

Retirement Age and Employment (2005)

Abstract

This report by the Hans Böckler Foundation, the research institute of the Confederation of German Trade Unions, discusses the new trend toward later retirement. According to the report, if the retirement age is to be raised, then the treatment of older workers must be improved. The report calls upon companies to create conditions that will allow older employees to remain in the workforce.

Source

Older People in the Workplace: Hope for the Pension Fund

Changing trend: Employees are once again retiring later, providing relief for the state pension fund. But if this trend is to continue, employers will also have to do their part and provide more (adequate) jobs for older people. There are no signs that this is happening.

For 20 years, people were told: “Retire earlier and make room for the younger generation,” and this led to ever-younger pensioners. Now the IAT^[1]-monitor on the work-to-retirement transition is showing a clear reversal of that trend:

Once again, more workers are retiring at the standard age of 65.

Those who retire before the standard age are tending to do it later.

The number of reduced-earning-capacity pensions is declining.

Exception to the trend: Women continue to retire earlier than men and thus accept higher pension reductions than men.

The raised age limit and the reduction scheme for early retirement are having an effect.

Overall, the average retirement age for new pensioners who retire between 50 and 69 years of age has increased by 8.5 months from 1996 to 2003. Late retirement offers considerable relief [to the pension fund]: its effect on income, however, remains unclear, since that depends on whether the “new” pensioners were previously unemployed, employed, or economically inactive. This trend, which is still new, could nonetheless help put the flagging statutory pension fund back on its feet before the baby-boomers of the 1950s and 1960s start applying for their pensions.

Companies Have to Do Their Part

In order for real relief to occur, however, the companies also have to do their part. On an abstract level, employers are always eager to demand a high retirement age, but they continue to follow the principle “young is beautiful.” In 2003, only about 40 percent of all 55 to 64 year-olds in Germany were still working.

When it comes to the gainful employment of older people, Germany falls roughly in the middle in European comparison. Thus, the Germans just barely reach the average rate of 40.1 percent for the

twenty-five EU countries. Sweden, on the other hand, is the senior citizen champion, with an employment rate of 68.6 percent.

Therefore, the first necessary step is to hire older employees. However, if we want to keep people in the workforce longer, then we also have to ensure that younger workers don't get burned out prematurely and that older ones are given positions that correspond to their abilities. The following must be put on the agenda:

Improved health promotion

Senior-friendly workplaces and working hours

Lifelong and age-appropriate continuing education/training

If it doesn't prove possible to improve employment opportunities for senior citizens, then the new trend toward higher retirement ages will be brief, especially since Hartz IV could backfire when it comes to pensions: For older employees who are threatened with unemployment, it is better, under certain circumstances, to retire early, despite the resulting pension reductions, than to receive reduced unemployment benefits [*Arbeitslosengeld II*], which are geared toward the minimum subsistence level. This is particularly true in cases when benefits are not paid at all, on account of deductions arising from assets and spousal income. Hartz IV could therefore reverse the present trend by 2011, when the early retirement option for those over 60 expires.

Demands Lacking All Practical Relevance

The report concludes that the only way out of the dilemma of the work-to-retirement-transition dilemma is to improve employment opportunities for older citizens. "Demands to increase the regular retirement age to 67 or even 70 are so out of touch with current retirement practices and employment procedures that they would ultimately only lead to intensified deduction regulations and thus virtually sweeping pension cuts."

NOTES

[1] IAT: Institute for Work and Technology [*Institut Arbeit und Technik*].

Source: "Ältere im Betrieb: Hoffnung auf die Rentenkasse", *Böckler Impuls* 3/2005, p. 2.

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