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Older Workers in Germany: Employment Potentials in International Comparison

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The IAB Research Reports (IAB-Forschungsberichte) series publishes larger-scale empirical analyses and project reports, often with heavily data- and method-related content.

In Brief

- In many countries in the western world, the baby boomers are gradually reaching retirement age.
- The Federal Republic of Germany has caught up considerably in the employment of older people in recent decades.
- In an international comparison, the catch-up process is particularly evident among 50 to 64-year-olds, where Germany is now well above the OECD average. In contrast, Germany still ranks below the OECD average for 65 to 74-year-olds.
- From an international perspective, it can be seen that there are some countries in which older people are particularly strongly represented in the labour market.
- The aim of the report is to identify the factors that may have contributed to the high employment rates.
- The situation in Japan, New Zealand, Iceland, Norway and Sweden, all of which have higher employment rates for older people than Germany, is analysed in more detail here.
- The high level of age-related employment in Iceland, Sweden and Norway is linked to the high female labour force participation in all three countries and the continuous improvements in educational attainment, including continuing vocational training.
- In New Zealand, the pay gap between older and younger employees is much smaller than in Germany, for example. This contributes to the astonishingly high hiring rates of older people in New Zealand, which has also committed itself to a consistent and publicly visible pro-aging policy.
- In Japan, the demographic-related need for labour and strong income requirements play a major role at an individual level. This means that many older people are simply dependent on continuing to work in order to earn a living.
- High or rising employment rates among older people are not a foregone conclusion. They require good education and qualifications as well as the opportunity and ability to engage in lifelong learning.
- Preventive healthcare is also an important prerequisite for a long working life and, like education, is best started as early as possible.
- The more it is also possible to strengthen the skills and abilities of older employees, organise age-appropriate work and respond flexibly to employees' wishes, the greater the chance of retaining older employees in the labour market or winning them back.
- Finally, regulations and labour market programmes that provide incentives for employment in old age should be considered. This concerns the flexibility of pension entitlement, labour law regulations for continued employment in old age, the duration of unemployment benefits for older people, their consideration in active labour market policy and the

regulations in the citizen's allowance that may favour early retirement, such as waiting periods for assets and housing.

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Summary

In Germany, as in many other countries in the western world, the baby boomers are reaching retirement age. As fewer young workers are entering the labour market than older workers are leaving due to low birth rates, the labour force workers is falling, all other things being equal. At the same time, the funding problems in the pension insurance system are growing, as fewer and fewer people are paying into the pension scheme, particularly in the internationally widespread pay-as-you-go systems. At the same time the proportion of pensioners is growing. Against this backdrop, the labour market participation of older people is increasingly coming into focus.

The report begins with an overview of older people's labour force participation in a broader international comparison. This is followed by a description of the situation in Germany. A closer look will then be taken at the countries that are at the forefront of older people's labour force participation. The aim is to obtain indications of the factors that may have contributed to the high level of employment among older people in these countries.

The Federal Republic of Germany has clearly caught up in the employment of older people in recent decades. This applies in particular to the 50-64 age group. Compared to the leading countries, Germany is only a few percentage points behind. However, the 65-74 age group is still lagging further behind. The future gap to other countries in this age group will be influenced by opposing developments. The further steps towards "retirement at 67" are likely to reduce it further, but the "retirement at 63" will slow it down.

However, Germany is still outperformed by some countries in terms of the employment rates of older people. This raises the question of what factors could be behind the favourable development of the labour market for older people in these countries. For the purposes of comparison, this report takes a closer look at the situation in Japan, New Zealand, Iceland, Norway and Sweden, all of which have even higher employment rates for older people than Germany. Various aspects that are important for the employment of older people are analysed in turn from an international comparative perspective.

The country comparison reveals a number of important points that could be considered in Germany. The high level of employment among older people in Iceland, Sweden and Norway is linked to the high female labour force participation rate in both countries and continuous improvements in the educational level of the population, including further vocational training. New Zealand has a low pay gap between older and younger workers and comparatively high hiring rates for older workers, following a consistent and publicly visible anti-discrimination policy. In Japan, demographic pressure on labour demand and income requirements at the individual level is of significant importance.

High or rising employment rates for older people are not an automatic mechanism. They require good education and qualifications at the individual level as well as the opportunity and ability to engage in lifelong learning. Preventive healthcare is also required for a long working life, which, like education, is best started as early as possible. High employment rates among older people are not only favoured by individual employability, but also by the attractiveness of the labour

market and thus the availability of employment for older workers. The more it is possible to address the skills and abilities of older workers, organise age-appropriate work and respond flexibly to employees' wishes, the greater the chance of retaining older workers in the labour market or of winning them back. Finally, regulations and support programmes that provide incentives for employment in old age should also be considered. These include the flexibility of pension entitlement, more favourable labour law provisions for continued employment in old age, the longer period of unemployment benefit for older people, their inclusion in active labour market policy and a review of the regulations in the citizen's allowance that favour early retirement, such as the waiting periods for assets and housing.

Zusammenfassung

In vielen Staaten der westlichen Welt erreichen die geburtenstarken Jahrgänge mehr und mehr das Rentenalter. Da weniger junge Arbeitskräfte in den Arbeitsmarkt nachrücken als Ältere ausscheiden, sinkt unter sonst gleichen Bedingungen die Zahl der verfügbaren Arbeitskräfte. Gleichzeitig wachsen die Finanzierungsprobleme in der Rentenversicherung, denn insbesondere in den international weit verbreiteten Umlagesystemen zahlen immer weniger Menschen in die Altersvorsorge ein. Gleichzeitig wächst der Anteil der Rentenbeziehenden. Vor diesem Hintergrund rückt die Erwerbsbeteiligung älterer Personen verstärkt in den Fokus.

Der Bericht startet mit einer Übersicht der Erwerbsarbeit von Älteren in einem breiteren internationalen Vergleich. Dem folgt eine Situationsbeschreibung für Deutschland. Im Anschluss soll ein genauere Blick auf die Länder gerichtet werden, die bei der Erwerbstätigkeit Älterer ganz vorne stehen. Es geht darum, Anhaltspunkte für diejenigen Faktoren zu erhalten, die das hohe Beschäftigungsniveau der Älteren in diesen Ländern begünstigt haben könnten.

Die Bundesrepublik Deutschland hat bei der Beschäftigung Älterer in den letzten Dekaden deutlich aufgeholt. Dies gilt insbesondere für die 50-64-Jährigen. Im Vergleich zu den Spitzenländern fehlen mittlerweile nur noch wenige Prozentpunkte. Ein größerer Rückstand besteht allerdings noch bei den 65- bis 74-Jährigen. Der künftige Abstand zu anderen Ländern wird bei dieser Altersgruppe durch gegenläufige Entwicklungen beeinflusst. Durch die weiteren Schritte in Richtung der „Rente mit 67“ dürfte er sich vermutlich weiter verringern, durch die „Rente mit 63“ aber verlangsamt werden.

Deutschland wird mit Blick auf die Erwerbstätigenquoten Älterer aber noch von einigen Ländern übertroffen. Hier stellt sich die Frage, welche Faktoren hinter der günstigen Entwicklung des Arbeitsmarktes für Ältere in diesen Ländern stehen könnten. Zu Vergleichszwecken wird in diesem Bericht die Situation in Japan, Neuseeland, Island, Norwegen und Schweden näher betrachtet, die weltweit die höchsten Erwerbstätigenquoten von Älteren aufweisen. Dabei werden nacheinander verschiedene, für die Erwerbstätigkeit Älterer bedeutsame Aspekte aus einer international vergleichenden Perspektive beleuchtet.

Der Vergleich ergibt eine ganze Reihe von wichtigen Punkten, an die in anderen Ländern angeknüpft werden könnte. Die hohe Alterserwerbstätigkeit in Island, Schweden und Norwegen steht in Verbindung mit der in beiden Ländern hohen Frauenerwerbsbeteiligung und

kontinuierlichen Verbesserungen im Bildungsniveau der Bevölkerung, einschließlich der beruflichen Weiterbildung. Neuseeland weist einen geringen Lohnabstand von Älteren gegenüber Jüngeren und hohe Einstellungsquoten Älterer auf, die zudem auch das Ergebnis einer konsequenten und öffentlich wahrnehmbaren Antidiskriminierungspolitik sind. In Japan spielen der demografisch bedingt sehr starke Arbeitskräftebedarf und Einkommensbedarfe auf individueller Ebene eine offenbar sehr große Rolle, da viele Ältere dort erwerbstätig sein müssen, um ihren Lebensunterhalt zu sichern.

Hohe bzw. steigende Erwerbstätigenquoten Älterer sind grundsätzlich kein Selbstläufer. Sie setzen eine gute Bildung und Qualifikation auf der individuellen Ebene sowie die Möglichkeit und Befähigung zu lebenslangem Lernen voraus. Auch gesundheitliche Prävention ist für ein langes Erwerbsleben wichtig, die wie die Bildung am besten so früh wie möglich beginnt. Hohe Erwerbstätigenquoten Älterer werden nicht nur durch die individuelle Beschäftigungsfähigkeit begünstigt, sondern auch durch die Attraktivität des Arbeitsmarkts und damit der für Ältere erreichbaren Beschäftigung. Je besser es gelingt, Kompetenzen und Fähigkeiten der Älteren zu stärken, alters- und altersgerechte Arbeit zu organisieren und flexibel auf Beschäftigtenwünsche einzugehen, desto größer ist die Chance, Ältere am Arbeitsmarkt zu halten oder zurückzugewinnen. Schließlich sind auch Regulierungen und Förderprogramme ins Blickfeld zu nehmen, die Anreize für Beschäftigung im Alter setzen. Zu nennen sind hier die Flexibilität des Rentenzugangs, arbeitsrechtliche Erleichterungen bei der Weiterbeschäftigung im Alter, die Bezugsdauer des Arbeitslosengelds für Ältere sowie die Berücksichtigung älterer Arbeitsloser in der aktiven Arbeitsmarktpolitik.

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1 Introduction

In many Western countries, the baby boomers (1955 to 1969) are gradually reaching retirement age. As fewer young workers are entering the labour market than older workers are leaving, the number of available workers is falling, all other things being equal (e.g. without taking migration into account). At the same time, the funding problems in the pension insurance system are growing, as fewer and fewer people are paying into pension schemes, particularly in the internationally widespread pay-as-you-go systems, while at the same time the proportion of pensioners is growing. Against this backdrop, there is an increasing focus on the participation of older people in the workforce.

In the Federal Republic of Germany, the employment of older people has increased enormously over the last three decades. However, Germany is not alone in this. The picture is similar in many other countries, albeit to a greater or lesser extent. It is striking that there are some countries in which older people are even more strongly represented in the labour market than in Germany.

The report begins with an overview of the employment of older people in a broader international comparison. This is followed by a description of the situation in Germany. A closer look will then be taken at the countries that are at the forefront of employment among older people. The aim is to obtain indications of the factors that may have contributed to the high level of employment among older people in these countries. This will provide indications as to how the improved employment situation of older people in Germany can be stabilised and further expanded.

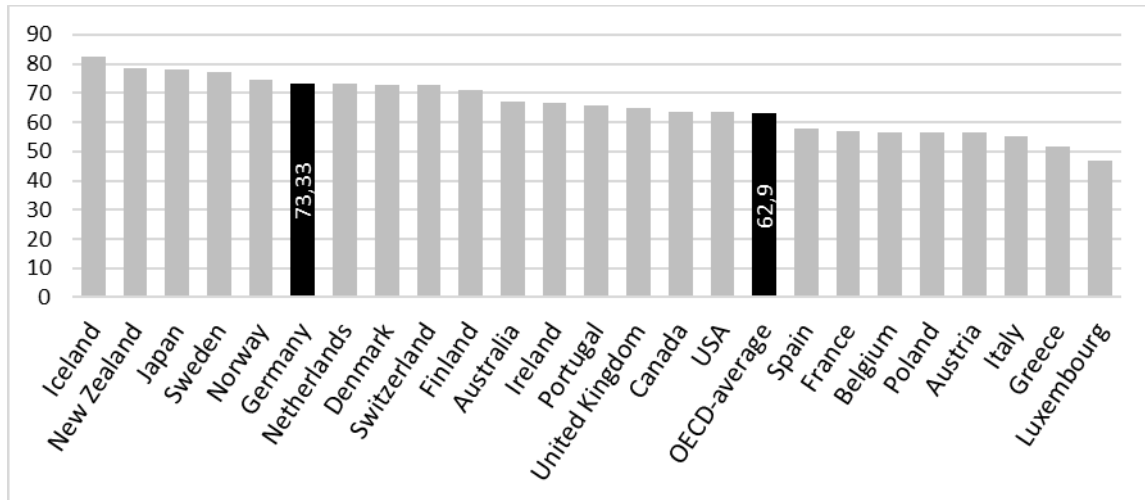
2 Employment of Older People in International Comparison

The following presentation is based on OECD data and utilises a current study by the Roman Herzog Foundation (Enste et al. 2023) in several steps. Firstly, the current situation is analysed by presenting the employment rates of 55-64 year-olds for 2022 for various OECD countries (Figure 1). In the second step, the development of the employment rates of 55-64 year-olds in these countries between 1995 and 2022 is analysed (Figure 2). The third step rounds off the international picture with the corresponding rates for the over-65 age group in 2022 (Figure 3). The fourth and final step supplements the analysis of employment rates in an international comparison with empirical findings on the estimated working life in years of employment and hours worked.

A comparison of the employment rates of 55-64-year-olds in OECD countries for 2022 shows that there are still considerable differences between countries. The figures range from below 50 per cent to just over 80 per cent. Three Scandinavian countries (Iceland, Sweden and Norway) and two non-European countries (New Zealand and Japan) have the highest rates among industrialised countries. Directly behind this top group is Germany, which at just over 73 per cent in 2022 was also well above the OECD average of just under 63 per cent. The lowest employment

rates for 55-64 year olds in the group of countries selected here were recorded by the three EU states Italy, Greece and Luxembourg.

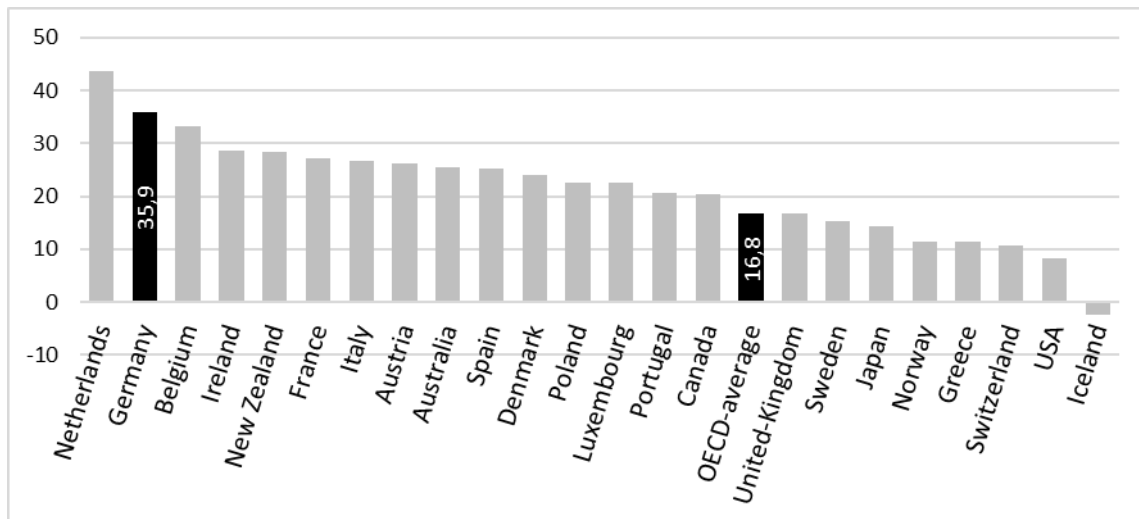
Figure 1: Employment rates of older workers (55 to 64 years) in OECD countries in 2022, figures in per cent



Source: www.oecd.org

The development of employment rates for 55-64 year olds in industrialised countries over time paints a slightly different picture. Between 1995 and 2022, the increase in percentage points was highest in the Netherlands, Germany and Belgium. In this analysis, Germany moves ahead of the countries with a particularly high employment rate among 55-64 year-olds and has recorded more than twice the OECD average growth since 1995. Switzerland and the USA recorded the smallest increase in percentage points. Iceland even recorded a decline, but remained at a very high level over the entire period. It is striking that the other countries with high employment rates for 55-64 year olds in 2022 had mostly already reached their higher level a long time ago and therefore no longer had such strong potential for growth.

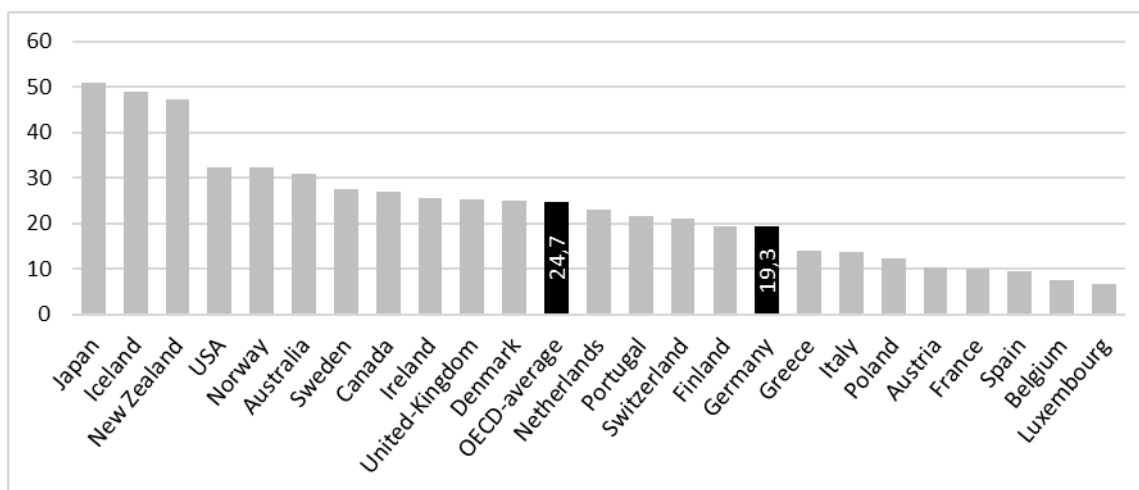
Figure 2: Change in employment rates of older people (55 to 64 years) in OECD countries between 1995 and 2022, change in percentage points



Source: www.oecd.org

Finally, we look at the employment rate of the over-65s and thus the working population, most of whom will be drawing pensions in 2022. Japan is ahead here, followed by Iceland among the European countries. In contrast to the 55-64 age group, Germany is more than five percentage points below the OECD average.

Figure 3: Employment rates of older workers (65 years and older) in OECD countries in 2022, in per cent



Source: www.oecd.org

The aforementioned study by the Roman Herzog Institute e.V. provides prognostic information on the average working life, measured among other things in the average expected years of employment of a 15-year-old person, in a European comparison.¹ The top five positions are occupied by Iceland (45.4 years), the Netherlands (43.2 years), Sweden (42.6 years), Switzerland

¹ The team of authors refers to the limited comparability of the data (Enste et al. 2023).

(42.0 years) and Norway (41.2 years). With 39.3 years of employment and position 10, the Federal Republic of Germany is well behind, but still above the EU-27 average of 36.5 years of employment. With the exception of Iceland, none of the countries with recently high employment rates for older people are far ahead in the estimates of average working life in hours per person in employment. In a European comparison, the highest values - in each case per year - are found for Estonia (71.3 thousand hours), Iceland (65.8 thousand hours) and Ireland (65.3 thousand hours). Sweden was in 12th place with 61.3 thousand hours, Norway was in 19th place with 58.7 thousand hours and Germany was at the very bottom end with 52.6 thousand hours and 28th place out of 29 countries. It is important to bear in mind that countries with relatively high part-time rates, such as Germany, automatically fall behind in such an analysis focussing on the average.

3 Older labour force in Germany

Due to persistently low birth rates and an increasing life expectancy trend, the proportion of older people in the German population is high, which already results in a disproportionately high proportion of pension recipients in relation to contributors compared to other countries. Table 1 depicts the so-called "old-age dependency ratio". Due to the foreseeable demographic development in Germany, this ratio is very likely to deteriorate further in the future (Fuchs et al. 2021). However, the trend would be more favourable if older people left the labour market later.

Table 1: Relevant indicators on age-related employment in Germany compared to the OECD average in 2022

| | Germany | OECD |
|---|---------|------|
| Elderly dependency ratio ¹⁾ , in per cent | 34.9 | 28.5 |
| Employment rate of older people, in per cent | | |
| 50-74 years | 56.7 | 52.3 |
| 50-54 years | 86.6 | 81.2 |
| 55-64 years | 73.3 | 64.6 |
| 65-69 years | 19.3 | 24.5 |
| 70-74 years | 8.4 | 12.1 |
| Working age²⁾, in years | | |
| Women | 63.4 | 63.1 |
| Men | 63.7 | 64.4 |
| Types of employment (55-64 years), in per cent | | |
| Part-time | 31.0 | 19.4 |
| Of which involuntary part-time | 7.0 | 17.0 |
| Temporary employees | 3.0 | 7.5 |
| Self-employed | 12.0 | 21.6 |
| Wage gap ³⁾ | 1.12 | 1.05 |
| Retention rate ⁴⁾ , in per cent | 64.5 | 52.4 |
| Recruitment rate ⁵⁾ , in per cent | 5.8 | 9.6 |

1) The old-age dependency ratio measures the percentage of a country's population aged 65 and over in relation to people aged between 20 and 64.

2) The exit age from the labour market measures the average age of all people who leave the labour market due to age within a certain period of time.

3) The pay gap quantifies the gap in the average gross salary of 55-64 year olds in relation to 25-54 year olds.

4) The retention rate records the proportion of 60-64 year olds who have been employed for at least five years or more before the measurement date.

5) The hiring rate represents the proportion of 55-64 year olds with less than one year of employment in relation to all employees.

Source: www.oecd.org

While Germany still had a low employment rate for older people by international standards until the mid-1990s, the picture changed significantly thereafter (Walwei 2017; Walwei 2018a; Walwei 2023; Deller/Walwei 2022). According to OECD figures, the employment rate of 50-74-year-olds increased considerably by more than ten percentage points between 2011 and 2022 alone. While 50-64-year-olds are now much more strongly represented in the labour market than is the case in most other OECD countries, this is not the case for 65-74-year-olds (see also Figure 1 and Figure 3). The gender gap in employment for men and women aged 55-64 has fallen from 13.6 percentage points in 2011 to 7.8 percentage points in 2022, well below the OECD average (see Table 3).

As a result of the increase in employment among older people, the effective retirement age in Germany has risen by almost two years on average in recent years. In 2022, it was slightly below the OECD average for men in this country and slightly above it for women.

Compared to the OECD average, a look at the forms of employment of older people shows a high proportion of part-time work, which often corresponds to individual preferences ("voluntary"), as

well as a disproportionately low rate of fixed-term contracts and self-employment in this age group compared to the OECD average. The high proportion of part-time work among older people was also due to the high prevalence of mini-jobs in this age group (see also Walwei 2018b). The rather high pay gap between older and younger people is also striking, indicating that pay is more strongly orientated towards seniority.

The retention rate of older employees (60-64 year olds) in the company is comparatively high. This is linked to empirical findings that show that companies have recently endeavoured to a great extent and with success to keep people eligible for retirement in the company (Czepek et al. 2017). In contrast, the (re-)hiring rate of 55-64-year-olds is relatively low. The latter corresponds to the comparatively high proportion of long-term unemployment among older people. Once older people have been unemployed for a longer period of time, they find it particularly difficult to find new employment in Germany (Homrighausen/Wolf 2018). Analyses also show that the characteristic "age" reduces the chances of re-employment for unemployed persons and benefit recipients in SGB II, even when other risk characteristics are controlled for (Beste/Trappmann 2016).

4 Key elements of older workers employment in selected countries

As already mentioned at the beginning, Germany is still outperformed by some countries in terms of the employment rates of older people (see Figure 1 and Figure 3). In view of the ageing baby boomers, the question arises as to what factors could be behind the favourable development of the labour market for older people in other countries. For comparison purposes, the situation in Japan, New Zealand, Iceland, Norway and Sweden, all of which have even higher employment rates for older people than Germany, is therefore analysed in more detail below. Various aspects relevant to the employment of older people are examined in turn from an international comparative perspective for the five countries mentioned, such as demographics, employment, forms of employment, the pay gap, fluctuation out of and into employment, the retirement age and other findings from the literature on the comparison countries.

4.1 Demography

The first thing to look at here is the old-age dependency ratio in an international comparison. The ratio provides an indication of how much action is needed to increase the working population. A high proportion of older people to be cared for by the pension system increases the pressure to keep older people in the labour market for as long as possible.

Table 2: Old-age dependency ratios in selected countries (2022)

| | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|--|-------|-------------|---------|--------|--------|---------|------------|
| Elderly dependency ratio ¹⁾ | 48.8 | 25.3 | 22.5 | 28.3 | 32.7 | 34.7 | 28.5 |

1) The old-age dependency ratio measures the percentage of a country's population aged 65 and over in relation to people aged between 20 and 64.

Source: www.oecd.org

The OECD average old-age dependency ratio is just over 28 per cent. The figures for Japan, Germany and Sweden are higher, while those for Iceland and New Zealand are lower. Norway is close to the average. The examples of Iceland and New Zealand make it clear that even countries with a low dependency ratio, which is more favourable for old-age provision, may have a high level of employment among older people. There is therefore not necessarily a connection between a challenging old-age dependency ratio and a high employment rate among older people.

4.2 Employment of older workers in detail

New Zealand, Japan and Iceland had the highest employment rates in the broad age group of 50-74-year-olds in 2022. The countries analysed here are all well above the OECD average.

Table 3: Employment rates of older people for selected countries (2022)

| Age groups | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|------------|-------|-------------|---------|--------|--------|---------|------------|
| 50-54 y. | 85.9 | 86.2 | 86.4 | 81.7 | 88.2 | 86.6 | 81.2 |
| 55-64 y. | 78.1 | 78.5 | 82.6 | 74.5 | 77.3 | 73.3 | 64.6 |
| 65-69 y. | 50.9 | 47.3 | 48.3 | 32.2 | 27.6 | 19.3 | 24.5 |
| 70-74 y. | 33.5 | 10.5 | 12.6 | 10.0 | 10.8 | 8.4 | 12.1 |
| 50-74 y. | 64.8 | 66.4 | 66.4 | 58.3 | 58.9 | 56.7 | 52.3 |

Source: www.oecd.org

In terms of employment rates for 50-54 year olds, Germany is only surpassed by Sweden. Iceland, New Zealand and Japan are ahead in the 55-64 age group, and these three countries are also ahead in the 65-69 age group. Japan is an outlier in the employment rate of 70-74 year olds, with an employment rate of more than 30 per cent.

Sweden has the smallest gender gap in the employment rates of 55-64 year olds in 2022. A low gender gap indicates that a country is also able to making good use of the available human resources of women and men in old age. Iceland, Germany, Norway and New Zealand also have a gender gap below the OECD average. Japan, on the other hand, has a comparatively high gender gap. This means that it is more likely to be men who are still working at an older age.

Table 4: Difference in employment rates of 55-64 year old men and women in percentage points (2022)

| | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|------------|-------|-------------|---------|--------|--------|---------|------------|
| Difference | 19.2 | 10.5 | 7.8 | 10.4 | 4.8 | 7.8 | 14.1 |

Source: www.oecd.org

The employment rates correspond to the average effective retirement age. In 2022, it will again be highest in Iceland, New Zealand and Japan. In the countries analysed here, the retirement age for men is consistently higher than for women.

Table 5: Labour market exit age for women and men in selected countries (2022)

| Retirement age ¹⁾ | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|------------------------------|-------|-------------|---------|--------|--------|---------|------------|
| Women | 67.0 | 65.5 | 65.8 | 62.4 | 64.5 | 63.4 | 63.1 |
| Men | 68.3 | 67.3 | 68.3 | 64.9 | 65.5 | 63.7 | 64.4 |

1) The exit age from the labour market measures the average age of all people who leave the labour market due to age within a certain period of time.

Source: www.oecd.org

4.3 Types of employment and pay gap

A greater incidence of different, particularly flexible, forms of employment could benefit the employment of older workers, while higher wage differentials between older and younger workers could make it more difficult for them to remain in or return to work.

With the exception of part-time employment, Japan is the leader in the various forms of employment for older people that differ from permanent full-time employment, while the other countries are mostly below the OECD average. The prevalence of certain forms of employment and higher employment rates among older people therefore do not necessarily go hand in hand.

Table 6: Forms of employment of older people for selected countries (2022)

| | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|----------------------------|-------|-------------|---------|--------|--------|---------|------------|
| Part-time | 24.0 | 17.9 | 24.3 | 21.4 | 17.8 | 31.0 | 19.4 |
| Involuntary part-time work | 16.4 | 17.9 | 11.3 | 10.2 | 14.8 | 7.0 | 17.0 |
| Temporary employees | 22.5 | 4.3 | 6.3 | 2.3 | 6.6 | 3.0 | 7.5 |
| Self-employed | 26.2 | 26.8 | 17.2 | 6.6 | 12.3 | 12.0 | 21.6 |

Source: www.oecd.org

Germany has the most pronounced wage gap between older and younger workers in relation to the comparison countries, which can prove to be an obstacle to the re-employment of older workers in particular. New Zealand, on the other hand, has virtually no wage gap between older and younger workers.

Table 7: Pay gap between older and younger employees for selected countries (2022)

| | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|------------------------|-------|-------------|---------|--------|--------|---------|------------|
| Wage gap ¹⁾ | 1.03 | 1.01 | 1.07 | 1.11 | 1.06 | 1.12 | 1.05 |

1) The pay gap here quantifies the ratio of the average gross salary of 55-64 year olds in relation to 25-54 year olds.

Source: www.oecd.org

4.4 Fluctuation in employment

The employment level of older people can increase or decrease over time for two reasons: either the chances of remaining in or entering employment change. There may have been differences in both dimensions between the countries analysed here.

All of the countries analysed here have a higher retention rate for 60-64 year olds than the OECD average. The corresponding figures are particularly high in Germany, Sweden and New Zealand. The figure is lowest in Japan, although the concept of "lifelong employment" has been practised there for a long time and in many companies (Schad-Seifert/Kottmann 2019). However, this model, which focuses on stability and security in employment, has probably become less important in recent years, partly for economic reasons. In addition, it is no longer practised in all sectors and in every company. Overall, the figures indicate that in the countries analysed here, employees primarily "grow old" in their employing companies.

A more differentiated picture emerges with regard to recruitment rates. The re-employment opportunities of older workers are by far the highest in New Zealand. All other countries are more or less below the OECD average. Germany has the lowest rate in this respect.

Table 8: Retention and recruitment rates of older people for selected countries (2022)

| | Japan | New Zealand | Iceland | Norway | Sweden | Germany | OECD total |
|--------------------------------|-------|-------------|---------|--------|--------|---------|------------|
| Retention rate ¹⁾ | 53.2 | 56.9 | 71.2 | 71.2 | 60.7 | 64.5 | 52.4 |
| Recruitment rate ²⁾ | 7.4 | 13.1 | 8.2 | 2.5 | 8.0 | 5.8 | 9.6 |

1) The retention rate records the proportion of 60-64 year olds with a period of employment of at least five years or more before the time of measurement.

2) The hiring rate represents the proportion of 55-64 year olds with less than one year of employment in relation to all employees.

Source: www.oecd.org

4.5 Retirement age

The statutory retirement ages in countries with very high employment rates for older people analysed here are very similar. It is highest in Norway and Iceland at 67 years (World Economic Forum 2023). Germany follows with a current age of 66. It continues to rise steadily and will also be 67 from 2031. In Sweden, Japan and New Zealand, the statutory retirement age is slightly lower at 65. Some countries dynamize the retirement age and base the adjustment on (increasing) life expectancy. There are corresponding regulations in seven European countries: Denmark, Estonia, Finland, Greece, Italy, the Netherlands and Portugal (Enste et al. 2023). The countries with the highest employment rates for older people in 2022 are not among them.

However, the statutory retirement age alone does not say anything about the exit age of employment. Employment can extend beyond the statutory retirement age, but can also end earlier, e.g. as a result of unemployment. Other institutional conditions are also decisive. If people want to end their employment before the statutory retirement age (early retirement), this depends, among other things, on the amount of the actuarial deductions for early retirement, the earliest possible retirement age, the conditions for a disability pension and the relevant regulations in the area of wage replacement benefits (such as unemployment benefit and social assistance). In turn, the conditions under which pensioners can work longer are decisive for the issue of gainful employment. Relevant factors here are the overall tax and contribution burden for working pensioners, labour law regulations such as those relating to dismissal and fixed-term contracts as well as any supplements for the pension in the event of continued employment². Finally, personal factors (e.g. retirement decisions of the respective partners) or personnel policy priorities of the companies, e.g. with regard to the age structure of their workforces, must also be taken into account when considering the question of realised retirement.

The statutory retirement age not only has an influence on when people stop working, but also on the expected duration of retirement (OECD 2023). The lower it is and the more options there are for early retirement, the longer the expected duration of retirement, all other things being equal (e.g. in terms of life expectancy³). In terms of the average expected length of retirement in years, Norway (24.5 years) is ahead of Japan (23.1 years), Germany and Sweden (both 22.6 years) for women. For men, Norway is in the lead with 19.8 years, followed by Sweden (19.5 years), Germany (18.8 years) and New Zealand (18.5 years). Once again, the gender gap in Japan is striking, as it is the highest at 23.1 years for women and 17.5 years for men. Iceland has by far the lowest expected length of retirement, with values of 16.8 years for men and 20.1 years for women - which corresponds to the longer working life there (see section 2).

5 Specific findings on the "comparison countries"

In the following, relevant findings on the countries with very high employment rates of older people will be used to shed more light on their specifics. The labour market in Iceland is comparatively flexible by international standards (Olafsdottir/Olafsson 2014). Icelanders not only have long individual working hours on average, but also tend to retire late (Olafsdottir 2020). The comparatively high retirement age compared to other countries, the traditionally high labour force participation rates of women and men during their working lives, the improved health status of the Icelandic population and a rather strong interest in retention on the part of companies all play a role here (Olafsdottir/Olafsson 2014). Surveys show that older people in Iceland are seen as having a high sense of responsibility and conscientiousness

² For details on pension regulations and framework conditions in an international comparison, see OECD 2023

³ Life expectancy differs between countries and therefore has an influence on the length of retirement. In terms of the life expectancy of men calculated in 2021, Iceland, Norway and Japan were even at the top of the table, while Sweden and Norway were still at the upper end. The life expectancy of men in Germany was lower than in the five other countries. A similar picture emerged for the life expectancy of women (see Länderdaten.info 2021).

(Gudmundsson/Jonsson 2018). Their experience is valued. The Icelandic government has taken political initiatives to enable older people to remain in the labour market for longer (Halvorsen 2021). This encourages older people to move to less physically and mentally demanding jobs within and between companies. Iceland has also been striving for some time to sustainably improve the formal and vocational education of the adult population (Halvorsen 2021). Together with New Zealand and Japan, Iceland was one of the countries with the highest ranking in 2023 for the "PwC Golden Age Index" based on OECD data (Price Waterhouse Cooper, 2023). It contains data on employment, earnings, the age at which people leave the labour market and the participation of older people in further education.

For Sweden, studies show that the overall high employment rate of older people is linked to the high labour force participation of women (Albin et al. 2015). In Sweden, this is often referred to as a "feminisation of the labour force". Changes in the characteristics of employees and workplaces have also favoured the high employment of older Swedes (Walwei/Deller 2021). The improved health status over time, the higher level of education of the population and the trend towards less physically demanding jobs are mentioned here (Laun/Palme 2018). In view of the relatively high employment rates of older people, less importance is attached to the statutory retirement age than to the now more restrictive regulations for drawing a disability pension (Laun/Palme 2018).

Similar to Sweden, the relatively high female labour force participation rate in Norway also favours the employment of older people. The great importance of education and qualifications is also emphasised (Midtsundsted/Hilsen 2015; Midtsundsted/Nielsen 2019). A growing level of education among older people has been observed, which has a favourable effect on their continued employment. Older people were able to acquire a higher basic qualification at a younger age and thus remain in the labour market for longer. In this context, it is also important to note that Norway has a small "training gap" between younger and older people compared to other countries (OECD 2013). A study by Mindtsundsted/Nielsen (2019) shows the substantial effect of further development of formal qualifications on remaining in the labour market.

For non-European New Zealand, research suggests that older workers who say they are supported and not discriminated against by the company are more likely to stay with their employer. The so-called "New Zealand Experience" has identified factors that identify the strengths and weaknesses of older employees (McGregor/Gray 2002). On the positive side are reliability, loyalty and commitment. Weaknesses include a lack of willingness to change and a failure to adapt to new technologies, such as digital tools. In New Zealand, the term "The Great Unretirement" was coined (Wright 2023). In 2022, almost 50 per cent of 65-69-year-olds were working even though they could actually retire. The reasons for this are partly due to income needs at an individual level (New Zealand Seniors 2023). At the same time, however, reference is also made to benefit dimensions such as social contacts, maintaining physical and mental activities, the fulfilment of tasks, meaning and enjoyment at work as well as the opportunity to continue learning and contribute to the community.

In Japan, great value is placed on work and the associated social role in society. Many older people continue to work in order to feel useful and maintain social contacts. However, the high employment rate of the over-65s can also be partly explained by the fact that this age group has to work to escape poverty in old age due to low pensions and to cope with the high cost of living

in Japan, especially in the big cities (Enste et al., 2023). Retirement work for the over-65s is seen as a way of enabling a transition between formal retirement and permanent retirement. One reason for sometimes low pensions is the perception of flexible, often temporary employment relationships in the course of working life, which can penalise those affected due to revolving door effects. The same applies to women who interrupt their employment for family reasons (Martin/Jaussand, 2018). Debroux (2022) points out that if older people in Japan did not have the opportunity to secure their standard of living by working in old age, this would have negative social consequences for this group of people. At the same time, however, the Japanese economy is also reliant on older workers - partly due to the demographic decline in the population and the comparatively low level of immigration there. The Japanese often enjoy good health into old age, which enables them to remain active and productive for longer. It is therefore the needs of older people and the economy that lead to a comparatively high level of labour force participation in Japan.

6 Conclusion and implications

The Federal Republic of Germany has caught up significantly in the employment of older people in recent decades. This applies in particular to the 50-64 age group. Compared to the top countries, Germany is only a few percentage points behind. However, the 65-74 age group is lagging further behind. The future gap to the other countries in this age group will be influenced by opposing developments. The gradual implementation of the retirement age of 67 is likely to reduce it further, but the "retirement age of 63" will slow it down.

The country comparison reveals a whole series of important points that could be taken up in Germany. The high level of age-related employment in Iceland, Sweden and Norway is linked to the high female labour force participation rates in the three countries and continuous improvements in the educational level (including vocational training) of the population. New Zealand has a low wage gap between older and younger workers and remarkably high hiring rates for older workers, which is favoured, among other things, by consistent public relations work in favour of older workers and a publicly visible pro-aging policy. In Japan, demographic pressure on labour demand and income requirements play a major role at an individual level.

In Germany, the reasons for the greatly improved employment situation are linked to the points mentioned for the other countries. An increasingly receptive labour market and demographic change have increased the willingness of companies to hold on to older employees. Pension and labour market reforms have tended to make early retirement less attractive (Steiner 2017).

Women's affinity for the labour market has generally increased and is consequently continuing in old age. Birth cohorts with a higher proportion of formal qualifications are coming into the labour market, which is likely to be accompanied by a higher employment rate and lower unemployment in old age. The growing, preferably lifelong employability of women and men is therefore becoming the key factor with regard to the future employment of older people.

Conclusions can also be drawn on the institutional side. The statutory retirement age should no longer be perceived as a fixed limit. Instead, it should be seen as a guide for individual retirement

decisions. The point is that it should be possible to deviate flexibly in both directions through reductions and supplements. Raising the statutory retirement age is an obvious step in view of increasing life expectancy. However, this presupposes that the healthy years of life also grow. The indicator of health expectancy ("healthy life years") would be relevant here and more suitable than life expectancy (World Health Organisation 2024). If the statutory retirement age is raised further, however, even more attention must be paid to exemptions for hardship cases. The "pension at 63" is not a good example of accuracy due to its focus on long insurance periods (Börsch-Supan et al. 2014). In cases of doubt, not even "real" hardship cases benefit because the scheme can and will also be utilised by people with a high pension entitlement and good health. The status of earning capacity would be clearly preferable here as a hardship criterion.

The institutional framework also includes demographically sound regulations in labour law and labour market policy. Labour law should ensure that employment opportunities are as flexible as possible with regard to the establishment and termination of employment relationships with employees drawing a pension, because for this group of people, facilitating recruitment is more important than protection against dismissal. In addition, the longer duration of unemployment benefit for older people of up to 24 months (compared to a maximum of 12 months) should also be scrutinised. Scientific findings suggest that a longer period of unemployment benefit also prolongs unemployment (Schmieder et al. 2012). Labour market policy support for older people, for example through active measures, is a balancing act. Target group-specific measures could encourage stigmatisation. On the other hand, greater involvement of older people in "general" support measures would take account of the lower chances of re-employment. This is also because studies show that older people have received disproportionately less support to date, but that the effect of the measures is more favourable than for younger people (Stephan et al. 2024). It is also becoming increasingly difficult to justify state support for early retirement. For example, the tax and contribution exemption of the top-up amount for partial retirement weakens incentives to work longer.

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