility.

In April 2003, the Ministry of Social Security and Labour approved the Plan of Measures for Improving Employment and Social Protection of Unemployed Pre-pensioners for 2003-2004. The Plan covers different measures for increasing employment, maintaining employment guarantees, extending social guarantees, as well as preventative and information measures aimed at older unemployed. In implementing the Action Plan the “Programme in Support of Unemployed Pre-pensioners 55+” was approved; in 2003, over 8.5 thousand unemployed participated in this Programme. In June 2004 the National Strategy on Overcoming the Effects of Ageing was adopted; a corresponding Plan of Measures for Implementation for 2005-2013 followed in January 2005. The Strategy concerns the integration of ageing factors into all policies, balancing economic and social development with demographical changes and mitigating social and economic effects of ageing.

Additional support measures for employment of pre-pensioners envisaged by law are: the period of notice about termination of employment contract with pre-pensioners is longer, i.e. up to 4 months; pre-pensioners enjoy priority right in retaining their jobs in case of redundancies; the unemployment benefit payment period for pre-pensioners is extended for up to 8 months, and for individuals with 2 years remaining until pension – until they reach retirement age; and the most socially vulnerable groups of pre-pensioners may be employed in subsidised jobs. Creation of subsidised jobs for unemployed pre-pensioners thereby depends upon duration of their unemployment and age. In allocating financial support for projects of local employment initiatives priority is given to those projects the implementation of which will result in creation of at least one third of jobs for individuals aged 55 and over. Support is also provided to NGO initiatives aimed at increasing employment of older people. Work in this field includes organisation of social activity for the community’s benefit and development of volunteer work among older people.

In implementing the inclusive growth priority of the Europe 2020 strategy, Lithuania will seek to achieve that each resident willing and able to work has the opportunity to use his labour potential to full and secure an adequate subsistence level through work at any stage of life. The targeted employment levels for the seniors (55-64 years) are thereby 52.5% for 2015 and 53.4% for 2020. As the 55-64 year-olds are the only age-group projected to increase in numbers through 2030, it is of utmost importance to increasing their employment level as well.

Source: Tomas Cernevičius (2011), “A Study of Implementation of EU Labour Market Policies regarding the 55+, taking as a Case Study Sweden, Poland and Lithuania”. The complete study is found in the Appendices.
Box 6.2:
National Initiatives in Poland

The modernisation of the labour market is one of the top priorities in the Polish National Reform Programme for years 2008-2011 in order to reach the targets of Europe 2020. It defines directions of needed changes in Poland in the context of social and economic priorities accepted by the Community in the Lisbon Strategy, and it takes into account declarations and decisions of the Polish government to stimulate the professional activity of older people. However, a Report on intellectual capital of Poland uncovered severe impediments to employment of the older. The Report presents a diagnosis of the intellectual capital in Poland divided into four age groups: children, the young, adults, seniors. Seniors were defined as people in immobile age, 50 and more years old. The intellectual capital of Polish seniors was found to be lowest among 16 countries studied. As main causes were mentioned: a low level of professional activity of Polish seniors, a high level of alienation among older people, and a low level of healthcare service access.

As actions necessary to undertake in order to improve the living standard of Polish seniors, the document recommends the introduction of radical government policy toward people of 50+, encouraging and stimulating their professional, social and educational activity. Among other things, creation of a social pact for the activity of people of 50+ and promotion of a healthy aging model as well as improvement of educational offers for older people are recommended. The basic Polish policies for softening social and economic effects of an ageing society are currently defined by three programmes:

- 50 plus: Programme issued by the Ministry of Economy and Labour in 2004 for the employment of people aged 50+;
- 45/50 plus: Programme of the Ministry of Economy and Social Policy launched in 2008 to promote employment, soften unemployment effects and stimulate professional activity of people at immobile age;
- Generation Solidarity Programme: introduced by the Council of Ministers in 2008, referring to actions to stimulate the professional activity of people aged 50+.

The older are targeted in all existing Strategy Papers. In the Country Development Strategy 2007-2015 older people are indicated as target group of undertaken actions in third and fourth priorities. The Strategy of Human Resources Development includes reference to models of continual education adequate to the needs of older people to promote their professional and social activity and development of a silver economy. The National Employment Strategy 2007-2013 plans activities that have an influence on stimulating the professional activity of older people. For example, in the fourth priority, stimulation by encouragements for employers to employ people aged 50+, and to employees to stay in employment after age 50.

Activities carried out in next years, with co-financing from Union’s funds, should cause an increase in employment of Best Agers. The 50+ already benefit from professional and general trainings, refunds, as well as professional advice and help in active job seeking. By legislation the unemployed aged 50+ are considered as „people in a special situation on the labour market”. This means that they have more rights in comparison to other unemployed groups. From the registration date on, the local Employment Agency is obliged to present special offers to older unemployed within the period of 6 months, e.g. the participation in a professional workplace preparation programme.

Source: Anita Richert-Każmierska (2011b), “Inventory and analysis of policy frameworks in the Baltic Sea Region – Polish example”. The complete study is found in the Appendices.
Box 6.3: National Initiatives in Sweden

Sweden presented proposals for their national targets concerning Europe 2020 in the Spring Fiscal Policy Bill and in its National Reform Programme (both 2011). Guideline 7 of the latter tackles the employment target.

The Swedish Government aims at increasing the employment rate to well over 80 per cent for women and men aged 20–64 by 2020. This is 5 percentage points higher than the target on EU level. From the fairness and effective use of society’s resources perspective, it must be possible for all groups in Sweden to enter and be part of the labour market (without any discrimination). The increase should therefore primarily be achieved in groups with lower participation in the labour market and by preventing long periods without work.

In addition to earlier reforms, in 2010 the qualifying time for a new ‘start job’ has been temporarily shortened from twelve to six months for people who have turned 55. A start job is a form of subsidised employment aimed at facilitating the employment of people who have been absent from working life for a long time. In general, unemployment among the elderly is low. But when older people are affected they face particular difficulties to re-establish themselves in the labour market. Therefore, further measures have to be taken for older people aimed at supporting their self-employment and at stimulating the demand for labour. The demand for older workers could be increased by subsidies but also by changes in work organisation. Another possibility is to encourage gradual retirement through different forms of (subsidised) part-time pension schemes. There is however a problem with such a system. It may lead both to an increased employment rate among older workers but also to part-time work for some who would have continued to work full-time if they had not been offered a subsidised part-time pension.

Most policy changes recommended in the last years refer to prolongation of employment, like: avoid introducing in economic crisis special programmes for early exit with an income transfer; diminish the incentives to leave early in the various income transfer systems; increase the minimum age for mandatory retirement from 67 to 70 or forbid mandatory retirement; make 67 the normal retirement age; increase the lowest age for taking an old-age pension from 61 to 62; increase the ceiling in the old-age pension system; when restructuring the public sector avoid offering pensions up to retirement for older employees; abolish the rules existing in some supplementary pension schemes which forbid those who have received a pension to take a new job. The large majority of these policies are options for the political authorities; some are options for social partners.

Source: Tomas Cernevičius (2011), “A Study of Implementation of EU Labour Market Policies regarding the 55+, taking as a Case Study Sweden, Poland and Lithuania”. The complete study is found in the Appendices.
6.3 Retirement in the European Union: A Brief Overview

The old-age retirement decision rarely coincides with exit from labour markets. Most often periods of unemployment lie in between. In the majority of cases, women retire earlier than men. Figure 6.26 gives an impression of the discrepancies in member countries of the EU. Among the countries here displayed, Portuguese women and men retire the latest, followed by Swedish men and women from Ireland.

Figure 6.26: Average labour force exit by gender, 2002–2007

![Average labour force exit by gender](image)

*Data Source: OECD.*

The official retirement age for Danish, Finnish, German, Polish and Swedish men was 65 years in the period of 2002–2007; for women it was lower in Poland (60 years). Danish men thereby retired on average 1.5 years earlier than the official pension age, while women retired already on average at the age of 61.3. The situation differs in Finland insofar as men retired earlier than women. However, the labour force exit age is on average lower than the official retirement age of 65 years for both genders; men retire on average with 60.2 years, which is the lowest value among all men in countries of the Baltic Sea Region.

The value for Finnish women amounts to 61 years. Sweden is the only country from the Baltic Sea Region where men retire later than the official pension age of 65, featuring an averaged value of 65.7 years between 2002 and 2007. In comparison, Swedish women retire almost three years earlier than 65. The situation for German
women is qualitatively the same as in Finland. Men retire at 62.1, hence a little bit later than women. Polish women feature the lowest averaged retirement age in the BSR (57.7 years). However, the official pension age in Poland is considerably lower for women than for men (60 compared to 65 years). Thus, Polish women retire 2.3 years earlier while men exit the labour force 3.6 years before reaching the official retirement age.

Box 6.4: Retirement in Lithuania

As shown in Chapter 2 of this Report, Best Agers’ employment rates are quite high in Lithuania compared to other Baltic Sea Region countries, e.g. Poland. This is mainly due to the low average pension income.

In the last years the retirement income of the elderly increased significantly. Starting in December 2000 at 517 Lithuanian Litas (circa 150 Euro), it equalled 830 Litas (around 240 Euro) by the end of 2008, which is a 60% increase. However, this is not enough to ensure livelihood and a sustainable income for all older people. Thus, on the one hand, there are still many retirees that are forced to continue working. On the other hand, to increase work participation of the elderly, the retirement age was elongated by 6 months every year until it reached the statutory retirement age of 60 years for women and 62.5 years for men. These were still quite low ages for receiving a regular old-age pension in EU comparison. The average retirement age for men reached the statutory old-age pension’s age already in 2003 that for women did so in 2006. Since 2011, the retirement age will be prolonged every year by 2 month for males and 4 month for females until it reaches the statutory pension age of 65 years for both men and women in 2025.

Nevertheless, there are still opportunities of early retirement. Since June 2004, the unemployed can benefit from allocation and payment of advanced social insurance old-age pensions. The condition that has to be met is that the unemployed is enrolled with the local labour exchange for at least one year and wants to terminate job seeking voluntarily. Additionally, the unemployed should feature a pension-insurance period of at least 30 years, whereas the age of the unemployed and the time before reaching official retirement age should not exceed 5 years. However, these pensions are reduced by 0.4 per cent for every full month until the unemployed attains the eligibility criteria for an old-age pension.

For the future, pensioners should be encouraged to stay longer in the labour market by reforming the system of early retirement and by introducing a system of income support which would guarantee a higher old-age pension (depending on meeting different requirements).

Source: Tomas Cernevecius (2011), “A Study of Implementation of EU Labour Market Policies regarding the 55+, taking as a Case Study Sweden, Poland and Lithuania”. The complete study is found in the Appendices.
Box 6.5:
Retirement in Poland

Poland is one of the member states of the European Union that has to reform its retirement system. This regards particularly the age of retirement; not only is it very low for women, but from both genders only 1/3 of citizens in the 5-year age group preceding the legal retirement age is still professionally active. Prolonging employment of the older is thus a major national target.

Following the Lisbon-Strategy, the National Reform Programme for the years 2005–2008 was set up. The Programme is continued by the National Reform Programme for the years 2008–2011. A lot of activities have been and continue to be carried out in order to achieve the National Reform Programme’s mentioned objectives:

- Preparing a programme of tax encouragements, promoting creation of individual retirement accounts (IKE),
- Introducing a system of gradual pensions (from finishing professional work until reaching retirement age limit) for people working in special conditions or in a specific aspect,
- Encouraging a more flexible retirement age limit.

The current Polish retirement system is defined by different legal acts from 1998 onwards (see also the full Study). One of these is the Decree of Minister of Labour and Social Policy from 9th July 2010 regarding details of a premium for old-age and other pension insurance. According to the legislation, the statutory retirement age for women is 60 and for men 65 years. For people born before 1st of January 1949 there is a premium and a non-premium period of at least 20 years for women and 25 years for men.

Regarding early retirement for people born before the 1st of January 1949 it was stipulated that women can retire after reaching the age of 55 years, if they have at least 30 years of the premium and non-premium period, while men could retire after reaching the age of 60, if they have at least 35 years of premium and non-premium period. Additionally, people born before the 1st of January 1949 can retire sooner, if they are employed in a specific way, e.g. employees of state offices and organs of state control, local government employees, academic teachers, workers carrying out creative or artistic activity, journalists, teachers and tutors, uniformed services, people employed in mining, and railway workers.

For people born after 31st December 1948 there are possibilities of bridging retirements and compensations. This can be the working duration under special conditions or in specific jobs for at least 15 years while being already over the age of 55 years for women and 60 years for men. The EC recommends that the country should take action within period 2011-2012 to raise (as planned) the statutory retirement age for uniformed services, to continue steps to increase the effective retirement age, and to link it to life expectancy.

Source: Anita Richert-Każmierska (2011b), “Inventory and analysis of policy frameworks in the Baltic Sea Region – Polish example and Tomas Cernevicius (2011), “A Study of Implementation of EU Labour Market Policies regarding the 55+, taking as a Case Study Sweden, Poland and Lithuania”. The complete studies are found in Appendices.
Retirement in Sweden

Since the mid-1970s Swedish labour law changed only to a minor extent; although some of these changes are of high importance concerning retirement age. The Law on Employment Security (LAS) is most important as it covers the increase in the upper retirement age from 65 to 67 and the forbiddance of mandatory retirement up to the age of 67. Thus, Sweden now has two pension ages, 65 and 67, or in practice a variable pension age starting at 61 years of age.

On 1st April 1991 the compulsory age of an employee’s retirement increased from 65 to 67. From that point on, an employee had the right to continue to be employed up to the age of 67. However, social partners could decide on another age by agreement, and did so. The agreed age according to most contracts was 65 years. The law changed on 1st September 2001, forbidding agreements with a lower mandatory retirement age than 67. Agreements in force at that time stating a lower age were valid up to 1st January 2003. In practice it meant that the age for mandatory retirement became 67 from then on. After the age of 67, the employment contract can be cancelled from both sides giving notice one month in advance. According to the LAS, the standard employment contract should in most cases not be limited to a fixed period, but for those aged 67 such fixed-term contracts are allowed.

Source: Tomas Cernevičius (2011), "A Study of Implementation of EU Labour Market Policies regarding the 55+, taking as a Case Study Sweden, Poland and Lithuania". The complete Study is found in the Appendices.
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Furthermore, information from various publications of the following institutions was used: