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# Do employers support later retirement?

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## A view from European employers

**Extending people's working life is seen as a key element in curtailing the rising costs of public pensions as well as the looming labour shortages associated with an ageing population. In the countries of the OECD and of the European Union a host of initiatives have been taken which aim to delay retirement and support labour force participation of older workers. At the government level, these initiatives vary from pension reforms and new legislation. But how do employers react at the organisational level: do they support later retirement? To address this issue we will discuss the results from survey research among employers in five European countries: the Netherlands, the United Kingdom, Spain, Greece and Hungary.**

At the government level initiatives to curtail the rising costs of public pensions and the looming labour shortages associated with an ageing population vary from pension reforms that limit early exit routes from the labour market to legislation against age discrimination and public campaigns to combat negative stereotyping in the workplace. At the organisational level, employers are urged to develop personnel policies geared towards increasing the employability of older workers, for instance through life-long learning. Employers' opinions and behaviour play a major part in determining the labour market transitions of older workers. Older citizens must obviously be willing and able to work, but whether they actually get the opportunity depends mainly on employers' decisions – yet how employers view the changing nature of retirement is largely unknown.

In this contribution we focus on employers' policies towards (later) retirement within their own organisation. National employers' organisations are evidently inclined to acknowledge that later retirement in the context of an ageing society is inevitable, but how the individual employers view this issue is not widely known. Besides gaining insight into employers' behaviour with respect to an ageing workforce, we will also reflect on how employers view public policies towards raising the retirement age.

### Increasing the retirement age in Europe

In some European countries (notably the UK, Germany, Sweden and Denmark) the prospect of an ageing population has led governments to opt for later retirement beyond the statutory retirement age of 65. Extending the working life can in that



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respect be seen as a double dividend. Different national governments have taken a variety of actions to stimulate older workers to stay in the labour market and postpone retirement. The United Kingdom and the Netherlands have introduced legislation to combat age discrimination at work. Especially in the Netherlands this has resulted in a series of complaints and lawsuits. Following these lawsuits several collective labour agreements that contained age-based

arrangements have been adapted and formulated in an age-neutral way. Also in the Netherlands, the government has taken several measures to block the different pathways into retirement. All these measures are meant to discourage older workers from leaving the labour market before the official current retirement age of 65. The main instrument is the use of financial disincentives, like higher marginal tax rates on early retirement benefits, lower unemployment benefits for older workers and a reduction of disability benefits for older workers. On a temporary basis, different task forces and expert groups have disseminated good practices among organisations in terms of personnel policies for older workers. In line with the ideas developed already in some Scandinavian countries and Germany, the Dutch government plans on raising the official retirement age to 67 by 2025. In a similar way, the Hungarian government has decided to increase the retirement age for both women and men from 62 to 65 years. This gradual increase will start in 2014 and will be completed by 2021. In Greece and Spain, where unemployment rates have been much higher over the last decade than in the countries of Western Europe, the focus has been more on combating unemployment than on measures that promote continuous employment of older workers. As a matter of fact, Greece still takes measures to provide income support for older workers who cannot find a job after having become unemployed, thereby implicitly sponsoring non-participation of older workers. Hence the five countries in our study differ considerably with respect to the policy stage they are in, depending to a large extent on the urgency of labour market shortages and an unfavourable shift in the ratio between the inactive and the active population.

### Perception costs and benefits of an ageing work force

Later retirement may alleviate the public costs of an ageing society, but how does it affect individual organisations? In short, what do employers expect the consequences to be of an ageing work staff? What do they perceive as the costs and benefits of an ageing work force? Looking at the perceived consequences of an ageing personnel structure, a divide among employers becomes visible (see Table 1): British and Hungarian employers are far more positive about the possible economic consequences of an ageing personnel structure, whereas Greek, Spanish and Dutch employers see predominantly negative consequences.

Of the specific benefits of ageing, the large majority of employers in all countries would point out an increase in know-how and experience, considering other benefits less relevant. Among the costs of work force ageing, labour costs are without a doubt the most prominent – although the UK is an exception to the rule, with only 42 per cent of employers expecting an increase in labour costs. Dutch employers are most adamant in expressing an expectation that labour costs will increase: 77 per cent believe this will be the case in the near future. An important conclusion

**Table 1.** Expected consequences<sup>a</sup> of an ageing personnel structure for own organisation, 2005 (Hungary: 2008) (per centages)

Consequences	Greece	Hungary	Netherlands	Spain	UK
<i>Costs</i>					
Increased labour costs	62	60	77	52	42
Greater resistance to change	56	36	56	55	45
Increased absenteeism/sick leave	69	31	53	54	40
Less enthusiasm for new technology	59	31	44	46	39
Deterioration of the organisation's image	37	8	16	22	13
<i>Benefits</i>					
Increased know-how and experience	68	69	61	67	78
Fewer conflicts within the organisation	34	40	13	37	24
Increased productivity	33	46	7	37	25
Broader employability of the staff	29	37	29	30	35
More staff mobility	12	33	17	13	28
<b>N =</b>	<b>354</b>	<b>451</b>	<b>597</b>	<b>332</b>	<b>572</b>

(a) Based on the question "If the average age of the employees in your organisation increases, how likely or unlikely is it that the following outcomes will occur in your organisation?"

Source: Employer Survey NIDI-UU (2005-2008).

**Table 2.** Employers' opinions on the desirability of retirement policies within their own organisation

		Greece	Hungary	Netherlands	Spain	UK
1. Older employees working beyond age 60	Desirable	29	29	42	44	60
	Indifferent	27	29	39	27	32
	Undesirable	44	42	19	29	8
2. Older employees working after age 65	Desirable	10	12	9	24	30
	Indifferent	22	33	34	27	43
	Undesirable	68	67	57	49	27

Source: Employer Survey NIDI-UU (2005-2008).



to be derived from Table 2 is that in each country the percentage of employers expecting an increase in labour costs is by far larger than that of employers expecting an increase in productivity. In short, work force ageing is generally perceived by employers as a burden and not as a boom.

### Employer support for retirement policies

#### Later retirement

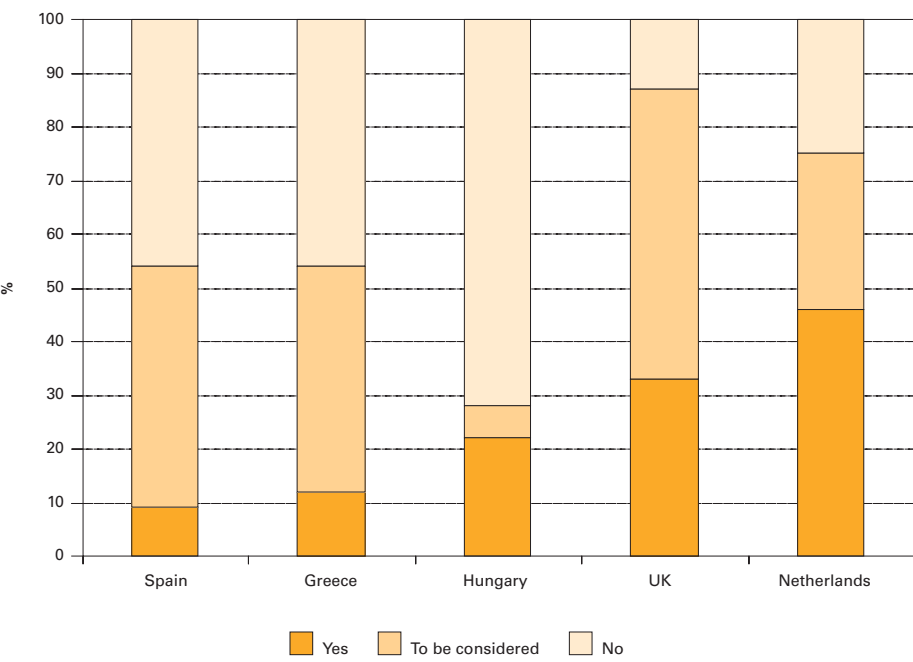
Research on older workers’ decisions to retire has shown that employees are more inclined to extend their working life if they are encouraged and supported by their employer to delay retirement. To gain insight into employers’ views with respect to the postponement of retirement, we asked them about the desirability of (a) older workers being employed beyond the age of 60; and (b) older workers continuing to work after the age of 65. Employers could state whether employment in each case was desirable or undesirable, or could also express their indifference. The results are shown in Table 2.

British employers hold the most positive opinions on older workers continuing to work beyond the age of 60 or even 65. The UK is the only country in the set of five in which the share of employers in favour of workers staying on after age 65 outnumbers the share of those opposed. Hungary and Greece show a completely opposite picture. A large majority opposes workers being employed beyond age 60 (and especially 65). Not even one-third of employers considered working after age 60 desirable. This share falls to around 10 per cent for working after the age of 65. With respect to Hungary, one should keep in mind that the official retirement age is lower than in most other European countries (62 years for men and 60 for women). In Spain and the Netherlands there is a clear difference between employers’ opinions concerning working beyond age 60 and working beyond age 65. Working beyond age 60 is supported fairly by over 40 per cent, while working over 65 is supported by only a quarter of employers in Spain and no more than 9 per cent in the Netherlands. The share of employers sharing the opinion that it is undesirable for workers to continue working after age 65 is twice as high as in the UK. These outcomes suggest that the official retirement age in most countries may also serve as an age norm within organisations.

#### The option of bridge employment

Bridge employment is often cited as a potential policy measure to make gradual retirement possible. By bridging a full-time career and full-time retirement, part-time work can contribute to the transfer of knowledge and experience to younger employees, and at the same time help deal with older worker’s desire to lessen work stress or the demand for more leisure time. It has been argued by some that partial transitions can sometimes be considered preferable to complete transitions. A partial transition may even help postpone the complete transition for some time. From that specific perspective partial retirement can be considered a potential instrument to extend the working life. Even though employees

Do organisations have part-time retirement facilities? Selected EU countries



Source: Employer Survey NIDI-UU (2005-2008).

may decrease their working hours at some age, ‘keeping connected’ may help them stay in the labour force for a longer period. As a result, the total number of hours supplied over the life course may benefit from partial retirement. The net effect of part-time retirement is still largely unknown though. Experiences in various countries suggest that part-time retirement schemes trigger a reduction in working time only for those workers who intended to keep on working, but does not affect the intentions of workers who wanted to retire fully from the labour force. On aggregate, part-time retirement schemes have trimmed the number of full-time workers instead of full-time pensioners.

To shed some light on the issue of part-time retirement we first asked employers about facilities for part-time retirement. The results from

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**Table 3. Employers' attitudes towards part-time work (per centages)**

	Statement: It is difficult to fit in part-timers in this organisation			
	Disagree	Neutral	Agree	Total
Greece	25	27	48	100
Hungary	7	22	71	100
The Netherlands	62	17	21	100
Spain	42	24	34	100
United Kingdom	66	19	15	100

Source: Employer Survey NIDI-UU (2005-2008).



#### NETHERLANDS INTERDISCIPLINARY DEMOGRAPHIC INSTITUTE

NIDI is the national demographic institute of the Netherlands. Founded in 1970, NIDI became affiliated to the Royal Netherlands Academy of Arts and Sciences (KNAW) in 2003 and is the only social science institute of the Academy. Firmly rooted in science and society NIDI draws inspiration from the interplay of demographic and social issues and strives for scientific excellence.

the figure show major differences among our five countries. In the Netherlands almost half of employers offer some kind of arrangement for part-time retirement. The United Kingdom is in second place, with about one-third of organisations offering some kind of arrangement. This is totally different from the situation in Hungary, where about 20 per cent of firms have an arrangement for part-time retirement but only a limited group of employers considers introducing such an arrangement. In this respect, Greece and Spain are still far behind when it comes to offering employees the opportunity for a partial transition into retirement.

To 'test' the odds for part-time retirement we also asked employers to share their views on part-time employment in a more general way by responding to the statement, 'It is difficult to fit in part-timers in this organisation'. The results in Table 3 show a picture that is more or less comparable to the figure: Dutch and British employers generally have no problems or objections to employing part-time workers, while Hungarian employers massively oppose working with part-timers.

#### Conclusions

The overarching impression with respect to the role of employers in the retirement process is that in most countries support for later retirement (certainly working beyond age 65) is still

weak, the only exception to this rule being the UK. Part-time retirement, which is often proposed as a suitable compromise, is embraced by those employers who are already familiar with the coordination and management problems tied to the realities of an ageing labour force. Notably a large majority of Dutch and British employers do not see major obstacles in employing part-time workers, whereas Greek and Hungarian employers are not very much in favour of it – Greece and Hungary being countries that have some of the lowest shares of part-time employment in the European Union. Although the data cover a limited number of European countries, the impressions about employers' attitudes towards later retirement are revealing. This study shows that there still is a discrepancy between the aims formulated at the level of the European Union and Member States with respect to stimulating the labour force participation of older workers and the attitudes of individual employers.

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