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## **Technical Commission on Employment Policies and Unemployment Insurance**

Summary of findings 2008-2010

**This report describes the main findings of the projects carried out by the Technical Commission during the triennium 2008-2010. Original project reports and additional information are available on the ISSA Extranet.**



# Retention and reintegration of older workers into employment and unemployment insurance systems and youth employment policies

## Introduction

The central theme of the Technical Commission's work during the 2008-2010 triennium was demographic change.

However, the basic pattern of demographic change varies considerably from one region to another. The Commission therefore separated its work into two parts.

The first part focused on job maintenance and re-employment of seniors. It concentrated mainly on European countries and the Organization for Economic Co-operation and Development (OECD) zone in general, where the issue is population ageing and its economic and social consequences.

The second part concerned the employment of young people and focused more on emerging and developing countries. However, some of the issues affecting this region are also present and well known in the OECD countries. In this second part, the Commission also addressed the issue of the design and development of unemployment insurance schemes in emerging and developing countries.

The full reports are available on the International Social Security Association (ISSA) website.

## Part I: Retention and reintegration of older workers into employment

### A triple challenge

Most of the industrialized countries will undergo a more or less significant degree of **demographic change** in the course of coming years; its major characteristics will be:

- a reduction in the number of young people;
- a shrinking active population;
- an increasing number of older people.

The total population of the European Union is expected to be the same in the year 2060 as it is today. However, almost one third of the European population will be over the age of 65.

Furthermore, the potentially active population per retiree (potential support ratio) will fall from 4 today to 2 in 2060, although with wide national variations.

These projections are also valid for other industrialized countries such as Japan, for example.

This evolution, which is mainly the result of increased life expectancy and low fertility rates, will lead to an increase in the dependency ratio between the active and inactive population. It threatens the financing, security and development of our social security schemes.

It represents an enormous budgetary, economic and social challenge:

- A **budgetary challenge**, because of the significant increase in expenditure on retirement pensions, health care and long-term care. Even taking reduced spending on unemployment, family allowances and education into account, the additional cost connected with ageing is expected to reach an average of 4.7 percentage points of GDP in the European Union in 2060.
- An **economic challenge**, because employment is likely to shrink as a result of the shrinking population of working age. This population is expected to fall by 25 million people in the European Union between now and 2060, in spite of an increase of more than 70 per cent in the employment rate as a result of the increased participation of women and older people in the labour market.

Employment being one of the main factors of economic growth, this reduction in employment will seriously hamper growth, leading to a reduction in per capita income. The shrinkage of the working age population means that productivity will be the only future source of economic growth.

- A **social challenge**, because of the need to provide adequate pensions at a level high enough to prevent poverty among old people while at the same time managing the social systems in such a way as to preserve intergenerational equity.

The Technical Commission on Employment Policies and Unemployment Insurance therefore chose to examine how employment policies and unemployment insurance schemes can contribute to increasing the activity rate of seniors, based on three lines of approach:

- **First approach:** measures aimed at retaining older workers in employment.
- **Second approach:** measures aimed at reintegrating older workers in employment.
- **Third approach:** measures to increase the awareness of workers, employers and the population in general.

During the seminar held in Dublin (Malahide) on 18 and 19 June 2009 at the invitation of the Irish Department of Social and Family Affairs, representatives of the member institutions presented **good practices** illustrating these three approaches while Mark Keese, the OECD representative, presented a report on the challenges and opportunities presented by an ageing workforce.

The Commission also considered possible responses to a short-term challenge: **seniors and the crisis**. Based on a report presented by Professor Brendan Whelan, Research Director of The Irish Longitudinal Study for Ageing (TILDA), the participants examined the extent to which the **economic crisis** aggravates the problems caused by ageing as a result of the reduced employment and growth that comes with it, and the risks to avoid in a period of crisis.

## **First approach: Measures aimed at retaining older workers in employment**

- Disincentives for early retirement schemes (Ireland);

- Incentives to extend active life, either by changing the pensionable age (Germany), or by increasing the amount of a deferred pension (France and Portugal);
- Investment in adult education and in improving working conditions and the working environment or adapting working hours, particularly through part time work (Germany).

## **Second approach: Measures aimed at reintegrating older workers in employment**

The following good practices were presented:

- rapid and solid support for older workers who are made redundant (Belgium, Canada and the Netherlands);
- subsidies for employers who recruit older jobseekers (whether in the form of reduced social security contributions or payment of unemployment benefits) in order to compensate for lost productivity on the part of the worker;
- bonuses or salary supplements for older workers, in particular to compensate for a lower salary in a new job than in the one which was lost.

## **Third approach: Measures to increase the awareness of workers, employers and the population in general**

These measures are of fundamental importance because there is still a major problem of perception with people being unaware of the extent of the problem of ageing and its consequences.

Increasing the awareness of the actors requires coordination, consultation, time and the emergence of a certain social consensus.

Prioritizing re-employment rather than early retirement for older workers, for example, will modify the attitudes of both employers and workers.

Communication campaigns (posters, radio clips, personal accounts, etc.) and providing access to simulation tools enabling people to measure the impact of continued activity on the amount of their future pensions were other good practices identified during the seminar (France).

## **Seniors and the crisis**

The work carried out by the Commission enabled the following points to be identified:

### **1. Structural reforms must continue**

Crisis strategies must be combined with structural reforms for the employment of seniors which must be pursued.

However, the crisis is likely to slow down the implementation of responses to these long-term challenges.

## **2. The first priority is to face up to the crisis**

The priority in a period of crisis must be to take appropriate measures to meet the crisis in order to avoid it exacerbating the issue of ageing too much.

This means investing in strategies aimed at protecting existing jobs, creating new jobs particularly green jobs and jobs in the social services (where ageing societies create additional needs) and developing competencies in the hope of an upturn and sustained growth. This investment must also take the budgetary situation into account in order to avoid too much pressure from deficits and public debt.

Experience of previous crises has shown that it takes a very long time to absorb increased unemployment arising from periods of economic recession.

## **3. Risks to be avoided in a period of crisis**

### **Making room for young people**

Most studies found that there was no conflict between the two age groups and that countries which obtained good results for seniors performed equally well for young people.

A formula such as tutoring can constitute a good option in terms of conciliating the interests of these two age groups, in so far as it reduces the workload of older workers while maintaining their social utility and their perception of the importance of the role they play in an enterprise and at the same time transferring their knowledge and skills to younger workers.

### **Neglect of training**

Paradoxically, the crisis represents an opportunity in this respect, including for older workers who may be more likely to be able to participate in adult education. In fact, measures such as reducing working time or partial unemployment subsidized by the public authorities which are often used in a crisis may involve a training clause; at the very least they free up time which can be invested in vocational training at reduced cost.

Thus, it is important to make use of the crisis to invest in improving individual skills and suitability for employment. This is the best way of preparing for the upturn and supporting a more productive, more innovative and low-carbon economy.

### **Neglecting job quality**

This would be equally counter productive. Surveys show that the rate of retirement from the labour market among older workers occupying poor quality jobs is 4 times higher than that of older workers in better quality jobs.

### **Neglecting policies aimed at reconciling private and working life**

Policies for the reconciliation of working and private life and for gender equality, for example better conditions for parental leave and incentives to encourage fathers to take such leave, as well as policies aimed at providing additional high quality facilities for child care, must remain a top priority.

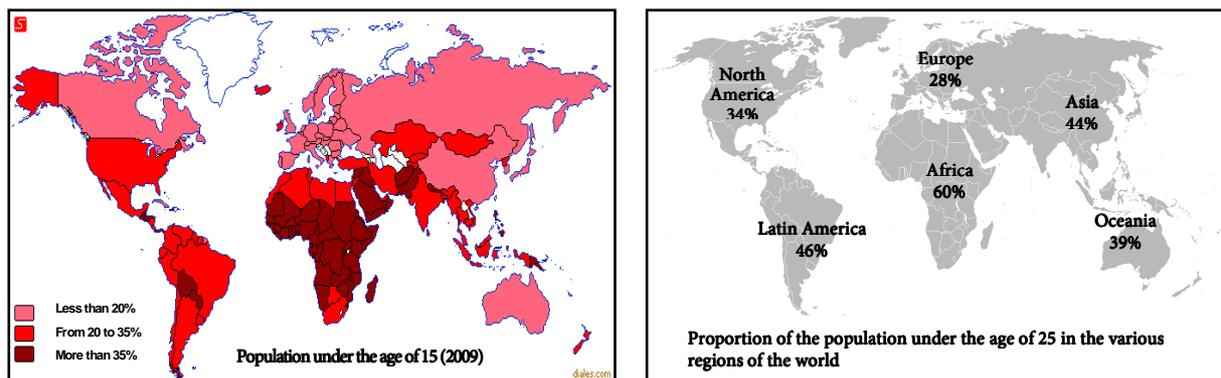
## Part II: Unemployment insurance systems and youth employment policies

The following three themes were addressed during the seminar held in Brussels (Belgium) on 8 and 9 July 2010 at the invitation of the National Employment Office:

1. Youth employment policies in emerging and developing countries.
2. Conception and development of unemployment insurance systems in these countries able to provide support for the transition towards a market economy and protect the population against poverty.
3. Policies which have been implemented and the lessons to be learned from employment strategies for young people in European countries.

Susana Puerto Gonzalez, Evaluation Specialist of the Youth Employment Network (YEN), Diego Rei and Ursula Kulke, experts from the International Labour Office (ILO), and Milan Vodopivec, a World Bank specialist, presented rapports on these issues; representatives of member institutions and the ISSA provided examples of good practices which illustrated these three themes.

**Figure 1. Countries in Africa and the Middle East**



In African and Middle Eastern countries, 40 per cent of the population is under 15 years of age and more than 60 per cent is under 25.

In spite of falling fertility rates, the devastating effects of the HIV-AIDS epidemic and high rates of maternal mortality, Africa remains the region with the highest rate of demographic growth and the youngest population in the world.

The under-25s currently make up more than 60 per cent of the African population. An increasing number of individuals who are better educated and in better health arrive on the labour market each year. These young people have serious integration problems. The unemployment rate for young people is 24 per cent in North Africa. Young women are even more badly affected with an unemployment rate of 30 per cent compared with 20 per cent for young men. The employment rate for women is also very low, 24 per cent compared with 68 per cent for men.

Still in North Africa, even young graduates, present on the labour market in increasing numbers, have difficulty finding employment. For information, the proportion of young graduates with a higher education certificate who are unemployed rose from 6.6 per cent in

2000 to 20 per cent in 2007 in Tunisia, although the country was fairly successful in its employment performance.

## **The challenges facing emerging and developing countries**

In September 2000, heads of state and of governments from all over the world adopted the Millennium Declaration and the Millennium Development Goals. In spite of these commitments which have been renewed several times and sustained growth in the region, the global employment situation has changed very little over the past decade. However, this growth was the result of capital-intensive rather than labour-intensive sectors.

The situation in the region has been further exacerbated by the world economic crisis which has led to a significant downturn in foreign investment.

The first challenge facing these regions is to create jobs and to integrate young people into the labour market. A further priority is to protect the population against poverty and precarity.

## **Youth employment: A challenge which is shared with countries in the OECD zone**

Some of these issues, particularly the integration of young people into the labour market, also affect countries in the OECD zone which thus have a certain amount of experience on the subject.

Eurostat indicated that 20.5 per cent of young people were unemployed in the European Union in May 2010. This is twice the global unemployment rate of 9.6 per cent. These are average figures. In certain countries, the unemployment rate for young people is much higher.

In Belgium, the unemployment rate for young people is 23.8 per cent. In Sweden it is 25.9 per cent, in Ireland 26.5 per cent, in Italy 29.2 per cent, in Slovakia 35.1 per cent and in Spain 40.5 per cent.

*Thus, the problem of youth employment is not confined to developing or emerging countries. It is also a major long-standing issue in European countries and seen from a wider angle, throughout the OECD zone.*

### **1. Youth employment policies in emerging and developing countries**

Unemployment among young people is a world-wide problem. In addition, young people often earn too little. These problems cause much more anxiety in developing countries than in industrialized countries.

The main difficulty is that these young people lack certain basic competencies (life skills): good presentation, punctuality, a correct attitude and good ethics. Other obstacles facing developing countries are a lack of training, poor labour market orientation, poor certification (lack of certification for certain skills) ... Additional macro-economic factors which must also be taken into account include insufficient economic growth leading to a lack of job offers, a labour market which lacks flexibility and a high rate of moonlighting which is totally out of control.

It is certainly not easy to find a solution to this colossal problem and each country must be studied individually in order to find ways of overcoming the main obstacles. This is why unemployment among young people must be a strategic priority and sufficient funds must be allocated to it. The economic policy of these countries must focus on job creation, equal attention being paid to the quality as well as the quantity of the jobs created.

## **2. Design and development of unemployment insurance systems in developing countries**

Unemployment insurance is taken for granted in western countries, but this is nothing like the case in the developing countries. Less than half the countries in the world have an unemployment insurance system.

The International Labour Organization (ILO) has issued a certain number of conventions which provide basic norms for unemployment insurance. Countries signing the conventions thus agree to introduce the measures laid down in the conventions into their legislation. The norms (amount and duration of the benefit, percentage of the population to be covered by the insurance, etc.) which are laid down are maintained at a low enough level to enable these countries to achieve them.

However, the problems confronting these countries are such that these minimum norms are difficult to implement: a weak administration which is unable to keep to the policy, lack of means of communication, a large informal sector.

As a result it is not easy to implement an unemployment insurance system in poor countries. "Keep it simple" is the most important message for countries wishing to introduce an unemployment insurance system. Follow-up of job-seeking behaviour and availability for the labour market must be kept simple. Financial pressure on the public authorities must not become too heavy either. At the beginning, it might be best to work with a low level of benefits and double entry insurance systems: the member is responsible for part of the savings while social security takes care of the rest (similar to pension-savings). A representative of the World Bank considered that this could constitute a solution.

## **3. Policies which have been implemented and the lessons to be learned from youth employment strategies in European countries**

How can we best approach the issue of employment for young people? A certain number of good practices in this sphere were examined during the second day of the seminar.

Georges Carlens, Chairperson of the Technical Commission, described the Belgian situation as regards the employment of young people: the win-win plan and other activation measures (with unemployment insurance providing part of the worker's salary) as well as first job contracts, waiting benefits (benefits provided by the unemployment insurance for all young people at the end of their studies) and assistance for young unemployed workers.

The Netherlands has obtained very good results, mainly thanks to the Institute for Employee Benefit Schemes (*Uitvoeringsinstituut Werknemersverzekeringen* (UUV)) programme 2004-2008 which included a large budget for youth employment. Television, for example, has launched a show explicitly encouraging young people to work. There has also been an enormous investment in the courses proposed for young people. Special offices have been opened and consultants, often young themselves, assist young job-seekers.

In Switzerland, the policy in favour of employment for young people is based on discussion and extremely active collaboration with enterprises. The provision of courses for young people is another area where major investments have been made. Young people can also gain experience in specially created enterprises which offer fictitious services (commercial practice enterprise).

## **Conclusion**

Among other things, the two projects carried out by the Commission enabled it to identify the best ways of maintaining jobs for older workers and integrating young people in the labour market, which in the long run lead reduce the unemployment rate as much as possible. Obviously this can only be beneficial for unemployment insurance schemes. It is in the interests of the institutions which administer these schemes to support such policies. In addition, it is an approach which is perfectly in line with the preventive and proactive approach to social security recommended by the ISSA.

## Annex

### Good practices presented during the seminars:

#### The employment of seniors:

- National programme for older workers: measures and procedures with the social partners (Finland).
- Reforms and strategies of the German pension insurance (Germany).
- The end of early retirement benefits (Ireland).
- Plan to encourage jobs for seniors included in the draft legislation on the financing of social security 2009 (France).
- Policies for retirement income and special measures for the employment of old people in Canada (Canada).
- Raising the old age pension (Portugal).
- Policies for maintaining seniors in their jobs and facilitating their re-employment in France (France).
- The active management of restructuring (Belgium).
- The reintegration of workers aged 55 plus (Netherlands).
- The situation in Switzerland (Switzerland).

#### Employment for young people and unemployment insurance systems:

- Employment policies for young people in countries in North Africa and the Middle East.
- Employment policies for young people in China.
- An overview of unemployment insurance systems in China.
- The integration of young people on the labour market in Belgium.
- L'emploi des jeunes aux Pays-Bas.
- The fight against youth unemployment in Switzerland.
- The integration of young people in the Brussels region.