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An international comparison of the employment situation among older people: “Germany has caught up considerably”

19. July 2024 | Christiane Keitel, Jutta Winters, Martin Schludi

In many developed countries the baby boomers are gradually reaching retirement age. This creates challenges for both labour supply and pension systems. At the same time, it is not a given that older people will remain available to the labour market for longer. In a new report, IAB Vice Director Ulrich Walwei sheds light on how Germany compares on this issue internationally. The editors of the IAB-Forum asked him about his findings.

How does Germany compare internationally when it comes to the employment of older people?

Firstly, we’re seeing a significant rise in the employment rates among older people in all age groups over 50 in Germany. They’re clearly the winners of the country’s upturn in employment. This is reflected when you compare Germany with other countries, too: it has caught up considerably –

though not to the same extent for all age groups. While Germany is closing in on the international leaders for the 50 to 64s, this isn't the case for the over-65s. In the latter, Germany is still well below the OECD average.

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Professor Dr. Ulrich Walwei is
Vice Director of the IAB.

What are other countries doing better?

There's no single reason for older people participating more in the labour market. If we look at the European leaders in terms of employment rates among older people – namely Iceland, Sweden and Norway – there are two factors that stand out. Firstly, you have a large labour force participation of women, increasing the probability that women have more of a presence in the labour market at old age. Secondly, the Scandinavian countries offer a sound school education, a high level of qualification overall and an emphasis on further training. This results in better employment opportunities for all workers in old age. If we look at the non-European frontrunners such as Japan and New Zealand, other factors are important. In both these countries, the ability to work in old age closes gaps in pension provision. But in Japan there's also a high demand for such workers in the economy in general because the country has very little immigration. In New Zealand there's even talk of "The Great Unretirement": here there's only a small pay gap between older and younger employees and surprisingly high recruitment rates for older employees, reflecting a consistent anti-discrimination policy that has clear public visibility.

> I would definitely focus on preventive measures.

What specific measures do you consider to be particularly urgent in Germany?

I would definitely focus on preventive measures here. A lack of education and training has to be avoided as far as possible, and health provision needs to be expanded. It's also vital to further improve the general conditions for employing parents and carers so that women in particular can reduce part-time phases and gaps in their working lives.

> The option of early retirement deprives the labour market of a lot of skilled workers.

One particularly controversial issue here in Germany is the reduction-free pension for long-term insured persons aged 63. If this were to be done away with, how would that impact on the actual retirement age?

If there were not such an exemption of the official retirement age, people would actually retire later, although it can be assumed that some would still retire earlier with deductions if they were eligible to do so. Also, the impact should not be overrated because the age at which this option can be used is now above 64 years and will rise further and because academics don't even accumulate the required 45 years of insurance within the current age range. However, this option of early retirement is a particular problem because it deprives the labour market of a lot of skilled workers who are obviously not dependent on retiring at this age. This is the case because the current scheme is frequently used by workers who are actually in good health and have office jobs without harsh working conditions.

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