

OLDER WORKERS – A NEGLECTED EMPLOYMENT POTENTIAL

Two longer-term demographic trends may be observed in the western industrialised countries. Birth rates are declining and the life expectancy of the population is rising. As a consequence, the age profile of the working-age population is shifting in favour of older people. In the near future, meeting labour demand with younger workers will therefore run into limits. Even today, many firms bemoan the lack of skilled labour. Greater utilisation of the potential of older workers could offer a way out.

Figure 1 shows the degree to which people of age 55 to 64 are gainfully employed. In 2001, the lowest older-worker employment ratios – below 30% – existed in Italy, Belgium and Austria. Norway, Switzerland and Sweden were at the high end, and together with Japan and New Zealand accounted for those countries where over 60% of the working population belong to this age group.

At 36.8%, Germany has an employment ratio of older workers that is relatively low. At the same time it has the highest unemployment rate of older workers, at

Figure 2



11.2%, among all the industrialised countries (see Fig. 2). This reveals that firms' attitude towards older workers as well as the design of the relevant labour market regulations stand in the way of the employment of older workers there. In order to increase the integration of older workers in the labour market, inducements for early retirement must be reduced. In Germany, as in other countries, early retirement used to be very popular. Since 1992, but especially as a result of the 1996 pension reform, an increase in the pension age reversed this practice. Yet, early retirement is still advantaged to a considerable degree. Large parts of society still consider early retirement a useful means for reducing unemployment.

Besides cutting back the inducements for early retirement, the employment of older workers should be promoted. This could be done, for example, by reducing seniority privileges in workers' pay. Possibly, wage subsidies for hiring older workers could also be considered.

A third approach would be the increased inclusion of older workers in further education and training. Workers 50 years and older rarely participate in such measures. Including them in training measures would increase their productivity and raise their chances of employment.

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Figure 1

