Gunnar Olofsson

Ageing and Work in Sweden

Background Paper on Sweden, presented for the ‘Millennium Project’ conference in Tokyo, December 4th -6th, 2000, organized by the Japanese Ministry of Labour

Studies in the older workforce and the labour market 2001:1
ISSN 1104-4292
Linnaeus University
School of Social Sciences
Sweden
Ageing and Work in Sweden

Background Paper on Sweden, presented for the ‘Millennium Project’ conference in Tokyo, December 4th -6th, 2000, organized by the Japanese Ministry of Labour

Professor Gunnar Olofsson
Department of Social Science
Linnaeus University
Sweden
E-mail: Gunnar.Olofsson@lnu.se
Ageing and Work in Sweden: A background paper


Sweden experienced a dramatic shakeout of the older workforce in the first half of the 1990s as part of the economic crisis 1991-94. The labour force participation rates and, even more pronounced the employment rates for the older workforce sank dramatically. However, when the Swedish economy recovered in the latter half of the 1990s the employment rates for the older workers, both for men and women, did not return to the former rather high levels.

Today the relatively low employment rates of the older workers are regarded as a major social and economic problem in Swedish society in three ways.

First, it is seen a cost problem. Unemployment insurance and other kinds of social insurance schemes for those that retired “too early” are expensive and regarded as a heavy burden (i.e. cost) on society.

Secondly it is seen as a problem of changing norms. The Swedish labour market and social policy regime is built around the “work line”, the axis around which economic growth as well as the character of welfare provision is constructed. A long period of falling employment rates in the older workforce can lead - and is already being seen as having led to - a change in the perception of the normal retirement age, that is the expected effective retirement age.

The average effective retirement age in Sweden is judged to be around 61 years (although many experts argue for a figure of 59 years). A recent poll among the 45-60 age group showed that a clear majority in this group wanted to retire at 60-61 years (SIFO 2000). This normative change is regarded as problematic and potentially dangerous since it will influence the behaviour of the older workforce as well as the attitudes of the employers towards ageing workers.

Thirdly, it is increasingly seen as a problem for the economic growth in Sweden. Long-term economic forecasts envisage a growth in the labour force in Sweden, which for demographic reasons have to take the form of increasing employment rates among the older workforce. This long-term bottleneck problem in the Swedish economy gives rise to proposals to change the pension systems (the public as well as occupational sys-
tems) and to make entry into the disability pension schemes more difficult. A series of measures is proposed to make it more difficult for older workers to enter the different social insurance schemes, i.e. those schemes that make early exit possible.

1.1. From problems to policies

In the ongoing public discussion in Sweden these three dimensions of the older workforce dilemma can be seen in the following key areas of discussion and contention:

- **Changes in the public regulation** of pensions, sickness insurance, and unemployment insurance by closing or tightening the exit paths as much as possible encouraging and forcing the older workforce to accept to implications of the ‘work line’. This is already set in motion in quite a firm way.

- **Encouraging changes in the conditions of work.** This takes two major forms. One is a move to increase flexibility of work conditions, e.g. in terms of flexible working hours, part-time work etc the key instrument for this strategy, part-time pension, has however been abolished. The other form is to encourage employers to develop “learning organisations”, that is to make competence development or at least competence maintenance part of the normal design of the work organisations. Public policy can support this development by encouraging competence development. Recently, tax-subsidised individual competence accounts have been decided upon,

- Finally, **changing attitudes towards older workers.** Negative images exist in many contexts. However, the most important actors are those that decide about hiring and firing, that is employers in the private and the public sector. Changing the attitudes among personnel departments, educational institutions, and labour market agencies is also seen as important.
2. Ageing and Work in Sweden: the experience of the 1990s and the situation today

2.1. Ageing and work in the Swedish policy debate today

During the year 2000 the theme of the ageing and older workforce has become increasingly central in the socio-economic and political discussion in Sweden. The following themes and problems have been focussed:

a) In the recently released new version of the recurrent “Long-term economic planning commission” (“Långtidsutredningen”), the ageing population and hence the increasing needs for care and pensions and thus the need for a larger workforce were singled out as crucial for the economic development in Sweden.

b) There has been a growing concern about the rise in Long-term sickness absence in the labour force (the costs it generates as well as the welfare problems it signifies)

c) The transition to the new scheme of public pensions has highlighted the need for a longer working life for Swedish wage earners if their future pensions should provide a decent living standard. For most Swedes the new pension system makes it necessary to remain in the labour market up till at least 65 years.

d) Political initiatives are being launched to postpone the de facto mandatory retirement from 65 to 67 years. This is suggested by the government, supported by industry and the academic and professional unions but is met with resistance from LO (the manual workers Confederation). It is widely acknowledged that the de facto average retirement age is now around 60 years. However, polls among employers show that support for this change is low on the firm and company level (SIFO 2000 as well as data shown below)

e) In the political arena the Green Party and the Left Party, as well as from within sections of the Social Democratic party demand shorter working hours. These demands are set against the need to prolong the active working life to support the rising costs of the pension and care systems, as well as the welfare system in general.

f) Recently a new “Commission on Old age policy” (Äldreprojektet) has been set up. It has a very broad representation of interests (the political parties, the social partners etc). A series of public hearings has begun. This commission aims at starting a broad
discussion in Sweden about all aspects of old age, including the fate of the older workforce. The work of this commission is planned to go on until 2004.

Thus, the early exit problem and the need to reverse the early retirement trend have for the first time become a central political and social theme in Sweden.

2.2. The development in the effective retirement patterns during the 1990s

The labour force participation rates for the older age groups declined rapidly during the deep crisis in the Swedish economy (1991-1993). Since the mid-1990s this trend has been reversed, but only partially. The early exit trend has not been reversed for the older age groups. The exit patterns from the crisis years have been stabilised. Table 1 shows the sharp decline in the first half of the 1990s but also that this decline continued after the crisis and into the present notably good economic development in Sweden, I have chosen the age groups of 55, 59 and 63 to illustrate important cutting points.

Table 1. Labour force participation rates among older men and women 1991-1998

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>92.4</td>
<td>85.4</td>
<td>86.4</td>
<td>86.3</td>
<td>87.3</td>
</tr>
<tr>
<td>Women</td>
<td>82.8</td>
<td>80.8</td>
<td>83.7</td>
<td>82.7</td>
<td>83.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>81.2</td>
<td>73.6</td>
<td>75.6</td>
<td>76.7</td>
<td>74.8</td>
</tr>
<tr>
<td>Women</td>
<td>74.7</td>
<td>71.1</td>
<td>69.9</td>
<td>69.8</td>
<td>70.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>59.8</td>
<td>51.3</td>
<td>52.4</td>
<td>49.9</td>
<td>45.1</td>
</tr>
<tr>
<td>Women</td>
<td>43.9</td>
<td>37.7</td>
<td>39.6</td>
<td>41.6</td>
<td>31.7</td>
</tr>
</tbody>
</table>

Source: Labour force statistics (AKU)

If we look in more detail into the 60-64 age group we can find the following pattern for the year 1998. (Table 2)

Table 2. Employment activity patterns among the 60-64 age-group in 1998
Men

% In Labour force  
60 61 62 63 64
59,3 60,3 55,0 45,1 40,0

% Of which unemployed  
8,1 6,2 6,4 10,1 8,2

% Employed  
63,6 56,6 51,4 40,6 36,0

% Of which absent  
16,9 13,5 18,0 17,2 17,9

Women

% In Labour force  
62,5 53,7 46,2 31,7 27,8

% Of which unemployed  
4,9 7,1 5,1 5,3 9,0

% Working  
59,6 49,9 43,8 30,0 25,3

% Of which absent  
20,6 23,6 20,0 19,0 18,9

Source: Labour force statistics (AKU)

The early exit trends in Sweden thus show that the decline in employment rates that began in the crisis period in the early 1990s have stabilised - marginally reversed for the younger groups in the older workforce and a continuing exit trend for those above 60, and esp. among those close to the retirement age of 65.

3. Existing Age-barriers in Sweden

Let me begin with an overview and a brief summary of those aspects of the Swedish policy regime that acts as barriers for the employment prospects of older age groups. There are several formal and de facto age barriers functioning and well alive in the Swedish labour market and in Swedish society.

3.1. Age barriers in Education and Training schemes

With regard to education and vocational training as well as access to support for competence maintenance there is
- An age limit at 45 years for obtaining full state loans for education on the post. - secondary level (universities and university colleges)
- A 55 year age limit to get financial support for the general program for education on a more basic level (the KOMVUX system)
- A clear age limit well below 55 years in the access to labour market training programs arranged and paid by the labour market authorities. The local employment offic-
es labour market training programs are shifted to young and middle age groups; this has become more marked after the mid 1990's, esp. after Jan 1st 1999.
- Within firms the training and skill development of the employees is focussed on the young and middle age groups (although less so in Sweden than in other OECD countries)

3.2. Older workers in the Labour market policy Programs

The way the local employment offices operate and the criteria by which their efficiency is judged are that the training programs and job placements should lead to jobs. Thus those unemployed workers that have the best labour market prospects are given more attention and support. Many investigations and research reports have shown that this does in practice exclude the older workforce. (Lindborg 1999, Wadensjö 2000)

The goal of the local employment office in their implementation of the labour market policy is now clearly to service the employers with what they want. Less emphasis is put on efforts to further the employment situation for specifically targeted groups. To the extent that there are targeted groups it is the young unemployed, immigrants and refugees, handicapped and disabled groups. Long-term unemployed is also a targeted group but within this group it is, esp. the younger age groups that are targeted.

Since January 1999 the labour exchanges have to implement new rules, making employment of young people a first priority. This has put the older age-groups back in the queue for jobs, training, and for attention (counselling etc)

3.3. General policies versus targeted groups

This reorientation fits in with a trend towards a labour market policy that is shifted towards general policies rather than to further the chances of specific groups. There is also a shift on the public rhetorical level away from policies aimed at specific, discriminated groups in need (due to racism, sexism, and ageism) to an emphasis of the positive aspects of “diversity”. “Diversity” is also a key concept used by the Employers federation in linking the handling of marginal, problematic or even discriminated groups to the perspective of management and firms (“a good mix for the firm”).

3.4. A larger role for the Firm-specific Rationality Calculus
In Sweden, the firm-specific economic calculus now operates on a wider scale than before and is applied with a greater confidence and legitimacy, and is met with less inhibiting restrictions in terms of rules and regulations. The typical Swedish policy formula of the late 1980s and early 1990's was to *shift the social responsibility*, as well as the costs, for rehabilitation of sick and ageing workers *back into the firms* (a strategy which was defined as “internalisation” in Olofsson-Petersson 1994). This strategy has largely been stalled.

With regard to older workers the firm-internal calculus leads to less investment in training for older workers - since this is not economically rational. Among firms the attitudes among those with responsibility for recruitment etc corresponds in general to the practices of not hiring older workers and the effort to find ways to shift them into the pension systems. (Cf. surveys by Forsberg-Olofsson-Petersson, AMS etc)

However, some firms do hire older workers, for good business reasons, mainly in the white-collar and professional field. A local savings bank and an investment firm are the two well-known cases in Sweden. But there is no wish in general to employ older people (above 45-50 years of age), as is shown in polls among employers. .The “business case” for hiring older workers plays a marginal role in Sweden, compared with other European countries. [The books and reports by written and edited Alan Walker et.al. on this theme make that clear.]. However, in appendix 2 four Swedish cases of Good Practices are documented.

### 4. Recent changes in institutions, public policies and practices

Some aspects in the Swedish policy regime have experienced rather marginal changes during the 1990s, while others have changed dramatically. Below some of the changes are listed. [For a comprehensive overview of the ageing worker and early exit problem in Sweden in the early 1990's, see the accounts in. Wadensjö 1991 and Olofsson-Petersson 1994.]

In the last couple of years major changes have occurred in key social policies, which have a direct impact on or that will influence the way the older workers are linked to the labour market

#### 4.1. Changes in the public pension scheme
The public pension system in Sweden has been thoroughly reshaped in the late 1990's. The main change is that the new system makes the pensions dependent on all the years individuals have been working and the total sum of wages and salaries they have earned over all the active years. In the earlier system it was enough to work 30 years and the level of pensions was based on the 15 best years. The new system is being gradually implemented.

All born after 1954 will be wholly included in the new system. Those born 1938 will get 4/20 of their pension from the new system and the rest from old. Thus all that are 62 or younger will increasingly become more dependent on the new system. From the older worker and early exit perspective the key aspect of the new system are the implicit demands for a longer work life that is built into the new pension system, This is a new institutional embedding of the Swedish “work line” (as many as possible in work, work as much as possible, work as long as possible)
4.1.1. The part-time pension scheme is abolished

The part-time pension scheme has been abolished (effectively closed from Nov. 30th 2000). This can be interpreted in at least two ways. Part-time pension can be seen as a way out from work or as a mechanism for keeping a link to the labour market.

Until Mid 1994 the replacement rate was 65%. Then it was possible to enter the scheme at 60 years of age, and get a pension for up to 50% of the former working time. Since the early 1990’s the replacement rate was only 55%, and the first point of entry is at 61 years. Furthermore it is only possible to get a part-time pension for 10 hours a week (that is at a maximum 25% of the normal workweek). These changes led to a drastic decrease in the number of persons entering the part-time pension scheme. This scheme is closed for new entrants as from December 1st 2000.

4.1.2. A devolution of the labour market component in the disability pension scheme.

There has also occurred a small reduction of the numbers of older workers in the disability pension scheme. Up till the early 1990s it was possible to qualify for this scheme from purely labour market reasons, that is if you were 60 years and above. Now, the entry into this scheme is once more regulated by, at least in theory, purely medical reasons.

There is however, an unofficial limit in the disability pension scheme that opens up the exit path of “specific and unspecified reasons” for those over 63 years of age. Here the medical causes for granting the pension are interpreted less stringent than the law formally says.

However, the Labour Market Board has calculated that the number of persons with a disability pension will increase due to the increasing size of the older age groups in the coming decade. If the age-specific disability pension rates from 1995 apply for coming years the numbers of those getting a disability pension will increase with about 35,000 in the 55-65 group. The effects will be even stronger in 2005 and 2010, leading to 60-70,000 more persons in these schemes.

4.2. Employment protection
The employment protection of older workers is in principle still in force. However, it is rather common that trade unions use this legal position of strength to obtain a “trade-off”. Unions often accept a retirement package for older workers (as the “price” as well as something good in itself)) in order to save the employment of some young or middle-aged workers (a goal).

From January 1997 it became easier to employ persons for a specified period, persons that are not being covered the standard employment security rules. At the same it became more difficult for employers to have persons employed as long term substitutes.

Employment security changed form being defined by the age of the employee to the length of employment. In principle this is should lower the entrance threshold for older workers in new jobs. Those that are employed part-time have a priority to get full-time jobs at the same employer.

4.3. The unemployment benefit

The unemployment insurance continues as before but the benefits have been cut dramatically, from 90% of the wage level to a compensation rate of only 75%. Later a raise to a compensation rate of 80% occurred.

4.4. The role of existing occupational and sectoral retirement schemes

In 1996 quite a few persons in the 60-64 age group had left the labour force because they had already got an age-related pension. Some occupations in the public sector have a retirement age at 63 or for a few occupations even at 60. In the latter half of the 1990's these schemes accounted for an early exit population of more than 50.000 persons, that is, more than 10% of the age groups 60-64 (and esp. prevalent in the 63-64 category)

In the banking sector we find in many cases a generalised age-specific exit policy. In the largest Swedish commercial bank here are very people employed in the age category above 57 years. This bank has organised a rather generous exit early retirement scheme as well as a policy to support the exit of younger persons, whose training and further education are being supported financially.

Within the metal sector and more generally the industrial sector (pensioning by the help of sectoral pension schemes as well as company trade-offs (and in reality also a mixed financing. Here the exit pattern is more dependent on the firm, its resources and the character of sectoral pension schemes.
Few exact and reliable data exist on the importance of these firm-specific or sector-specific buy-outs and the early retirement schemes in the public sector. However, the pattern is rather widespread, as the employment rate statistics indirectly for the 60-65 age group bears witness to. More than 40% of those still employed at 60 disappear from the employment record before they reach the standard normal retirement age at 65; for women the employment loss rate is about 50%.

5. Recently introduced public policy schemes

5.1. “Public temporary employment” (the OTA scheme)

In November 1996 the Swedish parliament passed a new law on “Public Temporary Employment”. The Swedish acronym is OTA. The Swedish labour market minister coined a new memorable phrase, that older workers were entitled to a “decent final stage in their life” when introducing the OTA scheme. The idea was to construct an acceptable phasing out the older workforce and to keep them out of the unemployment statistics. The background for introducing this and some other schemes in the labour market policy areas was the political goal of the present Government to halve the rate of open unemployment by the year 2000.

Originally the goal of OTA was to have 40,000 participants in the scheme per month. After only a few months this ambitious goal was reduced to 15,000 persons each month in the OTA scheme. During the first half of 1997 the scheme slowly started to catch on. About five thousand per month were engaged. The overwhelming majority, about 90%, was active in job schemes in the local authorities, and the rest in the counties and in the state. This scheme was forced through in rather hurried way, leading to administrative problems and bureaucratic hassle between the labour market authorities and local government.

The criterion for obtaining OTA was that a person between 55 and 64 must have been registered at the Labour market exchange for two years (i.e. either unemployed or engaged in an “activity”, i.e. a labour market program). It was mainly tasks within the social services and the care sector that those participating in this scheme were recruited into.
The criteria for creating OTA positions are that they should raise the standards and the quality of care, without interfering with the normal labour market. The basis for creating these positions is an agreement between the authorities and the trade unions in the area.

The trade unions were rather sceptic, seeing this scheme as a threat in specific labour markets. Furthermore many in the labour force, inc. the long-term unemployed over 55, were also rather sceptic. The advantage of the scheme was the chance of being re-integrated in the labour market again. But on the other hand the added income was marginal, amounting only to 40 to 50 Swedish crowns (SEK) a day, that is, a topping-up of the unemployment benefit of about 7-10 percent for doing a full-time although in principle lenient job. In this context the unemployment benefit is baptised “activity support”.

5.2. Temporary Labour market pension

A new scheme of “labour market pension” started in 1997. During a limited period, defined as the second half of 1997, it was possible for long term unemployed workers, to get a “labour market” pension on the level of the unemployment benefit. To qualify for this scheme you must have been registered as unemployed for more than 12 months and be over 60 years of age. It will not be necessary to be “available for work”. Those entering this scheme by definition leave the labour force, although they paradoxically receive an unemployment benefit.

5.3. Intergenerational job transfer - a Swedish variety of a job release scheme

In the Swedish Budget for 1998 the Swedish government has proposed the introduction of new scheme, “intergenerational exchange”. This is variety of the “job release schemes” that have existed in Britain, Belgium and France. The plan is to help younger unemployed persons to enter the labour market, by subsidising the exit of an older worker (aged 63 and above). The older worker is getting a pension if the firm hires a young unemployed person between 20 and 35 years of age. The benefit is calculated as 80% of the income used for the calculation of the sickness benefit. The upper ceiling for the benefit is SEK 14.400 per month, thus making it a valuable scheme mainly for manual workers and lower white collar employees. A firm that engages in this intergenerational scheme is expected to pay 25% of the state expenditures for each person. The employer can also pay extra to the older worker.

This scheme was only open for application from January 1st to August 31st 1998. As can be seen from the strict age and application limits the impact will be rather marginal.
The number of persons still employed at 63 amounts to only 46% among the men and 39% among the women in the age group. Among the manual workers the employment rate is even lower, thus further reducing the recruitment pool for this scheme.

6. Perceptions of competence, age balance considerations and exit pressures in firms. Attitudes towards the older workforce 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. The survey was carried out through a stratified sample of firms where large firms are overrepresented. The management of the firms, primarily the personnel manager, answered the survey. 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>Category</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

The firms were also asked 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.

<table>
<thead>
<tr>
<th></th>
<th>Too few</th>
<th>About right</th>
<th>Too many</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Younger white collar employees</td>
<td>52%</td>
<td>46%</td>
<td>2%</td>
</tr>
<tr>
<td>2. Younger manual workers</td>
<td>35%</td>
<td>59%</td>
<td>6%</td>
</tr>
<tr>
<td>3. Middle-aged white Collar</td>
<td>9%</td>
<td>59%</td>
<td>16%</td>
</tr>
<tr>
<td>4. Middle-aged workers</td>
<td>13%</td>
<td>79%</td>
<td>9%</td>
</tr>
<tr>
<td>5. Older white collar</td>
<td>4%</td>
<td>56%</td>
<td>40%</td>
</tr>
<tr>
<td>6. 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, partly caused by considerations on the age balance of their staff.

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 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.

There is thus 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.
6.1. 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 5).

Table 5. Will raising the pension age cause problems for the employees in your firm?

<table>
<thead>
<tr>
<th>Category</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 rise 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. 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 pension schemes.

6.2. From age-balance considerations to exit pressures

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.

The pace of change and the momentum of rationalisation in the Swedish economy since the early 1990's have been accompanied by a managerial ideology of concentrating on core operations and shedding of peripheral operations. This is combined with the man-
power-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 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. Therefore the managerial perceptions of age-related dilemmas channel the economic pressures and organisational changes in firms into age-specific employment and dismissal strategies, increasing the exit pressure on the older workforce.

**7. Is there hope for older workers on the Swedish labour market?**

In the Swedish public debate there is a widely shared consensus in the political arena, shared by public officials as well as by representatives from the key social partners, that the trend towards even earlier exit form the labour market must be stopped, and even reversed, To this effect a series of institutional changes have been put in place - esp. with regard to the public pension systems.

Some changes in the public policy area have positive implications for this shift of policy

- Programs that opened up new exit routes for older workers have been closed (such as, the Job release scheme, the temporary labour market pension in 1997, the part-time pension scheme is abolished
There is a clear shift in the pension schemes that emphasises a longer working life. (See above)

In the public rhetoric, the “work line” is emphasised. Many experts have great problems in grasping why the exit trend continues, even if the health situation of the workforce should become better over the years (since many of the hard and bad jobs have disappeared).

On the other hand, the general trend in the private as well as the public sector is to reorganise and reshape the labour force and shifting the age balance of their personnel by sending away their older personnel. This should probably be seen in a demographic perspective with a rapidly ageing workforce in Sweden.

Employers, incl. the State and the public sector in general, have cut down, rationalised and reorganised their work organisations. They have in many cases used the occupational pension schemes in order to send their older employees “home”. This has been occurring in the private sector (e.g. all banks, many industrial firms etc) as well as in public sector (the county hospitals, the local authorities and also in many state authorities).

For most firms, and for most agencies in the public sector, it is rational, and increasingly so, to shed older workers, hiring younger staff and not rehiring older employees, when they change and upgrade their work organisations. Age balance considerations, as well as conceptions of competence and qualifications and their links to age, seem to play an important role.

Moral and public exhortations seem to have little manifest effects. This should be seen in conjunction with a major shift in the perception of the desired) and ‘normal’ retirement age (now effectively around 60-61 years). This widely shared social expectation of a shortened working life is furthermore made visible by the choices made by leading politicians as well as well-known CEOs to retire around 60 years of age.

But the early exit trend continues, although the “work line” is in the air as well as in the institutional changes (esp. in the pension system. In this situation there is an open space for new kinds of initiatives. An EU-sponsored “Good Practice for Older Workers” initiative might be one type of new policies that can combine the considerations of employers, unions and state officials. The Employers Federation (SAF) views the older worker issue as a key issue but they are very much against any new forms of regulation and binding rules that could inhibit the initiative of the firms.
Today SAF would accept a general policy with the intention to further “diversity” (in terms of ethnic background, gender, age), but is indifferent or hostile to any new form of regulation implying a policy that aims at furthering the employment prospects for specific groups (such as women, immigrants, older employees). The perspective of “diversity” is acceptable to SAF and its firms if it runs parallel with an emphasis of what is rational for the company in question. (That is, if diversity policy equals enlightened self-interest).

On the other hand many employees want a more flexible pattern of work during their final years on the labour market. A public opinion poll was recently done and publicised by the Pension forum (a lobby group for the pension industry in Sweden). This poll showed that many people would like to work longer than they are being able to do, if, however, they would have much more freedom of choice about the kind of work, part-time work etc). Many older workers said that development and challenge in their work was a precondition for staying on in the labour market - a demand for less stress and uniformity and more challenge and flexibility.

7.1. Possible developments?

Two major strategies are available in the Swedish policy setting (the well-known stick and carrot model).

On the one hand we find a strategy of decisive institutional change. The pension system is changed to create strong incentives to continue working longer. Closing some of the exit paths is part of this strategy.

On the other hand there is a series of policy possibilities, measures adapting jobs to the demands of individual flexibility (part-time work), as well as laws forbidding employers and unions to agree on mandatory retirement at 65, creating competence accounts etc. To this catalogue we can further add the creation of new policy arenas such as “Good Practices” initiatives. (Cf. appendix 1)
Table Appendix: Employment, unemployment and non-activity among the age-group 55-64 in 1999.

<table>
<thead>
<tr>
<th>Age</th>
<th>Employment rate</th>
<th>Unemployment rate</th>
<th>Outside the labour force</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>55-59</td>
<td>69,8</td>
<td>62,2</td>
<td>4,8</td>
</tr>
<tr>
<td>60</td>
<td>66,1</td>
<td>48,6</td>
<td>6,0</td>
</tr>
<tr>
<td>61</td>
<td>56,5</td>
<td>44,6</td>
<td>6,5</td>
</tr>
<tr>
<td>62</td>
<td>42,9</td>
<td>36,0</td>
<td>4,2</td>
</tr>
<tr>
<td>63</td>
<td>37,4</td>
<td>22,1</td>
<td>2,7</td>
</tr>
<tr>
<td>64</td>
<td>27,8</td>
<td>17,3</td>
<td>3,0</td>
</tr>
</tbody>
</table>

Appendix 1

How Swedish Social partners look upon the suggested ‘Code of Good Practice for Older Workers’

If the suggested Code of Good Practice should be effective it is important that employers and employer’s organisations are actively engaged from early on in the process of establishing the Code.1 This is emphasised by many of the experts we interviewed. For the Swedish employer’s federation it is furthermore very important to know the position taken by the European employers’ organisations.

A Code should, from a Swedish perspective, be developed on the European level, by engaging the private and public employers as closely as possible in the discussion about as well as the dissemination of the Code. In order to argue for this “Code of Good Practice” among employers in Sweden it is important that the European Employers federations regard it as positive.

It is important to engage key employers and their organisations in any agreement about the Code on the national level. Organisational support and (political) pressure from the relevant EU offices will be important when the Code is launched in its local versions. At least this is important in the Swedish case. Since Employers and their organisations are decisive in the case making a voluntary Code of Good Practice effective, much thought and strategic thinking should be devoted to how Employers and their organisations can be committed to a Code.

1. To whom should the Code be addressed?

The Code as it stands is a mix of general and specific recommendations and suggestions. Most of the recommendations in the Code presuppose action and initiatives on part of the employer.

---

1 This text was written during the summer of 2000, as part of a working paper for a working group organised by Eurolink Age. Since it gives an overview of the state of the Swedish discussion of the initiative for introducing a Code of Good Practice for Older Workers on the
A first point is that not all firms are equipped to handle this Code. A couple of the Swedish experts pointed out that the Code presupposes a large organisation/firm, with a HRM department and/or a well-trained personnel department. How can this Code be adapted to and implemented in small firms and small organisations?

A second point, or rather a suggestion, is that a Code should also apply to and inform the actions of recruitment and head-hunting firms, personnel hiring firms (e.g. those handling vacancies and short contract jobs). Consultants are used by firms and public organisations both for expansion and in periods of contracting, in finding as well as getting rid of employees. Organisations and firms should be encouraged to use those consultants that subscribe to this Code.

2. Which groups/issues should be included in a Code of Good Practice?

Many experts suggest that a Code of Good Practice should be general in its scope. The Code should not single out the older workers issue, since other groups and categories is also the object of “bad practices”. Age should be put systematically on the same level as gender and ethnic background in terms of the need for equal treatment. This suggestion is important, at least in the Swedish context. Several experts note that the Code as it now stands mix the ageing worker issue and the general call for non-discrimination and equal treatment. Some of the issues raised in the Code, e.g. competence maintenance over the life course, are specific for the ageing worker, while many others are common to age, gender and ethnic background,


Employers are reticent to use the word discrimination. They argue that not all that does not function well in the labour market is discrimination. On the other hand union representatives find it important that the Code regards the ageing worker problem not as a specific problem but as a part of the larger non-discriminatory framework. There are concepts that can include the positions of both employers and unions. Instead of age-specific and non-discriminatory practices the emphasis can be laid on “equal opportunity” and “diversity”.

European level, I have included a partly revised version in this paper for the Japanese public.
Several experts find that a good aspect of the Code is that it emphasises the important and productive role of diversity in the work force and that it takes this diversity as something good for firms, for the public sector and the work force. The problems of the ageing workforce can be included in a more overall framework on non-discrimination, perhaps by using the more inclusive idea of “productive diversity” in the workforce.


Most of the experts find that a Code has many good suggestions, gives important recommendations and that most of what the Code says are in line with their own view and analysis of what should be done. One expert states that if the suggested Code was implemented fully most of the policy problems with the older workers would be solved. But there is also the comment that this is a list of good intentions and that implementation of the Code lies in the future.

5. The importance of a Code for changing attitudes.

Nearly all experts find that the most important contribution of the Code will be in the area of changing attitudes. They do not refer to attitudes in a general sense, such as a public poll measuring the attitudes of the population towards older workers, but in the more specific sense of attitudes among decision-making employers (private and public) and public policy makers.

6. An emphasis on Learning and Development is regarded as very valuable by many Swedish experts. The “responsibility” for training and competence should include both the role of firms and the role of individual decisions. The experts want employers to plan their organisation of work and division of tasks to ensure continuous learning and development for the employees. Many experts see the Code as a support, when workers and unions ask employers to develop their organisations into learning organisations and that competence development should be part of every workers experience

Critical evaluation of the Code from the Swedish Employers Federation
The experts from the side of private employers are more sceptical than other experts about the value of a Code. The Swedish employers are in principle critical towards those policies - including laws, regulations and existing agreements - that circumscribe the freedom of action for the individual firm. In the case of a Code of Good Practice they clearly prefer a bottom-up perspective instead of a European Code that is coming “from above” into different national contexts. The bottom-up method here implies that decisions and practices and programs developed in individual firms could be spread and summarised in sectors and nationally and finally on a European level. The subsidiarity principle is invoked by Swedish employers as being relevant for labour market problems and policies.

There is a fear that this Code is a step in the direction of new laws and new clauses in collective agreements that would further restrict the freedom of decision in the firms. Therefore the status of the Code is important to clarify when this initiative moves forward.

**Conclusion: The Status and possible Impact of a Code of Good Practice for Older Workers**

The Code of Good Practice can be seen

a) As an *alternative to legislation* (an argument directed to employers),
b) As an *addition to existing laws* (an argument directed to trade unions),
c) And as a way to *change the long-term responsibility* for the design of work organisations and the exclusion of weak groups from the labour market.

In fact a Code combines all these three elements.

Its long-term role can be argued to be a long-term shaping of the actions and conceptions of social actors (firms, unions, state officials) *by weaving a tight normative and discursive net around the actors* in the economic and social sphere. This is an argument for policy experts in the EU and on the national arenas.

A Code thus may have a more general impact in the long run, by establishing a common European framework, adding its small part to the establishment of a com-
mon European norm to stay in the labour market until the codified retirement age and by establishing the norm that the organisation of work in both private and public sectors should be geared to such a goal.
Appendix 2
Examples of Good Practices in the 1990s

We were asked to give examples of already existing “Good Practices” in our countries. There are rather few cases of documented Good practices in Sweden. In paper from 1997 some Swedish cases are presented, and they are included here as an appendix to the report. This paper was first published as: Olofsson, Gunnar & Pia Forsberg. 1996. “Good practices” for older workers in Sweden in the 1990s. A Background Paper prepared for a European Foundation project led by Alan Walker. Studies in the older workforce and the labour market 1996:2. ISSN 1104-4292. University of Lund Department of Sociology Sweden.

It is hard to find many good and telling examples of “Good practices” in Sweden. We have talked to trade unions, employers’ organisations, Labour market Boards, employment Security Funds, scholars etc. There are few positive cases that have been suggested to us.

The Role of the Campaign Organisation “Forum 50+”

In 1994, representatives of some white collar trade unions, insurance companies and employers in the public sector set up a small campaign organisation to promote the idea that the older workforce, esp. the older white collar workers, still had much to contribute to firms and to society in general. This organisation, with a small national office and regional organisations, basically composed of older or former officials in the white collar trade unions, has organised seminars, large conferences etc and made their presence felt on in the public debate. The aim is to spread the idea of the productivity, profitability and the overall good use value of older workers. Part of their aim is to counteract stereotypes of the older workforce and influencing the attitudes of employers, unions and the older workforce themselves.

“Forum 50+” uses publicity and open forums such as seminars and conferences to spread the idea that retraining and keeping older workers is good idea form both firms and society. One major argument is that the cost for pensioning off people is becoming very costly for the firms. This might have been reasonable when the pres-
sure to downsize the personnel of many firms were very strong, as it was in the early 1990s. But now other measures ought to be used. The unions have in most cases seen youth unemployment as larger problem than the fate of the older workers, esp. if these groups could get a decent pension. The unions strongly supported early pensions, esp. if the compensation level was acceptable. (In Sweden the general rule has been that early pensioning compensated for about 75% of the former salary - and no consequences for the level of pensions after 65 years - the latter point has been very important in making early retirement acceptable). In many cases the view of the older workforce esp. on the middle level of management is that those above 50 or 55 are tired, not willing to learn etc.

Four examples of Good Practices

We will present four cases that could be described as instances of Good practices.

1. Volvo Penta - A Case of Individualised Development plans.

Forum 50+ appoints a “Firm of the year” and in one year this honour was bestowed on a section of Volvo (VOLVO PENTA) which had started to develop the qualifications of their employees though a rather massive training programme. Statistics on the age distribution of days of training on employees have shown that the older workers receive a very marginal share of all funds spent on training in forms and public sector organisations as well. Volvo Penta was in part an exception to this rule. During 1991-93 the company laid off a substantial number of employees. The company adhered to LAS (the employment protection law) and as a result most of the recently employed persons were laid off. After this painful process, very few employees were below 25 years and the median age rose to 47. Not only were many laid off, but several also had to change jobs within the company, finding themselves in new groups with which they had to work,

Then the company faced a difficult situation - an ageing staff together with major changes in work organisation (team work, project orientation etc.) and pressures on the staff to adapt to new kinds of demands in terms of engagement, adaptation. The 40+ group had to be part of this change. 55 persons every half-year, 220 persons in all, are involved in a major development programme. Every person gets 20,000 SEK ($200) as an individual sum to use for development (to finance education, buy a PC...
etc) The development program spans half a year and includes all employees, workers as well as white collar employees.

The personnel officer does not regard everyone among the personnel as possible to retain in the company. Not everyone is seen to be willing to look into his or her whole situation (including physical training etc.). This kind of project is also dependent on the economic situation of the company. The earlier alternative in this company was early retirement (paid by the company and the occupational pension scheme) and the redundancy projects where those that were deemed as redundant were assembled in one section of the company. This way of weeding out employees was painful for all involved.

This company has in a second phase of restructuring chosen to devote a substantial amount of effort in developing an individualised education and training programme, a programme that in effect also expects quite an effort on part of the employees, and instead of management selection among personnel probably shifts the selection decisions to the individuals.

2. **RAPID - A company employing older skilled metal workers (machine operators).**

The RAPID case a medium-sized firm that for both policy and labour market reasons decide to hire older metal workers when they expanded their staff in the mid-1990s.

RAPID is small company in Bredaryd, a small community in the countryside of Southern Sweden. RAPID develops, manufactures and markets granulators that convert various types of plastic waste products into high quality granules, suitable for recycling. The company has 190 employees in all, of which 2/3 are workers. In the early 1990s the company cut back in personnel and production. In 1994 and 1995 the company expanded again and had to employ new workers. Of those that were recruited among the workers seven were over 50 years, some even close to 60.

The personnel manager gives two reasons for the decision to employ seven persons over 50 years. “The aim of the company is to have a mix of age-groups, qualifications, cultures and competencies. Qualification and experience, not age has been the main criterion in selecting new personnel.”
The machine operators have to be trained to master certain techniques and they are in fact hard to get hold of. In Bredaryd a couple of firms closed down in the recession of the early 1990s - therefore there were a number of unemployed, fully trained and experienced machine operators in the community, and they were also above 50 years. These were the men that were employed by the company.

A suitable qualified personnel was locally available - and age was not used as strategic negative selection criteria. In contrast age was rather seen as a positive factor in terms of age balance in the company.

3. GALAXEN: a rehabilitation and re-employment agency for older building workers.

GALAXEN is a very typical Swedish tri-partite (unions, employer, state) corporatist organisation handling rehabilitation and subsidised re-employment for building workers. The labour market situation is that only about 10% of building and construction workers are still employed and working when they reach 65 years.

In 1986 the trade unions and the employers in Building and Construction together with the Labour Market Board, Social Security offices set GALAXEN. There is a national organisation as well as 24 regional organisations. This was an organisation whose aim was to support rehabilitation of building and construction workers and to bring some of them back to normal work.

The basis of this programme are Local Adaptation Groups (LAG), consisting of representatives form employers, unions, labour market offices, social security offices, rehabilitation agents, occupational health specialists etc. Workers that need rehabilitation are channelled through these LAGs. A plan is made up for each individual. The measures used are
- Education and training (labour market training)
- Work rehabilitation, training etc. (rehabilitation agents and centres)
- Sheltered employment (SAMHALL)
- And being allocated to GALAXEN.
About one fourth of those who are handled in the LAGs are then handled by GALAXEN. This means that are being hired by an employer in building or construction, have a specific job that is suited to their capacity and that the employer organise a rehabilitation plan adapted to this individual. If firms accept this procedure, they get a 50% wage subsidy.

From the beginning the goal for GALAXEN was rather modest. It was set to a return rate of 10%, i.e. persons that could find a normal non-subsidised job in the building sector again. Until now the success rate has been 25%.

In 1996 about 1,200 persons are handled by GALAXEN, Of these the majority, i.e. 700 are above 46 years. More specifically there are 200 between 46-50; 240 between 51-55; 250 between 56-60; and 75 between 61-65. In ten years the number of complete successes, i.e. workers that have been re-employed on normal, i.e. non-subsidised terms, amounts to about 500 persons. In an evaluation made of GALAXEN in 2000, this picture is broadly confirmed.

The different actors and organisations that are involved see GALAXEN as a rather successful rehabilitation measure. It has a reasonable rate of success in keeping some of their older workers in the building and construction sector in the labour market, either in sheltered employment, subsidised or, for a minority, re-employment in a “normal” job. This is a policy that is not directed specifically towards older workers, but that nonetheless covers many older workers in an exit-prone sector.

4. Getting old in Child care

One large city in the northern part of Sweden, Sundsvall, has started a program, to keep middle-aged and older workers in the nurseries and children day-care centres.

During the last 25-30 years the children care facilities have grown rapidly. Organised by local authorities, child care facilities employ large numbers of women, both those that are trained in university colleges (pre-school teachers) and those that are trained on high school level (childminders). Today many women in this sector are approaching their retirement and feeling the effects of their work. Can they stay in their job until they reach their retirement age (63-65 years)?
The Social services in the City of Sundsvall, a major city in mid-northern Sweden, organised a series of projects within the social services in conjunction with the Working Life Fund. One of the projects was devoted to the problems of getting older in the child care work. The point of this project was not to hire more older workers or to train them in the traditional sense, e.g. through formal education, lectures etc. The project took the form of discussion groups for those above 50 years.

The discussions groups were led by 22 co-ordinators chosen from the participants. 266 women participated in the project and the discussion groups the experiences of the older employees between themselves, to discuss the specific values and contributions that experience could bring to the work groups in the day care centres and to the children. The importance of tacit knowledge was stressed, as was the role of accumulated experience, and the model of the older employees as a kind of “master” in relation to the younger still in training.

The effects of this programme on the exit flows has not been evaluated by the city, but the evaluation through questionnaires that took place seems to indicate that a clear majority of the older workforce have found the positive role and image of the older workforce given by the employer was positive, and part of continuing attachment to their work.

The collective attitudes of the older workforce are often one of the factors that accelerate early exit. Management can influence this self-evaluation by their recruitment and training policies, but also through programmes of this horizontal confidence-building effort, esp. if this kind of programme is supported by efforts to reorganise work, or at least not by stepping demands on the older workforce.
Appendix 3. The shakeout of Older Workers from the Swedish labour market in the 1990's.

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 market. Between 1990 and 1995 the unemployment rose dramatically among men in the older age groups. For men aged 60-61 unemployment rose from 2% to 9% in these five years, while for the 63-64 group it rose from 1% to 12%

The employment ratios for men and women in 1995, as well as the changes in the employment ratio 1991-1995 are shown in table 1. In order to point to the dramatic shake-out of the older workers from the Swedish labour market a “Relative exit rate” is calculated, defined as the change in the employment ratio between 1991 and 1995 as a percentage of the 1991 ratio.


<table>
<thead>
<tr>
<th>Age-group</th>
<th>Men 1995</th>
<th>Change 1991-95</th>
<th>Women 1995</th>
<th>Change 91-95</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>absolute change</td>
<td>relative exit rate</td>
<td>absolute change</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>50.9%</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 age-group 63-64 lost their job or left the labour market.
References


Wadensjö. Eskil & Sjögren, Gabriella, Arbetslinjen för äldre i praktiken. (Stockholm 2000)

Public statistics

Labour force statistics 1990-2000, published as well as unpublished tables reports and statistics from the Labour Market Board, including evaluation reports on major employment and unemployment programs.
