

# No service for old men? Public employment services for older workers in a comparison between Denmark and Poland

POLICY BRIEF  
2021:07

BALTIC SEA LABOUR FORUM  
FOR SUSTAINABLE WORKING LIFE



## SUMMARY

Prolonging working life is linked to the sustainability of public finances, economic growth and not the least, social cohesion. However, institutional incentives to leave the labour market early remain high. Here, we look at the effects of economic downturns on older workers' choice to leave the labour market and we compare the effects of two pre-retirement schemes in Denmark and Poland. An analysis of public employment services for persons who wish to work beyond official retirement age in these two countries leads to the conclusion that this age group is neglected. Our recommendation is that public employment services should be available to everyone, regardless of age and eligibility.

## Premature retirement is an attractive alternative to being unemployed for older workers during an economic downturn

EU strategies emphasise the need for a permanent increase in the labour market participation of the older population. In the last 15 years, progress towards this objective in the age group 55-64 has been significant: the labour force participation rate increased by 19,6 percentage points in the EU in this age group between 2004 and 2019 (Eurostat). However, many institutional incentives that encourage older workers to leave the labour market, including low pension age, occupational schemes and pre-retirement benefits remain attractive to older workers.

### 'Inactive' versus 'active' – explanation of key concepts

The International Labour Organisation distinguishes between people inside the labour force (active) and people outside the labour force (inactive).

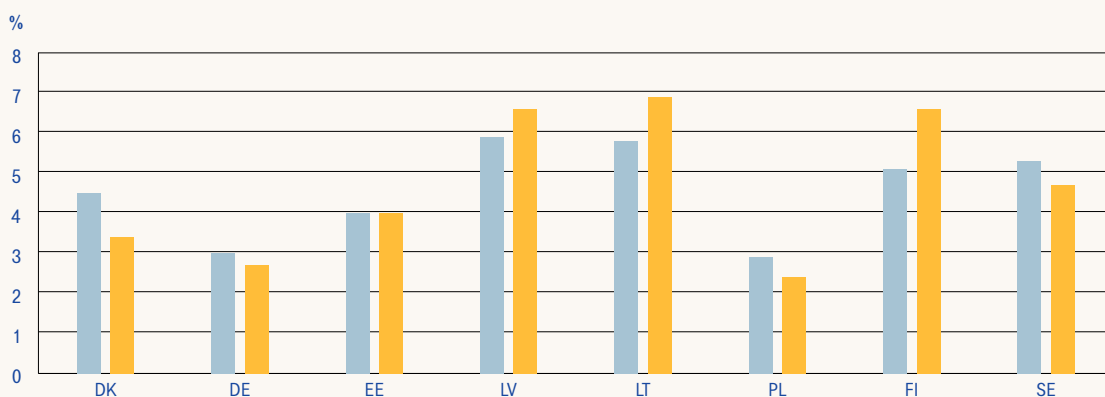
**The active population:** employed persons and unemployed persons who are available to take up employment and actively look for a job.

**The inactive population:** students, pensioners (sickness and older age), discouraged ex-unemployed who no longer look for jobs.

These institutional incentives to leave the labour market turn retirement into a counter-cyclical social policy tool: when the demand for workers increases during an economic expansion, individuals are attracted to the labour market by a wide range of offers and increasing wages. However, when an economic downturn occurs, many older individuals become full-time retirees instead of risking unemployment. Moreover, there is social approval of this mechanism based on the false assumption that older workers are no longer competing with younger colleagues, who are perceived to be needing these jobs more.

Unemployment rates among the older population in the Baltic Sea Region (BSR) countries are low - close to the levels for the prime-age population (Figure 1).

Figure 1. Unemployment rates by age group, 2019



Source: Eurostat

● 25-54 ● 55-64

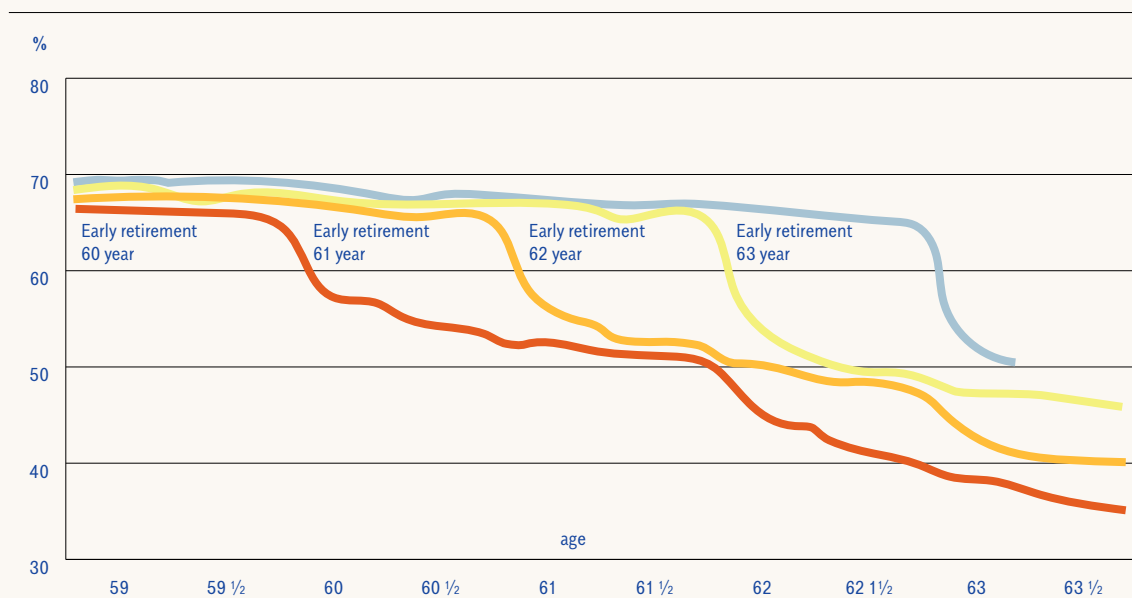
## Availability of pre-retirement benefits is surprisingly high

Both Denmark and Poland allow for some forms of early retirement. Two examples are the voluntary early retirement scheme (*efterløn*) in Denmark and a pre-retirement benefit (*zasilek przedemerytalny*) in Poland. It may be argued that the increase in inactivity rates is largely driven by access to this kind of schemes.

*Efterløn* is a scheme dedicated to healthy older persons who are able to work, but who voluntarily - without health problems - choose early retirement. It is available for individuals three years before reaching retirement age, which is 65 in Denmark (previously five years). The main conditions for being entitled to this scheme are payment to the early retirement scheme for 30 years and being able to work (either in employment or unemployed actively seeking job). Apart from *efterløn*, there are various other schemes for older workers with health problems or lowered employment ability. In total, approx. 40 percent of the Danes aged 60-64 are on some kind of public benefit.

The early retirement scheme was reformed in 2011, including, among other things, a gradual increase in the eligibility age for the scheme from 60 to 63. A natural consequence of this shift was an increase in the employment rate among age groups that are no longer eligible for early retirement. For example, when the minimal age of eligibility for the *efterløn* scheme was 60, the employment rate of Danes aged 61 was 53 percent. By 2019 the respective share increased to 68 percent, mainly due to the upward shift in the minimal age of eligibility (Figure 2).

**Figure 2. Employment rate of Danish employees by age group with different early retirement ages, 2016-2019**



Source: Own calculations based on the Danish Ministry of Finance (Finansministeriet).

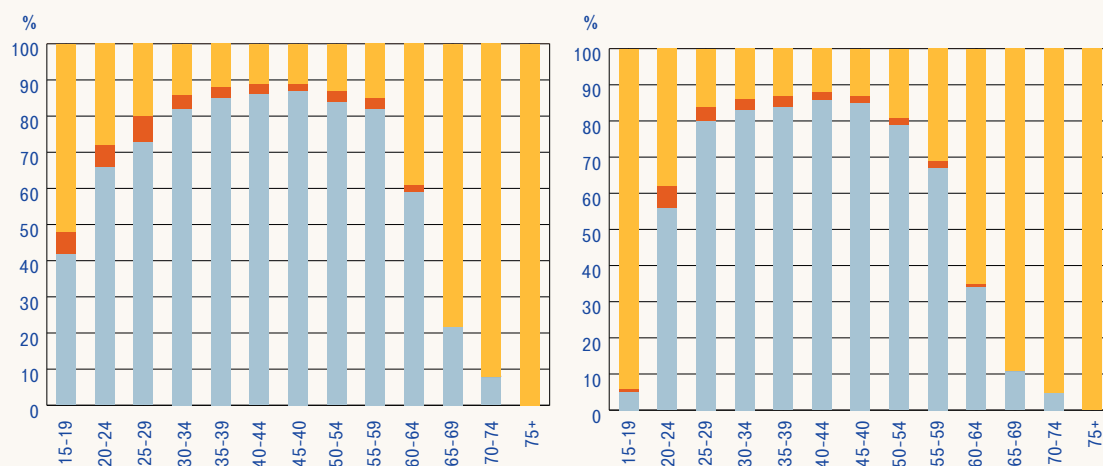
By contrast, Polish *zasilek przedemerytalny* is dedicated to those who have lost their livelihood and due to their age may struggle with finding a new job. This pre-retirement scheme is available even five years before reaching regular retirement age, which is 65 years for men and 60 years for women in Poland. The major requirement for being eligible to this scheme is a sufficient insurance period - in most favorable cases 25 years for men and 20 for women.

## Eligibility rules usually exclude pensioners from support from Public Employment Services

Even BSR countries with significantly different labour markets, such as Denmark and Poland, share a similar problem: inactivity among individuals aged 60+ remains high (Figure 3). Regardless of the reasons, it is clear that increasing the activity levels of the older population would be beneficial for individuals (pension wealth,

social activity), companies (easing potential labour market deficits) and the whole economy (sustainable budgets). Thus, supporting individual decisions to remain in the labour market through institutional means would, after reducing disincentives, be a significant step towards higher activity rates.

**Figure 3. Labour status of population by age group, 2019**



Source: Labour Force Survey, Eurostat

● Employed ● Unemployed ● Inactive

However, it turns out that matching between employees and employers is no longer supported with active measures by public employment services (PES) once the job seeker reaches retirement age (Table 1). Despite an overall positive attitude towards active ageing and well-developed and permanently maintained PES in both Poland and Denmark, no institutional support is thus provided for persons beyond retirement age. This means that only the most determined and knowledgeable individuals will find jobs, while for others the matching process will become a barrier to labour market participation. This is puzzling, as a successful matching between employees and employers is a very cost-effective tool that fits the needs and expectations of older workers well.

**Table 1. Availability of support from PES**

Criteria for receiving support from PES	Denmark	Poland
Nature of unemployment	Voluntary and involuntary	Involuntary only
Employment status	Not working	Without work or earnings from work
Age	18 years - retirement age	18 years - retirement age
Other limitations	PES/job centres can provide assistance to retirees, but they are not obligated by law to provide active measures for retirees who are seeking jobs	The job seeker should not be entitled to pension; not receiving rehabilitation, sickness, maternity or child raising allowance
Seeking employment	Actively seeking employment and co-operating with the employment office to build up an individual action plan	Activations measures are introduced
Registered	Registered as a job seeker and available to the employment services	To be registered with the employment agency
Ability to work required	Yes	Yes, full-time

Source: Mutual Information System on Social Protection (MISSOC), 2019

Compared to Denmark, Polish public support for the unemployed is stricter. Besides the age criterion, support is only granted when the individual is not entitled to old-age pension nor any other similar allowance, when she is no longer working (no pre-emptive actions), has become jobless involuntarily and is available to

work on a full-time basis. Especially the last criterion is not adjusted to the needs of older individuals, many of whom prefer to work part-time due to health reasons, work-life balance or personal preferences.

## Driven by high labour demand, PES introduced services dedicated to older workers in Poland

In 2017-2019, Polish urban areas were struggling with labour market deficits. In response to these deficits and to meet the financial preferences of employers when hiring older persons (lower labour cost and favourable health insurance financing), employment services dedicated to older workers were introduced. These services are mainly affiliated to public employment offices - both in the largest cities of Poland (Warszawa, Gdańsk, Szczecin) and smaller towns (Opole, Nysa, Tychy, Głogów).

One of these centres for providing services to older job seekers is Nysa (southern-western Poland) with its pilot programme *Older in the labour market - Nysa powiat* which started in August 2019. Through the programme employers are encouraged to hire older workers by their virtues and financial benefits. The programme is designed for individuals aged 60 and above, who are eligible for (old-age) pension, are registered in the employment office and interested in employment. Older job seekers are offered one-stop-shop with individual consultancy, counselling (incl. coaching and workshops) and job placement (incl. dedicated fairs). While the services offered vary geographically (e.g. trainings, tickets for public transport, or even cash benefits for prolonged work), the conditions for being eligible to participate in the programme are quite similar. In some cases, the condition is that the job seeker must accept jobs with a duration of at least 12 months.

However, analyses from Warsaw's *Elders' career office* and Gdańsk's *Elders' work centre* suggest that by allowing for part-time job offers, which are rare in Poland, as well as non-labour-code contracts, the pool of job offers was not of the same standards as that of the regular employment offices. The published offers rarely exceed the minimum wage (Gdańsk) or referred to low paid jobs. In case of Głogów the *elder's service centre* is by default geared toward short-term jobs. In order to avoid this segmentation, it would therefore be of importance to include job offers of all sorts, including high-paid and longer-term jobs.

## Policy implications

- Support from PES should be available to everyone looking for a job - regardless of age and eligibility. By contacting PES while being eligible for other sources of income, the individual shows his/her interest in labour market participation. On the other hand, PES has accumulated a unique know-how to support the job seeker, and making older persons eligible to its services reduces the transactional cost of the labour search.
- Denying access to PES services while maintaining early retirement schemes leads to the pushing out of potential older candidates from the labour market.
- PES should consider the specific needs of older unemployed persons, in particular the fact they might not be interested in a full-time job.
- Pilot projects, such as the programmes for older workers in Poland, can provide labour offices with useful experience. However, separating older workers from others may lead to a negative selection of job offers.
- PES should focus on clarifying competences and experiences for older workers, while also supporting initiatives related to skills and competence development through for example adult learning opportunities.

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This policy brief is part of a series of policy briefs written for the project **BSLF for Sustainable Working Life** (BSLF-SWL) which is funded by the European Social Fund and Swedish Institute. The project addresses the demographic challenge in the BSR - i.e. an ageing population, low fertility rates and a shrinking labour force - by focussing on the working population in the age group 55+ and efforts to prolong working life through Active Ageing and Lifelong Learning. The overarching aim of the project is to support the improvement of working conditions and lifelong learning provisions, systems and policies for the older labour force in order to promote active ageing and employability.

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Layout, illustration & typesetting: **Podpunkt**