



# How to promote flexible retirement pathways while also extending working life?

A critical appraisal of present solutions to the retirement problem

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## How to promote flexible retirement pathways...

- ❖ The problem
- ❖ A change of vision
- ❖ Jobs, jobs, jobs as a solution...and barriers
- ❖ Flexible exit pathways...and barriers
- ❖ Overcoming barriers
- ❖ Integrating work and employment
- ❖ Conclusion



## How to promote flexible retirement pathways...

- ❖ The challenge: Population and workforce ageing impacts on labour markets and pension systems.
- ❖ One has to add four trends aggravating the financial stance of pension systems:
  - ❖ ever younger retirement age for the last 20 years (at present slightly reversed) resulting in low employment to population rates for older workers
  - ❖ Low LF participation of young; late entry into working life
  - ❖ Trend towards destandardisation of working life (e.g. heterogeneity in contracts, working time, etc.)
  - ❖ the growth of life and retirement expectancy



## How to promote flexible retirement pathways...

- ❖ more older people (both in the labour force and in the population) will coincide with much less younger people
- ❖ This will result in high old age dependency rate
- ❖ The threat for financing retirement systems is evident, because to rising numbers of benefit receivers will correspond smaller cohorts of contributors with more volatile contribution records.



## How to promote flexible retirement pathways...

### ❖ Therefore, a change of vision:

- ❖ The old consensus on LM management from the first oilcrisis to the turn of the millenary consisted in labour supply reduction through earlier retirement and other forms of leisure
- ❖ A new consensus emerges: coping with the negative effects of demographics (et al) requires the prolongation of working life through later labour market exit and in general more work and less leisure



## How to promote flexible retirement pathways...

- ❖ Thus, all actors now see a priority requirement to boost employment rates for older and in general for all age and gender groups
- ❖ As an effect of the new trend...
- ❖ effective exit age and employment rates for older workers tend to rise again (from 38 to 42% in the EU 15 between 1990 and 2004). But they are still low compared to Japan (63) and the US (60).



## How to promote flexible retirement pathways...

- ❖ However, the « jobs for the older » policy faces barriers:
  - ❖ Early retirement has become a sort of social right
  - ❖ (Big)firms continue to recur to ER when restructuring
  - ❖ Age discrimination exists
  - ❖ And we observe that restricting early retirement schemes often leads to higher inflows in « functional equivalents » like invalidity schemes, long term sickness, unemployment etc.
- ❖ Therefore, the argument that staying on longer is in the interest of both workers and employers, beyond the requirements of pension finances, still needs more empirical assessment and promotion.



## How to promote flexible retirement pathways...

### ❖ Alternatives: more flexibility at career end

#### ❖ Employment:

- ❖ Offer part-time pension combined with part-time work
- ❖ Allow the combination of retirement benefits and earnings from work and allow accumulating future pension rights
- ❖ Create supportive tax systems

#### ❖ Work

- ❖ Adapt work and work organisation to the needs of older workers
- ❖ Adapt training to the needs of older workers and their firms



## How to promote flexible retirement pathways...

- ❖ Also here we see some barriers:
  - ❖ Part-time retirement: when in competition with full early retirement, take up was low
  - ❖ And as the OECD report notes, it is rather a disincentive for full time participation in the labour market
  - ❖ The adaptation of the workplace, training and diversity management, seems still unsatisfactory
  - ❖ The motivation of older workers and firms, to participate in or offer training is declining with worker's age.. in line with human capital theory.



## How to promote flexible retirement pathways...

### ❖ So what are the alternatives?

- ❖ For increasing the full time employment rate to having an effect on the dependency rate, clear departure rules are required, despite more heterogeneity in the work-life: few and well reasoned exceptions, transparency and equity.
- ❖ Earlier and more flexible career end for those with demanding working conditions or long contribution periods and those who save over their life course and thus pay themselves for retiring earlier.
- ❖ Actuarially neutral solutions (e.g. pension reductions) for those leaving earlier should be maintained, unless there is labour market shortage.



## How to promote flexible retirement pathways...

- ❖ Flexibility should not only concern career end, but mid career as well...it is flexibility over the whole life course that might lead to longer working lives.
- ❖ Make it possible to change jobs even at older age
- ❖ Create productive, useful and rewarding replacement jobs (e.g. expand employment programmes) if no market jobs available
- ❖ Support intergenerational transfers of knowledge and experience, also for the training of immigrants who will be more numerous because of obvious replacement needs (diversity management in labour markets)



## How to promote flexible retirement pathways...

- ❖ Manage the tensions between destandardisation of working life and the need for collective solutions
- ❖ Use a constructive social dialogue as a means to manage and overcome barriers
- ❖ End age discrimination
- ❖ « humanize » working life to make it attractive to stay.
- ❖ Decent, good quality work becomes fundamental for survival of employment systems.