



ORGANISATION INTERNATIONALE DES EMPLOYEURS
ORGANIZACION INTERNACIONAL DE EMPLEADORES
INTERNATIONAL ORGANISATION OF EMPLOYERS

THE MANAGING OF AGE: WHAT IS THE ROLE FOR THE ACTORS?

Statement by the International Organisation of Employers to the G-8 meeting, Evian (France) 2003

The International Organisation of Employers (IOE) is the recognized organization representing the interests of employers in international social and labour policy debates, with over 137 member federations in 133 countries. The IOE is the largest global business network.

We welcome this opportunity to address the issues raised by this question within the context of discussions at the forthcoming G-8 meeting in Evian France.

For employers, the following issues are relevant in any debate on older employees and the raising of the retirement age. Employers stand ready to work with governments and workers in looking to the means by which this challenge can be addressed at the national, regional and international level.

INTRODUCTION

Creating employment opportunities for older employees is necessary for several reasons. First, when restructuring of enterprises and mergers take place, and there are business downturns, older workers find themselves the most vulnerable in regard to continued employment. Second, technological changes sometimes displace older workers who are less able than others to absorb new skills. Third, with increased life-expectancy an increasing number of people are looking for 'work' beyond their ages of retirement which were fixed in different circumstances. Fourth, the pressures on unsustainable social security systems could be eased through higher ages of retirements. Such increase may in any event be necessary if ultimately people have to live in retirement on reduced social security benefits, and a greater part of social security costs have to be shifted to employees.

CERTAINTY AND FLEXIBILITY ARE BOTH NEEDED IN RESPONDING

Like employees, employers prefer certainty, particularly in a sensitive area such as older employees. The issue of the older working population and the possibility of working longer or not is not open to just one answer as there is not just one situation. Any response therefore needs to be flexible and balanced and cognisant of the national realities for both employers and employees.

1. RETAINING OLDER WORKERS: THE ISSUE OF INCREASING RETIREMENT AGES

THERE IS NO ONE-SIZE-FITS-ALL ANSWER

First, not all people are the same with identical abilities to work longer. Jobs are different and affect people differently. Issues such as the physical requirements of the job are a reality and age can affect that ability. Issues of gender also impact where different countries provide different retirement ages. This requires a greater acceptance of accommodating the needs of the employee but not to the extent that the employer is required to create a job for an individual. Just like a younger employee any job must be real, productive and contribute to the success of the organization. Ideas that ignore that reality will result in outcomes that are not sustainable either for the employee required to perform this non-job, or for the employer who is required to provide it.

NEW THINKING IS NEEDED

Second, a greater acceptance of new forms of work will be necessary in order to accommodate the real needs of both older workers and their employers. Not all will necessarily be able to, or indeed want to, work as they did in the past. This will also require flexibility within pension schemes so as to perhaps allow workers to top up their earnings from their pension funds and visa versa.

Third, the jobs need to be real since, if people are required to work on and jobs are not available, there is a real risk that such people will turn to the informal economy for work opportunities thereby exacerbating that problem.

EXPECTATIONS MUST BE MANAGED

There is also the issue of expectations that cannot be ignored. Many people aged 40-50 have recognized that reality is such that, when they get to pensionable age, it is unlikely that funding will be sufficient to enable them to retire on the standard of living they were expecting. As such, many have looked for ways to increase, where they can, their personal retirement savings. However, few expected to have to work on past the date previously determined by either law or industrial agreement for their retirement, and such requirements may be contrary to existing legal rights with regard to shorter working weeks and early retirement rights. Human rights legislation may also need to be revisited as some provisions at law in effect provide barriers to targeting age groups for employment. Those unable to increase their savings pose another problem for governments not directly related to this question, but real nonetheless.

Similarly, not everyone will be open to retraining for new or continued employment, nor will all be able to access such training. The question of whose responsibility that retraining should be is another important question linked to the employee's ability to remain

in productive employment and to the capacity both economically and technically of the enterprise.

The fact that people are different requires flexibility in the response by both government and employers. The ability to develop wage and salary schedules which reflect individual differences in costs and productivity should be encouraged so as to give balance to the arguments of who should bear the costs.

REAL CHALLENGES REQUIRE ANSWERS

Also, there are costs for employers that need to be considered in any response. What will be the impact of increased health and accident costs for older workers, costs employers were not expecting to bear past retirement age? Who should bear those costs, how should they be apportioned are questions that will need answers. So too will the issue of how should this issue be introduced. Is it a matter of legislation or agreement in the workplace? Recent complaints in the ILO would suggest that state regulation in this area that was previously a matter for collective bargaining is an unlawful interference in the right to bargain collectively (Convention No. 98).

Demographic trends also need to be considered. Europe's population is aging rapidly, whilst that of the developing world is aging more slowly, but aging none the less. Having older people remain in the job market may or may not pose problems in a number of countries for young job seekers that will depend largely on the overall state of the labour market. However, it can impact on an employee's ability to progress in an organization if older people do occupy more senior positions. This has implications on employee satisfaction and mobility as well as on efforts to address gender balances in some work situations. Employers will bear the brunt of those realities and their impact must be part of the inputs into possible policy responses. The other alternative, where the demographics point to future gaps in the labour force, is immigration, but again on longer term trending information, that will not always be viable as the donor countries themselves experience the impact of lower birth rates over time and the competition to attract labour intensifies.

It is important to remember that one of the reasons put forward for needing people to work longer, is the problem of sustaining current pension entitlements. This is even more important when fund earnings have dropped by the levels experienced over the last 12 to 18 months. The issue of funding cannot be forgotten and having people work longer will not be a sustainable panacea to the funding issue. There needs to be a parallel discussion on the funding and management of pension funds in the light of recent experiences, recognizing that risk aversion regarding investment options whilst protecting perhaps better the funds can limit access to investment capital and adversely affect the economic and employment environment in which job creation is necessary to meet employment policy needs.

2. EARLY RETIREMENT. THE OBSCURED COSTS

Whilst above the issue discussed is that of the implications that can be associated with increasing retirement ages, the other reality surrounding retirement which requires equal consideration is the concept of early retirement rights. Within Europe the pressure for early retirement persists but what is often forgotten is who bears the cost of those rights. For many E.U. countries that cost can be more than 10 percent of so-called potential GDP, while the OECD average is around 6 percent. This means that if people retired at the formal age of retirement GDP would increase commensurately. The enormous costs for employers in financing early retirement in countries such as France and Germany through very high payroll taxes constrain the employment of young people. As mentioned previously there is no one-size-fits-all response. The obvious answer is of course flexible retirement arrangements where the pensioner, rather than the employer and employees carries the cost of retiring early.

3. POLICY RESPONSES – A CONTRIBUTION TO A WAY FORWARD

In saying this, it is important that any employment policy considers this and other issues and takes a holistic approach considering those both entering and leaving the job market as well as the needs for those employed to remain in employment.

Raising the age of retirement can create dilemmas depending on national realities. It can result in reducing employment opportunities for young people and thus increase the problem of youth unemployment, or create one even where none exists at present. Therefore, the question of work opportunities should be addressed through a combination of different policies, in addition to the very basic and necessary ones such as education, training and lifelong learning, labour mobility and active labour market policies.

There is the need for an employment policy geared to national circumstances. Expanding job opportunities can address some of the challenges already referred to. An employment policy should *aim* to generate productive employment, match skills to current and emerging jobs, raise standards of living through more and better jobs, and focus public investment in productive areas. The components of an employment policy should be included in an integrated and interdependent policy framework, consisting of some of the following: integration of macroeconomic policies; creating the appropriate environment conducive to business growth and development; market access and developing comparative advantages; productive public expenditure; market supporting institutions; and human resources development policies.

An employment policy should therefore be accompanied by a substantial improvement in the environment which promotes entrepreneurship, self employment and small enterprises. The significance of these policies in the current context is three-fold. First, they increase income opportunities for youth who may opt for a self employment career path,

either out of choice or lack of choice. Second, it opens avenues for older employees who may wish to retire and engage in other income generating activities. Third, it would enhance the competitiveness of the economies through fostering entrepreneurship.

Since it is employers who provide the jobs, whether for older workers or others, employers view the industrial relations system as being relevant to the issue under consideration. The collective industrial relations or Fordist model of the past has major limitations, given the fact that it applied to a different workforce profile, different types of industries (mainly manufacturing) and introduced a host of rigidities which constrained employers in various areas in which flexibility was required. An industrial relations system which does not facilitate competitiveness, productivity improvement and flexibility (in regard to pay, working hours, types of contracts, way of getting work done and the size of the workforce) can, in the medium and long term, amongst other factors, act as a barrier to providing job opportunities for older employees.

In closing, we hope that these thoughts from world business assists the G-8 in responding to the challenges facing us all and we thank you again for this opportunity.

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