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Active Ageing Strategies to Strengthen Social Inclusion

Synthesis Report

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Summary

In the coming years, the share of elderly people in the whole population will strongly increase in all European Union countries. It is therefore necessary to implement an *active ageing* strategy. Finland is a particularly interesting country to consider, because it has succeeded in raising strongly older workers' employment rates. Finland has launched extensive programmes to promote *active ageing* and to keep older people at work through social partners' involvement and working conditions improvement. These programmes facilitated the implementation of early retirement and retirement reforms.

The Peer Review was held in Helsinki (Finland) on 22-23 November 2007 and hosted by the Finnish Ministry of Social Affairs and Health. In addition to the host country, eight peer countries took part: Denmark, Estonia, Germany, Hungary, the Netherlands, Norway, Romania and Slovenia. Also participating were stakeholder representatives from AGE – the European Older People's Platform, together with representatives of the European Commission's DG Employment, Social Affairs and Equal Opportunities.

Part A. Active ageing in a EU context

In the prospect of ageing populations in all EU countries in the coming 40 years, older workers' employment becomes one of the most important challenges of social and employment policies in Europe. The *active ageing* strategy needs to include: a substantial postponement of the retirement age, in order to reduce the burden of pensions costs and to increase total employment; an improvement in the physical condition of older workers and older people; the maintenance of pensioners incomes close to working people's incomes; finally, the involvement of retired people in social activities.

Active ageing strategy is an important component of Lisbon Strategy, which includes the modernisation of social protection systems in the EU. Finnish experience shows that it is possible to influence workplace attitudes to ageing employees and thus benefit from the experience and know-how of older people. It is possible to make changes in response to demographic challenges even in a difficult employment situation. It also shows that this strategy could contribute to boost employment and productivity, which is needed to respond to the demographic challenge and to maintain a satisfying growth rate, which strengthen the financial base for welfare systems. The best way to strengthen social cohesion is to increase the employment rate and maintain a high level of education and social activation. A high employment rate and staying on at work longer as well as reduction in long-term unemployment are an effective way to combat social exclusion, which is also an objective of the Lisbon Strategy.

Part B: Finnish context and overview of retirement policy

The Finnish older workers' total employment rate ranks fourth in the EU and has increased by 17 percentage points since 1995, the most rapid rise in the EU. A social consensus had emerged to favour early retirement in the 1980's, in order to let younger people have a job and to allow for economic transformations. At the end of the 1990's, the Finnish Society became aware that it could no more afford to pay for early retirement schemes. Since 1999, a new consensus has emerged to bring an end to earlier choices. The increase in the Finnish older workers' employment rate is due to an improvement in the economic context, to institutional reforms (like initially the reform of early retirement schemes and later the 2005 reform of retirement schemes), but the Finnish specificity is to have undertaken

substantial active ageing programmes.

Some Finnish specificities favour older workers' activity: 'last in first out' rule; low wage dispersion; weak seniority wage increase. Companies are individually interested to maintain work ability of their employees and to avoid early pensions. The return to employment of older workers remains relatively low. The increasing employment rates for ageing workers result from declining outflow rates from employment to unemployment, rather than improved employment prospects for the unemployed.

Part C. Finnish Active Ageing Policy

Substantial programmes of social mobilisation have been launched. They have three objectives: allowing maintaining older people at work, facilitating the social acceptance of working longer, improving social inclusion of older workers and pensioners. The Finnish Institute of Occupational Health (FIOH) played a major role to put the work ability framework as the cornerstone of the strategy. The *National Programme on Ageing Worker, FINPAW* (1997-2002) was implemented jointly by several ministries, in cooperation with social partners, social insurance and pension institutions. The programme mainly involved research, information and campaigns. According to its final report (2002), it succeeded in four areas: promotion of work ability, measured by the national Maintenance of Work Ability Barometer; increasing the opportunity to work, measured by the decrease in the employment rate discrepancy between ageing and all workers; increasing employability through the promotion of social capital maintenance; promotion of the research on employability and rehabilitation. The programme was prolonged by many different programmes (*Well-Being at Work, Veto, Tykes, Kesto, Kaiku and Noste*). These working life programmes prepared the ground for the 2005 reform of the earnings-related pension early retirement and pension system.

Part D. Relevance and transferability issues

The peer country comments show that the Finnish approach is firmly rooted in consensus. The peer reviewers discussed the lessons to be learnt from the Finnish experience and the possibilities for transferring some aspects of it to other countries. Among the key points:

- The Finnish approach is firmly rooted in consensus. This limits the transferability of the Finnish model. However, an active ageing programme is a way of reaching consensus. So, active ageing programmes should be launched before a pension reform.
- There is a need for greater awareness of active ageing strategies, on the part both of employers and employees.
- The legislation against age discrimination is important.
- Active ageing strategy is more efficient than financial incentives targeted to older workers.
- Changes in work organisation are needed to promote active ageing. Early retirement may have to be maintained for some categories of blue-collar workers in physically demanding jobs.

- Finland succeeds more in keeping older workers in their jobs than in re-integrating unemployed older workers.
- The social inclusion of retired people should be an important part of active ageing.
- The Finnish strategy is a way of reassuring workers that they will not be left alone to face the social and economic consequences of ageing.

Part E. Conclusions and lessons learnt

The Finnish ageing programme could be considered as a success story. The programme paved the way for reforms of early retirement and pension systems which were implemented in cooperation with social partners without social crisis. The ageing workers' employment rate has risen faster in Finland than in any other Member State. However, it is not easy, in this success, to disentangle the effect of economic growth, early-retirement reform and active ageing strategy.

The Finnish experience shows the need for a global mobilisation of the Society, firms and workers to reverse the trend towards early retirement and to develop a strategy enabling ageing workers to remain at work. The Finnish strategy focused on workers' health, maintenance of working ability and improvement of working conditions. On the other hand, the programmes seem to have been less concerned with issues such as vocational training and adaptation to new technologies. In many countries, the relationship between pay and productivity will need also to be addressed.

The Finnish model cannot simply be taken and implemented in other societies, but most aspects of it are useful. These include the holistic approach, the broad social consensus and the close interaction between the institutions involved.

Active Ageing Strategies to Strengthen Social Inclusion

In the coming years, the share of elderly people in the whole population will strongly increase in all European Union countries. It is therefore necessary to implement a social inclusion strategy targeted towards older people for both economic and social reasons. This *active ageing* strategy needs to include: a substantial postponement of the retirement age, in order to reduce the burden of pensions costs and to increase total employment; an improvement in the physical condition of older workers and elderly people; the maintenance of pensioners' incomes close to working people's incomes; finally, the involvement of retired people in social activities.

Finland is a particularly interesting country to consider, because it has succeeded in raising strongly older workers' employment rates. Finland has launched extensive programmes to promote *active ageing* and to keep older people at work through social partners' involvement and working conditions improvement. These programmes facilitated the implementation of early retirement and retirement reforms. This Peer Review aimed at analysing these programmes. What are their impacts in terms of raising Finnish older workers activity rates and social inclusion? Can they serve as a model for other EU countries facing similar problems?

The Peer Review was held in Helsinki (Finland) on 22-23 November 2007 and hosted by the Finnish Ministry of Social Affairs and Health. In addition to the host country, eight peer countries took part: Denmark, Estonia, Germany, Hungary, the Netherlands, Norway, Romania and Slovenia. Also participating were stakeholder representatives from AGE – the European Older People's Platform, together with representatives of the European Commission's DG Employment, Social Affairs and Equal Opportunities.

Part A. Active ageing in a EU context

In the prospect of ageing populations in all EU countries in the coming 40 years, older workers' employment becomes one of the most important challenges for social and employment policies in Europe. The ratio of the number of elderly people to working age people will increase significantly from 2005 due to the ageing of the baby-boom generations, to declining fertility and to the increase in life expectancy. In the EU, there are currently 25 people older than 65 for 100 people aged between 15 and 65; the figure will rise to 50 in 2050. According to the European Commission's projections, despite relatively favourable assumptions on immigration, decline in unemployment rates and rising activity rates, many EU countries will see their employment levels fall significantly by 2050. This decline would have damaging consequences on their economic activity, living standard and financing of their pensions systems. These countries must implement economic and social strategies to raise the employment rates of their population, especially for older workers.

Most European countries have established generous public pension systems, pay-as-you-go financed; pensioners were entitled to a standard of living similar to active people. Since 1974, in face of persistently high unemployment, these countries have introduced early retirement schemes, which significantly lowered activity rates for the 55-65 year old. This strategy developed at each wave of higher unemployment, in the early 1980s and in the early 1990s. Maintaining this model would require a huge increase in pensions' spending, that companies and a majority of employees are unwilling to finance. As it is not socially desirable to decrease strongly public pensions, postponing the retirement age is unavoidable. European countries have to move from an 'early exit' culture to an 'active ageing policy'.

Most Member States have already undertaken substantial reforms of their pensions systems. These generally include:

1. Measures reducing the amount of public pensions, through reforming rules setting and indexing pensions. But these measures undermine the confidence of employees in the retirement system and may push some elderly people into poverty.
2. Incentive measures for workers to supplement their public pensions with private pension funds. But there are risks that only part of workers would be covered and that a rise in savings would depress activity.
3. Mandatory or incentive measures to postpone the retirement age: gradual reduction or abolition of early retirement schemes ; postponing of the legal retirement age; longer careers required to be entitled to a full pension; more actuarial rules for setting the level of pensions, so that early retirement is financially discouraged and late retirement is rewarded. But the effective retirement age depends on the situation of the labour market and employment policies of companies.

The most favourable strategy, from both an economic and a social view point, is to increase older workers' employment rates. It generates a triple dividend: higher output; higher tax revenues and social contributions receipts; lower pensions spending. The Lisbon Agenda (2001) has set two objectives: a higher than 50% employment rate for older workers (aged 55 to 64), a postponement of the average retirement age by 5 years before 2010. This strategy, however, generates two risks. The first is that a significant number of older workers no longer entitled to a pension remain jobless, experience long periods of unemployment, with low unemployment allowances and have no choice but retire with a low pension. How to induce companies to keep older workers in their current jobs or even to hire older workers? The second risk is a widening of inequalities among pensioners. How to account for differences in job painfulness, for different life expectancies and work abilities of 60 year-old people in view of their working conditions?

Early retirement may be viewed either as the exclusion from the labour market of workers who would like to keep working or as an opportunity for people to enjoy a period of freedom, in good health without job constraints, and financial worries. If early retirement is a social choice, how can it be reconsidered? We should change work so that people would agree to retire later.

It is therefore interesting to analyse the strategy of successful countries in terms of keeping older people at work. In 2006, the employment rate of people aged 55 to 64 was 69.6 in Sweden, 60.7 in Denmark, 57.4 in the UK, 54.5 in Finland against 48.4 in Germany, 37.6 in France, 35.5 in Austria, 32.5 in Italy and 32.0 in Belgium. Employment rates of people aged 55 to 64 are above the 50% Stockholm target in six out of the EU-15 countries, and, with the Baltic countries, in nine out of the EU-27 countries. In most cases, particularly in Denmark, Finland and Sweden, ageing workers' employment had fallen sharply during the crisis in the first half of the 1990s, but these countries have been able to boost employment of ageing workers in the years 1995-2005.

Older workers' employment depends on the situation of the labour market. Countries with high older workers' employment rates are generally close to full-employment, the only exception is Finland, which succeeded in raising older workers' employment rates despite a relatively high unemployment rate. Strategies targeted at older workers' employment cannot be considered without global macroeconomic, structural and industry sector measures aiming at raising total employment.

Nordic countries are implementing '*active ageing strategies*' aiming at raising the number of jobs available for older workers: tax incentives for companies employing older people, limitation of the seniority component of wage growth; fight against age discrimination; campaigns to promote older workers' employment among companies and employees; reshaping of careers; improvement of working conditions and vocational training. These strategies also aim at inducing older workers to work longer, through improved working conditions and training for either all workers or specifically older workers. Such strategies are implemented jointly by the government and social partners, which requires a certain agreement on the objective of retirement age postponement.

Older workers' employment strategies can be split into five categories:

- Global employment policy includes both macroeconomic measures and structural measures to improve the functioning of the labour market.
- Reforms of pensions and early retirement systems.
- Tax incentives for employers to keep older workers or for employees to retire later.
- Campaigns to induce companies to keep or to hire older workers, by reforming their vocational training policies, career management, working conditions.
- Incentive measures for workers to work longer through information campaigns and through career, training and job adaptations.

The successful countries have generally implemented simultaneously the five types of measures, which strengthen each other. It is useless to try to expand older people's employment in countries where the employment rate of younger or adult people is low. It is socially dangerous to deprive older people from the possibility to retire early when employers are not ready to hire older workers. It is therefore especially difficult to disentangle the impacts of active ageing strategies from the impact of all implemented measures. However it is relevant for countries hesitating to introduce active ageing strategies to consider the experience of countries that have been successful in lengthening working life without raising the 55-64 unemployment rates, without raising pensioner poverty and with a strong social consensus.

Active ageing strategy is an important component of Lisbon Strategy, which includes the modernisation of social protection systems in the EU. Finnish experience shows that it is possible to influence workplace attitudes to ageing employees and thus benefit from the experience and know-how of older people. It shows that it is possible to make changes in response to demographic challenges and to achieve a major change of direction even in a difficult employment situation as long as carefully planned work is done to reach the goal. It also shows that this strategy could contribute to boost employment and productivity, which is needed to respond to the demographic challenge and to maintain a satisfying growth rate, which strengthens the financial base for welfare systems. The best way to strengthen social

cohesion is to increase the employment rate and maintain a high level of education and social activation. A high employment rate and longer working life as well as reduction in long-term unemployment are effective ways to fight social exclusion, which is also an objective of the Lisbon Strategy.

Part B. Finnish context and overview of retirement policy

In terms of demographic evolutions, Finland is in an intermediate position in the EU. Fertility rates have remained higher than the EU-15 average, but have started to decline relatively early. Demographic prospects are expected to worsen less in Finland than in the EU-25, but earlier.

Finnish social protection has three basic elements: preventive social and health policy, social and health care services and social insurance. It is characterised by the universality of benefits. All residents are covered by social security schemes and all employed persons are entitled to benefits based on employment. However, total expenditures in proportion to GDP are below the EU average. Finland's economy is among the top performers and unemployment is low. Because of the extensive social security system, it is possible to create an environment that guarantees sustainable economic growth. So, social protection is also an investment in economic growth.

GDP growth had been fully satisfactory until 1989. In the 1990-1993 period, the fall of the USSR economy, the economic transformation in Central and Eastern European Economies, and a financial crisis caused a sharp and deep depression. Finnish growth rebounded after 1994 under the effect of the expansion of the new technologies.

Finland has succeeded in reaching full employment at the end of the 1980's, with an unemployment rate of 3.2% only in 1990. The early 1990's crisis led the unemployment rate to reach 16.6% in 1994. It has only slowly declined since then, down to 7.7% in 2006, i.e. slightly above the EU level. During the 1990-1994 crisis, the older people's employment rate had strongly decreased, from 42% in 1990 to 35.5% in 1994.

A social consensus had emerged to favour early retirement in the 1980's, in order to let younger people have a job and to allow for economic transformations. This consensus has strengthened during the early 1990's crisis. The 1991-1994 crisis caused a strong rise in the unemployment rate, in particular among older people. They had very little opportunity to find a new job because they were often low skilled, in declining sectors. Most early-retired people were happy to retire, because they were no more at the risk to lose their job and did not have to face difficulty in their job for physical reasons (contradiction between a more intensive work and the reduction of their intellectual abilities) and intellectual reasons (contradiction between limited education and a more demanding technical progress). Early retirement strategies were matching the desire of workers, by reducing the risk of unemployment for adult workers and by transferring it to older workers, who benefited from favourable retirement conditions. These strategies were also matching the desire of companies to reduce wage costs, to hire a skilled and flexible workforce, to easily adjust the number of their employees and to be able to restructure rapidly. So companies have been tempted to lay-off older workers all the more that the latter could leave under favourable financial conditions. A spiral of destruction of 55-64 jobs thus occurred. Even if this policy was questioned in the 1980's, the governments were not able to reform it due to the high level of unemployment and to the popular support for these measures. The 1991-1994 recession aggravated the labour market situation further. However, it raised the issue of the long-term sustainability of the system.

At the end of the 1990's, the Finnish Society became aware that it could no more afford to pay for early retirement schemes. Since 1999, a better labour market situation has helped older people to keep their job. A new consensus emerged to bring an end to earlier choices. The worsening of demographic prospects is more rapid than in the average EU-15 and has led to fear a 'lack of labour supply'. The female employment rate is already very high and, due to climate and language issues, immigration cannot be expected to rise substantially. Hence, the employment rate of the 55-68 year-old needs to rise. The change in social paradigm has been facilitated by the tradition of negotiation between social partners on social and economic prospects.

The increase in Finnish older workers' employment rate is due to an improvement in the economic context, to institutional reforms (like initially the reform of early retirement schemes and later the reform of retirement schemes), but the Finnish specificity is to have undertaken substantial active ageing programmes. These programmes aim at supporting ageing workers in their job and at facilitating the social acceptance of working longer by the mobilisation of social partners and firms and by the improvement of wellbeing at the workplace. These programmes were launched before the institutional reforms and have facilitated their implementation.

The complete reform of the earnings-related pension system came into effect at the beginning of 2005. Its main aim is to delay the retirement age and adjust the pension system to the increase in the average life expectancy:

- Flexible retirement on an old-age pension for people aged between 63 and 68 was introduced.
- Higher accrual of pension rights (4.5%) was introduced for older workers (63+).
- Many early retirement schemes were abolished.
- Age limits for early retirement schemes were raised.
- A life expectancy coefficient was introduced.

The reform was accepted by trade unions because it improves the level of pensions. So people accepted that they should work longer in order to receive a higher pension.

Finland has succeeded in re-increasing significantly the older workers' employment rate, from 35.5% in 1994 to 54.5 % in 2006. This is the most important rise in the EU, despite the fact that the Finnish unemployment rate has remained rather high. Finland stands already above the Lisbon target of a 50% employment rate for the 55-64 year-old. However the older workers' employment rate remains in Finland below the level reached by Scandinavian countries (61% in Denmark, 70% in Sweden). The average retirement age was estimated at 59 in 2004 and 59.5 in 2006. The Finnish government wishes to raise it to 61 in 2025 and 62 in 2050.

Finland ranks 13th in the EU-15 in terms of the pension generosity indicator (average pension as a percentage of average wage). The poverty rate is 17% among people older than 65, against 12% for the whole population. The average pension is 50% of the average wage. The average pensioner income is 75% of the rest of the population. The pension system is not especially generous. In a country with low inequalities, pensioners appear a less-advantaged social group.

According to the Stability Programme presented by the government in 2005, the ratio of public pensions to GDP will rise from 10.4% of GDP in 2005 to 13.8% in 2050. The pension contributions rates (21.6% in 2005) are expected to be increased by 6 percentage points by 2030. The gross replacement rate for an average wage employee with a full career is expected to decrease from 56.5 to 54% but the net rate would increase from 62.5 to 63.5%.

Some Finnish specificities favour the senior activity: the system of 'last in first out' is generally implemented in collective agreements; wage dispersion is relatively small; seniority wage increase is relatively weak, especially for women.

Contributions to pension, incapacity and unemployment systems increase with the age of the worker and with the unemployment and incapacity allowances paid to the employees of the company. This can lead companies to refrain from hiring people of a certain age or with some risks. But companies are individually interested to maintain work ability of their employees and to avoid early pensions.

Since the early 1990's depression, job creation has occurred mainly in new sectors (electronic, ...) and has been very limited in traditional sectors. The return to employment of older workers remains relatively low. In the last decade the rise in older workers' employment rates results more from declining flows from employment to unemployment than from improved employment prospects for the unemployed.

Part C. Finnish Active Ageing Policy

Finland has invested in active ageing for a long time now, since it is one of the first countries to have to dealt with the ageing of its population. The characteristics of the Finnish active ageing strategies are a holistic approach to policymaking as well as co-operation in the preparation and enforcement of decisions with different sectors of administration, social partners, and pensions companies. Substantial programmes of social mobilisation have been launched. They have three objectives: allowing maintaining older people at work, facilitating the social acceptance of working longer, improving social inclusion of older workers and pensioners.

Maintenance and promotion of work ability

The Finnish Institute of Occupational Health (FIOH) played a major role to put the work ability framework as the cornerstone of Finland's active ageing policies. This notion has four main dimensions:

- Health and functional capacities
- Adjustment of the physical work environment
- Professional competence
- Adjustment of the psychosocial work environment.

Work ability is primarily a question of balance between work requirements and personal resources. Work ability maintenance means methodical and purposeful actions taken in cooperation with the employer and employees, as well as cooperative organisations in the workplace, in order to support and promote work ability and health of everyone in work-life. Central roles are also played by occupational health care and the occupational safety organisation. The most important practical objectives of work ability maintenance are to improve work and the work environment, develop the work community and work organisations and promote the health and professional competence of employees. The basis for work ability maintenance is the active commitment and participation of different parties in the work community and workplace and their possibility to affect health and safety at work and other workplace health promotion activities.

Measures taken to increase the attraction of working life – practical implementation

The FIOH launched the *Finn Age, respect for the ageing* Programme (1990-1996). This programme aimed at maintaining older workers' productivity at work through the promotion of their health and ability to work. The rehabilitation became a central element of occupational care. A campaign targeting doctors and care practitioners aimed at making them consider that their job was not to give evidence that their patients were not able to work, but to give workers incentives to use better their work abilities.

The *National Programme on Ageing Workers, FINPAW* (1997-2002) was implemented mainly by the Ministry of Social Affairs and Health. Other key actors were the Ministry of Labour, the Ministry of Education, with the collaboration of the Finnish Institute of Occupational Health, the Social Insurance Institution (KELA), the pension Institutions as well as Trade Unions and Employers Associations. The five-year programme period was allocated 4.2 million Euro. It benefited from the financial support of the European Social Fund.

The objective was to strengthen the status of ageing people in the labour market, to improve their capacity to stay at work and to help them get a job. It was targeted at people older than 45. The objective was to breach the vicious circle where ageing workers felt they did not have a place anymore in companies, made no education effort, where companies were considering that these workers were about to retire and were refusing to invest in their education or career. Companies were reluctant to hire ageing workers, which was the reason why it was necessary to implement generous early retirement schemes that increased in turn early retirement advantages. The counterpart to a longer career is the maintenance of employability and work ability. This relies on both workers' and companies' commitments.

The FINPAW has been comprehensive in its approach and implementation. It has involved changes in legislation, research and development projects, training and an extensive communication aspect aimed at changing attitudes towards ageing throughout Finnish society.

The programme was involving mainly information campaigns. The task was to change the prevailing views on working life and retirement. Also, the views on the ability of older workers to continue in working life had to be changed. The experience of older people was emphasised; the motto was '*experience is a national asset*'. Different campaigns targeted specified groups: the general public, workers, companies, journalists, doctors, labour market organisations and health sector organisations.

The programme stressed the importance of vocational training, especially for adults with an incomplete basic education and inadequate learning facilities. Training financial support was granted to all workers and was more generous for employees with a long career. More generally the programme stressed the importance of training in the maintenance of adequate human capital.

The Programme has developed training activity for personnel managers to teach them to take age into account in work organisation. There was also 'training for trainers' to learn teachers how to teach older people.

Training programmes included an extensive information and training campaign for various target groups such as occupational health and safety staff, regional occupational safety authorities and labour administration staff, workplaces, and older workers themselves. This had the aim of encouraging workplace health promotion and of increasing awareness of issues related to ageing. In addition, the programme carried out comprehensive practical workplace health promotion work and pursued to improve the effectiveness of public employment services in serving ageing customers.

Further target groups for the information and training campaigns included top and middle management as small and medium sized enterprises. The first task was to convince the middle management that maintaining and restoring work ability is necessary to benefit from an effective workforce. Reaching practical solutions requires that the top management accepts the same views and that the reporting system takes into account the investments in maintaining working capacity.

The programme financed research programmes focusing on wellbeing at work and on the maintenance of work ability and employability. The FIOH conducted particularly valuable studies on how to preserve the working capacity and skills of older workers. The studies showed that ageing reinforces many skills that are useful in working life. The research and development projects included research on employment issues related to older workers, and studies and preparations for change on certain legislative topics such as: the position of ageing workers regarding redundancy or termination; a reform of the financial support system for adult education; the question of the insured person's own risk in disability and unemployment pensions; the gradation of employment pension contributions according to age; and the abolition of social security contributions unconnected with work.

The social partners and NGOs took part in the programme from the beginning. The labour organisations emphasised the need to improve the quality of working life and to promote work ability, whereas the employers' highlighted the importance of economic incentives.

The programme and many other working life programmes prepared the ground for the 2005 reform of the earnings-related pension early retirement and pension system.

According to its final report (2002), the FINPAW succeeded in four areas: promotion of work ability, measured by the national Maintenance of Work Ability Barometer, increasing the opportunity to work, measured by the decrease in the employment rate discrepancy between ageing and all workers; increasing employability through the promotion of social capital maintenance; promotion of the research on employability and rehabilitation.

The Occupational Safety and Health Act (2003) increased the role of the occupational health care services in the prevention of work-related illnesses and accidents, in healthiness and safety at work as well as worker's health and capacity and added the issue of ageing. Occupational rehabilitation is now a statutory obligation, with the aim of ensuring that it is arranged at an earlier stage. Before making a pension decision the pension provider investigates the prospects for rehabilitating the employee.

After the FINPAW, several parallel projects have emerged to promote the attractiveness of working life, to raise the level of education among poorly educated older workers, to extend the working career and to establish good practices at the workplaces. For instance, the goal of the VETO Programme (2003-2007) (VETO is translated as "attraction" or "pull") is to promote the attractiveness of working life. It covers five main areas:

- 1) the quality of working life and safety at work;
- 2) effective occupational health care and rehabilitation;
- 3) diversity and equality in working life;
- 4) income security and work incentives and
- 5) awareness raising.

The VETO Programme is under the aegis of the Ministry of Social Affairs and Health in co-operation with the Ministry of Labour, the Ministry of Education, and the social partners. A further programme in

the field of education is the NOSTE ("push") Programme (2003-2007), administered by the Ministry of Education. The main goal is to raise the educational level among poorly educated older workers.

The *National Workplace development programme* (1996-2003), called *Programme Tykes*, was piloted by the Ministry for Labour. It funded projects aiming at developing innovations improving labour productivity and quality of life at the workplace through strengthened cooperation between company management and workers. The *Kesto Programme* (2004-2007) is a research programme of the Minister for Social Affairs and Health and is implemented by the *Institute of Occupational Health*. The programme aims at designing a set of measures increasing attractiveness of life at work, promoting work ability and preventing social exclusion. A similar programme – the *Kaiku Programme* – is being implemented in the public sector.

The Finnish active ageing strategy is a work in progress. The main targets of the *Committee to reform the social protection system* are now to make work pay and to improve incentives; to alleviate poverty and to provide an adequate level of social protection in the future.

Why success in Finland?

The policy debate about the retirement reform seems to have reached a certain degree of consensus in Finland. The Finnish recession of the early 1990s obliged to a reflexion on the labour market functioning. The general public became more aware of budgetary constraints. But the consensus remains that the reforms should be based on the Nordic model, with an extensive scope, high level of benefits, high standard social welfare system. The social actors may disagree on the measures to be implemented but not on the goal of postponing the retirement age.

The consensus was facilitated by six factors:

1. The severe recession in the early 1990s was an awakening call. The need for reforms and cutting expenses as well as the need for making the reforms politically more acceptable were understood to be unavoidable.
2. The programme was undertaken in a situation of rapid growth and reduction of the global unemployment rate. Finland remains a highly competitive economy, especially in some sectors (ICT, paper and wood etc.), The difficulty would arise in the event of a new economic crisis and increase in unemployment: how would firms and workers react?
3. The programme elaboration and implementation were facilitated by the fact that Finland is a small, homogeneous country with a Nordic welfare state and well-developed competence in occupational health and safety. The Finnish occupational health and safety system is very much built around the work ability concept. Health and safety experts are therefore powerful agents of change within Finnish working life.
4. The programme benefited from a political consensus based on a broad political spectrum within successive Finnish governments ("rainbow government"), from a strong tripartism (joint decision-making by government, trade unions and employers), from central collective bargaining agreements and cross-ministry cooperation, actions at firm-level.
5. The 'Active Ageing' Programmes contribute to create a new social culture: ageing workers should have a job (and not give their work to younger people); the Society, companies and

trade unions should get committed to change work organisation in order to allow ageing people to work. The information was given to central target groups through information and training campaigns. The issue becomes a social problem and not an individual one. The 2005 reform was accepted without conflict. It makes it unavoidable for workers to postpone retirement but it raises the level of pensions (although this will imply a rise in future contributions). Legislative reforms convince the general public that this is a serious societal process.

6. The 2005 pension reform is a combination of sticks (postponement of early retirement and retirement schemes) and carrots (higher pensions). There was a commitment to the reform by all parties involved, so it was carried out without any major disputes.

Finland has given a high priority to a number of legislative reforms and ageing programmes to improve health and functional ability and to remove barriers to employment of older workers. Active ageing strategies are a process that consists of a variety of reforms and measures. Continuity is an essential part of policy making since changes in real life are slow to happen.

Remaining challenges include:

- Unemployment in general, and particularly long-term unemployment among older people
- The need for a better transition from working life to pensionable retirement
- Continuing labour shortages
- Implementing nationwide the good practices introduced in individual organisations.

Part D. Relevance and transferability issues

The peer countries comments show that the Finnish approach is firmly rooted in consensus.

Comments from Denmark. The Danish active policy bears many similarities to the Finnish one. The 2006 Welfare reform proposes to achieve later retirement by adjustment of pensions schemes and by an active labour market policy to improve the capacity and the possibility of older workers to stay longer in the labour market. A welfare Commission was settled. The consensus is facilitated by the favourable employment situation. The active ageing strategy raises the age of entitlement to early retirement and retirement, obliges the 55+ unemployed people to look for a job, creates job subvention for firms who hire 55+ people, create a Fund to prevent attrition on the labour market, carries out campaigns to change attitude about older workers' employment. However, the strategy seems less comprehensive than the Finnish one. To avoid increasing the risk of poverty among pensioners, the Welfare Commission refused to reduce pensions or to introduce an early, actuarial reduced, old-age pension, but chose to index the retirement age on longevity: consequently the average period of early retirement benefit and public old-age pension will remain around 19.5 years in the long run.

Comments from Estonia. Estonia has very low life expectancy at birth for men (67 years against 78 years for women). The employment rate of 55-64 people has risen to 58.6 % in 2006. Women retire at 60 (63 in 2016), men at 63. Parliament repealed the article which permitted the dismissal of employees over 65 on the basis of their age. Deferred pension increases the pension by 0.9% by month. Estonia is in the beginning of implementing policies to support longer working life. The Finnish approach seems a guide to follow.

Comments from Germany. Significant reforms have been undertaken in Germany that target both the pension system and the active ageing labour market policy. The statutory retirement age will be raised

to 67 (in 2029). The “Initiative 50plus” contains measures to foster employment of older workers. The employment rate of older workers (55 to 64) increased from 37.6% in 2000 to 52% in the second quarter of 2007 due to the improved economic situation, the “Hartz reforms” and the “Initiative 50plus”. The German Active labour Market policy includes:

- Integration subsidies and wage guarantees for older workers;
- Support for integration measures for older long-term unemployed;
- Improvement of the qualifications of low-skilled and older workers;
- Legislation to improve employment opportunities for older persons;
- Legislation on integration management policies in the workplace

Consensus on labour market issues is less developed in Germany than in Finland. Germany can learn from the Finnish experience about how to achieve a wide social consensus, how to change the mentality of firms and workers, how to improve the quality of working life to attract people. Some issues remain: how can long-term unemployed people be re-integrated? How can companies be made aware to hire older workers?

Comments from Hungary. Among EU countries, Hungary has one of the lowest global employment rates and one of the lowest older workers’ employment rates. There is no consensus on postponing retirement. In 2006, there was a “round table” on pension and ageing addressing extensively the Finnish strategy. Hungary does not have yet a policy focused on active ageing. It is difficult to transfer Finnish experience in Hungary due to the low economic performance and employment, the lack of consensus and the difficulty to target blue collar and low skilled workers with active ageing policy.

Comments from the Netherlands. The Netherlands reformed early retirement and retirement schemes to prevent workers from retiring before 65. The recent reforms include: abolishment of the tax benefits of early retirement programmes, obligation for the older unemployed to look for a job, curtailing disability benefits, shortening of the duration of unemployment benefits, income tax deduction for older workers. Trade unions protested against these reforms. The Netherlands try to change employers’ perceptions of older workers and to encourage age-aware human resources policies. The employment rate of 55-64 years people increased from 28.9% in 1995 to 47.7 % in 2006. One major issue concerns the unemployment amongst older jobseekers: unemployed older persons have not yet benefited from recent improvement in economic and labour market performance. Which strategy to help the older unemployed believe in their chances to get back to work and to develop a second career? The following issues remain: the imbalance between wage and productivity; the preference of employees to stop early; the preference of employers for younger employees; the difficulty to reintegrate in job 45+ unemployed. What is the impact of programs like *Well-being in Workplace* or *Work ability maintenance* on ageing workers’ productivity?

Comments from Norway. Norway faces the same challenge as most EU countries: a growing number of people in pension or early retirement schemes and the ageing of the workforce. Norway has a high female employment rate, a high older workers’ employment rate (66%) and a low unemployment rate. Many firms have problems finding skilled workers. The Norwegian strategy has been to reform the pension system: older employees will be rewarded for staying longer in working life. The risk is to introduce unfair arrangements, since all workers do not have the same freedom of choice due to health or exhaustion at work problems. In 2001, the government, the employer and employee organizations, signed a tri-partite agreement to promote a more Inclusive Working Life (IWL). Each enterprise could become Inclusive Working Life enterprises (IWL-enterprises). The government has just started a campaign, to change the employers’ attitude to older workers’ resources. The Tripartite Agreement did not succeed to rise the retirement age. The most interesting is the holistic approach and the

implementation of the Finnish programmes. The Finnish strategy has been a long-term strategy to prevent health problems and reductions in the work capacity of all workers by improving working conditions. The main issues are the importance of economic incentives compared to long term strategies to prevent early retirement and the effect and the design of a voluntary strategy to get enterprises to take social responsibility for labour force.

Comments from Romania. Due to a very low fertility rate and emigration, the population of Romania is decreasing. Romania remains “younger” than other European countries but the issues of ageing population became a priority for public policy. Pensions will be increased (the average pension is currently 30% of the net average wage). The statutory retirement age will be increased until 2015 to reach 60 years for women and 65 for men. Employers are subsidized to hire unemployed older people or to keep older workers. The National Agency for Employment has developed programs in order to support active measures for unemployed older people: vocational training, health at work, anti-discrimination policy. In 2000, the National Council of Elderly Persons (NCEP) was set to institutionalize the social dialogue between public authorities and elderly people.

Comments from Slovenia. During the transition period, early retirement schemes became a solution for firms who needed capacity rationalisation and higher quality products and for low-skilled older people. In 2006, the 55-64 employment rate remained low (32.6%). There is a large consensus to increase the older workers' employment rate. A pension reform took place in 2000: it includes an increase of the full retirement age to 61 for women, 63 for men. Retirement before this age results in a lower pension, while retirement after this age results in a higher pension. Early retirement has been practically eliminated. To assure sustainability, the reform organizes some decreases of the pension level (the average pension decreased from 77% of the average wage in 1999 to 66% in 2007). Firms who hire a 55+ unemployed person receive reimbursement of their employers' contributions. In general, Slovenia can learn a lot from Finland on how to invest in human capital and potential of older people. But Slovenia has many older people without sufficient skills and competences. In 2006-07, the ministry of Labour, Family, and Social Affairs elaborated a national Active ageing strategy and a Strategy for the Welfare of Elderly (negotiated with the ZDUS, the organisation of Slovenian pensioners).

Comments from AGE (the European Older People's platform). The Finnish integrated approach to active ageing is not easily transposable as it needs an important social consensus, a favourable labour market situation, in a homogeneous population. Employment focused active ageing policies can hurt the most vulnerable. Social protection systems need to be adapted to enable older workers to remain at work longer but this should not be done by cutting pension rights and limiting unemployment benefits for the long term unemployed. It is important to ensure that jobs are available to older workers before adopting incentives to encourage them to seek employment. The reforms aiming to postpone the retirement age should take into account that the age at which people entered the labour market, the total number of years worked and the nature of their work strongly influence their capacity and willingness to continue to work. What is needed to raise the employment rate of older workers is the introduction of more work flexibility, high quality working conditions which help workers to maintain their physical and mental health, skills development through life-long learning and the promotion of a positive approach among employers to older workers. Real gains are to be made not by forcing people to wait longer (often in unemployment) before receiving their pensions, but in enabling people to work productively as long as they wish and then move into a productive and active retirement period.

The example of Finland should convince other Member States of the need to run information campaigns to convince employers of the need to change their attitude toward older workers and to stop discriminating against them. Combating age-based discrimination in the workforce must become at the heart of Member States' employment strategies.

'Active ageing' must be broader than only employment issues and the objective of getting older people to work longer. Member States should encompass the promotion of healthy ageing; support activities such as volunteering, political commitment and civil participation; and the facilitation of a full and active participation of older people in all areas of the society.

The peer reviewers discussed the lessons to be learnt from the Finnish experience and its transferability. Among the key points:

- Active ageing is first and foremost a form of social inclusion. While it has an important part to play in ensuring the sustainability of pension systems, healthcare and social protection, it is about much more than that.
- Finnish active ageing strategies are based on a consensual social model and a strong social protection system which have taken decades to build. They are therefore not immediately transferable to all peer countries.
- The Finnish approach is firmly rooted in consensus. The situation in Denmark and the Netherlands is rather similar, but in the other countries social policy is the subject of more controversial debate. This limits the transferability of the Finnish model. However, in all peer countries, there is an increasing awareness of the need to tackle the issues raised by the ageing of the population. Some countries have stimulated that awareness by organizing roundtables or establishing committees. A social consensus is necessary for mobilizing social partners on *active ageing* strategy: the reform must be negotiated and accepted by the workers unions. Workers must be given guarantees about the level of their pensions if they are to accept the postponement of their retirement age. So more resources will need to be allocated to pensions in the future. Great care must be taken to ensure that pensions' reform does not increase the poverty rate.
- An active ageing programme is a way of reaching consensus. In Finland, this consensus was built by the administration, which launched a major active ageing programme, and to influence the climate of opinion in the trade unions, the employers' organisations and the public at large. This led to an acceptance of reform. So, the active ageing programme should be launched before a pension reform.
- It is difficult to transfer the Finnish experience in countries suffering from a lack of labour demand. Older workers' employment is part of global employment issues. Some countries have a shortage of skilled labour (Finland, Romania). There should therefore be incentives for retired people to come back into the labour market.
- Peer reviewers felt that the contact and coordination between ministries and between social partners in Finland on the question of active ageing could usefully be emulated in other countries. Some peer reviewers wondered whether the multiplicity of programmes within the Finnish model is a positive thing. The Finnish participants pointed out that the present multiplicity is a sign that various ministries, agencies and insurers all take a strong interest in the active ageing strategies and feel ownership of them. It also reflects a consensus and promotes communication and coordination. However, it is not yet known to what extent this multiplicity will be maintained in the future.

- There is a need for greater awareness of active ageing strategies, on the part of both employers and employees. Information campaigns are required, in order to draw their attention to the need for longer working lives and to the ways of achieving this. Too often a person who has reached pensionable, or even early retirement age, is considered to be “elderly”.
- The legislation against age discrimination is important to influence employers’ attitudes and behaviours.
- Active ageing strategy (campaigns, pro-active measures, social mobilization to improve working conditions, vocational training and careers evolution) is more efficient than financial incentives targeted on older workers, although financial incentives have a part to play in promoting active ageing.
- There should be some form of recognition of employers who make a particular effort to accommodate the needs of older workers. This could be through the awarding of certificates, perhaps by ministries, to employers who engage in good practice.
- The SMEs have an important role to play in absorbing unemployed people who are currently remote from the labour market. Stimulating employment by SMEs should therefore be a particular focus of labour market policy.
- The Finnish model focuses on the improvement of working conditions, and more particularly on occupational health and safety, as a way of helping people to work longer.
- Vocational Training and Lifelong learning is needed to help workers in general and older workers adjust to changes in the labour market.
- The Finnish strategy combines individual attention with a holistic, integrated approach. This formula should be applied in other countries. The Finnish strategy is a way of reassuring workers that they will not be left alone to face the social and economic consequences of ageing.

The peers reviewers pointed out some pitfalls of the Finnish strategy of “active ageing”.

- The Finnish program did not polarize on the issue of the career of blue-collar worker in physically demanding jobs. Should we maintain early retirement for them? Should their company organize career developments within the firm by internal training? Should we arrange their evolution to other sectors?
- The Finnish active ageing strategy does not address the issue of long-term unemployment; Finland succeeds more in keeping older workers in their companies than in re-integrating unemployed older people. A more individualised, holistic approach to activation is needed in many countries. Self-help groups of older workers or unemployed people should be promoted, through financial support but by shifting more responsibility towards the groups themselves.
- Over the past decade, the poverty rate has dramatically increased among the more than 65 years people: from 12% in 1996 to 22% in 2006. The countries that undertake pension reforms should ensure that poverty rate does not increase among the elderly.

- The social inclusion of retired people should be an important part of active ageing. Finnish pension associations are generally not very active. The tri-partite thinking concentrates on labour market issues. Finnish older people are not massively involved either in civil, social or political actions. It is a pitfall Older peoples appear more as the objects of the policy than as actors.

Part E. Conclusions and lessons learnt

The Finnish ageing programme could be considered as a success story. The programme paved the way for reforms of early retirement and pension systems which were implemented in cooperation with social partners without social crisis. The ageing workers' employment rate has risen faster in Finland than in any other Member State. However, it is not easy, in this success, to disentangle the effect of economic growth, of pre-retirement reform and of the active ageing strategy. No precise evaluation has been undertaken.

The Finnish experience shows the need for a global mobilisation of the Society, firms and workers to reverse the trend towards early retirement and to develop a strategy enabling ageing workers to remain at work.

The Finnish strategy focused on workers' health, maintenance of working ability and improvement of working conditions. But the programmes seem to have been less concerned with issues such as vocational training and adaptation to new technologies.

In many countries, the relationship between pay and productivity will need to be addressed. Seniority provisions mean that employers regard older workers as too expensive. The seniority element in pay may need to be decreased if older workers are to stand a chance of being hired. Employers' social security contributions for older workers may also have to be reduced.

This Peer Review had put a great emphasis on the mental and physical well-being of older people at work and on the personal aspects of working longer. Early retirement is expensive, and the possibility of retiring earlier from the labour market tends to divert people's attention from the other possible options. But of course, early retirement can also increase the flexibility of the whole system. Member States should put money into training these people rather than paying for them to retire.

Regarding the coexistence of disability benefits, retirement pensions and early retirement, each country has its own solution. Some have chosen to postpone the statutory retirement age. Some have abolished the early retirement system. It must be accepted that some people will have to stop working before the statutory age. So there will be a need to maintain early retirement for some categories of manual workers and for others who would have difficulty in working longer. The Finnish programmes do little about the issue of inequality of workers in the event of longer careers. It is difficult for blue-collar workers to work after 60 whereas it is easier for white-collars and executives, who have a longer life expectancy. The reforms run the risk of exacerbating inequalities.

Finnish pension associations are generally not very active. The tri-partite thinking concentrates on labour market issues. Finnish older people are not massively involved either in civil, social or political actions. It is a pitfall of the Finnish strategy of "active ageing". Older peoples appear more as the objects of the policy than as actors.

The Finnish model cannot simply be taken and implemented in other societies, but most aspects of it are useful. These include the holistic approach, the broad social consensus and the close interaction between the institutions involved.

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