

SENIOR EMPLOYEES ON THE JOB MARKET OF EUROPEAN UNION

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Abstract:

In the European countries life expectancy is growing, but people tend to retire earlier and earlier. The aim of our paper is to examine what measures the individual European countries take in order to keep senior citizens on their respective job markets as long as possible. Our essay consists of three parts. In the first part we examine the reform of the pension system. In the second part we survey the changing in-company employment policies. In the third part we examine the attempt of improvement of the employability of senior citizens themselves. The final conclusion of our paper can be summarised as follows: senior employees in general represent a significant group in human resources, the potentials of which ought to be and need to be utilized. Employers need to understand that the employment of senior people has its advantages. It is also very important to act accordingly.

Keywords: labour market, pension system, senior employees, human resource management

Introduction and the identification of the problem

The problem of ageing briefly can be summarised as follows: these days people live longer, and, as a result, the number of retired citizens is on the rise. This fact means an ever increasing burden for the social and welfare systems of the individual countries. Contrary to this general opinion, in our paper we would like to argue for the benefits of the employment of senior citizens, since this practice has the great potential of reducing the pressure, being exerted on the social and welfare systems of the individual countries (Botos 2009).

At the core of the problem there is the simple fact, that in spite of longer life expectancy, people tend to retire earlier and earlier. The aim of our paper is to examine what measures the individual European countries take in order to keep senior citizens on their respective job markets as long as possible. In our view these various attempts can be divided into three major groups.

Reform of the pension system

Under the reform of the pension system primarily the reform of the legislative background is meant, a system, which has to be altered in such a way, that senior citizens could remain on the job markets as long as possible.

Changing in-company employment policies

In this area it is the employers who play the major role. Employers need to understand what the advantages of employing senior citizens are, and they need to formulate their HR strategies accordingly.

The improvement of the employability of senior citizens themselves.

This is already the level of everyday HR work, meaning, that companies need to establish and organise their own HR activities in order to improve the conditions for the employment of senior citizens.

In the individual subchapters of the following paper the realisation of the

above tendencies will be examined in the individual countries of the European Union.

First Trend: the Reform of the Pension System

There are several EU regulations, aiming at keeping senior citizens on the job market. The most important of these is the 2001 resolution of the Council of Europe's Stockholm meeting, which, along the guidelines of the Lisbon strategy, aims at reaching an 50 % employment rate by the year 2010, in

case of both men and women, aged 55-64.

Another, supplementary aim was set by the Council of Europe at its 2002 Barcelona meeting, namely, a 5-year extension of the working age of employees. In order to understand this objective better, it is important to add that the actual age of retirees was estimated as low as 59.9 years by experts in 2001.

If you see the Table 1. you can see there are a serious difference in the official retiring age between the factual retiring age in the European countries.

Table 1
Official retiring age and factual retiring age in the European countries in 2003

Name of country	Official retiring age (year)	factual retiring age (year)
Austria	65	60,9
Deutschland	65	61,6
Belgium	65	68,1
Denmark	65	63,7
Spain	65	61,5
Finland	65	59,0
France	60	58,8
Greece	65	60,4
Ireland	65	64,3
Italy	60	57,4
Luxemburg	65	57,5
Netherlands	65	61,7
Portugal	65	64,5
United Kingdom	65	63,2
Sweden	61	63,2

Source: Vekerdy 2004. 248. pp.

In connection with the above it also has to be asked, what measures need to be taken in order to realise the formerly outlined objectives. In our view, the changing of the legislative system can be realised along the following guidelines:

a) Increase in retirement age

With longer life expectancy in the countries of the European Union, the age, when people retire, also needs to be altered. This strategy can be used in those countries, where the PAYG – pay as you go -system is used, meaning that the payments of the active

members of society cover retirement pensions. The logic of the system is very simple: if the older generations work longer, they can contribute with more money to the maintenance of the PAYG system (Bovenger, et al, 1997).

b) Abandonment of and restrictions on early retirement

Since far too many employees have taken the opportunity of early retirement in the developed countries of the European Union, the option for early retirement needs to be restricted, and, in the view of some experts, even

abandoned,. Experts advise that stricter measures need to be taken in this area.

c) Elaboration of a system of financial incentives

It is necessary to set up a new system of financial incentives, which motivate employees to remain on the labour market for a prolonged period. Two versions of these incentives can be envisaged. In case of the positive version the employee is encouraged to work on, despite the fact that he reached retirement age. The incentive is the payment of higher pension to them. In case of the negative version the incentive is a form of 'punishment', an example that can be mentioned is an element of the Swedish pension reform, which was introduced in 2001. In Sweden the number of retirees is being reduced in such a way, that those, who take early retirement get less money, than those, who retire after reaching the retirement age of 65 (EIRR 2000).

Two significant outcomes of these measures need to be emphasised. On the one hand, if senior citizens work longer, the ratio of active and retired workers becomes more favourable within the given country, that is, fewer senior citizens need to be provided for by the active members of the society. On the other hand, the longer period, employees had spent on the labour market, would also increase the length of the period, during which they had paid social and health contributions. Consequently, the length of the period, during which they get pension, also becomes shorter. Both consequences reduce the pressure on the PAYG system. It is to be noted here, too, that the two other systems, namely, the DC (defined contribution system, based on the earlier individual payments of the pensioners themselves), as well as the DB system, which is a mixture of the previous two systems, are not investigated within the framework of this paper.

In summary, the supporters of the abandonment and the restriction of

early retirement say, that if people live longer, they should work longer, too. Able-bodied people are not supposed to live idle lives, without any serious work to do. The increase in retirement age, in their opinion, is capable of saving the entire retirement system. But one of the dark sides of the above logic needs to be emphasised here, too. The fact is, that the older groups of working age people are actually driven out of the labour market, long before they reach retirement age.

If somebody is over 50, it is almost impossible to find a new job. In this situation, early retirement is a 'beauty spot' in unemployment statistics. Employers are also considered 'family centred', or humane, if they send their employees into retirement, instead of firing them. True, in some cases the pension is lower, too. (Augusztnovics, 2002)

It needs to be emphasised at this point that the pension-related restrictive measures may cause social opposition on a significant scale, too. It can best be exemplified by a case from Italy, where 16 million active labourers provide for 14 million pensioners, so the reform of the pension system became unavoidable. In December 2003 the right-wing government of Silvio Berlusconi initiated a pension reform. In the new system the working age of employees was to be raised to 65 years for men and 60 years for women from 2008 onward. Another precondition for retirement was a minimum of 40 years of employment. Formerly the average retirement age for Italians used to be 57 years and they were required to pay contributions only for a minimum of 35 years. Berlusconi's proposal provoked a major trade-union-organised demonstration in Rome, with the participation of over 1 million people. In the spring of 2004 the series of protests flared up again, and in these circumstances it was extremely difficult for Berlusconi to have the reform approved by the parliament. Prodi's left-

wing government also had to deal with the problem of pension reform.

Following a 2-month period of negotiations, Prodi's government came to an agreement with the trade unions, that the minimum age for early retirement would be raised from 57 to 58 years. It means, that in case the employee at the age of 58 can prove 35 years of employment, he or she is allowed to take early retirement. Other issues in the same agreement included, that in 2009 the retirement age would be raised to 59 years, then in 2011 to 60 years, requiring 36 years of employment, until eventually in 2013 retirement age would be 61 years for both men and women, with a minimum of 36 years spent in employment.

In summary it can be stated, that those measures, which are aimed at restricting or abandoning employee's former rights and achievements, as a rule, lead to major protests on the part of the workers and the trade unions as well.

Second trend: Changes of In-company Employment Policy

In our opinion, in order to change the current trend, which generally deals unfavourably with senior employees, employers need to play a key role in the elaboration of a new system, since it is their strategic task to have properly proportioned age groups within their companies. There are a lot of multinational companies, where the employment of young people is part of an overall HR strategy and everyday HR practice. It also needs to be investigated why the employment of senior people is beneficial for the companies themselves.

When elaborating a system of a new HR strategy with the aim of emphasising the employment of senior citizens, first it would be necessary to survey all those factors, which are against their employment. These factors can be summarised as follow (www.mgyosz.hu):

- Senior employees are paid higher salaries.
- They are protected by law.
- Theory of deficits.
- Lack of mobility.
- Educational deficiencies.
- Lack of flexibility.

In several countries of the European Union – especially in Austria and Spain – in the 1990s it was a widespread practice that companies offered early retirement to those senior employees, whose salaries represented an extra financial burden for them. Then, the companies hired younger work force, i. e. career starters. This way the companies in question could save a considerable amount of money on salaries. On the other hand, governments could hardly cope with the financial burden of this situation, of the retirement of most employees in their 50s, had put on them. In Austria early retirement became such a serious problem, that the Austrian parliament eventually passed a series of laws, with the aim of protecting senior employees (EIRR 1999).

In the 1990s a special system of partial early retirement was elaborated in Germany. The new system was first introduced by the Volkswagen concern (Jürgens, 2000) The most important features of the new system were as follow: senior employees (those, who approached retirement age) were employed in a system of gradually decreasing 24-20-18 hours per week, thus the were retiring progressively. In this period they were entitled to receive 85 % of their salaries. In the meantime, career starters were also employed to replace them, and they were also to become full time employees gradually. In the first two years of their employment they did 20 hours, then for 1.5 years they worked 24 hours per week.

Due to the formerly described company attitudes in several EU member states, senior employees are under legal protection of high level, and,

at the same time, they also enjoy certain privileges. Of course, some companies try to back out of these rules and in case of job vacancy they rather employ a young person, who is more vulnerable from the point of view of labour law. The option for the employment of a 'protected' senior person is non-existent for many of them. This practice also suggests, that new law is needed in order to defeat age-related discrimination against the elderly.

According to the deficit theory there is a close correlation between ageing and the weakening of one's physical and mental capacity. From the point of view of human resources, the deficit theory needs to be divided into two different areas. In case of physical work the strength of a person undeniably diminishes with ageing. But it also needs to be emphasised, that with the use of adequate machinery, several jobs can be done these days with much less physical strength.

When considering intellectual work, and especially senior managerial positions, according to the deficit theory the intellectual potential of a senior manager is on the decline, too. But, as it is attested by several psychological surveys, age is not the only factor that plays a role in defining a person's intellectual potential. Talent, education, human contacts also play a role of primary importance in determining the level of a person's intellectual potential (Brachinger et al. 1997).

The lack of mobility, as it is interpreted by employers, means that ageing employees are very difficult to persuade to transfer to another location (or region), even if the other alternative for them is unemployment. As it is attested by experience in Hungary, our work force is immobile in any case.

Educational deficiencies of the senior employees may often include computer literacy, foreign language skills, the knowledge of new technologies – these are all areas, in

which the younger generation has a more profound knowledge in.

The lack of flexibility may mean that the ageing employees do not easily adopt new working styles, including team work.

In summary, companies like senior employees for those qualities, which they have developed during their many years of employment and practice. These features include loyalty to the company, accumulation of professional knowledge and skills, responsibility, reliability and work experience. On the other hand, those deficiencies, which have been formulated in the deficit theory, can be relieved by organising work processes more efficiently.

The Improvement of the Employability of Senior Citizens

In our opinion, the improvement of the employability of senior people represents the level of everyday HR work (Juhász, 2007; Keczer 2003, Keczer 2005, Gulyás 2006; Málovics 1999; Málovics, 2000). It means that certain HR strategies need to be elaborated and certain functions need to be organised, in order to assist the senior employees at work. From among the several HR functions, five need to be emphasised. These are as follow:

- Education.
- Development and implementation of a suitable working schedule.
- Career management.
- Preservation of employees' good state of health.
- Establishment of adequate working conditions.

When organizing supplementary education for the senior employees, it needs to be considered, that their trust, as well as their active participation in these programmes are equally important. This requirement means two things. On the one hand, a special atmosphere needs to be established, in which the ageing employees would consider education a valuable asset. On the other hand, from the many forms of

education at our disposal, those 'on the job' or 'off the job' forms have to be selected, which are the most suitable for the training of this age group. As it is attested by several surveys, the overwhelming majority of senior employees do not support training; this form of education is unfamiliar for them.

The organisation of working time systems means that HR experts need to introduce such a system of working hours, which are favourable for the senior employees. It is a general European tendency, that atypical forms of working time are introduced by an increasing number of companies, including part time jobs and teleworking (Gulyás, .2007/a; Gulyás, 2007/b; 2007/c).

The third most significant HR function is career management. HR experts need to define certain career paths in order to make them attractive for senior employees as well. It is a common practice for example, that in managerial positions the ageing employee is promoted to become an adviser.

The fourth major area is the preservation of the employees' good state of health. For any employee the possibility of remaining on the labour market until retirement age, is largely dependent on the person's state of health.

The fifth large area, the quality of working conditions is a related issue. Due to the significance of health issues, it is one of the major tasks of the area of Human Resources is to create a

working environment, that can preserve the employee's good state of health for as long as possible. This is a significant requirement in physical jobs, since the employee's ability to work is largely dependent on his physical conditions and health.

Summarising our point of view in relation to HR functions, it needs to be emphasised, that these functions have to be practised in such a way, as to fully utilise the work experience of the ageing employees.

Conclusions

Employers need to understand that the employment of senior people has its advantages. It is also very important to act accordingly. Due to ageing societies, companies are given more responsibilities now to elaborate and introduce special HR strategies, in order to exploit the potentials of their senior employees.

The final conclusion of our paper can be summarised as follows: senior employees in general represent a significant group in human resources, the potentials of which ought to be and need to be utilized. Everything needs to be done not to allow the age factor to play a role in the employment of people, that is, ideally more senior people are to opt for employment instead of spending their retirement years idly. Ageing societies cannot do without the working capacity of their senior citizens and their zeal to work.

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