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Implications of an increasing old-age dependency ratio: The UK and Latvian experiences compared

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Barbara Ingham

is Reader in Economics at the Salford Business School, University of Salford, Greater Manchester, UK, and also lectures on Global Management at the Riga International School of Economics and Business Administration (RISEBA), Latvia. She is the author of *International Economics*, *A European Focus* Financial Times/Prentice Hall (2005).

Andrejs Chirijevskis

is Professor in the Management Department at the Riga International School of Economics and Business Administration (RISEBA), Latvia.

Fiona Carmichael

is Reader in Economics at the University of Birmingham, Birmingham, UK. Dr Carmichael researches and publishes in the area of labour economics. Currently, she is engaged on a European Social Fund research project with Dr Ingham, relating to employment opportunities for older workers in the United Kingdom.

ABSTRACT This paper focuses on the implications of the projected rise in the old-age dependency ratio in Europe and summarises current debates surrounding rising dependency ratios and the responses of policy makers to demographic changes. It reports from Latvia and the United Kingdom the factors influencing the labour market participation of older people. Although Latvia and the United Kingdom are predicted to have similar old-age dependency ratios by 2050, there are significant differences in the cultural scenario, skills profile, and pensions and welfare systems in the two economies, which can be expected to influence the future labour market participation and retirement choices of older people.

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INTRODUCTION

In his speech to the European Central Bank Executive in 2006, Jose Manuel Gonzalez-Paramo initiated a significant and ongoing debate about the economic and social implications of the projected rise in Europe's old-age dependency rate.

‘Europe is growing old and we have to afford it. On the basis of current projections the old-age dependency ratio is expected to more than double from around 25 per cent today to more than 50 per cent by the middle of the century. And the overall dependency ratio is expected to increase from around 50 per cent today to 80 per cent in fifty years’ time. Even if there were to be a dramatic turnaround in birth rates starting tomorrow, which I certainly don’t expect, Europe will have to cope with much higher dependency ratios in the coming decades’.

Correspondence: Barbara Ingham
Salford Business School, University of Salford, Greater Manchester,
M54WT, UK

The European Central Bank is a key European-wide economic and financial institution. The fact that it is becoming increasingly involved in discussions about the projected rise in Europe's old-age dependency ratio is an indication of the significance that policy makers attach to this measure. However, it is important to remember that increasing old-age dependency is not a trend that is restricted to Europe. Life expectancy is increasing and fertility rates are declining worldwide, leading to an increase in the share of those over working age, usually aged 65 years or more, in the world population. In fact, as life expectancy in the developing world increases, its populations are ageing much faster than the populations in developed industrialised countries.

This paper focuses on the implications of a rising old-age dependency ratio in two European Union (EU) economies, Latvia and the United Kingdom. Admittedly, rising old-age dependency ratios do not present the same problems for EU economies as they do for the developing world, where there are low levels of physical and human capital, often accompanied by deteriorating family support systems. Nevertheless, European institutions do tend to regard their rising old-age dependency ratios as a problem. One of the ways in which EU economies could adjust to the rising costs of old-age dependency is by bringing increased numbers of older people into employment. This policy is not without its problems. We would argue that older people are becoming increasingly vulnerable as their skills and aptitudes fail to adapt to rapidly evolving global markets. In some circumstances too, employers, customers and even older people themselves may hold unhelpful ageist attitudes towards employment of people more than 65 years old. This appears to be the case in the United Kingdom. Legislation based on the EU Equal Treatment Directive (2000) clearly has a role to play, but there are lessons here for the United Kingdom from the United States. The United States has a long history of age discrimination legislation, and most of the more obvious manifestations of age discrimination, such as mandatory retirement ages, have disappeared in the United States. Yet, no one claims that the

United States has solved the problem of age discrimination. Ageism and age discrimination still persist in the United States, particularly on the recruitment side, where it is very difficult to establish that age discrimination may be operating.

This paper attempts to shed some light on the issues facing policy makers as they grapple with the implications of rising dependency ratios. It summarises current debates surrounding Europe's rising dependency ratio and goes on to discuss likely constraints on policy makers in response to demographic changes. This paper reports on research from the United Kingdom and Latvia into influences on the labour market participation of older people. Although the United Kingdom and Latvia are predicted to have a similar old-age dependency ratio by 2050, the cultural scenario, skills profile, and pensions and welfare systems in the two economies, which provide the context for policy debate, are currently very different. In particular, researchers tell us that the cultural constraints and ageist attitudes, which appear to limit workplace opportunities for older people in the United Kingdom, appear to be of less significance in the Latvian case.

THE RISING OLD-AGE DEPENDENCY RATIO IN EUROPE

The old-age dependency ratio measures the number of older people (aged 65 years or above) per 100 persons of working age (those aged between 15 and 64 years). The old-age dependency ratio is one of the two parts of the total dependency ratio. The total dependency ratio is the sum of the old-age dependency ratio and the youth dependency ratio. The youth dependency ratio is calculated as the number of young people (aged 0 to 14 years) per 100 persons of working age.

The rising costs of youth dependency, especially in developed countries, are frequently underestimated. The youth dependency ratio is based on persons aged 0 to 14 years. In practice, only a relatively small proportion of people under 18 years of age in developed countries are financially independent. As more and more young people remain in education beyond the age of 18 years, a more appropriate reflection of

realities in richer countries is a youth dependency ratio based on 0 to 19 years.

A high dependency ratio is supposedly indicative of the dependency burden on the working population, as it is assumed that the economically active proportion of the population will need to provide for the health, education, pension, and social security benefits of the non-working population, either directly through family support mechanisms or indirectly through taxation. More than half of the governments represented in the United Nations' Department of Economic and Social Affairs (DESA) have expressed concern about the ageing of their populations. All six major world regions will see a significant increase in their old-age dependency ratio by 2050. Europe already has the world's highest old-age dependency ratio. It is expected to grow from the current 22 per 100 persons of the working population, to 51 per 100 by 2050. Spain is projected to have the world's highest old-age dependency ratio by 2050. Projections for the rest of the world in 2050 suggest a rise in the old-age dependency ratio from 6 per 100 to 11 per 100 in Africa; from 9 to 26 in Asia, Latin America, and the Caribbean; and from 19 to 35 in North America.

How much of a problem is the rising old-age-dependency ratio? Are the fears exaggerated? The 2007 United Nations Report takes a pessimistic view, arguing that the changing age structures in the populations of member countries are likely to present major economic and social challenges to governments.¹ Rising dependency ratios will impact negatively on future growth, savings, consumption, taxation, and pensions. They will also require major social adjustments because the population of older persons is itself ageing. The fastest growing group is the 'older-old', those aged 80 years and above. This has a number of implications. Those above 80 years experience greater social isolation and poverty than the 'younger-old'. The health of the 'older-old' also deteriorates more rapidly with age than the health of the 'younger-old'. There is a significant gender dimension in this analysis. Women have higher survivorship than men and a lower propensity to remarry as they age, and thus are

more likely than men to live alone and experience social isolation in older age.

The caring needs of an ageing population are reflected in another statistic – the *parent support* ratio. This measures the ratio of the population aged 85 years or above to that aged 50 to 65 years. In 1950, there were fewer than two persons aged 85 years or above in the world, for every 100 persons aged 50 to 64 years. The ratio in 2007 was four persons aged 85 years or above, to each 100 persons of 50 to 65 years of age. By 2050, the parent support ratio is predicted to increase further to 12 per 100 persons. This is a serious prospect, as it means that many people who are themselves already past middle age may have the responsibility of caring for even older relatives. The support that families provide for their older members will, therefore, need to increase substantially.

Globally, at present, there is a significant difference between developed and developing countries. In developing countries, about 8 per cent of the population is aged 60 years or above, as compared with 20 per cent aged 60 years or above in developed countries. However, this situation is changing rapidly as the developing world begins to 'catch up' in terms of increased life expectancy. The *pace* of population ageing is fast in the developing world. Moreover, the ability of poor countries to deal adequately with the social and economic impact of ageing populations is very much constrained by their low levels of physical and human capital. The DESA Report draws attention to the low skill base of the older populations in developing countries. For example, about half of the people over the age of 65 years in the developing world are unable to read or write. This seriously constrains their ability to acquire new skills, to support themselves, and to find a role in the rapidly evolving global economy. Family support systems for the elderly are also collapsing over large parts of the developing world because of conflict, poverty and AIDS, and migration of the younger cohorts of the population in search of education and employment.

The demographic profiles drawn up by DESA and other international bodies, such as the World

Bank, are undoubtedly pessimistic; but is there any light among the shadows for Europe? On the positive side, there is a school of thought among demographers that higher life expectancy, though valuable in itself, is about to level off in richer countries. For example, at higher age in the United States, the mortality rate (the assumed probability of dying within a year) already shows signs of levelling off. There are certain lifestyle reasons for this in richer countries, such as rising obesity levels. Additionally, there may turn out to be some straightforward biological limits to the human lifespan, bringing to an end a century or more of improvements in longevity.

In rich countries, the debate about longevity is frequently couched in terms of pension assets, the extent to which the increasing numbers of people over the age of 65 years will be covered by existing public or private provision. Here, there is great diversity of experience. Some countries in Europe are much better placed than others to cope with high projected old-age dependency ratios. Indeed, countries with the highest projected dependency ratios do not always have the best funding arrangements in place. Beyond Europe, Japan has a projected dependency ratio of 50 per cent by 2025, but it has current pension assets of less than 60 per cent of gross domestic product (GDP). In Europe, the Netherlands has a much lower projected dependency ratio than Japan, 35 per cent by 2025, but its pension assets are generous at more than 130 per cent of GDP.

Again, on the positive side, the increasing numbers of older people in Europe's population do not necessarily imply increased 'dependency'. Even in Europe, increasing numbers of people over state pension age (SPA) continue to work. Others support themselves from past savings and investments. Many people over SPA continue to support their adult children and grandchildren financially or in a childcare role. Additionally, over the next half century, it is probable that older people in Europe will become healthier and more productive in comparison with past generations, and thus reducing the rate of growth of the costs of healthcare and benefits. Business and management practices may also be changing

in Europe to encourage the employment of older workers. One influence here may be the EU's 2000 Equal Treatment Directive.

Notwithstanding the more positive implications of demographic change, on balance, the European institutions do tend to stress likely negative impacts on future growth rates as Europe's populations age. Estimates from the European Central Bank suggest for Europe a reduction in trend real GDP growth between 2007 and 2050 of around 1 per cent per annum due solely to population ageing. This is based on the assumption of constant levels of labour use and unchanged rates of growth in productivity. Changes are also expected in the financial markets and the structure of savings portfolios as the middle-aged build up their savings in pension funds and insurance corporations and the old draw down their savings to finance consumption in retirement. Particular problems are emerging for European companies that operate defined benefit schemes. Other things being equal, pensioners with large pensions have lower than average mortality. Together with general uncertainty about longevity in Europe, this has the potential to undermine the viability of many of Europe's direct benefit pension schemes.²

EMPLOYING EUROPE'S OLDER WORKERS

A variety of initiatives has encouraged European employers to work towards higher labour market participation and productivity growth among Europe's older workers. A key development has been the EU Equal Treatment Directive (2000), which commits all member states to prohibit age and other forms of discrimination in employment. The Equal Treatment Directive is underpinned by a number of country-specific policies to reform social welfare systems and private pension provision. Prominent here are policies that lift the age at which state-funded retirement benefits are payable. There is also a presumption in favour of reforms to private pension provision, moving away from defined benefit schemes and towards defined contribution schemes.

Europe's policy makers acknowledge that increased labour market participation by older

workers may require significant changes in attitude on the part of employers. This is an issue that calls for further research in the European context because older workers are particularly vulnerable in today's global marketplace. Richard Sennett, Professor of Sociology at the London School of Economics, describes the present-day workplace culture as one in which all employees are treated as 'young, unencumbered and driven'.³ When competing in global markets, many firms believe that to be successful they need above all to be able to respond quickly and decisively to market signals. In pursuit of market flexibility, they are encouraged to strip out all the 'middle layers'. In this culture, older and more experienced employees may be particularly vulnerable. Their accumulated experience is discounted as managers seek out younger employees who are believed to be more flexible and receptive to change.

Research is urgently needed to inform Europe's policy makers of the links between 'ageism' and 'age discrimination'. Ageism refers essentially to the negative attitudes so often attributed by employers and society as a whole to older age groups. Examples of the words invoked by social researchers to typify these negative attitudes in a work situation include rigid, unskilled, inflexible, unproductive, cantankerous, embittered, dogmatic, and intolerant. Ageism like racism depends on stereotyping. The assumed negative attributes are those of the group. Little or no account is taken of the qualities or predispositions of individuals within the group.

Age discrimination, which is highly relevant to possible policy solutions, is linked to ageism and refers to negative and unequal treatment of equals in employment. Age discrimination in employment describes a situation in which age is the deciding factor when an employer takes decisions to recruit, to promote, to retrain, or to retire/dismiss an employee. Age discrimination can affect both old and young employees. People may be discriminated against for being 'too young' as well as for being 'too old'.

There are still many unanswered and controversial questions about ageism and age discrimination in employment. Central to the

debates are questions about the 'rationality' or otherwise of employers deciding whether to employ older workers. The argument from an orthodox economic perspective is that the rational employer would suffer in a business environment by failing to recruit workers simply on the grounds of age. If a rational employer does decide not to recruit/retrain an employee on grounds of age, it may be because age indicates to the employer such unhelpful characteristics as low skills, sickness, absenteeism, and lack of geographic mobility, any of which could result in the older worker having lower productivity than the younger worker. If the lower productivity of older workers is not reflected in lower wages, then relatively high unemployment among the old will be the 'rational' market outcome.

Employers, however, can have quite irrational and prejudicial attitudes to older workers, which are largely unrelated to their productivity and employability. Negative stereotyping feeds into age discrimination. In this context, the longstanding US experience of age discrimination legislation may have lessons for European policy makers. The US experience has been closely studied by academic researchers. It is generally agreed that the most obvious forms of age discrimination have disappeared in the United States. Employers cannot impose upper age limits in recruitment or set mandatory retirement ages. Retraining programmes cannot be barred to older workers. Yet, there is still plenty of evidence from the United States of negative stereotyping. Ageist attitudes are prevalent, particularly on the recruitment side in the United States, where it is very difficult to prove that age rather than other factors dominate decision-making.

There is no reason to suppose that the United Kingdom differs radically from the United States, insofar as management assumptions on age are concerned and policy makers need to be sensitive to this possibility. For instance, it is estimated that in the United Kingdom, as many as one million people above 50 years of age may be struggling to find employment because their age acts against them. This is important, because perceptions of ageism and age discrimination in employment can

have a significant influence on the decision an individual makes on the date of retirement.⁴ Anecdotal evidence suggested to the authors, however, that there may be less in the way of age discrimination in Scandinavia and in the Baltic economies than in the United Kingdom.

LABOUR MARKET PARTICIPATION IN LATVIA

Latvia is still among the poorest of the EU countries, with a purchasing power parity (PPP) per capita income (2007) of US\$13500 per annum. After independence from the Soviet Union in 1991, there were serious economic problems in Latvia. It is estimated that between 1990 and 1994, output in Latvia fell by over one-third. In the worst year, 1992, inflation topped 800 per cent. Since then structural reform has brought remarkable changes to the Latvian economy. Growth in per capita income has been high, with real per capita wage growth averaging 5.5 per cent per annum between 1997 and 2007. However, with its currency, the *Lat*, fixed to the euro, the open economy of Latvia has fared badly in the global financial crisis, requiring a joint EU/IMF (International Monetary Fund) assistance package in 2008/2009.

Latvia has an interesting demographic profile. The current old-age dependency ratio in Latvia is 24.1. Predictions are that by year 2050, the old-age dependency ratio will almost double to reach 44. Even so, this will not be among the highest predicted old-age dependency ratios for the EU in 2050, and is below the predicted EU-25 average. Italy and Spain will have old-age dependency ratios of over 60 in 2050, Germany, Greece, Portugal, Slovenia, and the Czech Republic will have old-age dependency ratios of over 50. Latvia's old-age dependency ratio of 44 for 2050 is in fact very close to that predicted for the United Kingdom.

Between 1987 and 1994, unisex life expectancy at birth in Latvia actually fell by 5 years because of the disruptions associated with the transition from Soviet rule. Since then a dramatic improvement in health care has come about. The numbers employed in the healthcare sector have increased by 7 per cent per annum since 2001. The numbers

of employees in health care with higher education qualifications have increased even more sharply. Ambulatory care centres have increased in numbers, as have other healthcare institutions. Increased health care, together with rising living standards, has brought about significant increases in longevity in Latvia. Life expectancy at birth in Latvia is currently 66 years for men and 78 years for women. This is still below the EU average, but the changes have been remarkable. In 2001, it was expected that men, who had reached 65 years, on average would live for another 12.4 years. By 2005, this figure had already risen to 12.7 years. For comparison, in 1991, an average 64-year-old man in Latvia had a life expectancy of only 10.5 years. The old in Latvia are now living much longer, and there is every reason to expect this trend to accelerate in the future. Medical opinion is that mortality could drop dramatically if there were to be a reduction in cigarette consumption. It could mean longevity levels coming close to those of Scandinavia.

The fertility rate in Latvia is low. Low fertility rate is a long-standing feature of many EU economies. Latvia, like Germany, Italy, Greece, and Spain, has fertility rates at the lower end of the EU range. Although there was a baby boom in Latvia in the 1980s, the fertility rate since then has fallen to its present rate of 1.31. The low fertility rate will increase the old-age dependency ratio in Latvia. A serious problem in Latvia is the large number of abortions in the country. In 1991, there were 112 abortions per 100 newborns. By 2005, this ratio had fallen significantly to 59 abortions per 100 born babies, but is still a very high number. Latvia's fertility rate is at present below the EU's average fertility rate of 1.5. The average EU fertility rate is itself below the 2.1 needed to maintain the size of the EU's population.

Finally, the demographic profile of Latvia is further distinguished by high levels of out migration to other European countries, particularly to Ireland. Different combinations of mortality rates, fertility rates and net migration give different projections for Latvia's future population. Even with 'optimistic' assumptions of a rise in fertility rates and no net migration after 2010, the working

age population is predicted to fall from 1.2 million in 2015 to only 0.6 million in 2075. A more pessimistic scenario, but equally realistic, with continued net migration and constant fertility rates, would result in less than half a million Latvians of working age present in the population by 2075.

What are the implications for Latvia of this population scenario? Researchers report that in Latvia, demography already is, and will continue to be, a major driver encouraging the employment of older people. Legislation in response to the EU Age Discrimination Directive, though important in setting the agenda in terms of attitudes and expectations, is unlikely to be of great significance in influencing employers' recruitment and retention decisions. In 2007, the SPA in Latvia was 62 years for men and 61.5 years for women. The male SPA may seem low by UK standards, but before independence, the pension age was even lower at 55 years for women and 60 years for men. Under the Soviet-influenced system, there were also widespread privileges for certain groups to receive their pensions below those ages. The new pension ages, equal for men and women since July 2008, have been a sensitive political issue in Latvia. They are part of a wide-reaching reform of the pension system in Latvia. The old system had too many predicted pensioners and too few contributors, and was unviable given the demographics of Latvia. Under the new system, there are transitional guarantees of minimum pensions for those who reach retirement age, but the new scheme, inspired by the Swedish scheme passed in 1994, is a non-financial defined contribution scheme for the whole population. It is a complex scheme involving individual accounts, but aims to cope with the risks involved in Latvia's particular demographics, as well as offering a minimum guaranteed pension.⁵

Pension policy in Latvia encourages pensioners to choose not to receive a monthly pension, but instead to choose to defer the retirement age and continue working. At the beginning of 2008, the unemployment rate in Latvia was 4.4 per cent. This was arguably below its natural rate. Low unemployment was associated with the economic boom, which

started soon after Latvia joined the EU. Much of the additional labour came from older workers, both full-time workers who decided to defer their retirement date, and from part-time workers, who chose to supplement their pensions with earnings from spells of part-time employment. In 1996, the economically active formed 70 per cent of the population. Back then 9.3 per cent of the economically active population was of people older than 65 years. In 2006, 18 per cent was more than 65 years, in an economically active population equal to 64.5 per cent of the total population. In Latvia, in 2002, 2.7 per cent of persons above pension age (above 65 years) were working on a regular basis. By 2006, this number had increased to 3.7 per cent.

There can be different reasons for the increase in employment of people above the age of 65 years, but the fast growth in GDP since entry to the EU was clearly of great relevance. Indeed, experts argue that the growth in GDP in Latvia could only have been sustained by the employment of working pensioners. The employment rate for the age group 55–64 years also experienced a sharp increase after EU enlargement. In 2001, it was 36.9 per cent of the working population. By the year 2006, it had risen to 53.3 per cent of the working population (Table 1).

As a consequence of the global financial crisis, throughout 2008 the unemployment rate in Latvia increased. Using figures from the state employment agency, at the end of 2008, unemployment had risen to 7.6 per cent. One month later, at the beginning of 2009, it had risen to 8 per cent. The highest level of unemployment was in the rural area of Latgale in eastern Latvia, where in January 2009, unemployment had risen to 11 per cent. The highest registered unemployment rate in Latvia in 2008–2009 is in the 45–54 year age group.

Table 1: Latvia's employment rate for the age group of 55–64 years, 2001–2006

2001	2002	2003	2004	2005	2006
36.9	41.7	44.1	47.9	49.5	53.3

Researchers in Latvia report that employers are generally willing to take older people into their companies. At one level, the reason is straightforward. Growth and demographics in recent years have compelled employers in Latvia to look at people above 55 years and even at those above 65 years to fill the vacancies that have arisen in a rapidly growing economy. We were told by employers, employment agencies, and the workers themselves that until the 2008 financial crisis, almost all older people in Latvia could find a job if they were interested in obtaining one. However, during the financial crisis, the number of job vacancies fell sixfold. At the beginning of 2008 there were almost 18 000 job vacancies. At the beginning of 2009 there were just 3000 vacancies. There were 24 registered unemployed to every vacancy. How the older workers will fare in this changed situation remains to be determined.

It is possible that older workers in Latvia are more skilled, better educated, and more flexible than older workers in other parts of Europe, and therefore, that they appear more attractive to potential employers. In addition, older workers in Latvia need to take up employment because projected financial resources at retirement have fallen dramatically. The pension reforms have been a blow to many in their fifties, causing them to revise their expectations about possible retirement dates. A further factor may be the decline in traditional family support mechanisms because of the large-scale migration of the younger working population, daughters, sons, and grandchildren to other EU countries, particularly to Ireland.

INSIGHTS FROM UK RESEARCH

Projected demographics apart, there seem to be few similarities between the UK and Latvian cases. One of the first systematic surveys into 'positive' and 'negative' attitudes to the employment of older workers in a European context was carried out in the United Kingdom by the Institute of Personnel Management (IPM) in the 1990s. The IPM survey revealed that older employees in the United Kingdom are likely to suffer disproportionately in an era of technological change and organisational

restructuring.⁶ This is because employers tend to believe that older workers have 'negative' attributes. They are less ready to accept new technology, adapt less well to change, learn less quickly, have trouble grasping new ideas, and are less interested in being trained. However, on the positive side, employers believe that older workers have more relevant work experience, are more loyal to their employer, are more reliable, conscientious and confident, work harder, and work better in teams. The IPM survey also covered MBA students, who constitute the 'next generation' of managers in the United Kingdom. This research is interesting in showing how ageist attitudes themselves vary with age. The young MBA students have negative opinions that differ significantly from older managers. MBA students are more negative in their view of older workers. They believe that workers and managers above the age of 40 years are less conscientious and work less well in teams. They identified the weak points of older workers as an unwillingness to adapt to change and inability to accept new technology.

To what extent can such ageist attitudes among employers be influenced by legislation? There was a survey of UK managers, HR persons, and other employers a year before the introduction of the 2006 legislation (EU Age Discrimination Directive) in the United Kingdom. The survey asked about the new legislation as a possible driver for change in reducing age discrimination in the workplace. Sixty-eight per cent of those employers surveyed, rated legislation as 'very important'. Legislation headed the list of 'drivers', followed by skills shortages and population demographics in reducing age discrimination in the UK workplace. Employee pressure and customer profile were rated very low on the scale.⁷

This paper reports research that was carried out in the United Kingdom in 2007–2008, supported by the European Social Fund (ESF) of the EU. This research was undertaken *after* the adoption of the Employment Equality (Age) Regulations in the United Kingdom in October 2006. The aim of this research was to shed light on the factors influencing the employment of older people in the Northwest of England, a region

that has an above-average rate of unemployment for people above 50 years of age. The project interviewed people in senior management roles: HR managers, heads of equality and diversity, senior policy managers, and managing directors. The employers came from a variety of public and private sector organisations, not-for-profit organisations, and employment agencies, and there was a broad range of sectors: food and drink, IT and media, retail, National Health Service (NHS), finance, education, and public utilities. Semistructured interviews aimed to elicit attitudes towards the employment of older people, with the focus of enquiry being the employment of people aged over 50 years. This also has significance for the future employment of people above 60 and 65 years of age, as it is highly unlikely that anyone who has been out of the labour market for long periods in their fifties, will re-enter it full time in their sixties.

The conclusions of the research as presented here are based on analysis of the transcripts of the interviews with employers. They present a worrying picture of UK employers struggling with entrenched attitudes and negative stereotyping of older workers. Many of the interviewees stated that the culture of their organisations was not conducive to employing older people. There were widespread ageist attitudes, particularly in manufacturing sectors, often related to the costs of training older people. Employment agencies, in particular, criticised employers for their reluctance to provide training for older workers. There was evidence too of training opportunities not being offered to older people in the public sector. An interesting comment came from a local government HR executive who said that 'on aspirational courses, like leadership development... people all tend to be pretty young'.

A significant number of managers believed that older workers themselves were often reluctant to undertake the training that would make them more attractive in the labour market. An important issue was the lack of formal qualifications for people above 50 years of age. Many had entered the labour market in the United Kingdom when higher education was for the very few. Now with

wider access to colleges and universities, and an emphasis on graduate (higher education) qualifications, many older people believed that their lack of formal qualifications by way of degrees and diplomas was working against them in the labour market.

Health was a significant issue. Many employers believed that ill-health, or the assumption that ill-health would prevail, limited the attraction of older people in the workplace. There were widespread negative but usually unfounded beliefs that older employees suffered more health problems, leading to higher absentee rates than their younger colleagues. In fact, although older people usually take longer to recover when ill, they register fewer periods of sick leave overall. On the positive side, however, there was evidence that managers are becoming increasingly aware of the greater longevity of people, and of the need for retirement to be delayed because of issues associated with pension scheme viability.

Pension entitlements, and other benefits, also appeared to indicate to managers a valuable element of choice on the part of older workers, especially for those with defined benefits in occupational schemes that attract good pensions after the age of 55 years. Managers believed that a significant proportion of those in receipt of earnings-related pensions were choosing not to work, or rejecting the work available to them in their late fifties and early sixties. At the other end of the income spectrum, however, the trade union representatives who were interviewed in a separate schedule, referred to a 'lost generation' of men above 50 years of age in the Northwest of the United Kingdom. This is a region where manufacturing has been in decline for more than 40 years. Large numbers of the unemployed in the Northwest, particularly men, have effectively exited the labour market relying instead on social security benefits (incapacity benefit) to support them until they reach SPA.

One of the most interesting findings of the ESF-sponsored research in Northwest UK was the view of many of the employers that there was a growing youth-orientated culture in the United Kingdom, which was likely to reduce the future employment prospects of older people.

The whole culture of this country is youth. Youth is better than anything else... Everything to do with youth is good, everything to do with old is not so good. You see it in magazines, and in the newspapers, you see it in the adverts (Employer, food manufacturing).

An HR executive from the NHS stated that there was a strong youth culture in that organisation. Even more striking was the emphasis on youth reported in interviews, from employers/managers in the growing media and creative sectors in the United Kingdom.

CONCLUSIONS

The rising old-age dependency ratio is likely to exercise the minds of many of Europe's policy makers well into the century. There will be major implications for macroeconomic management in terms of consumption, saving, government expenditure, taxation, and growth rates. This paper has focused on just one aspect of the problem, retaining greater numbers of older people in the labour market.

The need to retain older workers in the labour market is frequently linked in the literature to the choices individuals make about their retirement age. The choice of an appropriate retirement age is a complex decision for the individual. As economists point out, it is a decision that is often imperfectly understood and is difficult to model.⁸ For policy makers aiming to influence labour market participation through retirement decisions, pension policies, legislation,

and support for retraining, all have a role to play. It is particularly important that the social and cultural issues are also addressed, so that ageist attitudes do not reinforce age discrimination in the workplace.

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