Age and Productivity: the Economic Activity of people aged 50

Ageing Society in Europe and UK: Employment and Policy Challenges

London, 15th September 2014

Maciej Lis
Productivity is not the main cause of decision to retire

- Working life is a fraction of lifespan.
- Dropping employment rates with age is not driven by decrease in productivity.
- Mobility, lifelong learning and employers’ policies work.
Working life is a fraction of lifespan

Source: Eurostat data
Clusters of EU Countries in terms of Age-Employment Patterns

1. Employment by Age
2. Productivity-Age-Employment
3. Mobility, lifelong learning, policies

The graph shows clusters of EU countries based on employment patterns across different age groups. The clusters are labeled as:

- High-long employment
- High-short employment
- Low-short employment
- Low-long employment

The y-axis represents the employment rate, and the x-axis represents age.
? Drop in Employment = Rise in Productivity?
Productivity Drops with Age?

Source: Ruzik-Sierdzińska, Lis et al. (2013), based on EU-SILC.

1. Employment by Age
2. Productivity-Age-Employment
3. Mobility, lifelong learning, policies

Graph showing productivity trends by age with and without factoring out individual characteristics.
• Pension systems are the main determinant of the length of labour market activity.

• The main challenge is in keeping on the market those with lower productivity.

• There is a mild drop in productivity with age from about 60.
Long labour market activity requires changing jobs, especially after age of 45

1. Employment by Age
2. Productivity-Age-Employment
3. Mobility, lifelong learning, policies
Employees need to be satisfied by their job to work longer.

Economically inactive pensioners aged 50-69 who would have wished to stay longer in employment.

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-short</td>
<td>20</td>
</tr>
<tr>
<td>High-long</td>
<td>35</td>
</tr>
<tr>
<td>Low-long</td>
<td>35</td>
</tr>
<tr>
<td>High-short</td>
<td>30</td>
</tr>
</tbody>
</table>

1. Employment by Age
2. Productivity - Age - Employment
3. Mobility, lifelong learning, policies
Lifelong learning helps to stay at employment (Belloni and Villosio estimates)

Training leads to higher employment and productivity.

Wages of 50+ participants in LLL increase by 6.5 per cent.

Returns to LLL are higher in continental and southern countries than in northern countries.
The majority of European employers do not engage in HR strategies which promote active ageing in the labour market.

Firms with seniority-based compensation, and operating in the public sector more often use age-management strategies.
Firms organize their personnel policies in relation to older workers according to 3 strategies:

- a focus on exit through retirement,
- accommodation, i.e. actions and measures to compensate for the possible decline in physical and cognitive capacities with ageing,
- development, i.e. measures to increase the productive capacity of older workers.
Thank you for your attention

maciej.lis@ibs.org.pl