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Firms and the older workforce:
The case of Sweden in the 1990’s

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Introduction

Until the early 1990’s, when Sweden went into a deep economic crisis, the country had experienced a long period of full employment, with high employment rates for both men and women and a low level of unemployment. Until the early 1990’s Sweden had experienced little of the general trend towards early retirement among older workers. (1)

During the full employment period few specific measures were enacted to solve the dilemmas of the older workers, except a law that protected older workers from dismissal. The older workers were de facto protected by the generally positive employment situation.

Sweden developed policies to further the role of firms and employers in counteracting early exit from the labour market, e.g. by enforcing legal responsibility for firms to plan rehabilitation for workers with health problems. In the early 1990’s the emphasis was to enforce (by legal rules) and to induce (by economic incentives) firms to keep their older workers, e.g. by reforming the work environment. (2)

An economic crisis hit Sweden in 1991 and was quite severe in 1992 and 1993. Quite a few firms went bankrupt and closed. Many firms reduced their personnel. Many firms reorganized their production. The rate of unemployment rose rapidly, esp. for the younger age groups. The unemployment rate for the 55-64 age groups also increased but more slowly from 1991 (cf. table 1).

Table 1. Unemployment among men aged 55-64. 1990-1995.

<table>
<thead>
<tr>
<th>Year</th>
<th>55-59</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>63</th>
<th>64</th>
<th>(16-64)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.1</td>
<td>1.3</td>
<td>2.2</td>
<td>1.1</td>
<td>0.7</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>1991</td>
<td>1.8</td>
<td>1.9</td>
<td>2.1</td>
<td>2.3</td>
<td>2.7</td>
<td>1.9</td>
<td>3.0</td>
</tr>
<tr>
<td>1992</td>
<td>3.1</td>
<td>5.6</td>
<td>2.5</td>
<td>3.5</td>
<td>4.4</td>
<td>3.3</td>
<td>5.7</td>
</tr>
<tr>
<td>1993</td>
<td>6.1</td>
<td>7.9</td>
<td>7.3</td>
<td>7.4</td>
<td>6.8</td>
<td>8.4</td>
<td>9.7</td>
</tr>
<tr>
<td>1994</td>
<td>7.0</td>
<td>7.9</td>
<td>8.7</td>
<td>9.4</td>
<td>9.0</td>
<td>12.4</td>
<td>9.1</td>
</tr>
<tr>
<td>1995</td>
<td>7.4</td>
<td>9.3</td>
<td>9.0</td>
<td>10.1</td>
<td>12.7</td>
<td>10.9</td>
<td>8.5</td>
</tr>
</tbody>
</table>


Changes in the employment ratios of the older work force

During the first half of the 1990’s a relatively large proportion of the older age-groups over 55 years lost their work, become unemployed or left the labour mar-
The employment ratios for men and women in 1995, as well as the changes in the employment ratio 1991-1995 are shown in table 2. “Relative exit rate” is defined as the change in the employment ratio between 1991-95 as a percentage of the 1991 ratio.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>absolute</td>
<td>relative exit rate</td>
<td>absolute</td>
<td>relative exit rate</td>
</tr>
<tr>
<td>50-54</td>
<td>85.5%</td>
<td>-6.4%</td>
<td>84.6%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>55-59</td>
<td>76.2%</td>
<td>-9.8%</td>
<td>73.0%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>60-64</td>
<td>60.9%</td>
<td>-12.0%</td>
<td>44.8%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>60</td>
<td>65.0%</td>
<td>-9.2%</td>
<td>61.6%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>61</td>
<td>59.4%</td>
<td>-10.1%</td>
<td>54.6%</td>
<td>-7.6%</td>
</tr>
<tr>
<td>62</td>
<td>49.9%</td>
<td>-14.2%</td>
<td>47.4%</td>
<td>-9.3%</td>
</tr>
<tr>
<td>63</td>
<td>43.8%</td>
<td>-14.4%</td>
<td>34.2%</td>
<td>-7.9%</td>
</tr>
<tr>
<td>64</td>
<td>36.6%</td>
<td>-11.6%</td>
<td>27.1%</td>
<td>-12.0%</td>
</tr>
</tbody>
</table>


The relative exit rates in table 2 show that between 1991-1995 a fifth of all males in the age-group 60-64, and a fourth of all males in the agegroup 63-64 lost their job or left the labour market. Today less than 40% of all males work the last year before they reach the retirement age. However, in a comparative perspective, the employment rates for older workers are still high in Sweden.

How can the decreasing employment ratios among the older workers be explained?

(a) One possible explanation is that existing early exit options had become more available or more generous, attracting more older workers to leave the labour market.

The Swedish part-time pension scheme and the disability pension scheme had by the late 1980’s become rather well developed and generous. Many older workers used the part-time pension scheme and thereby created a path of gradual retirement. (3) Many older workers in economically weak regions left the labour market by getting a disability pension for lack of appropriate jobs in the region.

However, access to these exit routes progressively narrowed during the 1990’s. The part-time pension became less generous, and the possibility to get a disability pension through the labour market clause, i.e. if it was impossible to find a new job for older workers that were longterm unemployed, was closed in 1992. (2) Today only health reasons are accepted. Furthermore, no new exit route was created in the first half of the 1990’s.

We can add that there are still strong incentives in the public super-annuation ATP scheme, as well as in the occupational pension systems, for older workers to stay in employment as long as possible and even to increase their working weekly hours when they approach the retirement age. (1,2).

(b) The employment and dismissal policies of firms can be modified by public policies. The intention behind the legislation on work environment reform and on rehabilitation policies that were enacted in the early 1990’s was to get firms to
take a larger responsibility for employees that were in the risk zone of becoming marginalised or dismissed. In this vein a large and ambitious programme was built up. In the early 1990’s large “Working Life Funds” were established. The aim of the Working Life Funds was to create a better work environment by extensively subsidizing investment, training and organisational changes in firms.

The effects of high unemployment rates on the Swedish public and the political system have been deep-going. The discussion as well as the policies are primarily directed towards groups or sections of society whose social integration are seen as crucial such as the younger age-groups and the immigrants and refugees.

At the same time the problems of the older workforce have become less important on the political agenda. There is a silence in major policy documents of the Swedish government with regard to older workforce and a corresponding lack of new policy initiatives that could enable this age-group to stay in their jobs, or to be re-employed, once they become unemployed.

Furthermore, some conservative and liberal forces came to regard policies that were enacted to protect the position of the older workforce as examples of rules and regulations that made it more difficult for young persons to enter the labour market.

The decisions taken in firms with regard to employment and dismissals would therefore seem to be less modified by public policy today than in the full employment period. Thus, decisions taken in firms came to have a larger direct impact on the situation of the older workforce.

(c) Another explanation for the rising early exit trends would be increasing exit pressures in firms. The rest of this paper will argue that the exit patterns for the older workforce in the 1990’s can be linked to the organizational practices as well as the attitudes towards the older workforce within Swedish firms.

**Strategies and attitudes towards the older work-force in 380 Swedish firms**

A survey on the employment patterns and policies towards the older workforce between 1991 and 1993 in 380 Swedish Firms was carried out in 1994. (4) The survey was carried out through a stratified sample of firms where large firms are overrepresented. The survey was answered by the management of the firms, primarily the personnel manager. In the survey we got detailed information about the employment of different age-groups and categories of workers between 1991 and 1993.

About half of the firms had reduced the number of the lower grades of white collar employees as well as the manual workers, esp. the unskilled. (cf. table 3).

**Table 3.** Changes in the size of different categories of employees in 380 Swedish firms between 1991 and 1993.

<table>
<thead>
<tr>
<th>Categories of employees</th>
<th>Increase (%)</th>
<th>No change (%)</th>
<th>Decrease (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher grades of white collars</td>
<td>17</td>
<td>59</td>
<td>25</td>
</tr>
<tr>
<td>Lower grades of white collars</td>
<td>11</td>
<td>41</td>
<td>49</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>15</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>Unskilled/semiskilled</td>
<td>13</td>
<td>33</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996.

We also asked the firms about how they perceived their age balance. (table 4).
Table 4. Views of Swedish firms on the age balance for different personnel categories and age-groups in 1994 in their own firm.

<table>
<thead>
<tr>
<th>Age balance for personnel categories</th>
<th>Too few (%)</th>
<th>About right (%)</th>
<th>Too many (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger white collar employees</td>
<td>52</td>
<td>46</td>
<td>2</td>
</tr>
<tr>
<td>Younger manual workers</td>
<td>35</td>
<td>59</td>
<td>6</td>
</tr>
<tr>
<td>Middle-aged white Collar</td>
<td>9</td>
<td>59</td>
<td>16</td>
</tr>
<tr>
<td>Middle-aged workers</td>
<td>13</td>
<td>79</td>
<td>9</td>
</tr>
<tr>
<td>Older white collar</td>
<td>4</td>
<td>56</td>
<td>40</td>
</tr>
<tr>
<td>Older manual workers</td>
<td>6</td>
<td>64</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996.

Most firms judged that they had a proper balance. However, many firms perceived that they had too few young white collar employees while having too many in the older category. The survey data also show that those firms that decreased their number of employees more often held the view that they had too many older workers/employees. This indicates an increasing exit pressure on the older workforce in firms that decrease their personnel.

The firms in the survey perceived that the older workforce had great problems to adapt to changes in the work organisation, as well as to the demands of new technology. Between a half and two thirds of the firms judged that their older workers had problems with regard to their level of training and their capacity to master new technology. Two thirds of firms thought that the older white collar groups had problems with the work tempo, while they thought this applied to three fourths of the older workers. A majority of firms also reported that their demands on the workforce in these matters had increased in the 1990’s. (4)

There is thus a congruence between the pattern of change in the firms, the attitudes in firms towards the older workforce and the exit patterns among different categories of employees.

Employment effects of policies intended to reform work environment

The aim of the large Working Life funds, that started to operate in 1990, was to promote changes in the work organisation and to make the work environment better. The idea was that firms thereby could make room for employees in different ages and health status.

Evaluations of the programmes subsidized by these funds indicate that some firms developed new forms of organising their work processes. Some firms developed a flatter and more horizontal organisation of their work and some firms became more proactive in handling their work environment.

During the years 1991-93, 65% of the firms included in our survey had been supported by the Swedish Working Life Funds. In the survey we asked the firms (through their personnel manager) how the different aims of the Working Life funds had been met (table 5).

Table 5. The views of Swedish firms on the effects of Working Life Funds in their own firm.

<table>
<thead>
<tr>
<th>Views of effects</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The Funds had contributed to a change in working conditions (work environment)</td>
<td>81</td>
<td>19</td>
</tr>
<tr>
<td>(b) The contribution from the Funds had made it possible to retain employees</td>
<td>28</td>
<td>72</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996.
Most firms reported that the work environment goal had been reached while in a majority of the firms it had not been possible to retain those employees that they had intended to keep by changing the work conditions in the firm.

Exit pressures in firms and the perception of pension systems
In Sweden there has been a recurrent debate in the political arena about raising the retirement age from 65 to 67 years, i.e. a reversal of the decision taken in 1976. Firms were asked how they judged the possibility for different categories of their workforce to continue working in their job, if the retirement age was raised. (table 6).

Table 6. Will raising the pension age cause problems for the employees in your firm?

<table>
<thead>
<tr>
<th>Personnel categories</th>
<th>No problems (%)</th>
<th>Some problems (%)</th>
<th>Large problems (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher grades of white collars</td>
<td>42</td>
<td>42</td>
<td>16</td>
</tr>
<tr>
<td>Lower grades of white collars</td>
<td>36</td>
<td>46</td>
<td>18</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>14</td>
<td>41</td>
<td>44</td>
</tr>
<tr>
<td>Unskilled/semiskilled</td>
<td>12</td>
<td>41</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: FOP-Survey 1996.

Raising the pension age, esp. for their blue collar workers, is seen as problematic by most firms. Seeing a raise in the retirement age as a problem, and even as a major problem, can be interpreted as an indicator of an exit pressure for the older age-groups.

The level of exit pressure in firms is further demonstrated by the frequent use firms have made of the occupational pension schemes in order to reduce their staff, in targeting the older workers for retirement. (4,5) 33% of the firms in the survey had used this technique, although they have had to pay substantial sums to the persons taking early retirement, by topping up the benefits paid from the occupational pensions schemes. (5)

Concluding Remarks
The combination of full employment and protection of the older workforce up till the early 1990’s led to a rather high proportion of older workers in Swedish firms compared with the situation in many other European countries. High unemployment rates increased the exit pressure on the remaining older workforce.

This paper detailed the exit process of the older workforce between 1991-1995. Data from a survey on 380 Swedish firms were used to interpret the decrease in the employment rates of the older workforce as an effect of actions taken in Swedish firms and work places, in response to economic, organizational and technical dilemmas within these firms.

The pace of change and the momentum of rationalization in the Swedish economy since the late 1980’s has been accompanied by a managerial ideology of concentrating on core operations and shedding of peripheral operations, comparable to the strategy of “lean and mean”. (6) This is combined with the manpower-reducing effects of information technology, eradicating many routine jobs among the lower white collar grades as well as among blue collar workers. These are also the groups which within the firms in the survey are most exposed to exit pressure.
When firms have to decrease their staff, the older workforce will be targeted for several reasons.

(a) Many Swedish firms perceive that they have a problematic age balance in their staff.
(b) This is further underlined by the increased importance personnel managers in firms give to the qualifications and competence of the workforce, which are being seen as negatively associated with age.
(c) In firms there exist widely shared perceptions of older workers as being tired, worn-out and having a questionable competence.

The evaluations of the age balance dilemmas made by firms are filtered through the perceptions that firms and their managers have of the older workforce. (7) Thereby the managerial perceptions of age-related dilemmas channel the economic pressures and organizational changes in firms into age-specific employment and dismissal strategies, increasing the exit pressure on the older workforce.

Summary

Based on data from the Swedish labour force surveys and a survey of 380 Swedish firms made in 1994-95, this paper sets out to explain the rapidly declining employment rates among the 55-64 age group. It is shown that firms increased their demands on their labour force. Firms also saw their older workforce as increasingly having competence problems. Thus strong exit pressures within firms, in a bleak labour market situation, combined with less proactive social and labour market policies, led to a marked decline in the employment rates among the older workforce.

Notes

4. FOP-Survey 1996.

References


Work after 45?

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